



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

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

Stock Code : 6122

2019

Annual Report

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



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Chairman's Statement



Mr. Gao Bing
Chairman of Board of Directors

Chairman's Statement

2019 marked the 70th anniversary of the establishment of New China and the beginning of the Bank's new ten-year development strategy. In view of the challenging international and domestic economic and financial situation and the external environment with intensifying competition, the Bank maintained its strategies by responding proactively to the national policies, complying with regulatory requirements and coordinating and promoting structural reform, risk prevention, management enhancement and transformation. The "Four in One Mechanism", which integrates finance for three rurals, community finance, cooperation platform and charity works, has been effectively implemented and our operating results began turn around to an upward development trend.

In the past year, we strengthened our foundation, and enhanced our corporate governance and refined our organisation structure under guidance of the party committee. The efficiency of our management system significantly improved after transformation and reform. We adhered to our positioning and further focused on our principal business of credit by allocating more financial resources to private enterprises and micro-, small- and medium-sized enterprises and three rurals. The quality and efficiency of our services in traditional business improved. We kept abreast of the latest development and proactively adjust the allocation of our assets, liabilities and revenue in accordance with government policies, regulatory requirements and our strategies. Our business structure gradually improved while maintaining stability. We prudently strengthened our capital management in an all-round way and improved our internal control system. Various regulatory indicators remained stable and were in compliance with the applicable regulations. With effective risk control, our business operation has been further consolidated. We fulfilled our social responsibilities by organizing charity activities and taking initiatives to participate in poverty alleviation to implement the targeted financial poverty alleviation in various aspects. In 2019, during the acceleration of our transformation and quality development, we have implemented the "Jiushang Practices (九商實踐)" and the "Jiushang Responsibilities (九商擔當)", and demonstrated the "Jiushang Value (九商價值)". According to the financial statements prepared under the IFRS, as at the end of 2019, the Group's total assets amounted to RMB173,276 million, total deposits from customers amounted to RMB122,840 million, total loans and advances to customers amounted to RMB96,104 million, and net profit reached RMB1,196 million. The Bank was successively honoured the "Three Rurals Financial Service Bank with Excellent Competitiveness in 2019 (2019卓越競爭力三農金融服務銀行)", "Bank for Inclusive Financial Services in 2019 (2019普惠金融業務銀行)" and "Banking Institution for Targeted Poverty Alleviation in 2019 (2019年度金準扶貧銀行機構)".

The Bank's fruitful achievements in 2019 were largely attributable to the trust of customers, confidence of investors, guidance of the government and regulatory authorities as well as the dedication and hard work of all employees. On behalf of the Board, I would like to express our sincere gratitude to all parties.

2020 will be the final year for the completion of well-off society and the 13th Five-Year Plan. In this year, we will adhere to the guidance of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era. Based on the general principle of seeking progress while maintaining stability and the "Four in One Mechanism" and with an aim of serving the real economy, we will focus on the adjustment and optimization of our operational structure, acceleration of transformation and development, and effective prevention and control of financial risks. We will continue to emphasize on our principal businesses and reform and strengthen our existing business for a better growth. By unifying scale of business and its efficiency, coordinating growth and quality and matching revenue with risks, we will strive to establish ourselves as a modernized and well-branded first-class rural commercial bank in China.

Mr. Gao Bing

Chairman of the Board of Directors

President's Statement



Mr. Liang Xiangmin
President

President's Statement

In 2019, with strong support of all shareholders, the management of the Bank duly executed the resolutions adopted by the Board and were voluntarily under the supervision of the Board of Supervisors. The Bank spared no effort in the development of its “Four in One Mechanism”, which integrates finance for three rurals, community finance, cooperation platform and charity works. The Bank also accelerated its transformation and quality development, and maintained stable and advancing development momentum for all aspects of its operations.

Major indicators were good in general. According to the financial statements prepared under the IFRS, as at the end of 2019, the Bank's total assets amounted to RMB124,787 million, total deposits from customers amounted to RMB77,852 million, total loans and advances to customers amounted to RMB64,239 million, and net profit reached RMB946 million. The quality and efficiency of services for the real economy improved. Adhering to its traditional values and positioning to support agricultural and small enterprises, the Bank increased the provision of loans through product innovation and mechanism enhancement, and provided enormous supports to private enterprises, micro-, small- and medium-sized enterprises and three rurals. Business transformation saw remarkable results. The Bank adopted various regulatory policies and downsized interbank business, which further optimized its asset and liability structure and improved transformation momentum. Risk management and control were strengthened. The Bank continuously improved its systems and procedures as well as the comprehensive risk management system. The Bank further rectified market chaos by strengthening the management of its credit risks, liquidity risks, market risks, operation risks and reputation risks. The compliance of all regulatory indicators were satisfactory, which further consolidated safe and prudent operation. The Bank expanded external cooperation. Partnership with enterprises, schools, hospitals and banks was intensified in terms of depth, breadth and contribution, which further strengthened the business foundation of the Bank. Brand image continued to improve. The Bank voluntarily performed its social responsibilities by investing financial resources in targeted poverty alleviation and organizing charity activities to support education, the elderly and disabled, which further improved its social reputation and influence.

Our achievements would be impossible without solid support of shareholders, investors and various sectors of the society, scientific decision-making of the Board, effective supervision of the Board of Supervisors, and effort and contribution of cadres and employees. On behalf of management, I would like to express my sincerest gratitude towards them.

2020 is a crucial year for the transformation and upgrade of the Bank. The management will duly execute decisions and plans of the Board. Through organized development of its “Four in One Mechanism”, the Bank will intensify its services for urban and rural residents, steadily expand businesses and devote itself to targeted poverty alleviation. As a leading local rural financial institution, the Bank will make efforts to support supply-side structural reform, and to increase the availability of financial services for three rurals, private enterprises, and micro-, small- and medium-sized enterprises. With an aim to providing inclusive financial services, the Bank will make more contributions for the development of the real economy and regional economy.

Mr. Liang Xiangmin

President

Chapter 1 Definitions and Glossary

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

“Anci District Huimin Village and Township Bank”	Huimin Village Bank Company Limited of Anci, Langfang (廊坊市安次區惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 6, 2011, in which the Bank holds a 51.00% equity interest. The remaining 62 shareholders hold 49.00% equity interest in Anci District Huimin Village and Township Bank
“Anping Huimin Village and Township Bank”	Anping Huimin Village Bank Co., Ltd. (安平惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 24, 2013, in which the Bank holds a 28.17% equity interest. The remaining 82 shareholders hold 71.83% equity interest in Anping Huimin Village and Township Bank. The Bank and 4 other shareholders (holding an aggregate of 28.55% equity interest in Anping Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Anping Huimin Village and Township Bank. Anping Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Articles of Association”	the articles of association of the Bank
“Baicheng Taobei Huimin Village and Township Bank”	Baicheng Taobei Huimin Village Bank Co., Ltd. (白城洮北惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on November 23, 2015, in which the Bank holds a 49.00% equity interest. The remaining 14 shareholders hold 51.00% equity interest in Baicheng Taobei Huimin Village and Township Bank. The Bank and 6 other shareholders (holding an aggregate of 18.00% equity interest in Baicheng Taobei Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Baicheng Taobei Huimin Village and Township Bank. Baicheng Taobei Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Bank”	Jilin Jiutai Rural Commercial Bank Corporation Limited, a joint stock company incorporated in the PRC on December 16, 2008 with limited liability in accordance with PRC laws, including its predecessors, but excluding its subsidiaries

Chapter 1 Definitions and Glossary

“Board” or “Board of Directors”	the board of directors of the Bank
“Board of Supervisors”	the board of supervisors of the Bank
“CBIRC”	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“CBIRC Jilin Bureau”	the China Banking and Insurance Regulatory Commission Jilin Bureau (中國銀行保險監督管理委員會吉林監管局)
“Changbai Mountain Rural Commercial Bank”	Changbai Mountain Rural Commercial Bank Co., Ltd. (長白山農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 14, 2011, in which the Bank holds a 38.80% equity interest. The other 21 shareholders hold 61.20% equity interest in Changbai Mountain Rural Commercial Bank.
“Changchun Gaoxin Huimin Village and Township Bank”	Changchun Gaoxin Huimin Village Bank Co., Ltd. (長春高新惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on September 24, 2013, in which the Bank holds a 50.00% equity interest. The remaining 7 shareholders hold 50.00% equity interest in Changchun Gaoxin Huimin Village and Township Bank. The Bank and another shareholder (holding 10.00% equity interest in Changchun Gaoxin Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Changchun Gaoxin Huimin Village and Township Bank. Changchun Gaoxin Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Changchun Nanguan Huimin Village and Township Bank”	Changchun Nanguan Hui Min Village Bank Co., Ltd. (長春南關惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on January 11, 2011, in which the Bank holds a 51.20% equity interest. The remaining 34 shareholders hold 48.80% equity interest in Changchun Nanguan Huimin Village and Township Bank

Chapter 1 Definitions and Glossary

“Da’an Huimin Village and Township Bank”	Da’an Huimin Village Bank Co., Ltd. (大安惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on January 26, 2011, in which the Bank holds a 51.46% equity interest. The remaining 12 shareholders hold 48.54% equity interest in Da’an Huimin Village and Township Bank
“Director(s)”	the director(s) of the Bank
“Domestic Shares”	ordinary shares issued by the Bank in the PRC, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi
“Four Rural Commercial Banks”	Changbai Mountain Rural Commercial Bank, Jilin Chuncheng Rural Commercial Bank, Jilin Dehui Rural Commercial Bank and Jilin Gongzhuling Rural Commercial Bank
“Fuyu Huimin Village and Township Bank”	Fuyu Huimin Village Bank Co., Ltd. (扶餘惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 14, 2015, in which the Bank holds a 49.00% equity interest. The remaining 15 shareholders hold 51.00% equity interest in Fuyu Huimin Village and Township Bank. The Bank and 2 other shareholders (holding an aggregate of 3.00% equity interest in Fuyu Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Fuyu Huimin Village and Township Bank. Fuyu Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Gaomi Huimin Village and Township Bank”	Gaomi Huimin Village and Township Bank Co., Ltd. (高密惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on May 25, 2011, in which the Bank holds a 56.70% equity interest. The remaining 44 shareholders hold 43.30% equity interest in Gaomi Huimin Village and Township Bank
“Group”	the Bank and its consolidated subsidiaries

Chapter 1 Definitions and Glossary

“Guangzhou Huangpu Huimin Village and Township Bank”	Guangzhou Huangpu Huimin Village and Township Bank Co., Ltd. (廣州黃埔惠民村鎮銀行股份有限公司) (formerly known as Guangzhou Luogang Huimin Village Bank Co., Ltd. 廣州蘿崗惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on February 7, 2014, in which the Bank holds a 51.00% equity interest. The remaining 6 shareholders hold 49.00% equity interest in Guangzhou Huangpu Huimin Village and Township Bank
“H Shares”	the ordinary shares issued by the Bank in Hong Kong with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars
“Hanshan Huimin Village and Township Bank”	Hanshan Huimin Town Bank Co., Ltd. (含山惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on December 30, 2010, in which the Bank holds a 78.51% equity interest. The remaining 33 shareholders hold 21.49% equity interest in Hanshan Huimin Village and Township Bank
“Heyang Huimin Village and Township Bank”	Heyang Huimin Village Bank Co., Ltd. (合陽惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 16, 2013, in which the Bank holds a 38.25% equity interest. The remaining 14 shareholders hold 61.75% equity interest in Heyang Huimin Village and Township Bank. The Bank and 2 other shareholders (holding an aggregate of 17.38% equity interest in Heyang Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Heyang Huimin Village and Township Bank. Heyang Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“HK\$” or “HK dollars”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as may be amended, supplemented or otherwise modified from time to time

Chapter 1 Definitions and Glossary

“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huadian Huimin Village and Township Bank”	Huadian Huimin Village Bank Co., Ltd. (樺甸惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on October 29, 2013, in which the Bank holds a 51.00% equity interest. The remaining 18 shareholders hold 49.00% equity interest in Huadian Huimin Village and Township Bank
“Huidong Huimin Village and Township Bank”	Huidong Huimin Village Bank Co., Ltd. (惠東惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on November 21, 2014, in which the Bank holds a 35.00% equity interest. The remaining 10 shareholders hold 65.00% equity interest in Huidong Huimin Village and Township Bank. The Bank and 3 other shareholders (holding an aggregate of 30.00% equity interest in Huidong Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Huidong Huimin Village and Township Bank. Huidong Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“IFRS”	the International Accounting Standards, International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
“Jilin Chuanying Huimin Village and Township Bank”	Jilin Chuanying Huimin Village Bank Co., Ltd. (吉林船營惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 21, 2016, in which the Bank holds a 46.00% equity interest. The remaining 26 shareholders hold 54.00% equity interest in Jilin Chuanying Huimin Village and Township Bank. The Bank and another shareholder (holding 5.00% equity interest in Jilin Chuanying Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Jilin Chuanying Huimin Village and Township Bank. Jilin Chuanying Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary

Chapter 1 Definitions and Glossary

“Jilin Chuncheng Rural Commercial Bank”	Jilin Chuncheng Rural Commercial Bank Co., Ltd. (吉林春城農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on October 12, 2015, in which the Bank holds a 30.00% equity interest. The remaining 28 shareholders hold 70.00% equity interest in Jilin Chuncheng Rural Commercial Bank
“Jilin Dehui Rural Commercial Bank”	Jilin Dehui Rural Commercial Bank Co., Ltd. (吉林德惠農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 30, 2013, in which the Bank holds a 9.90% equity interest. The remaining 10 shareholders hold 90.10% equity interest in Jilin Dehui Rural Commercial Bank
“Jilin Fengman Huimin Village and Township Bank”	Jilin Fengman Huimin Village Bank Co., Ltd. (吉林豐滿惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 16, 2013, in which the Bank holds a 46.00% equity interest. The remaining 16 shareholders hold 54.00% equity interest in Jilin Fengman Huimin Village and Township Bank. The Bank and 2 other shareholders (holding an aggregate of 5.00% equity interest in Jilin Fengman Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Jilin Fengman Huimin Village and Township Bank. Jilin Fengman Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Jilin Gongzhuling Rural Commercial Bank”	Jilin Gongzhuling Rural Commercial Bank Co., Ltd. (吉林公主嶺農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on October 12, 2015, in which the Bank holds a 30.00% equity interest. The remaining 532 shareholders hold 70.00% equity interest in Jilin Gongzhuling Rural Commercial Bank
“Jilin Jiuyin Financial Leasing”	Jilin Jiuyin Financial Leasing Co., Ltd. (吉林九銀金融租賃股份有限公司), a joint stock company with limited liability incorporated in the PRC on February 20, 2017, in which the Bank holds a 60.00% equity interest. The remaining 4 shareholders hold 40.00% equity interest in Jilin Jiuyin Financial Leasing
“Jingmen Dongbao Huimin Village and Township Bank”	Jingmen Dongbao Huimin Village Bank Co., Ltd. (荊門東寶惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 21, 2011, in which the Bank holds a 51.36% equity interest. The remaining 7 shareholders hold 48.64% equity interest in Jingmen Dongbao Huimin Village and Township Bank
“Latest Practicable Date”	April 16, 2020, being the latest practicable date for ascertaining certain information in this annual report before its publication

Chapter 1 Definitions and Glossary

“Leizhou Huimin Village and Township Bank”	Leizhou Huimin Village Bank Co., Ltd. (雷州惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on March 25, 2015, in which the Bank holds a 17.87% equity interest. The remaining 28 shareholders hold 82.13% equity interest in Leizhou Huimin Village and Township Bank. The Bank and 7 other shareholders (holding an aggregate of 33.82% equity interest in Leizhou Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Leizhou Huimin Village and Township Bank. Leizhou Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Liaoyuan Rural Commercial Bank”	Liaoyuan Rural Commercial Bank Limited Liability Company (遼源農村商業銀行有限責任公司), a company with limited liability incorporated in the PRC on November 15, 2012, and a wholly-owned subsidiary of the Group
“Lingshui Huimin Village and Township Bank”	Lingshui Huimin Village Bank Co., Ltd. (陵水惠民村鎮銀行股份有限公司) (formerly known as Lingshui Dasheng Company Bank Co., Ltd. (陵水大生村鎮銀行股份有限公司)), a joint stock company with limited liability incorporated in the PRC on May 16, 2011, in which the Bank holds a 20.00% equity interest. The remaining 27 shareholders hold 80.00% equity interest in Lingshui Huimin Village and Township Bank. The Bank and 6 other shareholders (holding an aggregate of 32.60% equity interest in Lingshui Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Lingshui Huimin Village and Township Bank. Lingshui Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Listing Date”	January 12, 2017, being the date on which dealing in the H Shares commences on the Hong Kong Stock Exchange
“Lujiang Huimin Village and Township Bank”	Lu Jiang Hui Min Town Bank Co., Ltd. (廬江惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on December 28, 2010, in which the Bank holds a 60.00% equity interest. The remaining 49 shareholders hold 40.00% equity interest in Lujiang Huimin Village and Township Bank
“NPLs” or “non-performing loans”	non-performing loans, and for the purpose of this annual report, means such loans that are classified as substandard, doubtful and loss according to the five-category loans classification system the Bank and each subsidiary adopted pursuant to applicable PRC guidelines

Chapter 1 Definitions and Glossary

“NPL ratio” or “non-performing loan ratio”	the percentage ratio calculated by dividing non-performing loans by total loans
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC” or “China”	the People’s Republic of China, but for the purposes of this annual report, excluding Hong Kong, Macau and Taiwan, unless otherwise indicated
“PRC GAAP”	the PRC Accounting Standards for Business Enterprises (中國企業會計準則) promulgated by the Ministry of Finance of the PRC on February 15, 2006 and its supplementary regulations, as amended, supplemented or otherwise modified from time to time
“Qianan Huimin Village and Township Bank”	Qianan Huimin Village Bank Co., Ltd. (乾安惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on December 28, 2010, in which the Bank holds a 50.67% equity interest. The remaining 20 shareholders hold 49.33% equity interest in Qianan Huimin Village and Township Bank
“Qingdao Jimo Huimin Village and Township Bank”	Qingdao Jimo Huimin Village Bank Co., Ltd. (青島即墨惠民村鎮銀行股份有限公司) (formerly known as Qingdao Jimo Jingdu Village and Township Bank Co., Ltd. (青島即墨京都村鎮銀行股份有限公司)), a joint stock company with limited liability incorporated in the PRC on October 14, 2008, in which the Bank holds a 59.00% equity interest. The remaining 5 shareholders hold 41.00% equity interest in Qingdao Jimo Huimin Village and Township Bank
“Qingdao Pingdu Huimin Village and Township Bank”	Qingdao Pingdu Huimin Village Bank Co., Ltd. (青島平度惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 23, 2010, in which the Bank holds a 58.82% equity interest. The remaining 94 shareholders hold 41.18% equity interest in Qingdao Pingdu Huimin Village and Township Bank

Chapter 1 Definitions and Glossary

“Qingyuan Qingxin Huimin Village and Township Bank”	Qingyuan Qingxin Huimin Village Bank Co., Ltd. (清遠清新惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 23, 2014, in which the Bank holds a 39.23% equity interest. The remaining 13 shareholders hold 60.77% equity interest in Qingyuan Qingxin Huimin Village and Township Bank. The Bank and 2 other shareholders (holding an aggregate of 19.84% equity interest in Qingyuan Qingxin Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Qingyuan Qingxin Huimin Village and Township Bank. Qingyuan Qingxin Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Reporting Period”	from January 1, 2019 to December 31, 2019
“RMB” or “Renminbi”	the lawful currency of the PRC
“Sanya Huimin Village and Township Bank”	Sanya Huimin Village Bank Co., Ltd. (三亞惠民村鎮銀行股份有限公司) (formerly known as Sanya Phoenix County Village and Township Bank Co., Ltd. (三亞鳳凰村鎮銀行股份有限公司)), a joint stock company with limited liability incorporated in the PRC on May 16, 2011, in which the Bank holds a 20.00% equity interest. The remaining 33 shareholders hold 80.00% equity interest in Sanya Huimin Village and Township Bank. The Bank and 10 other shareholders (holding an aggregate of 30.50% equity interest in Sanya Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Sanya Huimin Village and Township Bank. Sanya Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Shares”	ordinary shares in the share capital of the Bank with a nominal value of RMB1.00 each

Chapter 1 Definitions and Glossary

“Shareholder(s)”	holder(s) of the Shares
“Shuangcheng Huimin Village and Township Bank”	Shuangcheng Huimin Village Bank Co., Ltd. (雙城惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on January 25, 2010, in which the Bank holds a 62.26% equity interest. The remaining 28 shareholders hold 37.74% equity interest in Shuangcheng Huimin Village and Township Bank
“Songyuan Ningjiang Huimin Village and Township Bank”	Songyuan Ningjiang Huimin Village Bank Company Limited (松原寧江惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 19, 2011, in which the Bank holds a 40.80% equity interest. The remaining 73 shareholders hold 59.20% equity interest in Songyuan Ningjiang Huimin Village and Township Bank. The Bank and 3 other shareholders (holding an aggregate of 11.07% equity interest in Songyuan Ningjiang Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Songyuan Ningjiang Huimin Village and Township Bank. Songyuan Ningjiang Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Supervisor(s)”	the supervisor(s) of the Bank
“Taonan Huimin Village and Township Bank”	Taonan Huimin Village Bank Co., Ltd. (洮南惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 11, 2015, in which the Bank holds a 49.00% equity interest. The remaining 12 shareholders hold 51.00% equity interest in Taonan Huimin Village and Township Bank. The Bank and 4 other shareholders (holding an aggregate of 30.00% equity interest in Taonan Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Taonan Huimin Village and Township Bank. Taonan Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“three rurals”	a short term for the issues related to agriculture, rural areas and rural households

Chapter 1 Definitions and Glossary

“Tianjin Binhai Huimin Village and Township Bank”	Tianjin Binhai Huimin Village Bank Co., Ltd. (天津濱海惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on June 11, 2014, in which the Bank holds a 47.00% equity interest. The remaining 72 shareholders hold 53.00% equity interest in Tianjin Binhai Huimin Village and Township Bank. The Bank and another shareholder (holding 5.00% equity interest in Tianjin Binhai Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Tianjin Binhai Huimin Village and Township Bank. Tianjin Binhai Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Tongcheng Huimin Village and Township Bank”	Tongcheng Huimin Village Bank Co., Ltd. (通城惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on September 19, 2012, in which the Bank holds a 75.76% equity interest. The remaining 32 shareholders hold 24.24% equity interest in Tongcheng Huimin Village and Township Bank
“Wenan County Huimin Village and Township Bank”	Huimin Village Bank of Wenan (文安縣惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 23, 2011, in which the Bank holds a 36.00% equity interest. The remaining 47 shareholders hold 64.00% equity interest in Wenan County Huimin Village and Township Bank. The Bank and 4 other shareholders (holding an aggregate of 15.99% equity interest in Wenan County Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Wenan County Huimin Village and Township Bank. Wenan County Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary

Chapter 1 Definitions and Glossary

“Wuchang Huimin Village and Township Bank”	Wuchang Huimin Village Bank Co., Ltd. (五常惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on November 11, 2010, in which the Bank holds a 66.67% equity interest. The remaining 25 shareholders hold 33.33% equity interest in Wuchang Huimin Village and Township Bank
“Wuhua Huimin Village and Township Bank”	Wuhua Huimin Village Bank Co., Ltd. (五華惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 13, 2014, in which the Bank holds a 39.23% equity interest. The remaining 19 shareholders hold 60.77% equity interest in Wuhua Huimin Village and Township Bank. The Bank and 2 other shareholders (holding an aggregate of 17.52% equity interest in Wuhua Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Wuhua Huimin Village and Township Bank. Wuhua Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Yun’an Huimin Village and Township Bank”	Yun’an Huimin Village Bank Co., Ltd. (雲安惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 27, 2014, in which the Bank holds a 61.00% equity interest. The remaining 5 shareholders hold 39.00% equity interest in Yun’an Huimin Village and Township Bank

In this annual report:

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

Chapter 2 Company Profile

I. BASIC INFORMATION OF THE BANK

Registered Name in Chinese:

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

Registered Name in English:

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

Legal Representative:

Gao Bing (高兵)

Authorized Representatives:

Gao Bing (高兵), Lau Kwok Yin (劉國賢)

Board Secretary:

Yuan Chunyu (袁春雨)

Joint Company Secretaries:

Yuan Chunyu (袁春雨), Lau Kwok Yin (劉國賢)

Registered Office Address:

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

Principal Office Address:

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

Chapter 2 Company Profile

Customer Service Hotline:

+86 (431) 96888

Telephone:

+86 (431) 8925 0628

Facsimile:

+86 (431) 8925 0628

Company Website:

www.jtnsh.com

Place of Business in Hong Kong:

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

H Share Disclosure Websites:

The Stock Exchange of Hong Kong Limited's website at www.hkexnews.hk
The Bank's website at www.jtnsh.com

Listing Place:

The Stock Exchange of Hong Kong Limited

Stock Short Name:

JIUTAI RCB

Stock Code:

06122

H Share Registrar:

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

Chapter 2 Company Profile

PRC Legal Adviser:

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

Hong Kong Legal Adviser:

Clifford Chance
27/F, Jardine House
One Connaught Place
Central, Hong Kong

Auditors:

Domestic Auditor:

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

International Auditor:

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

Compliance Advisor:

Guotai Junan Capital Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

II. HISTORY OF THE BANK

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

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

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

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

Chapter 2 Company Profile

III. MAJOR AWARDS AND RECOGNITIONS IN 2019

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

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

Chapter 2 Company Profile

Unit	Awards/Recognitions	Organizer
The Bank	Best Non-US dollar Membership Award (最佳非美貨幣會員獎)	China Foreign Exchange Trade System and National Interbank Funding Center (中國外匯交易中心暨全國銀行間同業拆借中心)
The Bank	Best Foreign Currency Pair Membership Award (最佳外幣對會員獎)	China Foreign Exchange Trade System and National Interbank Funding Center (中國外匯交易中心暨全國銀行間同業拆借中心)
The Bank	Top Ten Banks for Poverty Alleviation (十佳精準扶貧銀行)	Steering Committee of the Forum for Chinese New Financial Institutions (中國新型金融機構論壇組委會)
The Bank	The Best Sustainable Development Report (最佳可持續發展報告)	“2019 China Financing Award” (「2019年中國融資大獎」) organized by China Financial Market, Hong Kong Magazine (香港《中國融資》雜誌)
The Bank	2019 China Business Fintech – Honorary Award for Outstanding Rural Commercial Banks (2019中經Fintech • 優秀農商銀行)	“2019 China Business Fintech” List of China Business Journal (《中國經營報》「2019中經Fintech」榜單)
The Bank	2019 Great Power Charity Contribution Award (2019大國公益貢獻獎)	2019 Great Power Charity Summit (2019大國公益高峰論壇)
The Bank	Bank for Inclusive Financial Services in 2019 (2019年度普惠金融業務銀行)	21st Century Business Herald Selection of “21st Century Financial Competitiveness in Asia” (21世紀經濟報道「21世紀亞洲金融競爭力」評選)
The Bank	Banking Institution for Targeted Poverty Alleviation in 2019 (2019年度金準扶貧銀行機構)	“Value List by China Business Network” (「第一財經金融價值榜」評選) by China Business Network (《第一財經》)
The Bank	Three Rurals Financial Service Bank with Excellent Competitiveness in 2019 (2019卓越競爭力三農金融服務銀行)	“Eleventh Outstanding Competitive Financial Institutions” selection (「第十一屆卓越競爭力金融機構」評選) by China Business Journal (《中國經營報》)

Chapter 2 Company Profile

Unit	Awards/Recognitions	Organizer
The Bank	Best Inclusive Finance of 2019 (2019最佳普惠金融獎)	“Golden Jubilee Award” by China Investment Network and Biaodian Institute of Finance (《投資時報》及標點財經研究院「金禧獎」評選)
The Bank	Star Company of 2019 (2019年度明星企業)	Party Committee of Jiutai District in Changchun and the People’s Government of Jiutai District, Changchun (中共長春市九台區委/長春市九台區人民政府)
The Bank	2019 Most Trustworthy Bank of Jilin Province (2019年度吉林省最值得信賴銀行)	China Financial Brands Mainstream Media Promotion Alliance/Metro Evening News (中國金融品牌主流媒體宣傳聯盟/城市晚報)
The Bank — Mortgage loans secured by farmers’ housing property rights	2019 Best Three Rural Financial Services and Products in Jilin Province (2019年度吉林省最佳三農金融服務產品)	China Financial Brands Mainstream Media Promotion Alliance/Metro Evening News (中國金融品牌主流媒體宣傳聯盟/城市晚報)
Liaoyuan Rural Commercial Bank	Unit of Spiritual Civilization in Jilin Province (吉林省精神文明單位)	Guidance Commission on Building Spiritual Civilization of Jilin Province (吉林省精神文明建設指導委員會)
Taonan Huimin Village and Township Bank	Model Organisation of Jilin Province (吉林省模範集體)	Jilin Provincial Party Committee and People’s Government of Jilin Province (中共吉林省委吉林省人民政府)
Anci District Huimin Village and Township Bank	Pioneer Institution for Providing Financial Services to Small and Micro Enterprises of 2018 (2018年度小微企業金融服務先進單位)	CBIRC Langfang Bureau (廊坊銀保監分局)
Anci District Huimin Village and Township Bank	Pioneer Institution for Providing Financial Services to Support Agricultural Enterprises of 2018 (2018年度支農金融服務先進單位)	CBIRC Langfang Bureau (廊坊銀保監分局)

Chapter 2 Company Profile

Unit	Awards/Recognitions	Organizer
Jilin Fengman Huimin Village and Township Bank	Outstanding Financial Service Provider in 2018 (2018年度金融服務優秀單位稱號)	Economic and Technology Development Zone Management Committee of Jilin City (吉林市經濟技術開發區管委員)
Hanshan Huimin Village and Township Bank	Outstanding Enterprise for Contribution to Service Industry of 2018 (2018年度服務業貢獻企業)	Hanshan County Party Committee and People's Government of Hanshan County (中共含山縣委含山縣人民政府)
Qingdao Pingdu Huimin Village and Township Bank	Advanced Unit of 2019 Financial Knowledge Promotion Activities (2019年度金融知識進萬家活動先進單位)	CBIRC Qingdao Bureau (青島銀保監局)
Anping Huimin Village and Township Bank	Outstanding Youth Group (青年五四獎集體)	Hengshui City Finance League (衡水市金融團工委)
Anping Huimin Village and Township Bank	2018 Advanced Unit in Prevention and Control of Cases (2018年度案防工作先進單位)	CBIRC Hengshui Bureau (衡水銀保監分局)
Da'an Huimin Village and Township Bank	2018 Advanced Unit in Supporting the Development of Local Economy (2018年度支持地方經濟發展工作先進單位)	Office of Finance of Baicheng City (白城市金融工作辦公室)

Chapter 3 Financial Highlights

Financial Data from 2015 to 2019

(Expressed in millions of RMB, unless otherwise stated)	2019	2018	2017	2016	2015
Operating results					
Interest income	8,722.5	8,602.6	9,859.4	8,487.6	6,080.6
Interest expenses	(4,557.1)	(5,082.5)	(5,123.5)	(3,954.3)	(2,708.4)
Net interest income	4,165.4	3,520.1	4,735.9	4,533.3	3,372.2
Fee and commission income	349.0	407.2	652.2	781.6	241.7
Fee and commission expenses	(32.5)	(31.6)	(37.3)	(33.9)	(19.0)
Net fee and commission income	316.5	375.6	614.9	747.7	222.7
Net gains arising from investment securities	21.1	11.8	259.1	387.7	344.5
Dividend income	64.7	82.2	105.9	106.6	69.3
Net trading gains	609.8	914.5	65.6	127.7	131.9
Gain on disposal of an associate	37.5	—	2.3	—	12.8
Losses on deemed disposal of subsidiaries	—	(6.2)	—	—	—
Net exchange gains/(losses)	5.7	15.0	(38.8)	9.3	6.5
Other operating incomes, net	90.7	124.6	95.4	41.8	108.0
Operating income	5,311.4	5,037.6	5,840.3	5,954.1	4,267.9
Operating expenses	(2,787.4)	(2,851.4)	(3,030.1)	(2,608.1)	(2,044.1)
Impairment losses on assets	(1,088.1)	(890.2)	(748.0)	(382.8)	(350.1)
Operating profit	1,435.9	1,296.0	2,062.2	2,963.2	1,873.7
Share of profits of associates	67.6	143.7	23.2	9.8	2.2
Profit before tax	1,503.5	1,439.7	2,085.4	2,973.0	1,875.9
Income tax expense	(307.8)	(256.1)	(447.0)	(657.2)	(473.7)
Profit for the year	1,195.7	1,183.6	1,638.4	2,315.8	1,402.2
Profit for the year attributable to:					
— Owners of the Bank	1,042.2	982.9	1,275.6	1,886.8	1,215.8
— Non-controlling interests	153.5	200.7	362.8	429.0	186.4
Profit for the year	1,195.7	1,183.6	1,638.4	2,315.8	1,402.2

Chapter 3 Financial Highlights

(Expressed in millions of RMB, unless otherwise stated)	2019	2018	2017	2016	2015
Major indicators of assets/liabilities					
Total assets	173,275.5	164,253.2	187,008.5	191,471.3	141,953.3
Of which: loans and advances to customers	93,394.2	75,354.5	76,492.2	60,286.4	46,477.4
Total liabilities	157,615.4	149,145.7	170,357.9	177,748.2	130,096.1
Of which: deposits from customers	122,840.4	109,521.2	129,881.6	127,408.7	93,302.8
Total equity	15,660.1	15,107.5	16,650.6	13,723.1	11,857.2
Per share (RMB)					
Net assets per share	3.19	3.10 (Restated)	3.15	3.07	2.78
Basic earnings per share	0.25	0.23 (Restated)	0.32	0.57	0.41
Diluted earnings per share	0.25	0.23 (Restated)	0.32	0.57	0.41
Profitability indicators (%)					
Return on assets ⁽¹⁾	0.71%	0.67%	0.87%	1.39%	1.25%
Return on capital ⁽²⁾	7.77%	7.45%	10.79%	18.11%	14.24%
Net interest spread ⁽³⁾	2.74%	2.36%	2.19%	2.53%	2.79%
Net interest margin ⁽⁴⁾	2.75%	2.22%	2.38%	2.67%	3.01%
Net fee and commission income to operating income ratio ⁽⁵⁾	5.96%	7.46%	10.53%	12.56%	5.22%
Cost-to-income ratio ⁽⁶⁾	51.08%	54.72%	50.77%	41.61%	43.54%
Capital adequacy indicators (%)					
Core tier-one capital adequacy ratio ⁽⁷⁾	9.55%	9.40%	9.47%	10.35%	12.49%
Tier-one capital adequacy ratio ⁽⁸⁾	9.66%	9.50%	9.66%	10.52%	12.49%
Capital adequacy ratio ⁽⁹⁾	11.98%	11.83%	12.20%	13.79%	14.76%
Shareholders' equity to total assets ratio	9.04%	9.20%	8.90%	7.17%	8.35%
Assets quality indicators (%)					
Non-performing loan ratio ⁽¹⁰⁾	1.68%	1.75%	1.73%	1.41%	1.42%
Provision coverage ratio ⁽¹¹⁾	167.58%	160.41%	171.48%	206.57%	206.86%
Provision to total loan ratio ⁽¹²⁾	2.82%	2.80%	2.96%	2.92%	2.93%
Other indicators (%)⁽¹³⁾					
Loan to deposit ratio	78.23%	70.79%	60.69%	48.74%	51.32%

Chapter 3 Financial Highlights

Notes:

- (1) Calculated by dividing the net profit for a year by the average balance of total assets at the beginning and the end of that year.
- (2) Calculated by dividing the net profit for a year by the average balance of total equity at the beginning and at the end of that year.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets.
- (5) Calculated by dividing net fee and commission income by operating income.
- (6) Calculated by dividing total operating expenses (net of tax and surcharges) by operating income.
- (7) Core tier-one capital adequacy ratio = (core tier-one capital – corresponding capital deductions)/risk-weighted assets*100%.
- (8) Tier-one capital adequacy ratio = (tier-one capital – corresponding capital deductions)/risk-weighted assets*100%.
- (9) Capital adequacy ratio = (total capital – corresponding capital deductions)/risk-weighted assets*100%.
- (10) Non-performing loan ratio = total non-performing loans/total loans and advances to customers*100%.
- (11) Provision coverage ratio = total provision for impairment losses on loans and advances to customers/total non-performing loans*100%.
- (12) Provision to total loan ratio = total provision for impairment losses on loans and advances to customers/total loans and advances to customers*100%.
- (13) The relevant indicator refers to the ratio the Bank reports to the CBIRC and calculated in accordance with PRC GAAP and relevant requirements of the CBIRC regarding financial data.

Chapter 4 Management Discussion and Analysis

4.1 Environment and Outlook

Looking forward to 2020, the global economic structure, economic and trading environment as well as geopolitical situation will remain complex and changeable, and it is expected that the global economic growth will slow down.

2020 will be the year of completion for the establishment of a moderately prosperous society as well as for the “Thirteenth Five-Year Plan” in China. Despite the external challenges and internal structural and cyclical downward pressure, especially the relatively significant impact brought by COVID-19 pneumonia on the economy and certain industries in a short term, the economy of China will remain promising and maintain high-quality growth in a long run. In addition to the policies announced by the Central Economic Work Conference at the end of last year to improve and strengthen the “six stabilities” and implement proactive fiscal policies and prudent monetary policies, since the beginning of 2020, a series of effective hedging measures have been introduced to promote the orderly resumption of operation and production, such as cutting taxes and fees, financial services, rent reductions and job stabilization subsidies. It is expected that such measures will be further strengthened in the future to ensure the reasonable growth of the economy in quantity with steady improvement in quality. Furthermore, the regulatory policies are expected to remain stable while counter-cyclical adjustments will be adopted to maintain reasonable and sufficient liquidity. Specific policies will be adopted to support the capital replenishment of banking institutions, promote the strategy of private economic development and rural revitalization and release the vitality of micro, small and medium-sized enterprises (the “SMEs”). Coupled with the revitalization strategy of the Northeastern China and the implementation of “one dome, six double-pillars (一主六雙)”, the overall industrial planning of Jilin Province, new growth momentum will be formed and the local advantages of rural commercial banks will be increasingly outstanding to form a stronger foundation for high quality development.

In the future, the Bank will closely follow the national policies, grasp the opportunity from the regional economic development and carry on its work in a stable and progressive manner. The Bank will further promote the development of its “Four in One Mechanism” system consisting of the financial services for three rurals and the community, cooperation platforms and charity works. The Bank will focus on transformation and quality improvement based on its traditional values, adjust its structure for better services to the real economy and maintain sound risk prevention and control to develop new momentum for steady growth, new strengths from transformation and development and new advantages in terms of high-quality development, aiming to build itself as a first-class modern PRC rural commercial bank with strong brand value.

Chapter 4 Management Discussion and Analysis

4.2 Development Strategies

The Group's strategic goal is to position itself as a professional financial services provider with unique values and strong competitive abilities in order to build a first-class modern rural commercial bank in the PRC with strong brand value. To achieve its goal, the Group plans to: (i) reinforce advantages in banking services for the "three rurals (三農)" and SMEs; (ii) exploit the growth potential of personal financial services to promote the growth of its retail banking business; (iii) develop emerging businesses to promote the transformation of the growth model; (iv) further strengthen the Group's risk management and internal control; and (v) recruit, train, retain and motivate high-quality talent.

4.3 Overall Business Review

In 2019, the Group strictly followed the regulatory requirements under a complicated development circumstance. The Bank focused on management enhancement, structural adjustment, risk control and business transformation and successfully maintained its overall stable and promising development momentum.

The Group recorded a total operating income of RMB5,311.4 million in 2019, representing an increase of 5.4% as compared to RMB5,037.6 million in 2018. The Group's net profit increased by 1.0% from RMB1,183.6 million in 2018 to RMB1,195.7 million in 2019.

As of December 31, 2019, the Group's total assets amounted to RMB173,275.5 million, representing a year-on-year increase of 5.5%; total loans and advances to customers amounted to RMB96,104.0 million, representing a year-on-year increase of 24.0%; the non-performing loan ratio amounted to 1.68%, representing a year-on-year decrease of 0.07 percentage point; total deposits from customers amounted to RMB122,840.4 million, representing a year-on-year increase of 12.2%.

Chapter 4 Management Discussion and Analysis

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			Change in percentage (%)
	2019	2018	Change in amount	
Interest income	8,722.5	8,602.6	119.9	1.4
Interest expense	(4,557.1)	(5,082.5)	525.4	(10.3)
Net interest income	4,165.4	3,520.1	645.3	18.3
Fee and commission income	349.0	407.2	(58.2)	(14.3)
Fee and commission expenses	(32.5)	(31.6)	(0.9)	2.8
Net fee and commission income	316.5	375.6	(59.1)	(15.7)
Net gains arising from investment securities	21.1	11.8	9.3	78.8
Dividend income	64.7	82.2	(17.5)	(21.3)
Net trading gains	609.8	914.5	(304.7)	(33.3)
Gain on disposal of an associate	37.5	—	37.5	—
Losses on deemed disposal of subsidiaries	—	(6.2)	6.2	(100.0)
Net exchange gains/(losses)	5.7	15.0	(9.3)	(62.0)
Other operating incomes, net	90.7	124.6	(33.9)	(27.2)
Operating income	5,311.4	5,037.6	273.8	5.4
Operating expenses	(2,787.4)	(2,851.4)	64.0	(2.2)
Impairment losses on assets	(1,088.1)	(890.2)	(197.9)	22.2
Operating profit	1,435.9	1,296.0	139.9	10.8
Share of profits of associates	67.6	143.7	(76.1)	(53.0)
Profit before tax	1,503.5	1,439.7	63.8	4.4
Income tax expense	(307.8)	(256.1)	(51.7)	20.2
Profit for the year	1,195.7	1,183.6	12.1	1.0
Profit for the year attributable to:				
— Owners of the Bank	1,042.2	982.9	59.3	6.0
— Non-controlling interests	153.5	200.7	(47.2)	(23.5)
Profit for the year	1,195.7	1,183.6	12.1	1.0

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In 2019, the Group's profit before tax was RMB1,503.5 million, representing a year-on-year increase of 4.4%; profit for the year was RMB1,195.7 million, representing a year-on-year increase of 1.0%. It was mainly due to the increase in net interest income resulting from the increase in scale of loans and average yield of the Group and the decrease in operating expenses, which was partly offset by the decrease in net fee and commission income and the increase in impairment losses on assets.

(i) Net interest income

Net interest income was the largest component of the Group's operating income, representing 69.9% and 78.4% of operating income in 2018 and 2019, respectively. The table below sets forth the interest income, interest expense and net interest income for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			
	2019	2018	Change in amount	Change in percentage (%)
Interest income	8,722.5	8,602.6	119.9	1.4
Interest expense	(4,557.1)	(5,082.5)	525.4	(10.3)
Net interest income	4,165.4	3,520.1	645.3	18.3

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2019			Year ended December 31, 2018		
	Average balance	Interest income	Average yield/cost (%)	Average balance	Interest income	Average yield/cost (%)
Interest-earning Assets						
Loans and advances to customers	86,555.3	6,489.1	7.50	77,973.2	5,487.8	7.04
Investment securities and other financial assets ⁽¹⁾	29,040.9	1,465.6	5.05	36,617.4	1,946.3	5.32
Financial assets held under resale agreements	2,438.1	72.7	2.98	6,117.1	201.1	3.29
Deposits with banks and other financial institutions	16,986.6	410.5	2.42	19,640.1	665.7	3.39
Deposits with the central bank ⁽²⁾	14,175.9	195.5	1.38	16,957.9	227.3	1.34
Placements with banks and other financial institutions	2,095.7	89.1	4.25	1,455.7	74.4	5.11
Total interest-earning assets	151,292.5	8,722.5	5.77	158,761.4	8,602.6	5.42

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(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2019			Year ended December 31, 2018		
	Average balance	Interest income	Average yield/cost (%)	Average balance	Interest income	Average yield/cost (%)
Interest-bearing Liabilities						
Deposits from customers	114,525.7	3,248.5	2.84	119,479.9	3,241.7	2.71
Financial assets sold under repurchase agreements	6,954.5	159.0	2.29	13,966.8	382.3	2.74
Deposits from banks and other financial institutions	7,087.0	197.7	2.79	7,694.7	279.4	3.63
Debt securities issued ⁽³⁾	17,386.1	796.4	4.58	21,218.5	1,070.9	5.05
Placements from banks and other financial institutions	2,961.7	88.6	2.99	3,108.3	93.0	2.99
Borrowing from the central bank	1,183.5	32.0	2.70	493.7	15.2	3.08
Lease liabilities	711.9	34.9	4.90	—	—	—
Total interest-bearing liabilities	150,810.4	4,557.1	3.03	165,961.9	5,082.5	3.06
Net interest income		4,165.4			3,520.1	
Net interest spread⁽⁴⁾			2.74			2.36
Net interest margin⁽⁵⁾			2.75			2.22

Notes:

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

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

(Expressed in millions of RMB, unless otherwise stated)	2019 vs 2018		Net Increase/ (decrease) ⁽³⁾
	Volume ⁽¹⁾	Interest rate ⁽²⁾	
Interest-earning Assets			
Loans and advances to customers	643.4	357.9	1,001.3
Investment securities and other financial assets	(382.4)	(98.3)	(480.7)
Financial assets held under resale agreements	(109.7)	(18.7)	(128.4)
Deposits with banks and other financial institutions	(64.1)	(191.1)	(255.2)
Deposits with the central bank	(38.4)	6.6	(31.8)
Placements with banks and other financial institutions	27.2	(12.5)	14.7
Changes in interest income	76.0	43.9	119.9
Interest-bearing Liabilities			
Deposits from customers	(140.5)	147.3	6.8
Financial assets sold under repurchase agreements	(160.3)	(63.0)	(223.3)
Deposits from banks and other financial institutions	(17.0)	(64.7)	(81.7)
Debt securities issued	(175.5)	(99.0)	(274.5)
Placements from banks and other financial institutions	(4.4)	—	(4.4)
Borrowing from the central bank	18.7	(1.9)	16.8
Lease liabilities	34.9	—	34.9
Changes in interest expense	(444.1)	(81.3)	(525.4)
Changes in net interest income	520.1	125.2	645.3

Notes:

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

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(ii) Interest income

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			
	2019	% of	2018	% of
	Amount	total	Amount	total
Loans and advances to customers	6,489.1	74.4	5,487.8	63.8
Investment securities and other financial assets	1,465.6	16.8	1,946.3	22.6
Financial assets held under resale agreements	72.7	0.8	201.1	2.3
Deposits with banks and other financial institutions	410.5	4.7	665.7	7.7
Deposits with the central bank	195.5	2.3	227.3	2.7
Placements with banks and other financial institutions	89.1	1.0	74.4	0.9
Total	8,722.5	100.0	8,602.6	100.0

The Group's interest income increased by 1.4% from RMB8,602.6 million in 2018 to RMB8,722.5 million in 2019, primarily due to an increase in the average yield on interest-earning assets from 5.42% in 2018 to 5.77% in 2019, which was partly offset by a decrease in the average balance of interest-earning assets from RMB158,761.4 million in 2018 to RMB151,292.5 million in 2019. The increase in the average yield on interest-earning assets was primarily due to an increase in the average yield on loans and advances to customers and deposits with the central bank, which was partly offset by a decrease in the average yield on investment securities and other financial assets, financial assets held under resale agreements, deposits with banks and other financial institutions and placements with banks and other financial institutions. The decrease in average balance of interest-earning assets was primarily due to the decrease in average balance of investment securities and other financial assets, financial assets held under resale agreements, deposits with banks and other financial institutions and deposits with the central bank, which was partly offset by an increase in the average balance of loans and advances to customers and placements with banks and other financial institutions.

(A) Interest income from loans and advances to customers

Interest income from loans and advances to customers represented 63.8% and 74.4% of the Group's total interest income in 2018 and 2019, respectively.

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The table below sets forth the average balance, interest income and average yield of loans and advances to customers by product for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			2018		
	Average balance	2019 Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loan and advances						
– Loan	62,261.1	4,749.2	7.63	56,682.2	3,945.8	6.96
– Finance leases loan	1,905.9	134.9	7.08	1,530.1	95.2	6.22
Retail loans	22,112.9	1,596.8	7.22	19,706.7	1,432.4	7.27
Discounted bills	275.4	8.2	2.98	54.2	14.4	26.57
Total loans and advances to customers	86,555.3	6,489.1	7.50	77,973.2	5,487.8	7.04

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

Interest income from investment securities and other financial assets decreased by 24.7% from RMB1,946.3 million in 2018 to RMB1,465.6 million in 2019, primarily due to a decrease in the average balance of investment securities and other financial assets from RMB36,617.4 million in 2018 to RMB29,040.9 million in 2019, and a decrease in the average yield on such assets from 5.32% in 2018 to 5.05% in 2019. The decrease in the average balance of such assets was primarily due to recovery of some investment assets by the Group.

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

Interest income from deposits with banks and other financial institutions decreased by 38.3% from RMB665.7 million in 2018 to RMB410.5 million in 2019, primarily due to a decrease in average balance of deposits with banks and other financial institutions from RMB19,640.1 million in 2018 to RMB16,986.6 million in 2019, and a decrease in the average yield on such assets from 3.39% in 2018 to 2.42% in 2019. The decrease in the average balance of such assets was primarily due to the reasonable adjustment of interbank assets structure by recovering certain deposits with banks and other financial institutions upon due by the Group.

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

Interest income from financial assets held under resale agreements decreased by 63.8% from RMB201.1 million in 2018 to RMB72.7 million in 2019, primarily due to a decrease in the average balance of financial assets held under resale agreements, from RMB6,117.1 million in 2018 to RMB2,438.1 million in 2019, as well as a decrease in the average yield of financial assets held under resale agreements, from 3.29% in 2018 to 2.98% in 2019. The decrease in the average balance was primarily attributable to the adjustment of size of such assets by the Group to balance yield and liquidity needs. The decrease in the average yield of such assets was primarily due to changes in market interest rates.

(E) Interest income from deposits with the central bank

Interest income from deposits with the central bank decreased by 14.0% from RMB227.3 million in 2018 to RMB195.5 million in 2019, primarily due to a decrease in the average balance of deposits with the central bank, from RMB16,957.9 million in 2018 to RMB14,175.9 million in 2019, which was partly offset by an increase in the average yield on deposits with the central bank from 1.34% in 2018 to 1.38% in 2019. The decrease in average balance of deposits with the central bank was primarily due to the reduction of statutory deposit reserves as a result of the reduction in deposit reserve ratio by central bank.

(iii) Interest expenses

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			
	2019	% of	2018	% of
	Amount	total	Amount	total
Deposits from customers	3,248.5	71.3	3,241.7	63.8
Financial assets sold under repurchase agreements	159.0	3.5	382.3	7.5
Deposits from banks and other financial institutions	197.7	4.3	279.4	5.5
Debt securities issued	796.4	17.5	1,070.9	21.1
Placements from banks and other financial institutions	88.6	1.9	93.0	1.8
Borrowings from the central bank	32.0	0.7	15.2	0.3
Lease liabilities	34.9	0.8	—	—
Total	4,557.1	100.0	5,082.5	100.0

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(A) Interest expenses on deposits from customers

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			2018		
	2019 Average balance	2019 Interest expense	2019 Average yield (%)	Average balance	Interest expense	Average yield (%)
Corporate deposits						
Time	13,637.3	573.1	4.20	18,045.4	741.5	4.11
Demand	27,769.9	472.5	1.70	29,956.4	527.8	1.76
Subtotal	41,407.2	1,045.6	2.53	48,001.8	1,269.3	2.64
Retail deposits						
Time	53,473.5	1,896.0	3.55	53,626.1	1,834.1	3.42
Demand	19,645.0	306.9	1.56	17,852.0	138.3	0.77
Subtotal	73,118.5	2,202.9	3.01	71,478.1	1,972.4	2.76
Total deposits from customers	114,525.7	3,248.5	2.84	119,479.9	3,241.7	2.71

Interest expenses on deposits from customers increased by 0.2% from RMB3,241.7 million in 2018 to RMB3,248.5 million in 2019, primarily due to an increase in the average cost of deposits from customers from 2.71% in 2018 to 2.84% in 2019, partially offset by a decrease in the average balance of deposits from customers from RMB119,479.9 million in 2018 to RMB114,525.7 million in 2019. The increase in the average cost of deposits from customers was primarily due to liberalization of interest rates and market competition. The decrease in average balance of deposits from customers was primarily due to the fact that the Four Rural Commercial Banks were no longer consolidated into the financial statements of the Group during the year when compared with of last year (from January to May), which was partly offset by the increase in average balance of deposits from customers for the year.

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

Interest expenses on financial assets sold under repurchase agreements decreased by 58.4% from RMB382.3 million in 2018 to RMB159.0 million in 2019, primarily due to a decrease in the average balance of financial assets sold under repurchase agreements from RMB13,966.8 million in 2018 to RMB6,954.5 million in 2019, as well as a decrease in the average cost of such assets from 2.74% in 2018 to 2.29% in 2019. The decrease in the average cost of such debts was primarily due to changes in market interest rates. The decrease in the average balance of such debts was mainly the result of the adjustment of liabilities structure of the Group to balance capital cost and stability.

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

Interest expenses on deposits from banks and other financial institutions decreased by 29.2% from RMB279.4 million in 2018 to RMB197.7 million in 2019, mainly due to a decrease in the average balance of such debts from RMB7,694.7 million in 2018 to RMB7,087.0 million in 2019, and a decrease in the average cost of such debts from 3.63% in 2018 to 2.79% in 2019 due to changes in market interest rates.

(D) Interest expenses on debt securities issued

Interest expenses on debt securities issued decreased by 25.6% from RMB1,070.9 million in 2018 to RMB796.4 million in 2019, mainly due to the decrease in the average cost of such debts from 5.05% in 2018 to 4.58% in 2019 as a result of the decrease in effective rates of interbank certificates, and a decrease in the average balance of such debts from RMB21,218.5 million in 2018 to RMB17,386.1 million in 2019 as a result of a decrease in issuance of interbank certificates.

(iv) Net interest spread and net interest margin

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

Net interest spread increased by 0.38 percentage point from 2.36% in 2018 to 2.74% in 2019, primarily due to the increase in the Group's average yield of interest-earning assets by 0.35 percentage point from 5.42% in 2018 to 5.77% in 2019, and a decrease in the average cost on interest-bearing liabilities by 0.03 percentage point from 3.06% in 2018 to 3.03% in 2019. Net interest margin increased by 0.53 percentage point from 2.22% in 2018 to 2.75% in 2019, primarily

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due to the increase in the Group's net interest income by 18.3% from RMB3,520.1 million in 2018 to RMB4,165.4 million in 2019, and the average balance of interest-earning assets decreased by 4.7% from RMB158,761.4 million in 2018 to RMB151,292.5 million in 2019, and the higher increase in net interest income than the increase in the average balance of interest-earning assets. The decrease in the average balance of interest-earning assets was primarily due to the fact that the Four Rural Commercial Banks were no longer consolidated into the financial statements of the Group during the year when compared with that of last year (from January to May), which was partly offset by the increase in average balance of interest-earning assets for the year.

(v) Non-interest income

(A) Net fee and commission income

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			
	2019	2018	Change in amount	Change in Percentage (%)
Fee and commission income				
Advisory fees	227.2	218.8	8.4	3.8
Syndicated loan service fees	59.2	94.3	(35.1)	(37.2)
Settlement and clearing fees	25.5	51.4	(25.9)	(50.4)
Agency services fees	27.1	19.9	7.2	36.2
Wealth management service fees	1.6	9.2	(7.6)	(82.6)
Bank card service fees	4.1	5.7	(1.6)	(28.1)
Others ⁽¹⁾	4.3	7.9	(3.6)	(45.6)
Subtotal	349.0	407.2	(58.2)	(14.3)
Fee and commission expense	(32.5)	(31.6)	(0.9)	2.8
Net fee and commission income	316.5	375.6	(59.1)	(15.7)

Note:

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

Net fee and commission income decreased by 15.7% from RMB375.6 million in 2018 to RMB316.5 million in 2019, primarily due to decrease in syndicated loan service fees, settlement and clearing fees, wealth management service fees and bank card service fees as affected by factors such as market demand.

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Advisory fees income amounted to RMB227.2 million in 2019, representing an increase of RMB8.4 million, or 3.8%, as compared to 2018, mainly due to the increase in advisory agency service provided by the Group to its customers as a result of the increase in market demand.

Syndicated loan service fees income amounted to RMB59.2 million in 2019, representing a decrease of RMB35.1 million, or 37.2%, as compared to 2018, mainly due to decreased transaction volume of syndicated loan business.

Settlement and clearing fees income amounted to RMB25.5 million in 2019, representing a decrease of RMB25.9 million, or 50.4%, as compared to 2018, mainly due to decreased transaction volume of settlement business.

Agency service fees income amounted to RMB27.1 million in 2019, representing an increase of RMB7.2 million, or 36.2%, as compared to 2018, mainly due to increased transaction volume of agency business.

Wealth management service fees income amounted to RMB1.6 million in 2019, representing a decrease of RMB7.6 million, or 82.6%, as compared to 2018, mainly due to the decrease of issuance scale and average yield of wealth management products as a result of the impacts of the implementation of new regulations on asset management.

Bank card service fees income amounted to RMB4.1 million in 2019, representing a decrease of RMB1.6 million, or 28.1%, as compared to 2018, mainly due to a decrease in transaction amount of bank cards.

Fee and commission expenses mainly included fees paid to third parties for settlement, clearing and agency services. Fee and commission expenses increased by 2.8% from RMB31.6 million in 2018 to RMB32.5 million in 2019, mainly due to increased transaction volume of agency business.

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(B) Net gains arising from investment securities

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

Net gains arising from investment securities increased by 78.8% from RMB11.8 million in 2018 to RMB21.1 million in 2019. The increase was mainly due to the increase in gains in transactions of bonds and other investment assets resulting from changes in market interest rates.

(C) Dividend income

Dividend income decreased by 21.3% from RMB82.2 million in 2018 to RMB64.7 million in 2019. The decrease was mainly due to the reduction in the actual dividend distribution of invested institutions such as non-controlling rural commercial banks.

(D) Net trading gains

Net trading gains primarily include gains and interest income from selling, and the fair value changes of, debt securities held for trading and wealth management products issued by other financial institutions. Net trading gains decreased by 33.3% from RMB914.5 million in 2018 to RMB609.8 million in 2019, mainly due to the decrease in interest income from financial assets at fair value through profit or loss and the fair value of wealth management products.

(E) Net exchange gains/(losses)

Net exchange gains mainly included net gains arising out of foreign exchange settlement and foreign exchange transactions. Net exchange gains decreased by 62.0% from RMB15.0 million in 2018 to RMB5.7 million in 2019, mainly due to the fluctuation of foreign exchange rates.

(F) Other operating (expense) income, net

Other operating (expense) income, net mainly included non-recurring income such as government subsidies and insurance claim, net of charitable donation. Other operating (expense) income, net decreased by 27.2% from RMB124.6 million in 2018 to RMB90.7 million in 2019, which was mainly due to the decreases in government subsidies received and in insurance claims and an increase in charitable donation expenses during the period.

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(vi) Operating expenses

Operating expenses decreased by 2.2% from RMB2,851.4 million in 2018 to RMB2,787.4 million in 2019. The decrease was primarily due to the decreases in staff costs, general management and administrative expenses, tax and surcharges.

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			
	2019	2018	Change in amount	Change in Percentage (%)
Staff cost	1,648.9	1,659.7	(10.8)	(0.7)
Property and equipment expenses	587.3	561.8	25.5	4.5
General management and administrative expenses	476.9	535.1	(58.2)	(10.9)
Tax and surcharges	74.3	94.8	(20.5)	(21.6)
Total	2,787.4	2,851.4	(64.0)	(2.2)

(A) Staff costs

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			
	2019	2018	Change in amount	Change in Percentage (%)
Salaries and bonuses	1,149.0	1,170.4	(21.4)	(1.8)
Social insurance	292.5	284.1	8.4	3.0
Staff welfares	93.1	90.7	2.4	2.6
Housing allowances	87.9	85.0	2.9	3.4
Labor union and staff education expenses	26.4	29.5	(3.1)	(10.5)
Total staff costs	1,648.9	1,659.7	(10.8)	(0.7)

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Staff costs decreased by 0.7% from RMB1,659.7 million in 2018 to RMB1,648.9 million in 2019. The decrease in staff costs was primarily due to the fact that the Four Rural Commercial Banks were no longer consolidated into the financial statements of the Group during the year when compared with the corresponding period of last year (January to May), which was partly offset by the increase in staff cost as a result of the increase in the number of staff for the year.

(B) Property and equipment expenses

Property and equipment expenses increased by 4.5% from RMB561.8 million in 2018 to RMB587.3 million in 2019. The increase in property and equipment expenses was mainly due to an increase in depreciation on properties owned by newly established outlets and depreciation on right-of-use assets in accordance with new accounting policies regarding leasing which has become effective from January 1, 2019.

(C) General management and administrative expenses

General management and administrative expenses mainly included business promotion fees, transportation fee in relation to the delivery of cash and repair expenses. General management and administrative expenses decreased by 10.9% from RMB535.1 million in 2018 to RMB476.9 million in 2019, primarily due to the fact that the Four Rural Commercial Banks were no longer consolidated into the financial statements of the Group during the year when compared with the corresponding period of last year (January to May), which was partly offset by the increase in general management and administrative expenses as a result of the increase in the number of outlets for the year.

(D) Tax and surcharges

Tax and surcharges decreased by 21.6% from RMB94.8 million in 2018 to RMB74.3 million in 2019. The decrease in tax and surcharges was primarily due to the reduction of taxes and surcharges and a decrease in the value-added taxes and land appreciation tax actually paid by the Group because the Four Rural Commercial Banks were no longer consolidated into the financial statements of the Group during the year when compared with last year (from January to May).

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(vii) Impairment losses on assets

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			
	2019	2018	Change in amount	Change in Percentage (%)
Loans and advances to customers	602.5	513.8	88.7	17.3
Debt securities financial assets at fair value through other comprehensive income	4.9	(0.2)	5.1	(2,550.0)
Financial assets at amortized cost	470.3	353.0	117.3	33.2
Deposits with banks and other financial institutions	(5.6)	4.3	(9.9)	(230.2)
Placements with banks and other financial institutions	(1.1)	1.0	(2.1)	(210.0)
Other receivables and repossessed assets	17.1	18.3	(1.2)	(6.6)
Financial assets held under resale agreements	—	(0.0)	0.0	(0.0)
Provision for credit commitments and financial guarantees	(0.0)	0.0	(0.0)	(0.0)
Total	1,088.1	890.2	197.9	22.2

Impairment losses on assets increased by 22.2% from RMB890.2 million in 2018 to RMB1,088.1 million in 2019, mainly due to an increase in the provision for impairment losses on loans and advances to customers as a result of increased loans and advances to customers and the provision for impairment losses on financial assets at amortized cost by the Group in response to possible impacts from the adverse economic environment.

(viii) Income tax expense

Income tax expense increased by 20.2% from RMB256.1 million in 2018 to RMB307.8 million in 2019. The increase in income tax expense was due to the increases in profit before tax and effective tax rates. Effective tax rates were 20.5% and 17.8% in 2019 and 2018, respectively. The relative higher effective tax rate in 2019 was mainly due to a decrease in the percentage of non-taxable income (including dividend income, interest income from treasury bonds and local government bonds investments and interest income from small loans to rural households).

Chapter 4 Management Discussion and Analysis

(b) Analysis of the Consolidated Statement of Financial Position

(i) Assets

As of December 31, 2019 and 2018, the Group's total assets amounted to RMB173,275.5 million and RMB164,253.2 million, respectively. Major components of total assets include (i) loans and advances to customers; (ii) investment securities and other financial assets; (iii) deposits with banks and other financial institutions; (iv) cash and deposits with the central bank; and (v) placements with banks and other financial institutions. The table below sets forth the components of total assets as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2019		As of December 31, 2018	
	Amount	% of total	Amount	% of total
Asset				
Loans and advances to customers, gross	96,104.0	55.5	77,527.7	47.2
Provision for impairment losses	(2,709.8)	(1.6)	(2,173.2)	(1.3)
Loans and advances to customers, net	93,394.2	53.9	75,354.5	45.9
Investment securities and other financial assets ⁽¹⁾	39,218.2	22.6	46,453.7	28.3
Deposits with banks and other financial institutions	6,193.3	3.6	9,884.4	6.0
Cash and deposits with the central bank	23,626.4	13.6	22,458.1	13.7
Financial assets held under resale agreements	100.0	0.1	—	—
Placements with banks and other financial institutions	1,814.0	1.0	1,698.6	1.0
Other assets ⁽²⁾	8,929.4	5.2	8,403.9	5.1
Total assets	173,275.5	100.0	164,253.2	100.0

Notes:

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

Chapter 4 Management Discussion and Analysis

(A) Loans and advances to customers

As of December 31, 2019, the Group's total loans and advances to customers was RMB96,104.0 million, representing an increase of 24.0% as compared to December 31, 2018. Net loans and advances to customers accounted for 53.9% of the Group's total assets, representing an increase of approximately 8.0 percentage points as compared to December 31, 2018.

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2019		As of December 31, 2018	
	Amount	% of total	Amount	% of total
Corporate loan and advances				
— Loan	71,018.4	73.9	55,288.3	71.3
— Finance leases loan	2,251.8	2.3	1,559.9	2.0
Retail loans	22,833.8	23.8	20,668.6	26.7
Discounted bills	—	—	10.9	0.0
Total loans and advances to customers	96,104.0	100.0	77,527.7	100.0

Loans and advances to customers are the largest component of total assets. The Group offers a variety of loan products, substantially all of which are denominated in Renminbi. Loans and advances to customers, net of provision for impairment losses, represented 53.9% and 45.9% of total assets as of December 31, 2019 and 2018, respectively.

The Group's corporate loans increased by 28.9% from RMB56,848.2 million as of December 31, 2018 to RMB73,270.2 million as of December 31, 2019, primarily due to an increase in size of loans and credits as the Group was committed to supporting the development of real economy and satisfying the needs of customers.

Chapter 4 Management Discussion and Analysis

The Group's retail loans mainly comprise of personal business loans, personal consumption loans and residential and commercial mortgage loans. The Group's retail loans increased by 10.5% from RMB20,668.6 million as of December 31, 2018 to RMB22,833.8 million as of December 31, 2019, primarily due to an increase in loans as a result of the Group's enhanced credit support for the three rurals and individual industrial and commercial households.

Loans by Collateral

Collateralized loans, pledged loans and guaranteed loans in the aggregate represented 96.5% and 96.1% of total loans and advances to customers as of December 31, 2019 and 2018, respectively. If a loan is secured by more than one form of collateral, the classification is based on the primary form of collateral. The table below sets forth loans and advances to customers by the type of collateral as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2019		As of December 31, 2018	
	Amount	% of total	Amount	% of total
Collateralized loans	38,545.9	40.1	30,665.6	39.6
Pledged loans	10,259.8	10.7	7,694.9	9.9
Guaranteed loans	43,901.8	45.7	36,121.7	46.6
Unsecured loans	3,396.5	3.5	3,045.5	3.9
Total loans and advances to customers	96,104.0	100.0	77,527.7	100.0

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

The Group has adopted more stringent credit assessment criteria for extending guaranteed loans. Corporate loans are generally guaranteed by listed companies or guarantee companies. The Bank and each subsidiary consider the size, credit history and risk-resistance level of a guarantee company to decide whether or not to accept its guarantees. Guaranteed loans as a percentage of total loans and advances to customers was 46.6% as of December 31, 2018 and 45.7% as of December 31, 2019, respectively.

Chapter 4 Management Discussion and Analysis

The Bank and each subsidiary extend unsecured loans to customers with relatively high credit ratings based on their internal credit risk rating system. As of December 31, 2018 and 2019, unsecured loans represented 3.9% and 3.5% of total loans and advances to customers, respectively.

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

(Expressed in millions of RMB, unless otherwise stated)	2019	2018
As of January 1,	2,173.2	2,335.0
Provision made in respect of the adoption of new standard for financial instruments	—	297.8
Charge for the year	629.1	670.9
Reverse for the year	(26.6)	(157.1)
Amounts written off as uncollectible	(73.9)	(44.8)
Recoveries of loans and advances previously written off	8.0	23.8
Derecognized on demand disposals of subsidiaries	—	(952.4)
As of December 31,	2,709.8	2,173.2

Provision for impairment losses on loans increased by 24.7% from RMB2,173.2 million as of December 31, 2018 to RMB2,709.8 million as of December 31, 2019, primarily due to an increase in the provision for impairment losses as a result of increased loans and advances to customers.

(B) Investment securities and other financial assets

As of December 31, 2019 and 2018, the Group had investment securities and other financial assets of RMB39,218.2 million and RMB46,453.7 million, respectively, representing 22.6% and 28.3% of its total assets, respectively.

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

Chapter 4 Management Discussion and Analysis

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2019		As of December 31, 2018	
	Amount	% of total	Amount	% of total
Debt securities investments				
Financial assets at fair value through other comprehensive income	6,183.8	15.8	5,880.4	12.7
Financial assets at amortized cost	6,110.6	15.6	6,871.8	14.8
Subtotal	12,294.4	31.4	12,752.2	27.5
Asset management plans and trust plans				
Asset management plans	15,194.0	38.7	22,867.7	49.2
Trust plans	9,663.4	24.7	8,981.1	19.3
Subtotal	24,857.4	63.4	31,848.8	68.5
Funds	715.5	1.8	690.6	1.5
Subtotal	715.5	1.8	690.6	1.5
T+0 clearing and advances	—	—	0.1	0.0
Subtotal	—	—	0.1	0.0
Equity investments				
Financial assets at fair value through other comprehensive income	145.3	0.4	144.6	0.3
Financial assets at fair value through profit or loss	1,205.6	3.0	1,017.4	2.2
Subtotal	1,350.9	3.4	1,162.0	2.5
Total investment securities and other financial assets, net	39,218.2	100.0	46,453.7	100.0

Investment securities and other financial assets decreased by 15.6% from RMB46,453.7 million as of December 31, 2018 to RMB39,218.2 million as of December 31, 2019. The decrease in investment securities and other financial assets were primarily due to the fact that according to the regulatory policies and market condition, investment strategy was adjusted in due course, resulting in a decrease in the investments in bonds and asset management plans.

Chapter 4 Management Discussion and Analysis

(ii) Liabilities

As of December 31, 2019 and 2018, total liabilities amounted to RMB157,615.4 million and RMB149,145.7 million, respectively. Major components of liabilities include (i) deposits from customers; (ii) debt securities issued; (iii) financial assets sold under repurchase agreements; and (iv) deposits from banks and other financial institutions. The table below sets forth the components of total liabilities as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2019		As of December 31, 2018	
	Amount	% of total	Amount	% of total
Deposits from customers	122,840.4	77.9	109,521.2	73.4
Debt securities issued	14,220.1	9.0	20,552.2	13.8
Financial assets sold under repurchase agreements	2,610.8	1.7	8,406.7	5.6
Deposits from banks and other financial institutions	6,277.6	4.0	4,711.3	3.2
Borrowing from the central bank	3,345.2	2.1	2,376.5	1.6
Placements from banks and other financial institutions	4,379.5	2.8	1,106.5	0.7
Other liabilities ⁽¹⁾	3,941.8	2.5	2,471.3	1.7
Total liabilities	157,615.4	100.0	149,145.7	100.0

Note:

(1) Primarily consist of accrued staff costs, taxes payable, interest payables and lease liabilities.

Chapter 4 Management Discussion and Analysis

(A) Deposits from customers

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2019		As of December 31, 2018	
	Amount	% of total	Amount	% of total
Corporate deposits				
Demand deposits	28,671.0	23.3	26,708.2	24.4
Time deposits	9,449.1	7.7	13,758.5	12.6
Subtotal	38,120.1	31.0	40,466.7	37.0
Retail deposits				
Demand deposits	21,044.1	17.1	19,116.3	17.5
Time deposits	60,484.1	49.2	46,650.8	42.6
Subtotal	81,528.2	66.3	65,767.1	60.1
Others⁽¹⁾	3,192.1	2.7	3,287.4	2.9
Total deposits from customers	122,840.4	100.0	109,521.2	100.0

Note:

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

Total deposits from customers increased by 12.2% from RMB109,521.2 million as of December 31, 2018 to RMB122,840.4 million as of December 31, 2019. The increase was primarily due to the strengthening pricing management, improving standard of services and increasing efforts in marketing of the Group.

Chapter 4 Management Discussion and Analysis

(B) Debts securities issued

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

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

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

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

From January 1, 2019 to December 31, 2019, the Bank issued 64 tranches of zero-coupon interbank certificates, with an aggregate face value of RMB13,040.0 million. The interbank certificates have terms ranging from one month to one year and bear interest at effective rates between 3.15% and 4.30%.

(iii) Shareholders' equity

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2019		As of December 31, 2018	
	Amount	% of total	Amount	% of total
Share capital	4,184.0	26.7	3,984.8	26.4
Capital reserve	5,148.6	32.9	5,331.2	35.3
Investment revaluation reserve	12.0	0.1	(30.4)	(0.2)
Surplus reserve	814.1	5.2	724.7	4.8
General reserve	1,777.7	11.4	1,571.2	10.4
Retained earnings	1,403.5	9.0	1,374.5	9.1
Non-controlling interests	2,320.2	14.7	2,151.5	14.2
Total equity	15,660.1	100.0	15,107.5	100.0

Chapter 4 Management Discussion and Analysis

(c) Assets Quality Analysis

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

The non-performing loans of the Group are classified into substandard, doubtful and loss. As of December 31, 2019, the Group's non-performing loans amounted to RMB1,617.0 million. The following table sets forth loans and advances to customers by loan classification as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2019		As of December 31, 2018	
	Amount	% of total	Amount	% of total
Normal	92,902.1	96.8	75,021.0	96.8
Special mention	1,584.9	1.6	1,151.9	1.5
Substandard	521.0	0.5	363.6	0.5
Doubtful	1,067.1	1.1	965.0	1.2
Loss	28.9	0.0	26.2	0.0
Total loans and advances to customers	96,104.0	100.0	77,527.7	100.0
Non-performing loan and non-performing loan ratio⁽¹⁾	1,617.0	1.68	1,354.8	1.75

Note:

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

The Group's non-performing loan ratio decreased from 1.75% as of December 31, 2018 to 1.68% as of December 31, 2019. The decrease was primarily due to the decrease in non-performing loan ratio resulting from the increase in size of loans and advances to customers.

Chapter 4 Management Discussion and Analysis

(ii) Concentration of loans

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

(Expressed in millions of RMB, unless otherwise stated)	December 31, 2019				December 31, 2018			
	Loan amount	% of total	Non- performing loan amount	Non- performing Loan ratio %	Loan amount	% of total	Non- performing loan amount	Non- performing Loan ratio %
Corporate loans								
Wholesale and retail	16,974.2	17.7	159.1	0.94	15,583.5	20.1	291.4	1.87
Manufacturing	13,696.6	14.3	488.8	3.57	12,886.4	16.6	317.3	2.46
Leasing and business services	12,293.5	12.8	73.6	0.60	3,164.6	4.1	41.1	1.30
Agriculture, forestry, animal husbandry and fishery	6,306.7	6.6	97.0	1.54	4,496.6	5.8	77.1	1.71
Construction	6,177.7	6.4	142.2	2.30	5,769.8	7.4	88.7	1.54
Transportation, storage and postal services	3,731.9	3.9	53.0	1.42	2,853.6	3.7	26.5	0.93
Real estate	3,413.4	3.5	77.6	2.27	3,396.6	4.4	127.0	3.74
Scientific research, technical services and geological prospecting	2,637.7	2.7	20.8	0.79	439.7	0.6	—	—
Electricity, gas and water production and supply	1,816.7	1.9	4.6	0.25	1,755.0	2.3	25.6	1.46
Education	1,776.2	1.8	—	—	1,641.6	2.1	—	—
Information transmission, computer services and software	1,054.0	1.1	—	—	850.8	1.1	—	—
Health and social services	935.8	1.0	—	—	986.0	1.3	—	—
Accommodation and catering	900.2	0.9	31.5	3.50	928.3	1.2	34.3	3.69
Cultural, sports and entertainment	473.7	0.5	10.0	2.11	320.6	0.4	—	—
Resident and other services	415.0	0.4	13.6	3.28	684.4	0.9	9.7	1.42
Water, environment and public facility management	402.1	0.4	—	—	333.8	0.4	—	—
Public administration, social security and social organisations	163.0	0.2	—	—	—	—	—	—
Mining	91.9	0.1	2.2	2.39	109.3	0.1	29.9	27.36
Finance	9.9	0.0	—	—	647.6	0.8	—	—
Retail loans	22,833.8	23.8	443.0	1.94	20,668.6	26.7	286.2	1.38
Discounted bills	—	—	—	—	10.9	0.0	—	—
Total	96,104.0	100.0	1,617.0	1.68	77,527.7	100.0	1,354.8	1.75

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

Chapter 4 Management Discussion and Analysis

Loans to borrowers in the wholesale and retail, manufacturing, leasing and business services, agriculture, forestry, animal husbandry, fishery, construction, transportation, storage and postal services represented the largest components of the Group's corporate loan portfolio. Loans to these industries accounted for 80.8% and 78.7% of total corporate loans as of December 31, 2019 and 2018, respectively.

As of December 31, 2019, non-performing loans of the Group's corporate loans were mainly concentrated in the manufacturing industry, accommodation and catering, with non-performing loan ratios of 3.57% and 3.50%, respectively.

(B) Borrower concentration

Indicators of Concentration

Major regulatory indicators	Regulatory Standard	As of 31 December 2019	As of 31 December 2018
Loan concentration ratio for the largest single customer (%)	≤10	6.50%	9.48%
Loan concentration ratio for the top ten customers (%)	≤50	46.62%	42.79%

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

Chapter 4 Management Discussion and Analysis

Loans to the 10 Largest Single Borrowers

The table below sets forth the balance of loans to the 10 largest single borrowers (excluding group borrowers) (on a consolidated or group basis) as of December 31, 2019. All of these loans were classified as normal.

(Expressed in millions of RMB, unless otherwise stated)		As of December 31, 2019		
		Amount	% of total loan	% of regulatory capital
Customer	Industry			
Borrower A	Wholesale and retail	1,105.0	1.15	6.50
Borrower B	Leasing and business services	996.0	1.04	5.86
Borrower C	Wholesale and retail	842.9	0.88	4.96
Borrower D	Manufacturing	801.6	0.83	4.72
Borrower E	Health and social services	763.2	0.79	4.49
Borrower F	Wholesale and retail	730.0	0.76	4.29
Borrower G	Leasing and business services	699.0	0.73	4.11
Borrower H	Leasing and business services	666.0	0.69	3.92
Borrower I	Manufacturing	661.0	0.69	3.89
Borrower J	Manufacturing	659.4	0.69	3.88
Total		7,924.1	8.25	46.62

Chapter 4 Management Discussion and Analysis

(C) Distribution of non-performing loans by product

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

(Expressed in millions of RMB, unless otherwise stated)	December 31, 2019			December 31, 2018		
	Loan amount	Non- performing loan amount	Non- performing loan ratio (%)	Loan amount	Non- performing loan amount	Non- performing loan ratio (%)
Corporate loans						
Small and micro enterprises ⁽¹⁾	51,397.0	1,077.5	2.10	38,694.6	718.9	1.86
Medium enterprises ⁽¹⁾	13,091.7	96.5	0.74	11,650.4	338.0	2.90
Large enterprises ⁽¹⁾	8,246.0	—	—	5,800.8	—	—
Others ⁽²⁾	535.5	—	—	702.4	11.7	1.67
Subtotal	73,270.2	1,174.0	1.60	56,848.2	1,068.6	1.88
Retail loans						
Personal business loans	16,700.1	389.4	2.33	14,655.4	243.3	1.66
Personal consumption loans	2,771.1	46.5	1.68	3,621.8	40.0	1.10
Residential and commercial mortgage loans	3,337.9	7.0	0.21	2,374.2	2.9	0.12
Credit card overdrafts	24.7	0.1	0.40	17.2	—	—
Subtotal	22,833.8	443.0	1.94	20,668.6	286.2	1.38
Discounted bills	—	—	—	10.9	—	—
Total loans	96,104.0	1,617.0	1.68	77,527.7	1,354.8	1.75

Notes:

- (1) The classification for large, medium, small and micro enterprises is based on the Provisions on the Standards for the Classification of Small and Medium Enterprises.
- (2) Mainly consist of public services institutions and social organisations.

Chapter 4 Management Discussion and Analysis

The non-performing loan ratio of corporate loans decreased from 1.88% as of December 31, 2018 to 1.60% as of December 31, 2019, primarily due to the increase in the size of corporate loans of the Group.

The non-performing loan ratio of retail loans increased from 1.38% as of December 31, 2018 to 1.94% as of December 31, 2019, which was mainly due to the fact that certain customers experienced operating difficulties under the impacts of factors including slowdown in economic growth and structural adjustment.

(D) Loan aging schedule

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2019		As of December 31, 2018	
	Amount	% of total	Amount	% of total
Loans not overdue	92,790.2	96.5	75,002.8	96.7
Loans past due for:				
1 to 90 days	1,514.7	1.6	896.2	1.2
91 days to 1 year	586.7	0.6	565.2	0.7
1 to 3 years	538.6	0.6	632.5	0.8
3 years or more	673.8	0.7	431.0	0.6
Subtotal	3,313.8	3.5	2,524.9	3.3
Total loans and advances to customers	96,104.0	100.0	77,527.7	100.0

Chapter 4 Management Discussion and Analysis

(d) Segment Information

(i) Summary of geographical segment information

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,		2018	
	2019 Amount	% of total	Amount	% of total
Jilin Province	4,656.1	87.7	4,385.1	87.0
Other Regions ⁽¹⁾	655.3	12.3	652.5	13.0
Total operating income	5,311.4	100.0	5,037.6	100.0

Note:

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

(ii) Summary of business segments

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,		2018	
	2019 Amount	% of total	Amount	% of total
Corporate banking	3,391.8	63.9	2,505.2	49.7
Retail banking	566.3	10.7	991.1	19.7
Treasury operations	1,157.0	21.8	1,325.7	26.3
Others ⁽¹⁾	196.3	3.6	215.6	4.3
Total	5,311.4	100.0	5,037.6	100.0

Note:

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

Chapter 4 Management Discussion and Analysis

(e) Off-balance Sheet Commitments

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2019	As of December 31, 2018
Credit commitments:		
Bank acceptances ⁽¹⁾	1,703.1	1,977.0
Letters of credit ⁽²⁾	12.2	195.7
Letters of guarantee ⁽²⁾	2,340.4	2,665.2
Unused limits of credit cards	158.6	140.0
Subtotal	4,214.3	4,977.9
Operating lease commitments	—	963.0
Capital commitments	25.1	53.8
Total	4,239.4	5,994.7

Notes:

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

Off-balance sheet commitments decreased by 29.3% from RMB5,994.7 million as of December 31, 2018 to RMB4,239.4 million as of December 31, 2019. The decrease in off-balance sheet commitments was primarily due to a decrease in the bank acceptances, letter of credit and letter of guarantee businesses of the Group as a result of the less demand from the Group's customers and the fact that no operating lease commitment is required to be disclosed at the end of the period as a result of the adoption of IFRS 16 — Leases.

(f) Restricted Asset Rights as at the End of the Reporting Period

Please refer to note 32 to the consolidated financial statements of this annual report.

Chapter 4 Management Discussion and Analysis

4.4 Business Review

(a) Corporate Banking

The Group offers corporate customers a broad range of financial products and services, including loans, bill discounting, deposits and fee- and commission-based products and services. The Group's corporate customers primarily include state-owned enterprises, private enterprises, foreign-invested enterprises, government authorities, financial institutions, public services institutions and non-profit organisations. As of December 31, 2019, the Group had approximately 2,746 corporate borrowers with loans and advances to customers totaling RMB73,270.2 million. In 2019 and 2018, operating income from the Group's corporate banking business was RMB3,391.8 million and RMB2,505.2 million, respectively, accounting for 63.9% and 49.7% of total operating income, respectively.

The Group seeks to grow with its corporate customers, especially SMEs with strong growth potential, and the Group focuses on developing long-term customer relationships. As of December 31, 2019, the Group had 2,699 SME customers with total loans and advances totaling RMB64,488.7 million. The Group also collaborates with other financial institutions, such as securities companies, fund companies, trust companies, insurance companies, private equity funds and financial leasing companies, to provide one-stop financial services to corporate customers. The table below sets forth the financial performance of the Group's corporate banking for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,		Change in percentage (%)
	2019	2018	
External interest income, net ⁽¹⁾	3,858.6	2,781.5	38.7
Inter-segment interest expenses, net ⁽²⁾	(493.3)	(412.8)	19.5
Net interest income	3,365.3	2,368.7	42.1
Net fee and commission income	26.5	136.5	(80.6)
Operating income	3,391.8	2,505.2	35.4
Operating expenses	(1,859.1)	(1,691.8)	9.9
Impairment losses on assets	(427.3)	(440.1)	(2.9)
Profit before tax	1,105.4	373.3	196.1

Notes:

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

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

Chapter 4 Management Discussion and Analysis

(i) Corporate loans

The Group offers loans to corporate customers to satisfy their capital needs for operations, machinery and equipment procurement and for infrastructure and real estate development. As of December 31, 2019 and 2018, the Group's corporate loans totaled RMB73,270.2 million and RMB56,848.2 million, accounting for 76.2% and 73.3% of the Group's total loans and advances to customers, respectively.

(ii) Discounted bills

The Group purchases bank and commercial acceptance bills at discounted prices from corporate customers to fund their working capital needs. These discounted bills generally have a remaining maturity of less than six months. The Group may re-discount these bills to the PBOC or other financial institutions. As of December 31, 2019, the Group's balance of discounted bills was nil.

(iii) Corporate deposits

The Group accepts time and demand deposits from corporate customers in Renminbi and major foreign currencies, such as U.S. dollars and Euros. The terms of corporate time deposits generally range from three months to three years. The Group's corporate deposit customers include state-owned enterprises, financial and government authorities and institutions, private enterprises, foreign-invested enterprises and nonprofit organisations. As of December 31, 2019 and 2018, the Group's corporate deposits totalled RMB38,120.1 million and RMB40,466.7 million, accounting for 31.0% and 37.0% of total deposits from customers, respectively.

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

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

Chapter 4 Management Discussion and Analysis

(A) Consulting and financial advisory services

The Group's consulting and financial advisory services primarily include financing solution structuring and asset management services to corporate customers. In 2019 and 2018, the Group's income from consulting and financial advisory services was RMB227.2 million and RMB218.8 million, respectively.

(B) Syndicated loans services

The Group acts as lead manager, agent and lender bank for syndicated loans to corporate customers to meet their relatively large financing needs. In 2019 and 2018, the Group earned service fees for syndicated loans of RMB59.2 million and RMB94.3 million, respectively.

(C) Settlement and clearing services

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

(D) Entrusted loans

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

(E) Agency Services

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

(F) Wealth Management Services

The Bank offers corporate customers a variety of wealth management products based on their diversified risk and return appetites, including principal-guaranteed and non-principal-guaranteed wealth management products. The wealth management products primarily invest in bonds, interbank deposits, money market instruments and investment portfolios of other fixed-income product portfolios. In 2019 and 2018, sales of wealth management products to the Bank's corporate customers totalled RMB83.5 million and RMB361.1 million, respectively.

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(b) Retail Banking

The Group offers a broad range of products and services to retail customers, including loans, deposits, debit cards and fee- and commission-based products and services. As of December 31, 2019, the Group had 51,177 retail borrowers with total loans and advances to customers of RMB22,833.8 million. In 2019 and 2018, the operating income from the Group's retail banking business amounted to RMB566.3 million and RMB991.1 million, accounting for 10.7% and 19.7% of total operating income of the Group, respectively. The table below sets forth the financial performance of the Group's retail banking for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,		Change in percentage (%)
	2019	2018	
External interest expenses, net ⁽¹⁾	(707.9)	(547.5)	29.3
Inter-segment interest income, net	1,244.4	1,513.4	(17.8)
Net interest income	536.5	965.9	(44.5)
Net fee and commission income	29.8	25.2	18.3
Operating income	566.3	991.1	(42.9)
Operating expenses	(517.5)	(676.6)	(23.5)
Impairment losses on assets	(175.2)	(73.7)	137.7
Profit before tax	(126.4)	240.8	(152.5)

Note:

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

(i) Retail loans

Retail loans consist primarily of personal business loans, personal consumption loans and residential and commercial mortgage loans. As of December 31, 2019 and 2018, the Group's retail loans totalled RMB22,833.8 million and RMB20,668.6 million, accounting for 23.8% and 26.7% of total loans and advances to customers, respectively.

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(ii) Retail deposits

The Group offers retail customers a variety of demand deposit and time deposit products denominated in Renminbi and foreign currencies. The Group's retail time deposits denominated in Renminbi generally have maturities ranging from three months to five years. Retail time deposits denominated in foreign currencies (primarily U.S. dollars and Euros) have maturities ranging from one month to two years. As of December 31, 2019 and 2018, the Group's retail deposits totalled RMB81,528.2 million and RMB65,767.1 million, accounting for 66.3% and 60.1% of total deposits from customers, respectively.

(iii) Bank cards services

(A) Debit cards

The Group issues Renminbi debit cards to retail customers who maintain deposit accounts with the Group. Customers may use debit cards for a variety of financial services, including cash deposits and withdrawal, transfers, settlement and bill payment. The Group's debit cards are classified into platinum, gold and basic cards based on customers' daily average financial asset balances. The Group also issues specialized debit cards with added features such as theme cards for different market segments and co-branded cards offering preferential value-added services. The Bank cooperates with Changchun Federation of Trade Unions (長春市總工會) to offer trade union member cardholders comprehensive financial services, including membership management, subsidies and allowances. In addition, the Group cooperates with well-known domestic third-party payment companies for Internet payment to enhance cardholder experience. As of December 31, 2019, the Group had issued approximately 3.9 million debit cards.

(B) Credit cards

Since the issuance of UnionPay credit cards, the Bank has continued to issue credit cards to high-quality customer groups and pay attention to users' needs, and the service quality has been continuously improved. In 2019, in order to improve the users' experience, the Bank enhanced the consumption function of the "Instal-Card (分唄卡)". In order to provide more convenient and comprehensive online credit card services, the Bank launched an update for the "Jiutai Rural Commercial Bank Credit Card" WeChat official account and "Jiushang Credit Card" mobile APP, introducing new functions such as consumption curve, transaction inquiry, temporary limit adjustment and linkage of automatic payment account. Taking a step forward, the Bank actively responded to the customers' needs for consumer finance, extended the online approval efficiency for "Fortune Borrowing (財神借款)" and increased installments for bills and flexible loans. While improving credit card services, the Bank also closely monitored and effectively prevented and controlled risks relating to credit card business. As of the end of 2019, the non-performing ratio of credit card overdraft of the Bank was not more than 1.0%.

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

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

(A) Wealth management services

The Bank offers retail customers a variety of wealth management products based on their risk and return appetites, primarily including principal-guaranteed and non-principal-guaranteed wealth management products. The Bank also sells insurance products and has obtained the qualification to sell fund products in February 2017. Funds raised from wealth management products are primarily invested in bonds, interbank deposits, money market instruments and investment portfolios of other fixed-income products. In 2019 and 2018, the Bank's sales of wealth management products to retail customers totalled RMB17,861.8 million and RMB30,537.0 million, respectively.

(B) Private banking service

The Bank's private banking department provides one-stop financial services tailored for individual customers. These products and services primarily include wealth planning and customized wealth management products. In 2019 and 2018, the Bank's sales of wealth management products to private banking customers totalled RMB2,869.3 million and RMB5,764.7 million, respectively. The Bank also provides private banking customers with various value-added services, primarily including priority banking services, one-on-one consultancy services, bank fee discounts, and health consultancy services offered in cooperation with third parties.

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

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

Chapter 4 Management Discussion and Analysis

(c) Treasury Operations

The Group's treasury operations consist primarily of money market transactions, investments in securities and other financial assets and treasury operations conducted on behalf of customers. In response to the complicated and ever-changing economic and financial environment as well as changes in policies and market, the Bank placed an emphasis on optimization of the assets and liabilities structure and improvement in the yield of our treasury operations. The Bank capitalized on investment opportunities through timely adjustment of its investment strategies and compliant and prudent development of the treasury business. In 2019 and 2018, operating income from the Group's treasury operations was RMB1,157.0 million and RMB1,325.7 million, accounting for 21.8% and 26.3% of its total operating income, respectively. The table below sets forth the financial performance of the Group's treasury operations for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,		Change in percentage (%)
	2019	2018	
External interest income, net ⁽¹⁾	1,017.0	1,286.0	(20.9)
Inter-segment interest expenses, net ⁽²⁾	(751.1)	(1,100.6)	(31.8)
Net interest income	265.9	185.4	43.4
Net fee and commission income	260.2	214.0	21.6
Net income from other businesses ⁽³⁾	630.9	926.3	(31.9)
Operating income	1,157.0	1,325.7	(12.7)
Operating expenses	(296.8)	(391.8)	(24.2)
Impairment losses on assets	(468.4)	(358.1)	30.8
Profit before tax	391.8	575.8	(32.0)

Notes:

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

Chapter 4 Management Discussion and Analysis

(i) Money market transactions

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

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

(A) Interbank deposits

The Group accepts deposits from banks and other financial institutions and deposit funds in other financial institutions to regulate its asset and liability structure. As of December 31, 2019 and 2018, the Group's deposits from banks and other financial institutions totalled RMB6,277.6 million and RMB4,711.3 million, and deposits at banks and other financial institutions totalled RMB6,193.3 million and RMB9,884.4 million, respectively.

(B) Interbank placement

As of December 31, 2019 and 2018, the Group's placements with banks and other financial institutions totalled RMB1,814.0 million and RMB1,698.6 million, and the Group's placements from banks and other financial institutions totalled RMB4,379.5 million and RMB1,106.5 million, respectively.

(C) Interbank repurchase and reverse repurchase transactions

The securities underlying the Group's repurchase and reverse repurchase transactions are mainly RMB-dominated government bonds and policy financial bonds. As of December 31, 2019 and 2018, the Group's financial assets held under resale agreements totalled RMB100.0 million and nil, and financial assets sold under repurchase agreements totalled RMB2,610.8 million and RMB8,406.7 million, respectively.

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(ii) Investments in securities and other financial assets

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

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

(A) Securities investment by business model and characteristics of cash flow of assets of the Group

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2019		As of December 31, 2018	
	Amount	% of total	Amount	% of total
Financial assets at fair value through profit or loss	9,538.4	24.3	16,387.6	35.2
Financial assets at fair value through other comprehensive income	6,670.9	17.0	6,349.7	13.7
Financial assets at amortized cost	23,008.9	58.7	23,716.4	51.1
Total investment securities and other financial assets	39,218.2	100.0	46,453.7	100.0

Total investment securities and other financial assets decreased by 15.6% from RMB46,453.7 million as of December 31, 2018 to RMB39,218.2 million as of December 31, 2019.

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

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

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2019		As of December 31, 2018	
	Amount	% of total	Amount	% of total
Immediately due	4,874.9	12.4	515.3	1.1
Due in 3 months	8,307.1	21.2	10,880.7	23.4
Due between 3 and 12 months	13,484.0	34.4	16,488.9	35.5
Due between 1 and 5 years	5,994.3	15.3	9,286.9	20.0
Due over 5 years	5,207.0	13.3	8,119.9	17.5
Undefined	1,350.9	3.4	1,162.0	2.5
Total	39,218.2	100.0	46,453.7	100.0

The Bank's securities investment with a remaining maturity of between 3 months and 12 months accounted for the largest portion.

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(C) Holding of government bonds

As of December 31, 2019, the balance of face value of the government bonds held by the Bank amounted to RMB7,542.9 million. The table below sets out the top 10 government bonds with the highest face value held by the Group as of December 31, 2019.

Name of the bond	Face value (RMB in millions)	Interest rate per annum (%)	Maturity date
16 Interest-bearing treasury bond 10 (16付息國債10)	1,800.0	2.90	May 5, 2026
16 Interest-bearing treasury bond 17 (16付息國債17)	1,340.0	2.74	August 4, 2026
15 Interest-bearing treasury bond 19 (15付息國債19)	440.0	3.14	September 8, 2020
15 Interest-bearing treasury bond 16 (15付息國債16)	360.0	3.51	July 16, 2025
16 Jilin bond 02 (16吉林債02)	320.0	2.98	June 21, 2021
19 Interest-bearing treasury bond 06 (19付息國債06)	300.0	3.29	May 23, 2029
19 Interest-bearing treasury bond 04 (19付息國債04)	240.0	3.19	April 11, 2024
15 Interest-bearing treasury bond 26 (15付息國債26)	230.0	3.05	October 22, 2022
15 Jilin bond 04 (15吉林債04)	220.0	3.58	June 12, 2025
15 Zhejiang bond 03 (15浙江債03)	200.0	3.54	June 10, 2022
Total	5,450.0		

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(D) Holding of financial bonds

As of December 31, 2019, the balance of face value of the financial bonds (mainly the financial bonds issued by policy banks, banks and other financial institutions in China) held by the Group amounted to RMB1,230.2 million. The table below sets out the 10 financial bonds with the highest face value held by the Group as of December 31, 2019.

Name of the bond	Face value (RMB in millions)	Interest rate per annum (%)	Maturity date
16 Nong Fa 05 (16農發05) (Additional issue)	300.0	3.22	January 6, 2026
15 Guo Kai 09 (15國開09) (Additional issue)	200.0	4.22	April 13, 2022
14 Guo Kai 11 (14國開11)	130.0	5.67	April 8, 2024
14 Guo Kai 28 (14國開28)	100.0	4.18	November 20, 2021
14 Nong Fa 23 (14農發23)	100.0	5.48	March 21, 2024
15 Guo Kai 08 (15國開08)	100.0	4.13	April 13, 2020
16 Nong Fa 21 (16農發21)	100.0	2.96	July 27, 2021
15 Jin Chu 13 (15進出13)	50.0	3.81	June 8, 2020
17 Guo Kai 09 (17國開09)	50.0	4.14	September 11, 2020
18 Nong Fa 01 (18農發01)	50.0	4.98	January 12, 2025
Total	1,180.0		

(iii) Treasury operations conducted on behalf of customers

In the Bank's treasury operations conducted on behalf of customers, the Bank manages funds received from the issuance of wealth management products to corporate and retail customers. In 2019 and 2018, the Bank sold wealth management products totalling RMB20,814.6 million and RMB36,662.8 million, respectively.

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(d) Distribution Network

(i) Physical outlets

As of December 31, 2019, the Group had 345 outlets, of which 150 outlets, including the three branches in Changchun, Songyuan and Tonghua, were operated by the Bank, and the rest by the Group's subsidiaries under their own names.

Based on different regional conditions, the Group developed community finance, finance for three rurals and corporate finance. In addition to providing traditional banking services, the Group also strove for outlet transformation. The Bank was the first rural commercial bank in China and first financial institution in Jilin province to have robot bank lobby managers and 3-D printing, and was also the first financial institution in Jilin's rural credit bank system to offer 24-hour automatic safe deposit boxes and remote video self-service loan application machines.

(ii) Electronic banking

(A) Self-service banking

The Group provides convenient banking services to customers at lower operation costs by using self-service facilities. Self-service facilities are available at our outlets, self-service zones, commercial complexes, hospitals, schools and other public places. As of December 31, 2019, the Group had 365 self-service outlets, 94 self-service areas, and 1,127 self-service facilities.

(B) Telephone and SMS banking

The Group provides customers with account management, status reminders, transfer and remittance and consultation and other services around the clock through an interactive self-service voice system, AI customer service, SMS interaction and other means. As of December 31, 2019, the Group had 1,862,509 telephone and SMS banking customers.

(C) Internet banking

The Group provides customers with account management, transfer and remittance, interbank receipt, online loan application and online payment services through the Internet. As of December 31, 2019, the Group had 386,922 internet banking customers.

(D) Mobile phone banking

The Group provides customers with mobile phone banking services, including account inquiry and management, transfer and remittance, fee payment and mobile phone payment services. As of December 31, 2019, the Group had 740,922 mobile phone banking customers.

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(E) WeChat banking

Through WeChat, the Group's customers can access information about products, services and promotions, manage accounts, search for locations of bank outlets and reserve counter services. As of December 31, 2019, the Group had 157,124 WeChat banking customers.

(F) Remote video banking

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

(e) Information on the Subsidiaries

(i) Jilin Jiuyin Financial Leasing Co., Ltd.

The Bank, as the main promoter, applied to the CBIRC for the promotion and establishment of Jilin Jiuyin Financial Leasing Co., Ltd. ("Jilin Jiuyin"). Jilin Jiuyin's registered address is in Changchun of Jilin province, and its registered capital amounts to RMB500.0 million, RMB300.0 million of which is contributed by the Bank, accounting for 60%. Jilin Jiuyin obtained the business license on February 20, 2017 from the Administration for Industry and Commerce of Jilin province. Its scope of business includes financial leasing business, transferring assets under financial leases as transferor and transferee, fixed-income securities investment business, accepting deposits as guarantee from the lessee, taking deposits of 3 months or above from non-bank shareholders, interbank placements, obtaining loans from financial institutions, offshore lending, disposal and handling of leased articles and economic consulting. As at December 31, 2019, total assets of Jilin Jiuyin amounted to RMB2,807.8 million. In 2019 and 2018, the operating income of Jilin Jiuyin was RMB107.9 million and RMB72.5 million, accounting for 2.0% and 1.4% of the Group's total operating income, respectively.

(ii) Rural commercial bank

As of December 31, 2019, the Bank controlled and consolidated one rural commercial bank, Liaoyuan Rural Commercial Bank, that was restructured from rural credit cooperatives the Bank acquired.

Such rural commercial bank offers a broad range of financial products and services to corporate and retail customers. These products and services include commercial and consumer loans, bill discounting, deposits from customers and fee- and commission-based products and services, such as settlement services, remittance services, bank card services, money market transactions and invest in debt securities.

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(iii) Village and township banks

As of December 31, 2019, the Bank controlled and consolidated a total of 33 village and township banks in areas including Jilin, Heilongjiang, Hebei, Tianjin, Shandong, Anhui, Hubei, Shaanxi, Guangdong and Hainan.

As of December 31, 2019, these village and township banks had total assets of RMB49,089.8 million, total deposits of RMB40,830.8 million and total loans of RMB26,113.5 million. In 2019 and 2018, the operating income of these village and township banks was RMB1,643.1 million and RMB1,570.1 million, accounting for 30.9% and 31.2% of the Group's total operating income, respectively.

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

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

(f) Operation and Safety of IT Systems

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

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1. Continuous enhancement of technological governance

The Bank steadily enhanced its technological governance through continuous deepening reforms and improvement of systems. In 2019, the Bank revised and improved 21 IT systems of the Bank, including the Administrative Measures for Data Governance Platform, the Administrative Measures for Domain Name Management, Project Management and Outsourcing Management, so that the IT management system was improved and the data governance system was established. The Bank also initiated self-inspections on important infrastructure, operation of computer systems and network security actively to ensure timely protection beforehand.

2. Sound protection of information security

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

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

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3. Consolidation of infrastructure

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

4. Strengthening team development

In order to meet the development needs of the IT service system and to solve problems efficiently, a science and technology coordination team was set up. Special training sessions were organized to improve skills so to ensure that the responsible personnel mastered the corresponding skills and became familiar with various regulations to support daily technological operation and maintenance in an effective manner. Professional training programs were also formulated to improve the working skills of technicians and to promote exchange of knowledge and information among employees. In 2019, 11 trainings courses of information technology were continued to be carried out according to relevant plans. In addition, two information security trainings were conducted by the Bank to enhance the awareness of information security and to grasp information security skills requisite for daily work of employees of the Bank.

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

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4.5 Risk Management

(a) Risk Management of the Bank

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

(i) Credit risk management

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

The Bank's credit risk management organisation includes its president and risk management committee, credit approval committees and its risk management, front desk business, internal audit department and persons-in-charge of branches and sub-branches.

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

The Bank uses the following mechanisms to manage credit risks:

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

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- Risk alert mechanism — The Bank continually monitors outstanding credit and overall credit quality. The Bank carries out standardized management of risk alerts through the use of the post-disbursement management function of its credit system and promptly provides advice to deal with the issue.
- Non-performing asset disposal mechanism — The Bank has established an accountability mechanism for the disposal of non-performing assets.

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

In 2019, the Bank seriously complied with the national industrial policies and various regulatory requirements to adjust credit structure as a main task and focus on preventing and mitigating credit risks. Through clarifying credit direction, optimizing operational procedures and carrying out risk obligations, the Bank strengthened its credit risk management. Continuous efforts were made to enhance its insights and initiatives of risk prevention and control. Firstly, the Bank amended the Rules on Assessment Meeting of Credit Approval Committees (《授信審批委員會評審會議規則》) and the Measures for the Administration of Interbank Business Credit of Financial Institutions (《金融機構同業業務授信管理辦法》) to optimise credit approval procedures of internal control, working efficiency and other aspects. The Bank also amended the Measures for the Administration of External Evaluation on Cooperation Institutions (《外聘評估合作機構管理辦法》) and the Measures for the Administration of Business Cooperation of Financial Guarantee Companies (《融資擔保公司業務合作管理辦法》) in order to control admission and further improve the credit risk management. Secondly, the Bank strove to focus on principal business and traditional values. In line with policy changes and economic structural adjustments, the Bank continued to optimize its loan extension and improve its business structure. Thirdly, the Bank optimized its operational procedures and tightened credit management to ensure the quality of new loans. In the meantime, the Bank monitored and analysed real-time credit risk in depth and on a continuous basis. Efforts were made to manage post-loan risk classification and monitoring. Early warning measures were also taken in order to identify and mitigate any potential risks in a timely manner. The Bank also strengthened the identification, handling and disposal of non-performing assets. Fourthly, the Bank further improved its operation mechanism, strengthened the implementation of risk mitigation measures and carried out its risk management obligations to continuously enhance its credit risk management abilities.

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(ii) Market risk management

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

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

(A) Interest rate risk management

Interest rate risk is the risk of economic loss to commercial banks due to adverse changes in interest rates. Based on a variety of sources, interest rate risk can be categorized into re-pricing risk, yield curve risk, benchmark risk and optionality risk. The interest rate risk of the Bank mainly includes re-pricing risk (also known as maturity mismatch risk), which is due to the difference between the maturity dates of assets, liabilities and off-balance sheet positions of the Bank (for fixed interest rate) and the re-pricing period (for floating interest rate). The overall goal of the interest rate risk management of the Bank is to follow the principles of sound risk preference and to ensure the adverse impacts of changes in interest rates on revenue and value of the Bank are controllable.

The Bank has established a governance structure compatible with its interest rate risk management, which comprised the Board and its Risk Management Committee, the senior management and its Asset and Liability Management Committee, departments at the front and middle offices, branches and subsidiaries. Such governance structure is also under the supervision of the Board of Supervisors and subject to audit by the audit department. The senior management is responsible for the specific management of the interest rate risk of the Bank, while the Asset and Liability Management Committee performs relevant functions

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as authorized by senior management, including the formulation, evaluation, supervision and implementation of interest rate risk preferences and interest rate risk management strategies, policies and procedures. Each management level has clear division of work, ensuring that the interest rate risk management can be carried out independently and effectively with sufficient resources.

In 2019, the Bank effectively made use of the internal funds transfer pricing (FTP) system and the loan pricing system to objectively evaluate the interest rates and profitability of different institutions and products. Operation strategy and business development direction were modified based on the price leverage for more effective allocation of resources and structures. Prevention and control of interest rate risk was further enhanced. On the other hand, the Bank adjusted its risk indicator systems based on the Guidelines for Managing the Banking Book Interest Rate Risk of Commercial Banks (Amended) (商業銀行銀行賬簿利率風險管理指引(修訂)). Based on the statistics of repricing deadlines of its rate-sensitive assets and liabilities, the Bank adopted specific interest rate shock scenarios to analyze the impact of interest rate fluctuation on its economic values, to measure the potential banking book interest rate risk and to maintain the banking book interest rate risk within its acceptable range. In the future, the Bank will continue to improve the reporting system and limit of banking book interest rate risk, risk monitoring and precaution and enhance the overall management on banking book interest rate risk of the Bank.

The table below sets forth the results of the Group's gap analysis based on the earlier of (i) the expected next repricing dates and (ii) the final maturity dates of its assets and liabilities as of December 31, 2019.

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(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2019					
	Total	Non- interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	23,626.4	698.8	22,927.6	—	—	—
Deposits with banks and other financial institutions	6,193.3	—	5,815.5	377.8	—	—
Placements with banks and other financial institutions	1,814.0	—	864.7	949.3	—	—
Loans and advances to customers	93,394.2	—	21,416.3	41,489.0	25,999.4	4,489.5
Financial assets held under resale agreements	100.0	—	100.0	—	—	—
Investment securities and other financial assets	39,218.2	1,350.9	13,182.0	13,484.0	5,994.3	5,207.0
Interest receivables	939.8	939.8	—	—	—	—
Others ⁽¹⁾	7,989.6	7,989.6	—	—	—	—
Total assets	173,275.5	10,979.1	64,306.1	56,300.1	31,993.7	9,696.5
Liabilities						
Borrowings from the central bank	3,345.2	—	2,361.5	970.2	13.5	—
Deposits from banks and other financial institutions	6,277.6	—	2,562.6	3,715.0	—	—
Placements from banks and other financial institutions	4,379.5	—	1,389.5	2,990.0	—	—
Provision for credit commitments and financial guarantees	0.2	0.2	—	—	—	—
Financial assets sold under repurchase agreements	2,610.8	—	2,610.8	—	—	—
Deposits from customers	122,840.4	—	71,698.8	19,671.4	31,264.1	206.1
Debt securities issued	14,220.1	—	6,973.7	4,850.4	699.1	1,696.9
Interest payables	2,204.9	2,204.9	—	—	—	—
Others ⁽²⁾	1,736.7	1,024.8	50.4	161.6	430.1	69.8
Total liabilities	157,615.4	3,229.9	87,647.3	32,358.6	32,406.8	1,972.8
Asset-liability gap	15,660.1	7,749.2	(23,341.2)	23,941.5	(413.1)	7,723.7

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

Notes:

- (1) Primarily includes property and equipment, goodwill, other receivables and prepayments, deferred tax assets, repossessed assets, interests in associates and right-of-use assets.
- (2) Primarily includes accrued staff costs, taxes payable and lease liabilities.

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31,			
	2019		2018	
	Changes in net profit	Changes in equity	Changes in net profit	Changes in equity
Increase by 100 basis points	(150.6)	(279.1)	(159.5)	(602.4)
Decrease by 100 basis points	150.6	279.1	159.5	602.4

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

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

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

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(B) Exchange rate risk management

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

The Bank regulates transactions that have high exchange rate risks and monitor foreign exchange positions on a real-time basis. The Bank promptly closes positions from major transactions and revalues non-monetary balance sheet items daily to enhance the management of foreign exchange assets and liabilities. The Bank has continued to strengthen its exchange rate risk management, ensured the reasonable use of foreign exchange funds and duly considered the effect of exchange rate changes on revenue for the current period to further improve its risk management of foreign exchange exposure. The Bank studied the effect of changes in the main factors of market risk on revenue and economic value to proactively regulate potential systematic risks. The exchange rate risk management level of the Bank can be extensively improved.

(iii) Operational risk management

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

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

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In 2019, the Bank implemented various measures to continuously optimize the operational risk management and enhance its risk management and control capability. Firstly, the Bank strengthened the compliance education for all employees to improve their awareness of risk prevention. The Bank organized promotion and education campaign to build up professional ethics for employees in order to enhance the due diligence and operation compliance of the employees and to improve their awareness of risk prevention and the rule of law. At the same time, the internal control standard was enhanced by increasing the trainings for key personnel of different business lines and branches. Secondly, the Bank improved the identification and assessment for operational risks and the operating procedures were standardized. Based on the ever-changing regulatory requirements, rectifications, amendments and improvements were carried out in a timely manner aiming to ensure the timeliness and adequacy of operational risk identification. Assessment of operational risk was carried out quarterly. The Bank performed a consolidated analysis on the aspects and procedures of the Bank that may have potential operational risk, so as to facilitate better coordination of the internal control system to prevent operational risks with more standardized procedures. In addition, the Bank placed high emphasis on the effectiveness and implementation of its policies, and intensified the depth and frequency of supervision and inspection. The Bank prevented and eliminated potential operational risks in a timely basis through performing specialized inspections on key positions, key procedures and key businesses, off-site inspections and a combination of self-inspection and audits inspection to ensure the effectiveness of various internal control systems. Thirdly, the Bank reinforced the supervision of key positions and improved the supervision efficiency. The Bank implemented a rotation system for key positions, and required to strictly implement the rotation system, mandatory leave policy and departure audits to prevent operational risks. Behaviours of employees were under effective supervision. Investigation system for employee behaviours was established, and specific operational procedures and requirements were formulated in order to improve their knowledge on internal control and their abilities of self-constraint and mutual monitoring. Misbehaved employees were educated in a timely manner, and serious cases were handled on a strict basis.

(iv) Liquidity risk

(A) Liquidity risk management

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

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

The Bank continued to improve its liquidity risk management measures, tools and approaches. The ability to measure, identify and forecast liquidity risks was further enhanced through asset and liability management, liquidity risk indicative limits and maturity management to strengthen the liquidity risk management system. In addition, the Bank further improved the management of cash flow and reserve of assets with high quality and explored more sources of funding. The Bank properly increased its assets and adjusted the assets and liabilities structure for better prevention and management of liquidity risks in accordance with the exposure, satisfactory requirements of liquidity risk indicators, capital adequacy and changes in market conditions.

In 2019, on the basis of the operation principles of safety, liquidity and efficiency, the Bank continued to strengthen its liquidity risk management. The liquidity remained generally satisfactory. Firstly, the Bank strengthened its ordinary deposits to minimize the proportion of interbank liabilities. Secondly, in an effort to optimize its asset structure, the Bank allocated more resources to private enterprise, micro-, small- and medium-sized enterprises and three rurals and improved liquidity of credit assets by product innovation, system optimization and structure adjustment. The Bank also maintained reasonable growth of its assets, downsized interbank business and strictly controlled capital use in the medium and long term to minimize maturity mismatch. The Bank utilized financial tools flexibly to establish diversified financing sources, ensuring the continuous optimization of liquidity indicators. Thirdly, the Bank optimized the long term mechanism of liquidity risk management and timely adjusted its liquidity risk management strategies based on the trend and changes in the financial market. The Bank conducted normalized liquidity stress tests, performed liquidity risk alert, identification and response and formulated emergencies plan scientifically. The Bank reasonably increased liquidity assets with high liquidity, including treasury bonds and local bonds, to ensure the stability of liquidity indicators and sufficiency of provisions so as to safeguard its stable and healthy operation.

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(B) Liquidity risk analysis

The Group funds its loan and investment portfolios principally through deposits from customers. Deposits from customers have been, and the Bank believes that it will continue to be, a stable source of funding. Deposits from customers with remaining maturities of less than one year represented 74.4% and 81.1% of the total deposits from customers as of December 31, 2019 and 2018, respectively.

The table below sets forth the remaining maturities of the Group's assets and liabilities as of December 31, 2019.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2019							Total
	Indefinite	Overdue/ on demand	Less than one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Asset								
Cash and deposits with the central bank	11,016.3	12,610.1	—	—	—	—	—	23,626.4
Deposits with banks and other financial institutions	—	3,760.0	1,281.2	774.3	377.8	—	—	6,193.3
Placements with banks and other financial institutions	—	—	455.0	409.7	949.3	—	—	1,814.0
Financial assets held under resale agreements	—	—	100.0	—	—	—	—	100.0
Financial assets at fair value through profit or loss	1,205.7	—	1,003.1	2,933.1	4,396.5	—	—	9,538.4
Interest receivables	—	326.2	176.7	119.4	281.7	32.0	3.8	939.8
Loans and advances to customers	1,275.2	532.3	5,479.4	6,442.4	42,348.8	27,674.4	9,641.7	93,394.2
Financial assets at fair value through other comprehensive income	145.2	—	—	139.0	3,130.9	1,343.8	1,912.0	6,670.9
Financial assets at amortized cost	—	4,874.9	1,828.7	2,403.2	5,956.6	4,650.5	3,295.0	23,008.9
Others ⁽¹⁾	7,820.0	63.0	—	—	—	106.6	—	7,989.6
Total assets	21,462.4	22,166.5	10,324.1	13,221.1	57,441.6	33,807.3	14,852.5	173,275.5

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(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2019							Total
	Indefinite	Overdue/ on demand	Less than one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Liabilities								
Borrowings from the central bank	—	—	2,001.5	360.0	970.2	13.5	—	3,345.2
Deposits from banks and other financial institutions	—	52.6	930.0	1,580.0	3,715.0	—	—	6,277.6
Placements from banks and other financial institutions	—	2.5	787.0	600.0	2,990.0	—	—	4,379.5
Provision for credit commitments and financial guarantees	—	0.0	0.1	0.0	0.1	0.0	0.0	0.2
Financial assets sold under repurchase agreements	—	—	2,610.8	—	—	—	—	2,610.8
Deposits from customers	—	53,938.0	9,817.9	7,942.9	19,671.4	31,264.1	206.1	122,840.4
Interest payables	—	1,067.2	144.9	109.0	320.3	563.5	—	2,204.9
Debt securities issued	—	—	3,835.9	3,137.8	4,850.4	699.1	1,696.9	14,220.1
Others ⁽²⁾	—	466.3	431.3	23.6	174.1	571.6	69.8	1,736.7
Total liabilities	—	55,526.6	20,559.4	13,753.3	32,691.5	33,111.8	1,972.8	157,615.4
Net working capital	21,462.4	(33,360.1)	(10,235.3)	(532.2)	24,750.1	695.5	12,879.7	15,660.1

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(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2018							Total
	Indefinite	Overdue/ on demand	Less than one month	one	three	Between	More than five years	
				month and three months	months and one year	one year and five years		
Assets								
Cash and deposits with the central bank	10,950.6	11,507.5	—	—	—	—	—	22,458.1
Deposits with banks and other financial institutions	—	3,181.6	1,818.9	1,464.8	3,419.1	—	—	9,884.4
Placements with banks and other financial institutions	—	—	446.9	416.2	835.5	—	—	1,698.6
Financial assets at fair value through profit or loss	1,017.4	—	2,488.0	4,070.5	8,329.9	481.8	—	16,387.6
Interest receivables	—	109.5	135.4	230.1	264.3	10.8	0.6	750.7
Loans and advances to customers	848.4	148.4	5,280.2	7,748.2	36,678.6	18,516.1	6,134.6	75,354.5
Financial assets at fair value through other comprehensive income	144.6	—	—	—	463.9	1,469.1	4,272.1	6,349.7
Financial assets at amortized cost	—	515.3	3,393.5	928.7	7,695.1	7,336.0	3,847.8	23,716.4
Others ⁽¹⁾	7,361.2	10.6	—	—	—	281.4	—	7,653.2
Total assets	20,322.2	15,472.9	13,562.9	14,858.5	57,686.4	28,095.2	14,255.1	164,253.2
Liabilities								
Borrowings from the central bank	—	—	1,600.0	41.0	735.5	—	—	2,376.5
Deposits from banks and other financial institutions	—	61.3	2,135.0	675.0	1,840.0	—	—	4,711.3
Placements from banks and other financial institutions	—	2.5	190.0	104.0	810.0	—	—	1,106.5
Provision for credit commitments and financial guarantees	—	0.0	0.0	0.0	0.2	0.0	0.0	0.2
Financial assets sold under repurchase agreements	—	—	8,406.7	—	—	—	—	8,406.7
Deposits from customers	—	49,516.1	6,073.7	7,928.6	25,326.5	20,415.3	261.0	109,521.2
Interest payables	—	754.1	207.8	191.9	316.4	279.5	—	1,749.7
Debt securities issued	—	—	1,617.6	2,679.2	13,860.2	698.8	1,696.4	20,552.2
Others ⁽²⁾	—	336.6	314.8	2.3	—	64.2	3.5	721.4
Total liabilities	—	50,670.6	20,545.6	11,622.0	42,888.8	21,457.8	1,960.9	149,145.7
Net working capital	20,322.2	(35,197.7)	(6,982.7)	3,236.5	14,797.6	6,637.4	12,294.2	15,107.5

Notes:

(1) Primarily includes property and equipment, goodwill, deferred tax assets, other receivables and prepayments, repossessed assets, interests in associates and right-of-use assets.

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

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(v) Reputational risk management

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

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

In 2019, the Bank further improved its reputational risk management system and reputational risk emergency response plan, which stipulates the responsible departments, reporting process and handling measures to improve its response capabilities. The Bank formulated the Implementation Rules of Public Relations Management (輿情管理工作實施細則) to prevent public relations risk by establishing a comprehensive mechanism of public relations monitoring and analysis, interference and emergency response. In addition, the Bank attached importance to protection of consumers' rights and interests and standardized the approach of handling customer complaints to improve service quality and effectiveness and to increase satisfaction of its customers. Leveraging its extensive nationwide network, the Bank launched financial knowledge campaign and educational activities to optimize the financial environment.

(vi) Legal and compliance risk management

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

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The Bank prioritizes legal and compliance risk management in the development of its corporate culture as well as its comprehensive risk management system in order to establish a top-down legal and compliance risk management system. In 2019, adhering to the principle of achieving growth in compliance with the regulations, the Bank prioritized internal control and further improved the effectiveness of its compliance management. Firstly, the Bank established a regular review mechanism for internal control system. The Bank revised and supplemented certain business systems and operational procedures, and more than 110 sets of rules and measures regarding assessment of new products, anti-money laundering management, and bank card acquiring business, were modified and improved timely. The Bank also conducted evaluations on the effectiveness of internal control systems periodically to ensure the sufficiency and timeliness of the systems, so as to facilitate effective coordination between the frontline, middle and back offices with clear separations and check and balance. Secondly, the Bank implemented the authorization mechanism for operation and management. The Bank adopted differentiated authorizations for relevant business functions, branches and key positions within the statutory business scope and according to the clear organisational structure to strengthen internal supervision and prevent and control risks. Business activities beyond the scope of authorization were strictly prohibited. Thirdly, the Bank highlighted the importance of compliance and implemented the supervision and inspection mechanism. In addition to refining its systems, the Bank also attached high importance to enhancing the inspection and supervision of system implementation with focus on strengthening the constraints and execution. Pursuant to the requirements and planning of the regulatory authorities to rectify market chaos and prevent financial risks, the Bank conducted specific corporate governance investigations, including the “Consolidation of Achievements from Investigation of Chaos for Compliance Construction” in 2019, investigation and rectification of unlawful fundraising risk, “Campaign for Learning Laws, Complying with Regulations and Promoting Compliance”, warnings and education through cases and special fight against evil force. Problems identified through self-inspection and investigation of risks were rectified. Through investigation and rectification as well as promotion and education, the compliance management of the Bank was fully enhanced, further consolidating the foundation for serving the real economy.

(vii) IT risk management

IT risk refers to the operational, reputational, legal and other risks arising from the use of information technologies due to natural factors, human factors, technical constraints, management defects and other factors. The Bank’s IT risk management aims to identify, measure, monitor and control IT risk through the development of effective systems. In doing so, the Bank seeks to ensure its safe and stable operation and promote business innovation through the application of advanced information technology. Through expanding the application of IT, the Group aims to strengthen its core competitiveness and sustainable development ability.

Chapter 4 Management Discussion and Analysis

The Bank has an IT committee responsible for overseeing and guiding its IT activities. IT risks are included to the comprehensive risk management system of the Bank. The IT department is responsible for the implementation of specific risk management measures, plans and proposals. In 2019, the Bank upgraded related systems, provided safety trainings for its IT staff, refined its centralized backup system and improved the emergency management system in order to facilitate the real-time monitoring and control of IT risks. Firstly, the Bank continuously improved the operation and management processes and adopted stringent operation process management system in order to prevent, monitor and trace IT risks. Secondly, the awareness of risk and information safety of IT staff was improved. The Bank organized trainings in relation to information safety such as project management system, data center operation and maintenance and network, and the technical skills and management abilities of IT staff were improved. Thirdly, the Bank upgraded the operation monitoring system. The Bank monitored the risk of operation systems through an integrated monitoring platform and prevented information security risk through early warning mechanism. Fourthly, the Bank conducted a total of 10 emergency drills on various scenarios, including virtualization system failure, fire protection for data center, core database system, network, fire prevention, power system of data center, in order to evaluate the effectiveness of the emergency plans and sufficiency of emergency resources and to improve the risk awareness and capabilities to cope with contingency of the emergency team. Fifthly, security and reliability of business system were improved to ensure the safe and reliable operation of the data center business systems and to mitigate security risks of its information systems. Sixthly, protection levels of the information system were evaluated. In accordance with the evaluation results, the Bank earnestly identified and rectified the potential security risks in its systems, which effectively supported the safe and stable operation of the IT systems.

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

Anti-money laundering management refers to the measures for preventing money laundering activities related to cover up and conceal of drugs dealing, organized crime, terrorism, smuggling, corruption and bribery, breaking the order of financial management and financial fraud.

The Bank has included anti-money laundering risks into its comprehensive risk management system, and the Board bears the ultimate responsibilities of anti-money laundering risk management. The Board has established the management culture of anti-money laundering, reviewed and decided the strategies of anti-money laundering management and reviewed and approved the policies and procedures for anti-money laundering management. The Board receives periodic anti-money laundering report to understand major anti-money laundering events and the treatments in a timely manner. The senior management of the Bank is responsible for the implementation of anti-money laundering management and the execution of the Board's resolutions. The accounting department is in charge of the management tasks of anti-money laundering, including the identification, assessment, supervision, reporting, inspection and control of anti-money laundering.

Chapter 4 Management Discussion and Analysis

In 2019, the Bank duly performed its duties on anti-money laundering and anti-terrorism financing in accordance with the Anti-Money Laundering Law and various regulatory requirements. The Bank expanded its supervision channels of anti-money laundering, which enhanced the Bank's prevention and control ability of anti-money laundering. Firstly, the Bank commenced self-evaluation of anti-money laundering risks throughout the Bank to enhance the effectiveness of anti-money laundering and anti-terrorism financing. Secondly, the Bank issued to all of its individual customers the Announcement on Further Improving Information of Individual Customers (《關於進一步完善個人客戶信息的公告》). Collection and management of customer information were further improved, which enhanced the quality of data and strengthened the identity identification of customers of the Bank. Thirdly, the Bank conducted anti-money laundering training programs on financial business. Through the training programs, the management capability at different levels on anti-money laundering was effectively enhanced, and the professionalism and skill of front-line staff on anti-money laundering risk prevention was effectively improved. Fourthly, the Bank commenced various promotion campaigns of anti-money laundering for a wide range of customers, and public awareness on anti-money laundering risk prevention was enhanced in a practical manner. Fifthly, the early warning mechanism was put in place and risk warning was issued in a timely manner, which effectively prevented anti-money laundering and anti-terrorism financing risks. Sixthly, the Bank carried out regular and ad hoc inspections and examinations on the anti-money laundering work of its various operating entities through measures including internal routine inspections, risk identification and investigations and special inspections to ensure compliance of anti-money laundering.

(ix) Internal audit

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

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

Chapter 4 Management Discussion and Analysis

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

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

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

(b) Risk Management of the Subsidiaries

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

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

Chapter 4 Management Discussion and Analysis

(i) Credit risk management

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

(ii) Market risk management

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

(iii) Operational risk management

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

(iv) Liquidity risk management

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

(v) Reputational risk management

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

(vi) Legal and compliance risk management

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

Chapter 4 Management Discussion and Analysis

(vii) IT risk management

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

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

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

(ix) Internal audit

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

4.6 Analysis on Capital Adequacy Ratio

All commercial banks in China are required to comply with the CBIRC's capital adequacy ratio requirements. Since January 1, 2013, the Group has calculated and disclosed capital adequacy ratios in accordance with the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), which required commercial banks in China (except systematically important banks) to maintain (i) minimum capital adequacy ratios of 9.3%, 9.7%, 10.1%, 10.5% and 10.5%, (ii) minimum tier-one capital adequacy ratios of 7.3%, 7.7%, 8.1%, 8.5% and 8.5%, and (iii) minimum core tier-one capital adequacy ratios of 6.3%, 6.7%, 7.1%, 7.5% and 7.5%, respectively, as of December 31, 2015, 2016, 2017, 2018 and 2019.

Chapter 4 Management Discussion and Analysis

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

(Expressed in millions of RMB, unless otherwise stated)	December 31, 2019	December 31, 2018
Core capital		
Paid-up capital	4,184.0	3,984.8
Qualifying portion of capital reserve	5,148.6	5,331.2
Surplus reserve	814.1	724.7
General risk reserve	1,777.7	1,571.2
Investment revaluation reserve	12.0	(30.4)
Retained earnings	1,403.5	1,374.5
Qualifying portions of non-controlling interests	1,115.7	974.2
Core tier-one capital deductions ⁽¹⁾	(905.5)	(1,562.4)
Net core tier-one capital	13,550.1	12,367.8
Other tier-one capital ⁽²⁾	146.9	128.7
Net tier-one capital	13,697.0	12,496.5
Tier-two capital		
Qualifying portion of tier-two capital instruments issued	1,910.0	1,980.0
Surplus reserve for loan impairment	1,092.8	818.4
Eligible portion of non-controlling interests	297.0	258.9
Net capital base	16,996.8	15,553.8
Total risk-weighted assets	141,841.5	131,516.3
Core tier-one capital adequacy ratio (%)	9.55%	9.40%
Tier-one capital adequacy ratio (%)	9.66%	9.50%
Capital adequacy ratio (%)	11.98%	11.83%

Notes:

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

Chapter 5 Report of the Board of Directors

The Board is pleased to present the Report of the Board of Directors together with the audited financial statements of the Group for the year ended December 31, 2019. All relevant sections of this report referred to in this Report of the Board of Directors form part of this Report of the Board of Directors. Unless otherwise specified, the financial data disclosed in this report are prepared in accordance with the IFRS.

I. Business Review

The Bank is a rural commercial bank in Northeast China. As at December 31, 2019, the Bank was the holding company of 17 majority-owned subsidiaries, 17 non-majority-owned subsidiaries and one majority-owned financial leasing company, each of which operates autonomously with its own brand name, IT, human resource, risk management and internal control systems.

The Group is engaged in a range of banking services and related financial services. The information on business review of the Group for the year ended December 31, 2019 is set out in “Management Discussion and Analysis” of this annual report.

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

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

III. Relationship between the Group and its Employees

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

The Group attracts and retains talents through efficient recruitment, attractive remuneration packages, advanced training system and optimal employee assessment system and promotion mechanism. Its employees are young and energetic with high education level. The Bank has set up a training center and an internal training team to enhance the operation skills of its employees. The Bank has also provided its employees with various opportunities of internal selections for their career development. The Bank has also attracted external quality talents, such as experienced key and

Chapter 5 Report of the Board of Directors

management personnel from large commercial banks. It encourages regular communication between its senior management and employees. It also organizes different types of activities to enhance the sense of belonging of the employees.

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

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

IV. Relationship between the Bank and its Customers

Retail Customers

The Group offers a broad range of products and services to retail customers, including loans, deposits, debit cards and fee- and commission-based products and services. As of December 31, 2019, the Group had 51,177 retail borrowers with total loans and advances to customers of RMB22,833.8 million. In addition, the Group offers retail customers a variety of demand deposit and time deposit products denominated in Renminbi and foreign currencies. As of December 31, 2019, the Group's retail deposits totalled RMB81,528.2 million.

Corporate Customers

The Group offers corporate customers a broad range of financial products and services, including loans, bill discounting, deposits and fee- and commission-based products and services. The Group's corporate customers primarily include state-owned enterprises, private enterprises, foreign-invested enterprises, government authorities, financial institutions, public services departments and non-profit organisations. As of December 31, 2019, the Group had approximately 2,746 corporate borrowers with loans totalling RMB73,270.2 million.

In addition, the Group seeks to grow with its corporate customers, especially SMEs with strong growth potential, and the Group focuses on developing long-term customer relationship. As of December 31, 2019, the Group had 2,699 SME customers with loans and advances totalling approximately RMB64,488.7 million.

Chapter 5 Report of the Board of Directors

V. Profits and Dividend

The Group's revenue for the year ended December 31, 2019 and the Group's financial position as of the same date are set out in the consolidated financial statements of this annual report.

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

The Board has recommended a payment of final dividend of RMB753,126,763.86 in total (tax inclusive) for the year ended December 31, 2019. Based on the number of shares on the record date for dividend distribution, the Bank will distribute a cash dividend of RMB0.18 (tax inclusive) for each share. If the profit distribution proposal for 2019 is approved by Shareholders at the 2019 annual general meeting of the Bank to be held on June 18, 2020, the distribution date of the final dividend for 2019 will be on or before Thursday, August 13, 2020. If there is any change in the expected distribution date, further announcements will be made.

The final dividend for 2019 shall be distributed to holders of Domestic Shares and H Shares whose names appeared on the share register of the Bank at the close of business on Monday, June 29, 2020. To determine the identity of the Shareholders entitled to receive the final dividend, the Bank's H share register will be closed from Wednesday, June 24, 2020 to Monday, June 29, 2020 (both days inclusive), during which period no transfer of H Shares will be registered. In order to be entitled to the final dividend for 2019, the Shareholders are required to deposit all share certificates together with the transfer documents with the H share registrar of the Bank, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Tuesday, June 23, 2020.

The proposed dividends payable are denominated in Renminbi, and will be paid to holders of Domestic Shares in Renminbi and holders of H Shares in Hong Kong dollars. Calculation of the exchange rate for dividends payable in Hong Kong dollars will be based on the central parity rate of the average exchange rate of Renminbi to Hong Kong dollars as announced by the PBOC on the five working days preceding the date of declaration of the dividend at the 2019 annual general meeting of the Bank (June 18, 2020, inclusive).

Chapter 5 Report of the Board of Directors

Please refer to “XXIX. Tax Relief” of this chapter.

(in millions of Renminbi, unless otherwise stated)	2019	2018	2017
Cash dividends (tax inclusive)	753.13	717.26	717.26
Cash dividends as percentage of profit for the year (%)	63.0	60.6	43.8

VI. Plan of Capital Reserve Capitalization

The Board proposed to issue new Shares by way of capitalization of capital reserve to the holders of Domestic Shares and H Shares whose names appear on the share register of the Bank at the close of business on Monday, June 29, 2020 on the basis of 5 new Shares for every 100 existing Shares held by the Shareholders (the “Proposed Capitalization Issue”). Based on the 4,184,037,577 Shares of the Bank in issue as at December 31, 2019, the total number of new Shares to be issued by way of capitalization of capital reserve is 209,201,878 Shares, including 169,354,378 Shares to be issued to holders of Domestic Shares and 39,847,500 Shares to be issued to holders of H Shares. Upon completion of the Proposed Capitalization Issue, the total number of Shares in issue of the Bank will be 4,393,239,455 Shares, including 3,556,441,955 Domestic Shares and 836,797,500 H Shares.

Fractional Domestic Shares arising from the Proposed Capitalization Issue will be aggregated and one new Share will be issued to each of the holders of Domestic Shares in descending order based on the decimal number of their fractional Domestic Shares, until the actual number of Domestic Shares issued equals to the total number of Domestic Shares issued under the Proposed Capitalization Issue. If the number of holders of Domestic Shares with the same decimal number of fractional Domestic Shares exceeds the remaining Shares, such remaining Shares shall be randomly allotted by computer, which shall be conclusively evidenced by the results announced by China Securities Depository and Clearing Co., Ltd. The H Shares under the Proposed Capitalization Issue shall be issued on a pro rata basis and any fractional Shares will be rounded down to the nearest whole number. Fractional H Shares will not be issued and allotted, but will be aggregated and sold for the benefit of the Bank. The Proposed Capitalization Issue shall be subject to the approval by way of special resolution at the 2019 annual general meeting, the first domestic share class meeting of 2020 and the first H share class meeting of 2020, the approval of the Hong Kong Stock Exchange for the listing and trading of H Shares issued under the Proposed Capitalization Issue and the approval of the CBIRC. The Bank shall also comply with the relevant legal procedures and regulations according to the PRC Company Law.

The Board also proposed to change the registered capital and amend the Articles of Association of the Bank to reflect the change in registered capital as a result of the Proposed Capitalization Issue. The change in the registered capital and amendments to the Articles of Association of the Bank shall be subject to the approval of the 2019 annual general meeting by way of special resolution.

Chapter 5 Report of the Board of Directors

A circular containing, among other things, detailed arrangements regarding the Proposed Capitalization Issue (including, but not limited to, the timetable and the arrangements for fractional shares and overseas shareholders) together with the notices of the 2019 annual general meeting and the first H share class meeting of 2020 of the Bank will be despatched to the holders of H Shares of the Bank in due course.

VII. 2019 Annual General Meeting and the First H Share Class Meeting of 2020 and Book Closure Date

The 2019 annual general meeting and the first H share class meeting of 2020 of the Bank will be held on Thursday, June 18, 2020. In order to determine the holders of H Shares who are eligible to attend the 2019 annual general meeting and/or the first H share class meeting of 2020 of the Bank, the H share register of the Bank will be closed from Tuesday, May 19, 2020 to Thursday, June 18, 2020 (both days inclusive), during which period no transfer of H Shares will be registered.

In order to qualify for attending the 2019 annual general meeting and/or the first H share class meeting of 2020 of the Bank, share certificates accompanied by transfer documents must be lodged with the Bank's H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, May 18, 2020. Holders of H Shares of the Bank whose names appear on the register of members of the Bank on Wednesday, June 17, 2020 are entitled to attend the 2019 annual general meeting and/or the first H share class meeting of 2020 of the Bank.

A Shareholder or his/her proxy should present proof of identity when attending the 2019 annual general meeting and/or the first H share class meeting of 2020 of the Bank. If a Shareholder is a legal person, its legal representative or other person authorized by the board of directors or other governing body of such Shareholder may attend the 2019 annual general meeting and/or the first H share class meeting of 2020 of the Bank by providing a copy of the resolution of the board of directors or other governing body of such Shareholder appointing such person to attend the meeting(s).

VIII. Changes in the Reserves

Details of the Group's changes in the reserves and the distributable profit reserve for the year ended December 31, 2019 are set out in "Consolidated Statement of Changes in Equity" of this annual report.

IX. Summary of Financial Information

The summary of the operating results and assets and liabilities of the Group for the year ended December 31, 2019 is set out in "Financial Highlights" of this annual report.

X. Donations

For the year ended December 31, 2019, the Group made charity and other donation of RMB8.69 million in aggregate.



Chapter 5 Report of the Board of Directors

XI. Property and Equipment

Details of the changes in property and equipment of the Group for the year ended December 31, 2019 are set out in note 27 to the consolidated financial statements of this annual report.

XII. Retirement Benefits

Details of the retirement benefits provided by the Group to employees are set out in notes 3 and 38 to the consolidated financial statements of this annual report.

XIII. Substantial Shareholders

Particulars of the substantial shareholders as of December 31, 2019 are set out in “Changes in Share Capital and Particulars of Shareholders — II. Particulars of Shareholders — (II) Interests and Short Positions of Substantial Shareholders and Other Persons” of this annual report.

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

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

XV. Pre-emptive Rights

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

XVI. Major Customers

As of December 31, 2019, the Group’s five largest depositors and five largest borrowers accounted for less than 30% of the respective total deposits and gross loans and advances to customers.

XVII. Share Capital

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

Chapter 5 Report of the Board of Directors

XVIII. Members of the Board

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

Executive Directors:

Mr. Gao Bing

Mr. Liang Xiangmin

Mr. Yuan Chunyu

Non-executive Directors:

Ms. Guo Yan (*resigned on August 6, 2019*)

Mr. Cui Qiang (*appointed on August 6, 2019*)

Mr. Wu Shujun

Mr. Zhang Xinyou

Mr. Wang Baocheng

Mr. Zhang Yusheng

Independent Non-executive Directors:

Dr. Fu Qiong

Mr. Jiang Ning

Mr. Li Beiwei (*resigned on August 29, 2019*)

Ms. Zhang Qihua (*appointed on August 29, 2019*)

Mr. Chung Wing Yin

Mr. Yang Jinguan

Particulars of the Bank's member of the Board are set out in "Directors, Supervisors, Senior Management, Employees and Organisations" of this annual report.

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

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

Chapter 5 Report of the Board of Directors

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

Save as disclosed below, as at December 31, 2019, none of the Directors, Supervisors or chief executive of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which shall be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which are taken or deemed to be held under such provisions of the SFO), or which would be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Hong Kong Listing Rules to be notified to the Company and the Hong Kong Stock Exchange or which would be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein.

Name	Position in the Bank	Class of Shares	Nature of Interest	Number of Shares	Percentage of Domestic Shares ⁽¹⁾ (%)	Percentage of the total share capital of the Bank ⁽¹⁾ (%)
Gao Bing	Chairman and Executive Director	Domestic Shares	Beneficial owner	315,000(L) ⁽²⁾	0.01	0.01
Yuan Chunyu	Executive Director, Secretary to the Board and Joint Company Secretary	Domestic Shares	Beneficial owner	50,146(L) ⁽²⁾	0.00 ⁽³⁾	0.00 ⁽³⁾
Zhang Yusheng	Non-executive Director	Domestic Shares	Interest in controlled corporation	344,459,136(L) ⁽²⁾	10.17	8.23
Wu Shujun	Non-executive Director	Domestic Shares	Interest in controlled corporation	116,104,055(L) ⁽²⁾	3.43	2.77
Zhang Xinyou	Non-executive Director	Domestic Shares	Interest in controlled corporation	114,168,326(L) ⁽²⁾	3.37	2.73
Wang Baocheng	Non-executive Director	Domestic Shares	Interest in controlled corporation	82,819,800(L) ⁽²⁾	2.45	1.98
Wang Zhi	External Supervisor	Domestic Shares	Beneficial owner	525,000(L) ⁽²⁾	0.02	0.01

Notes:

- (1) As of the Latest Practicable Date, the Bank had a total of 4,184,037,577 Shares in issue, including 3,387,087,577 Domestic Shares and 796,950,000 H Shares.
- (2) L represents long position.
- (3) The percentage is rounded to two decimals.

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XXI. Arrangements to Purchase Shares or Debentures

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

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

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

XXIII. Management Contract

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

XXIV. Interests of Directors and Supervisors in Competing Businesses

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

XXV. Corporate Governance

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

XXVI. Connected Transactions

Pursuant to Chapter 14A of the Hong Kong Listing Rules, transactions between the Bank and its connected persons (as defined in the Hong Kong Listing Rules) will constitute connected transactions of the Bank. However, such connected transactions can be exempted from compliance with relevant reporting, annual review, announcement and independent shareholder approval requirements under Chapter 14A of the Hong Kong Listing Rules. The Bank has reviewed all the connected transactions and confirmed that it has complied with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules.

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The definition of connected persons under Chapter 14A of the Hong Kong Listing Rules is different from the definition of related parties under International Accounting Standard 24 “Related Party Disclosures”, and its interpretations by the International Accounting Standards Board. The details of the related party transactions conducted by the Bank in the ordinary and usual course of business are set out in note 49 to the consolidated financial statements of this annual report. The related party transactions set out in note 49 to the consolidated financial statements of this annual report also constitute connected transactions as defined in the Hong Kong Listing Rules, but none of them constitute a disclosable connected transaction as required by the Hong Kong Listing Rules.

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

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

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

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

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

XXVIII. Public Float

During the initial public offering of the Bank’s H Shares, the Bank has applied to the Hong Kong Stock Exchange to ask the Hong Kong Stock Exchange to exercise its discretion to waive the requirement under Rule 8.08(1)(d) of the Hong Kong Listing Rules, and the Hong Kong Stock Exchange has granted the Bank a waiver from strict compliance with the requirements under Rule 8.08(1)(a) of

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the Hong Kong Listing Rules. According to the waiver granted by the Hong Kong Stock Exchange, the minimum public float of the Bank will be the highest of:

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

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

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

XXIX. Tax Relief

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

Pursuant to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and its implementation rules and the relevant regulations, the Bank has the obligation to withhold and pay enterprise income tax at a tax rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the H share register in the distribution of final dividend for 2019. As any shares registered in the name of non-individual Shareholders, including HKSCC Nominees Limited, other nominees, trustees or other organisations and groups, will be treated as being held by non-resident enterprise Shareholders, the dividends received shall be subject to the withholding of enterprise income tax.

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

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

According to the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and its implementation rules and the Announcement of the State Administration of Taxation on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (Announcement of the State Administration of Taxation 2015 No. 60) (《國家稅務總局關於發佈〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》(國家稅務總局公告2015年第60號)) (the "Tax Convention Announcement"), the Bank has the obligation to withhold and pay individual income tax on behalf of the individual shareholders whose names appear on the H share register ("Individual H Shareholder(s)") in the distribution of final dividend for 2019. However, Individual H Shareholders are entitled to the relevant favourable tax treatments pursuant to the provisions in the tax treaties between the countries (regions) in which they are domiciled and the PRC, and the tax arrangements between the PRC and Hong Kong (or Macau). As such, the Bank will withhold and pay individual income tax on behalf of the Individual H Shareholders in accordance with the following arrangements:

- for Individual H Shareholders receiving dividends who are Hong Kong or Macau residents or citizens from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Bank will withhold and pay individual income tax at the rate of 10% in the distribution of final dividend;
- for Individual H Shareholders receiving dividends who are residents from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Bank will withhold and pay individual income tax at the rate of 10% in the distribution of final dividend. If relevant Individual H Shareholders would like to apply for a refund of the excess amount of tax withheld and paid, the Bank will handle, on their behalf, the applications for tax preferential treatments under relevant tax treaties according to the Tax Convention Announcement. Qualified Shareholders shall submit in time a letter of entrustment and all application materials as required under the Tax Convention Announcement to the Bank's H share registrar, Computershare Hong Kong Investor Services Limited. The Bank will then submit the above documents to competent tax authorities and, after their examination and approval, the Bank will assist in refunding the excess amount of tax withheld and paid;
- for Individual H Shareholders receiving dividends who are residents from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Bank will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty in the distribution of final dividend;

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

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

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

XXX. Auditors

ShineWing Certified Public Accountants LLP was engaged by the Bank as the auditor for the PRC GAAP financial statements of the Bank for 2019. SHINEWING (HK) CPA Limited was engaged by the Bank as the auditor for the IFRS financial statements of the Bank for 2019. The Bank did not change its auditors in the past three years.

Please also refer to the section headed “Corporate Governance Report — IX. External Auditors and Remuneration of Auditors” of this annual report for the information on the auditors’ remuneration.

XXXI. Permitted Indemnity Provision

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

XXXII. Major Risks and Uncertainties

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

XXXIII. Future Development of Business

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

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XXXIV. Key Financial Performance Indicators and Analysis

As of December 31, 2019, according to the financial data prepared under the IFRS, the total assets of the Group amounted to RMB173,275.5 million, representing a year-on-year increase of 5.5%; total loans and advances to customers amounted to RMB96,104.0 million, representing a year-on-year increase of 24.0%; the non-performing loan ratio was 1.68%; total deposits from customers amounted to RMB122,840.4 million, representing a year-on-year increase of 12.2%; the total operating income of the Group amounted to RMB5,311.4 million, representing a year-on-year increase of 5.4%; and the net profit of the Group amounted to RMB1,195.7 million, representing a year-on-year increase of 1.0%. As of December 31, 2019, the Group's capital adequacy ratio, tier one capital adequacy ratio and core tier one capital adequacy ratio was 11.98%, 9.66% and 9.55%, respectively.

XXXV. Environmental, Social and Governance Report

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

In 2019, the Bank has complied with the “comply or explain” provisions set forth in the Environmental, Social and Governance Reporting Guide. For details, please refer to the section headed “Environmental, Social and Governance Report” of this annual report.

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

XXXVI. Compliance with Laws and Regulations

The Board pays close attention to the policies and regulations in relation to compliance with laws and regulatory requirements. For the year ended December 31, 2019, to the best knowledge of the Board, the Group has complied in all material respects with all applicable laws and regulations which could materially affect the Group.

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Legal and compliance risk management of the Bank

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

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

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

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

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

The Bank has established an anti-money laundering steering group under the Bank's finance and accounting department, which is mainly responsible for convening meetings of anti-money laundering steering group, taking actions against rules violations or negligent conduct during anti-money laundering operations and reducing or controlling related risks by strengthening and improving the Bank's steering group process and rules. The Bank has established systems and implemented rules to identify, assess, monitor, control and report on anti-money laundering risks. The Bank has also set up an anti-

Chapter 5 Report of the Board of Directors

money laundering information monitoring and reporting system to report large-scale and suspicious transactions to the China Anti-Money Laundering Monitoring and Analyzing Center on a daily basis. It also reports all suspected money laundering activities to the local branch of the PBOC and cooperate in anti-money laundering investigations. The Bank provides anti-money laundering training and related promotional activities and inspections and requires all new employees to participate in mandatory anti-money laundering training before commencing employment.

Legal and compliance risk management of subsidiaries

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

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

XXXVII. License Requirements

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

XXXVIII. Legal Proceedings

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

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

XXXIX. Capital Reserve Capitalization

As resolved by the Board and considered and approved by Shareholders at the 2018 annual general meeting of the Bank held on June 20, 2019, the Bank issued new Shares by way of capitalization of capital reserve to the holders of Domestic Shares and H Shares whose names appeared on the Share register of the Bank at the close of business on Tuesday, July 2, 2019 on the basis of 5 new Shares for every 100 existing Shares held by the Shareholders (the "Capitalization Issue").

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Based on the 3,984,797,692 Shares of the Bank in issue as at April 26, 2019, the total number of new Shares issued by way of capitalization of capital reserve is 199,239,885 Shares, including 161,289,885 Shares issued to holders of Domestic Shares and 37,950,000 Shares issued to holders of H Shares. Immediately following the completion of the Capitalization Issue, the total number of Shares in issue of the Bank is 4,184,037,577 Shares, including 3,387,087,577 Domestic Shares and 796,950,000 H Shares. The listing and trading of the new H Shares under the Capitalization Issue have been approved by the Hong Kong Stock Exchange, and the Capitalization Issue has been approved by the CBIRC. The listing and trading of the new H Shares on the Hong Kong Stock Exchange commenced on August 16, 2019.

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

XL. Issuance of Bonds

(1) Issuance of Bonds in the Reporting Period

For the year ended December 31, 2019, the Bank issued 64 tranches of zero-coupon interbank certificates, with an aggregate face value of RMB13,040.0 million. The interbank certificates have terms ranging from one month to one year and bear interest at effective rates between 3.15% and 4.30%.

(2) Proposed Issuance of Bonds

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

As resolved by the Board and considered and approved by Shareholders at the 2018 annual general meeting of the Bank held on June 20, 2019, the Bank proposes to issue capital supplementary bonds of up to RMB4 billion. The initial term shall be no less than 5 years, and the capital bonds with no fixed term shall have no fixed expiry date before the Bank exercises its redemption right. The actual interest rate of the issuance will be determined based on market rates. Proceeds from the issuance of bonds will be used to replenish other tier-one capital or tier-two capital of the Bank. As at the date of this annual report, the Bank has not issued any capital supplementary bonds. The Bank will make timely disclosure on the latest development on the issuance of capital supplementary bonds in accordance with the relevant laws and regulations and the Hong Kong Listing Rules.

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XLI. Equity-linked Agreement

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

XLII. Proposed Non-Public Issuance of Offshore Preference Shares

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

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

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

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

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

(1) Private Placement of Domestic Shares

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

(2) Non-public Issuance of H Shares

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

The resolutions in relation to the Private Placement of Domestic Shares and the Non-public Issuance of H Shares were approved at the second extraordinary general meeting of 2018, the first Domestic Share class meeting of 2018 and the first H Share class meeting of 2018 held on September 5, 2018. As the validity period of the issue plans and relevant authorizations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares expired on September 5, 2019, the Board considered and approved the extension of the validity period of the issue plans and relevant authorizations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares for 12 months at the Board meeting held on August 23, 2019. Resolutions regarding the extension of the validity period of the issue plans and relevant authorizations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares were considered and approved at the first extraordinary general meeting of 2019, the second Domestic Share class meeting of 2019 and the second H Share class meeting of 2019 of the Bank held on October 24, 2019. For details of the Private Placement of Domestic Shares and the Non-public Issuance of H Shares, please refer to the announcements dated July 12, 2018 and August 23, 2019 and the circulars dated August 15, 2018 and September 13, 2019 of the Bank, respectively.

Chapter 5 Report of the Board of Directors

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

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

(1) Significant acquisitions and disposals

From January 1, 2019 to December 31, 2019, the Bank had not conducted any significant acquisition or disposal of assets/businesses of its subsidiaries or associates/corporate mergers.

(2) Other acquisitions and disposals

The Bank previously held 225,000,000 shares of Jilin Dehui Rural Commercial Bank, accounting for 45% of the total issued share capital of Jilin Dehui Rural Commercial Bank. On September 30, 2019, the Bank entered into equity transfer agreements with each of Jilin Zhongyi Biotechnology Co., Ltd. (“Jilin Zhongyi Biotechnology”), Changchun Tengsheng Automobile Trades and Service Co., Ltd. (“Tengsheng Automobile”), Changchun Petrochemical Co., Ltd. (“Changchun Petrochemical”) and Jilin Miaoxiangshan Ice Sports Tourism Group Co., Ltd. (“Miaoxiangshan Tourism”), all being independent third parties, respectively, pursuant to which 49,500,000 shares, 49,500,000 shares, 49,500,000 shares and 27,000,000 shares of Jilin Dehui Rural Commercial Bank held by the Bank were sold to Jilin Zhongyi Biotechnology, Tengsheng Automobile, Changchun Petrochemical and Miaoxiangshan Tourism for a consideration of RMB147,015,000, RMB147,015,000, RMB147,015,000 and RMB80,190,000, respectively. The four transactions above were completed during the Reporting Period. Upon completion of the four transactions, the Bank still holds 49,500,000 shares of Jilin Dehui Rural Commercial Bank, accounting for 9.9% of the total issued share capital of Jilin Dehui Rural Commercial Bank. Disposal of the shares of Jilin Dehui Rural Commercial Bank by the Bank was mainly due to the optimization of the Bank’s external investment portfolio. The applicable percentage ratios under Rule 14.07 of the Hong Kong Listing Rules in respect of the four transactions, individually or in aggregate, are below 5%.

XLV. Review of Annual Results

ShineWing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited have audited the consolidated financial statements of the Group prepared in accordance with the PRC GAAP and IFRS, respectively, and issued standard unqualified auditors’ reports. The Board of Directors and the Audit Committee have reviewed and adopted the results and financial report of the Bank for the year ended December 31, 2019.

XLVI. Publication of 2019 Annual Report

The Bank has prepared its 2019 annual report in accordance with the Hong Kong Listing Rules and the IFRS, which is available on the HKEXnews website of Hong Kong Stock Exchange (www.hkexnews.hk) and website of the Bank (www.jttnsh.com).

Chapter 5 Report of the Board of Directors

XLVII. Effect of the Novel Coronavirus Pneumonia

Since the outbreak of the novel coronavirus (COVID-19) pandemic, the Bank has strictly complied with all policies promulgated by the State Council and regulatory authorities and enhanced the efforts in joint prevention and control in order to protect the safety and health of our customers and employees, support the control of pandemic outbreak and enhance the financial services. The Bank made donations to Wuhan Charity Federation (武漢市慈善總會), the First Bethune Hospital of Jilin University (吉林大學白求恩第一醫院), the Changchun University of Chinese Medicine (長春中醫藥大學) and its affiliated hospitals, various units and local governments in Jiutai and other regions for pandemic countering. In addition, as a local financial institution, the Bank strengthened the implementation of policies and issued the 10 Measures for Strengthening Financial Support and Pandemic Countering (《強化金融保障助力抗擊疫情10項措施》) according to the regulatory guidelines, which aims to help ease the financial difficulties of corporate customers affected by the pandemic and support the resumption of operation and production of enterprises through increasing the supply of credit and loans, setting up special loans, setting up green channels for loan approval, and reducing fees and commissions and interest rates. The Bank strove to fulfill financing needs of enterprises in order to support the enterprises and economic stability, and facilitate overall development.

Despite the material disruption of economic activities in China and other countries and regions due to the outbreak of novel coronavirus (COVID-19) pandemic, the overall economy, society, production and daily life are getting back on track gradually as a result of the effective pandemic control in China. Various operating activities of the Bank have also made smooth progress. Looking forward, the Bank will closely monitor the pandemic development and assess its impact on financial businesses and continue to adopt targeted hedging measures in order to facilitate steady improvement and achieve our business plans for the year.

XLVIII. Miscellaneous

- (1) As of the Latest Practicable Date, the Bank was not aware that any Shareholders had waived or agreed to waive any dividend arrangement.
- (2) As of the Latest Practicable Date, none of the Directors waived or agreed to waive the related remuneration arrangements.
- (3) During the Reporting Period and up to the Latest Practicable Date, there were no collateral and pledges of significant assets of the Bank.
- (4) The Bank did not implement any equity incentive plan during the Reporting Period and up to the Latest Practicable Date.
- (5) The Bank did not implement any employee stock ownership scheme during the Reporting Period and up to the Latest Practicable Date.

On behalf of the Board

Gao Bing
Chairman

Chapter 6 Report of the Board of Supervisors

The Board of Supervisors complied with laws and regulations of the PRC and overseas and related normative documents and the Articles of Associations to track closely the operation of the Bank diligently and conscientiously, performed its supervising role and function through various initiatives, and effectively performed its function in enhancing the sound and stable development of the Bank.

I. Summary of the Works of the Board of Supervisors

(I) Composition. The Board of Supervisors of the Bank is composed of seven Supervisors, including three employee Supervisors and four non-employee external Supervisors (including one Shareholder Supervisor). The Board of Supervisors had Supervisory Committee and the Nomination Committee. Both committees are comprised of three Supervisors and are chaired by external Supervisors. The Board of Supervisors also established an office of the Board of Supervisors which had one officer. The Board of Supervisors performed their duties in accordance with the Articles of Association and supervised the decision-making on strategies and major business activities in accordance with laws.

(II) Meetings. During the Reporting Period, the Board of Supervisors had convened a total of four meetings and had considered and approved a total of 77 resolutions. The resolutions included the supervision of personnel performance, financial activities, strategic assessment, operation and capital management, related-party transactions, risk management and audit. The special committees had convened a total of eight meetings, including four meetings of the Supervisory Committee and four meetings of the Nomination Committee. Both committees had considered and approved a total of 43 resolutions. The meetings of the Board of Supervisors and special committees were strictly in compliance with the relevant laws and regulations and the Articles of Association. All Supervisors had attended the meetings and strictly complied with the regulatory requirements to perform their duties with faithfulness, conscientiousness and diligence.

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

Chapter 6 Report of the Board of Supervisors

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

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

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

(IV) Attendance of the Meetings. Members of the Board of Supervisors participated and attended various meetings and functions to obtain the latest information relating to operation management so as to enhance its supervision function. The members of the Board of Supervisors attended the Shareholders' general meeting in accordance with laws to carefully consider the resolutions and to examine the legality and compliancy of the meetings. Supervisors acted as scrutineers to supervise the voting process of the Shareholders' general meeting and to ensure the openness, fairness and impartiality of the voting. The Board of Supervisors proactively participated in meetings of the Board of Directors and operation and management meetings, and also effectively performed their duties and expressed their opinions.

Chapter 6 Report of the Board of Supervisors

(V) Researches. The Board of Supervisors conducted researches by various means and channels focusing on its supervisory duties and major fields, and submitted research reports to the Board of Directors and senior management. During the Reporting Period, the Board of Supervisors had conducted one collective research by all Supervisors and nine individual researches by certain Supervisors and submitted ten research reports and proposals.

(VI) Risk warnings. Based on their daily supervision, relevant data and information reported by departments of the Bank on monthly basis, investigation and research reports and special inspections, the Board of Supervisors promptly identified emerging risks and issued risk warnings to the management, and effectively prevent operational risks through the forecast mechanism.

(VII) Strengthening of Supervision and Risks Prevention. The Board of Supervisors has attached high importance to risk prevention, required the Board of Directors to determine risk appetite in a reasonable level, continuously improve the comprehensive risk management system and improve compliance management. The Board of Supervisors supervises the management to improve the management of risk classification, detection, early warning, handling and reporting through various means, and coordinate the prevention and control of various risks such as credit risk, liquidity risk, market risk and operational risk in order to lay a solid foundation for healthy development. In addition, through performance evaluation and other methods, the Board of Supervisors motivated officers and employees to consciously promote the awareness of integrity and compliance, cultivate a risk management culture to ensure legal compliance throughout the entire management procedure.

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

Chapter 6 Report of the Board of Supervisors

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

II. Independent Opinions of the Board of Supervisors

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

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

(III) Truthfulness of financial report. SHINEWING (HK) CPA Limited has audited, in accordance with Hong Kong Standards on Auditing, the financial report for the year of 2019 prepared by the Bank under the IFRS and issued a standard unqualified audit report thereon. The Board of Supervisors is of the view that the annual financial report of the Bank gave a true and fair view of the financial position and operational results and there were no material omission or false representation in the financial report.

Chapter 6 Report of the Board of Supervisors

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

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

(VI) Acquisition and disposal of assets. During the Reporting Period, the Bank did not have any additional acquisition. As far as the Board of Supervisors is aware, there was no disposal of assets of the Bank that would harm the interests of Shareholders or result in any loss of assets of the Bank.

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

Chapter 7 Changes in Share Capital and Particulars of Shareholders

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

As of December 31, 2019, the share capital of the Bank was as follows:

Description of Shares	Number of Shares	Approximate percentage of issued share capital (%)
Domestic Shares	3,387,087,577	81.0
H Shares	796,950,000	19.0
Total	4,184,037,577	100.0

There were no changes to the share capital of the Bank during the period from January 1, 2020 to the Latest Practicable Date.

Chapter 7 Changes in Share Capital and Particulars of Shareholders

II. Particulars of Shareholders

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

As of December 31, 2019, the top ten holders of the Domestic Shares of the Bank are set out as follows:

Number	Name of Shareholder	Total number of Shares held at December 31, 2019	Approximate percentage in the total issued share capital of the Bank at December 31, 2019 (%)	Pledged or frozen
1	Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司)	402,076,412	9.61	—
2	Changchun Huaxing Construction Co., Ltd. (長春華星建築有限責任公司)	344,459,136	8.23	—
3	Changchun Huamei Tourism and Culture Media Co., Ltd. (長春市華美旅遊文化傳媒有限公司)	189,115,914	4.52	—
4	Yongtai Group Limited (永泰集團有限公司)	168,000,000	4.02	168,000,000
5	Changchun Dingxing Construction Engineering Co., Ltd. (長春鼎興建築工程有限公司)	116,104,055	2.77	52,500,000
6	Changchun Longde Real Estate Development Co., Ltd. (長春市隆德房地產開發有限公司)	114,168,326	2.73	87,000,000
7	China Wood (Group) Co., Ltd. (中國木材(集團)有限公司)	105,369,600	2.52	—
8	Jilin Province Longyuan Agricultural Production Group Co., Ltd. (吉林省隆源農業生產資料集團有限公司)	103,526,976	2.47	—
9	Jishi Media Co., Ltd. (吉視傳媒股份有限公司)	92,022,157	2.20	—
10	Jilin Province Jiapeng Group Co., Ltd. (吉林省嘉鵬集團有限公司)	87,460,434	2.09	—
Total		1,722,303,010	41.16	307,500,000

Chapter 7 Changes in Share Capital and Particulars of Shareholders

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

To the best knowledge of the Bank, as at December 31, 2019, the following persons (other than the Bank's Directors, Supervisors and chief executive) had or be deemed or taken to have interests and/or short positions in the Shares or underlying shares as recorded in the register of interests required to be kept by the Bank pursuant to Section 336 of Part XV of the SFO and which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, were interested in 5% or more of the nominal value of any class of the Bank's share capital carrying rights to vote in all circumstances at the Shareholders' general meetings of any other member of the Bank. The Bank issued new Shares by way of capitalization of capital reserve in 2019 on the basis of 5 new Shares for every 100 existing Shares held by the Shareholders. The number of Shares held by each shareholder in the table below represents the number of Shares held after the capitalization issue in 2019.

Name of Shareholder	Nature of Interests	Class of Shares	Number of Shares directly or indirectly held ⁽⁹⁾	Approximate percentage of the total issued share capital of the Bank (%)	Approximate percentage of the relevant class of Shares of the Bank (%)
Domestic Shares					
Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司)	Beneficial owner	Domestic Shares	402,076,412(L)	9.61	11.87
Changchun Huaxing Construction Co., Ltd. (長春華星建築有限責任公司)	Beneficial owner	Domestic Shares	344,459,136(L)	8.23	10.17
Changchun Huamei Tourism and Culture Media Co., Ltd. (長春市華美旅遊文化傳媒有限公司)	Beneficial owner	Domestic Shares	189,115,914(L)	4.52	5.58
Jilin Province He'an Automobile Leasing Co., Ltd. (吉林省和安汽車租賃有限公司) ⁽¹⁾	Interest in controlled corporation	Domestic Shares	189,115,914(L)	4.52	5.58
Song Yilin (宋一霖) ⁽²⁾	Interest in controlled corporation	Domestic Shares	189,115,914(L)	4.52	5.58

Chapter 7 Changes in Share Capital and Particulars of Shareholders

Name of Shareholder	Nature of Interests	Class of Shares	Number of Shares directly or indirectly held ⁽⁹⁾	Approximate percentage of the total issued share capital of the Bank (%)	Approximate percentage of the relevant class of Shares of the Bank (%)
H Shares					
China Create Capital Limited)	Beneficial owner	H Shares	148,240,050(L)	3.54	18.60
Wang Tao ⁽³⁾	Interest in controlled corporation	H Shares	148,240,050(L)	3.54	18.60
Suhang Investment Holdings Limited	Beneficial owner	H Shares	105,000,000(L)	2.51	13.18
China Huarong International Holdings Limited (中國華融國際控股有限公司) ⁽⁴⁾	Interest in controlled corporation	H Shares	105,000,000(L)	2.51	13.18
Huarong Real Estate Co., Ltd. (華融置業有限責任公司) ⁽⁵⁾	Interest in controlled corporation	H Shares	105,000,000(L)	2.51	13.18
China Huarong Asset Management Co., Ltd. (中國華融資產管理股份有限公司) ⁽⁶⁾	Interest in controlled corporation	H Shares	105,000,000(L)	2.51	13.18
Huijin Capital Limited	Beneficial owner	H Shares	49,612,500(L)	1.19	6.22
Mia Chan	Interest in controlled corporation	H Shares	49,612,500(L)	1.19	6.22
Aurum Thrive Ltd. (金隆有限公司)	Beneficial owner	H Shares	39,929,400(L)	0.95	5.01
Zhang Dan (張丹) ⁽⁸⁾	Interest in controlled corporation	H Shares	39,929,400(L)	0.95	5.01

Notes:

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

Chapter 7 Changes in Share Capital and Particulars of Shareholders

- (6) Suhang Investment Holdings Limited is a wholly-owned subsidiary of China Huarong International Holdings Limited. Huarong Real Estate Co., Ltd. is a majority shareholder of China Huarong International Holdings Limited. Huarong Real Estate Co., Ltd. is a wholly-owned subsidiary of China Huarong Asset Management Co., Ltd. According to the SFO, China Huarong Asset Management Co., Ltd. is deemed to be interested in the Shares held by Suhang Investment Holdings Limited.
- (7) Mia Chen holds 100% equity interest in Huijin Capital Limited. Huijin Capital Limited directly holds 49,612,500 H Shares. According to the SFO, Mia Chen is deemed to be interested in the Shares held by Huijin Capital Limited.
- (8) Zhang Dan holds the entire issued share capital of Aurum Thrive Ltd. Aurum Thrive Ltd. directly holds 39,929,400 H Shares. According to the SFO, Zhang Dan is deemed to be interested in the Shares held by Aurum Thrive Ltd.
- (9) L represents long positions.
- (10) Under Part XV of the SFO, disclosure of interest forms shall be submitted by Shareholders of the Bank upon satisfaction of certain conditions. If there are changes in the Shareholders' shareholdings in the Bank, Shareholders are not required to inform the Bank and the Hong Kong Stock Exchange, except where certain conditions have been satisfied. Therefore, there could be a difference between the substantial Shareholders' latest shareholdings in the Bank and the information on their shareholdings submitted to the Hong Kong Stock Exchange. Information set out in the above table is mainly based on the disclosure of interests forms submitted by the relevant Shareholders.

Save as disclosed above, as at December 31, 2019, the Bank is not aware of any other person, other than the Directors, Supervisors and chief executive of the Bank, who had interests or short positions in the Shares and underlying shares of the Bank, which were required to be recorded in the register of interests maintained by the Bank pursuant to section 336 of Part XV of the SFO, and which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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

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

(IV) Particulars of Controlling Shareholders and Actual Controller

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

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

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

I. Information on Directors, Supervisors and Senior Management Members

As of December 31, 2019 and the date of this annual report, the information of the Directors, Supervisors and senior management members of the Bank is as follows:

Directors

Name	Age	Position	Date of appointment as Director	Expiration of the term of office	Responsibilities
Mr. Gao Bing (高兵)	52	Chairman, executive Director	December 2008	February 2021	Responsible for overall operations and strategic management, make material decisions and develop the business strategy
Mr. Liang Xiangmin (梁向民)	54	Executive Director, President	April 2016	February 2021	Responsible for overall management of business operations
Mr. Yuan Chunyu (袁春雨)	48	Executive Director, Secretary to the Board and Joint Company Secretary	December 2012	February 2021	Responsible for the management of the Board's office, participate in making material business decisions and developing the business development strategy
Mr. Cui Qiang (崔强)	55	Non-executive Director	August 2019	February 2021	Participate in making major business decisions and advise on issues relating to audit, related party transactions and nomination and remuneration of Directors, Supervisors and senior management
Mr. Wu Shujun (吴树君)	61	Non-executive Director	December 2012	February 2021	Same as above
Mr. Zhang Xinyou (张新友)	54	Non-executive Director	December 2012	February 2021	Same as above
Mr. Wang Baocheng (王宝成)	64	Non-executive Director	April 2016	February 2021	Same as above
Mr. Zhang Yusheng (张玉生)	70	Non-executive Director	April 2015	February 2021	Same as above

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

Name	Age	Position	Date of appointment as Director	Expiration of the term of office	Responsibilities
Dr. Fu Qiong (傅穹)	50	Independent Non-executive Director	April 2015	February 2021	Participate in making major business decisions, developing the business development strategy and advise on issues relating to related party transactions, audit and nomination and remuneration of Directors, Supervisors and senior management
Mr. Jiang Ning (蔣寧)	49	Independent Non-executive Director	January 2017	February 2021	Same as above
Ms. Zhang Qihua (張秋華)	57	Independent Non-executive Director	August 2019	February 2021	Same as above
Mr. Chung Wing Yin (鍾永賢)	43	Independent Non-executive Director	July 2016	February 2021	Same as above
Mr. Yang Jinguan (楊金觀)	57	Independent Non-executive Director	April 2016	February 2021	Same as above

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

Supervisors

Name	Age	Position	Date of appointment as Supervisor	Expiration of the term of office	Responsibilities
Mr. Luo Hui (羅輝)	48	Chairman of the Board of Supervisors, Employee Supervisor	December 2008	February 2021	Take charge of the work of the Board of Supervisors and supervision of the Board of Directors and senior management on behalf of the employees
Mr. Wang Enju (王恩久)	51	Employee Supervisor	December 2008	February 2021	Supervision of the Board of Directors and senior management on behalf of the employees
Mr. Liu Xiangjun (劉向軍)	44	Employee Supervisor	December 2015	February 2021	Same as above
Mr. Fan Shuguang (范曙光)	56	Non-employee Supervisor	June 2016	February 2021	Supervision of the Board of Directors and senior management
Mr. Gao Pengcheng (高鵬程)	51	Non-employee Supervisor	January 2016	February 2021	Same as above
Mr. Wang Zhi (王志)	49	Non-employee Supervisor	January 2016	February 2021	Same as above
Mr. Zhang Ruibin (張瑞賓)	37	Non-employee Supervisor	January 2016	February 2021	Same as above

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

Senior Management

Name	Age	Position	Date of appointment as senior management	Expiration of the term of office	Responsibilities
Mr. Liang Xiangmin (梁向民)	54	President	October 2019	February 2021	Responsible for the overall management of the business operations
Mr. Zhu Weidong (朱衛東)	55	Vice President	February 2011	February 2021	Responsible for the management of business operations of village and township banks
Mr. Li Guoqiang (李國強)	51	Vice President	December 2008	February 2021	Responsible for the business operations and management of branches within the Jiutai region
Ms. Song Xiaoping (宋曉萍)	55	Vice President	February 2011	March 2020	Responsible for the management of information technology, international business and electronic banking
Mr. Gao Zhonghua (高中華)	55	Vice President	February 2015	February 2021	Responsible for risk management, legal compliance, consumer rights protection and party community work
Mr. Chen Xinzhe (陳新哲)	49	Vice President	July 2019	February 2021	Responsible for the business operations and management of branches outside the Jiutai region and manage certain business departments and offices
Mr. Yuan Chunyu (袁春雨)	48	Executive Director, Secretary to the Board and Joint Company Secretary	December 2012	February 2021	Responsible for the management of the Board's office, participate in making material business decisions and develop the business strategy

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

II. Changes in Directors, Supervisors and Senior Management Members

(I) Changes in Directors

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

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

Save as disclosed above, there were no changes in Directors of the Bank during the Reporting Period and as of the date of this annual report.

(II) Changes in Supervisors

During the Reporting Period and as of the date of this annual report, there were no changes in the Bank's Supervisors.

(III) Changes in Senior Management Members

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

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

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

As Ms. Song Xiaoping has reached her retirement age, she has ceased to be the vice president of the Bank with effect from March 30, 2020. On March 30, 2020, the Board resolved to vacate the position of Ms. Song Xiaoping as a vice president.

Save as disclosed above, there were no changes in members of the Bank's senior management during the Reporting Period and as of the date of this annual report.

III. Biographies of Directors, Supervisors and Senior Management Members

(I) Biographies of Directors

Executive Directors

Mr. Gao Bing (高兵) has been the Bank's chairman, executive Director and secretary of the party committee of the Bank since December 2008. Prior to joining the Bank and from June 1990 to September 2001, Mr. Gao held a number of positions at Luxiang Credit Cooperative in Shuangyang District, Changchun, including loan clerk, deputy head and head of the Cooperative and he was the deputy head of Shuangyang District Rural Credit Union in Changchun from September 2001 to November 2004. Mr. Gao joined the Bank's predecessor in December 2004, and was the head of Jiutai Rural Credit Cooperative Union from December 2004 to December 2008. Mr. Gao has been a part-time professor of Jilin University of Finance and Economics since June 2010, a distinguished professor of Changchun Finance College since June 2011, an off-campus postgraduate tutor of the School of Finance of Jilin University of Finance and Economics since April 2016, and a distinguished professor of Tonghua Normal University and a visiting professor of College of Optical and Electronical Information of Changchun University of Science and Technology since June 2017. In addition, Mr. Gao served as the honorary president of Jiutai Association of Commerce and Industry since October 2011, vice president of Tumenjiang International Cooperation Society of Jilin Province since May 2013, standing vice president of the Jilin Entrepreneurs Federation since July 2016 and standing vice president of Jilin Hong Kong Enterprises Association since June 2017. Mr. Gao graduated from a correspondence course at Changchun Finance College in December 1999, majoring in rural credit cooperative operations and management, and completed his postgraduate studies in accounting at Changchun Taxation College (currently known as Jilin University of Finance and Economics) in August 2002 and in economics and management from Party School of CPC Jilin Provincial Committee in July 2007. Mr. Gao is also a senior economist accredited by Bureau of Personnel of Jilin Province in October 2005. Mr. Gao was a "National Labor Model" (全國勞動模

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範), a “Top Labor Model in Jilin” (吉林省特等勞動模範) and named the “Best Leader of National Rural Cooperative Institutions in Serving Three Rurals and Supporting SMEs” (全國農合機構服務三農和支持中小企業最佳領軍人物獎) by the China Banking Association, and was named as the “Innovative Sample of China 2016 (2016中國創新榜樣)” and “Innovative Sample of China 2018 (2018中國創新榜樣)”. In October 2018, Mr. Gao was recognized as the “Jilin Poverty Alleviation Pioneer” (「吉林好人•脫貧攻堅先鋒」) jointly by the Jilin Provincial Party Committee Propaganda Department (吉林省委宣傳部), Jilin Provincial General Office of Guiding Cultural and Ethical Progress (吉林省文明辦) and Jilin Provincial General Office of Poverty Alleviation (吉林省扶貧辦), and won the “Contribution Award of Jilin Poverty Alleviation” (「吉林省脫貧攻堅獎•奉獻獎」) issued by Jilin Provincial Administration of Civil Service (吉林省公務員局) and Jilin Provincial General Office of Poverty Alleviation (吉林省扶貧辦). In April 2019, Mr. Gao won the nomination award of the “8th election of Moral Rectitude in Jilin Province and Person of the Year 2018 of Jilin” (「第八屆吉林省道德模範暨吉林好人2018年度人物」) granted by the Spiritual Civilization Development Steering Commission of Jilin Province (吉林省精神文明建設指導委員會).

Mr. Liang Xiangmin (梁向民) has been a president since October 2019, and the Bank’s executive Director since April 2016. Mr. Liang joined the Bank’s predecessor in August 1985 and he was a credit clerk, a bookkeeper and an accountant for agricultural loans at Chunyang Credit Cooperative from August 1985 to July 1988 and from July 1990 to June 1993 respectively, a human resources inspector and a deputy head of the operations department at Jiutai Rural Credit Cooperative Union from June 1993 to August 1994 and from August 1994 to February 1996 respectively. He was deputy head and head of Longjiabao Credit Cooperative from February 1996 to April 2006, head of the business department of Jiutai Rural Credit Cooperative Union from April 2006 to October 2007, deputy head of the branch of Jiutai Rural Credit Cooperative Union in Changchun Development Zone from October 2007 to December 2008, an assistant to the Bank’s president from December 2008 to August 2010, vice president of the Bank from August 2010 to October 2019, and chief operating officer of the Bank from December 2014 to October 2019. Mr. Liang completed his rural finance studies at Jilin Vocational Secondary School of Agricultural Bank of China in July 1990, and graduated from a correspondence course at the Changchun Finance College in January 2007, majoring in finance.

Mr. Yuan Chunyu (袁春雨) has been the Bank’s executive Director since December 2012. Prior to joining the Bank, Mr. Yuan was a staff member and division head of Jiutai Employment Service Bureau from July 1995 to August 2002 and head of Social Affairs Division (reserve cadre in training) in the Policy Research Office of Municipal Government of Jiutai Municipal Committee from August 2002 to February 2004. He was placed as deputy head of the Office of Jiutai Municipal

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Government from February 2004 to June 2007 for field practice and served as an assistant to head of the Office of Jiutai Municipal Government from June 2007 to October 2007 and deputy head of the Office of Jiutai Municipal Government from October 2007 to November 2010. Mr. Yuan joined the Bank in November 2010 and served as Director of office, and he has been head of the office and general manager of the innovative business department since December 2011 and secretary to the Board since December 2012. Mr. Yuan graduated from Hebei Geological Institute (currently known as Hebei GEO University) in July 1995, majoring in foreign economics and management.

Non-executive Directors

Mr. Cui Qiang (崔強) has been the Bank's non-executive Director since August 2019. He held various managerial positions at Jilin Province Trust Co., Ltd. since November 2011, including the chief risk officer from November 2011 to January 2017, the chief compliance officer and the general manager of compliance department from January 2017 to October 2018, and the chief investment officer and the general manager of investment department since October 2018. Mr. Cui Qiang served as a credit officer and the division head of Fusong Sub-branch of Industrial and Commercial Bank of China from August 1988 to December 1994; the director, the head of the accounting division and the vice president of Credit Cooperative of Fusong Sub-branch of China Construction Bank from December 1994 to September 1997; the president of Changbai Sub-branch of China Construction Bank from September 1997 to February 2000; the manager of planning and finance department of Baishan Branch of China Construction Bank from February 2000 to September 2006; the vice president of Tonghua Branch of China Construction Bank from September 2006 to October 2009; the vice president of Baishan Branch of China Construction Bank from October 2009 to November 2011. Mr. Cui Qiang graduated from Dongbei University of Finance and Economics in July 2002, majoring in quantitative economics. Mr. Cui Qiang was accredited as a professional manager in October 2006.

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

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

Mr. Wang Baocheng (王寶成) has been the Bank's non-executive Director since April 2016. Mr. Wang was officer and deputy division head of Changchun Machinery Metals Minerals and Chemicals Import & Export Co., Ltd. from September 1982 to May 1984 and was deputy director of the business department of Changchun Foreign Economic and Trade Commission from May 1984 to July 1984. He was appointed as deputy manager of Changchun Machinery Metals Minerals and Chemicals Import & Export Co., Ltd. from July 1984 to June 1985 and has been chairman of the Bank's shareholder, Changchun Changqing Pharmaceutical Group Co., Ltd., since March 2000. Mr. Wang obtained a bachelor's degree in commercial economics from Jilin Institute of Finance and Trade (currently known as Jilin University of Finance and Economics) in July 1982 and he is a senior economist accredited by Office of Personnel of Changchun City in June 1992.

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

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Independent Non-executive Directors

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

Mr. Jiang Ning (蔣寧) has been the Bank's independent non-executive Director since January 2017. Mr. Jiang obtained a bachelor's degree in engineering from Huazhong University of Science and Technology, Hankou Branch (華中理工大學漢口分校, currently known as Jiangnan University (江漢大學)) majoring in machine manufacturing engineering in July 1993. He also obtained a master's degree in business administration from University of Birmingham in December 2004. Mr. Jiang worked in the business department of Jiangnan sub-branch of Hubei branch of Agricultural Bank of China Limited ("ABC") from July 1993 to February 1997. He worked in the credit department of Jiangnan sub-branch of Hubei branch of ABC from March 1997 to September 1997. He worked for China Everbright Bank Company Limited ("CEB") from October 1997 to February 2003, and served as the assistant to the general manager of the international business department of Wuhan branch of CEB from February 2002 to February 2003. Mr. Jiang served as the general manager of southwest audit center under the audit department of the headquarters of Shenzhen Development Bank Co., Ltd. (currently known as Ping An Bank Co., Ltd. ("Ping An Bank")) from September 2005 to March 2007. Mr. Jiang had also served various positions in the headquarters of Ping An Bank, including the assistant to the general manager of the small- and medium-sized enterprise business department from April 2007 to December 2011, the deputy general manager of the trade and finance department from December 2011 to October 2012, the general manager of the international business department from October 2012 to May 2013, the vice president of the trade and finance business department from May 2013 to August 2013 and the general manager of western regional business management department from August 2013 to November 2014. Mr. Jiang served as the deputy general manager of the strategy and new business department and the general manager of the new

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business development unit under the strategy and new business department, the deputy general manager (person-in-charge) of the small and micro enterprise business department and the deputy general manager of the platform finance department of Shenzhen Qianhai Webank Co., Ltd. from December 2014 to October 2015. He was the deputy general manager of Guizhou Yongan Finance Holdings Company Ltd. (貴州永安金融控股股份有限公司) from October 2015 to November 2016 and held positions at various subsidiaries of this company, including the legal representative and a director of Guizhou Yongan Internet Financial Investments Services Limited (貴州永安互聯網金融投資服務有限公司), the legal representative and a director of Shenzhen Yongan Chengxiang Investment Management Co., Ltd. (深圳市永安呈祥投資管理有限責任公司), the legal representative and director of Guiyang Qingqing Internet Technology Co., Ltd. (貴陽青青互聯網科技有限公司) and a director of Hongkong Liren Holding Limited (香港利仁控股有限公司). He has been the deputy general manager of Shenzhen Hande Finance Holdings Company Ltd. (深圳瀚德金融控股有限公司), the general manager of Shenzhen Blockchain Financial Services Limited (深圳區塊鏈金融服務有限公司) since December 2016, the chairman and general manager of Hangzhou Standard & Poor's Data Technology Co., Ltd. (杭州標普數據科技有限公司) since July 2018, and corporate finance general manager of Corporate and Financial Service Center of Shenzhen OneConnect Intelligence Technology Co., Ltd. (深圳壹賬通智能科技有限公司) since July 2019.

Ms. Zhang Qiuhua (張秋華), has been the Bank's independent non-executive Director since August 2019. Ms. Zhang is currently a professor at the School of Law of Jilin University of Finance and Economics, the leader of the first-level discipline of law, the director of Financial and Economic Law Research Center of Jilin University of Finance and Economics and a member of faculty committee of Jilin University of Finance and Economics. Ms. Zhang Qiuhua has been teaching at Jilin University of Finance and Economics (formerly known as Jilin Finance and Trade College and Changchun Taxation College) since July 1985, where she served as a lecturer and associate professor, mainly engaged in the teaching and research of economic law. From March 1999 to June 2012, she served as the director of the Department of Economic Law, and was hired as a professor in September 2011. From December 2013 to February 2014, as a senior visiting scholar, she went to the University of Würzburg, Germany to carry out research on cooperation project, focusing on comparison of company laws of China and Germany. Ms. Zhang Qiuhua is currently a standing member of the China Economic Law Research Institute, a member of the China Society Law Research Association, a member of the legal experts' pool of Jilin Provincial Party Committee, legal consultant of Jilin Provincial Government (term of office shall be April 2019 to December 2023), the president of the Corporate Law Research Association of the Jilin Law Society, the vice president of various research associations, including the Economic Law Research Association, Bankruptcy Law Research Association and Northeast Asian Law Research Association, of the Jilin Law Society, and an arbitrator of the Changchun Municipal Arbitration Commission. Ms. Zhang Qiuhua obtained

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a bachelor's degree in history from Northeast Normal University in July 1985, a master's degree in law from Jilin University in July 1997, and a doctorate degree in law from Jilin University in December 2008.

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

Mr. Yang Jinguan (楊金觀) has been the Bank's independent non-executive Director since April 2016. Mr. Yang has been a professor of the School of Accountancy of the Central University of Finance and Economics since November 2002. He has been teaching at Central University of Finance and Economics since September 1983, holding various positions including assistant tutor, lecturer and associate professor. Mr. Yang was deputy dean of Department of Accounting from June 2000 to May 2003, secretary of the general party branch and vice president of the School of Accountancy from June 2003 to May 2006 and head of the Office of Academic Affairs of Central University of Finance and Economics from June 2006 to November 2015. He was an independent supervisor of Beijing Beida Jade Bird Universal Sci-tech Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 08095) from May 2009 to May 2018, an independent non-executive director of Huadian Power International Corporation Limited (a company listed on the Shanghai Stock Exchange and Hong Kong Stock Exchange, stock code: 600027 (Shanghai Stock Exchange), 1071 (Hong Kong Stock Exchange)) from June 2009 to May 2015, an independent director of North Navigation Control Technology Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600435) from September 2010 to September 2016, an independent director of Sinotex Investment & Development Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600061, currently known as SDIC Essence Co., Ltd.) from April 2013 to May 2015, an independent director of Beijing Airport High-Tech Park Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600463) from April 2014 to July 2015, and an independent director

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of Zhejiang Solar Photovoltaic Technology Co., Ltd. (a company whose shares are quoted on the National Equities Exchange and Quotations, stock code: 833677) from April 2015 to April 2018, an independent director of Hanwang Technology Co., Ltd. (漢王科技股份有限公司) (a company listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange, stock code: 002362) since April 2018, and an independent director of Donlinks International Investment Co., Ltd. (廣州東凌國際投資股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000893) since December 2019. Mr. Yang obtained a master's degree in accounting and economics from Central Institute of Finance and Banking (currently known as Central University of Finance and Economics) in July 1988.

(II) Biographies of Supervisors

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

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

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

Mr. Fan Shuguang (范曙光) has been the Bank's non-employee Supervisor since June 2016. Mr. Fan served various teaching positions at Changchun Industrial Technical College from July 1987 to June 2000. He was deputy head of the business administrative department and vice president of the School of Management of Changchun Institute of Technology from June 2000 to July 2005 and from July 2005 to June 2013, respectively. He has been a professor of Changchun Institute of Technology since January 2004, president of the School of Management of Changchun University of Finance and Economics since July 2013. Mr. Fan graduated from Northeast Institute of Technology (currently known as Northeastern University) with a bachelor's degree in management engineering in July 1987, and obtained a master's degree in business administration from Jilin University in June 2002.

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

Mr. Wang Zhi (王志) has been the Bank's non-employee Supervisor since January 2016. Mr. Wang held various positions at Dehui Postal Bureau from July 1990 to April 2008, including accountant of the Savings and Remittances Division from July 1990 to March 1997, deputy division head of the Savings and Remittances Division from March 1997 to September 1998, deputy head of the Operations Department from September 1998 to November 2000, head of the Office from

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

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

(III) Biographies of Senior Management Members

Mr. Liang Xiangmin (梁向民) has been the Bank's president since October 2019. For Mr. Liang's biography, please refer to "IV. Biographies of Directors, Supervisors and Senior Management Members – (I) Biographies of Directors – Executive Directors" of this chapter.

Mr. Zhu Weidong (朱衛東) has been the Bank's vice president since February 2011. Between March 1988 and April 1997, Mr. Zhu held various positions at Gongnong Lake Office of Qian'an County Sub-branch of ABC, including credit officer, bookkeeper, accountant and head of the office. He was head of the Rangzi Business Office of Qian'an County Sub-branch of ABC from April 1997 to October 1998 and was an assistant to president, member of the party committee and vice president of Qianguo County Sub-branch of ABC from October 1998 to January 2001. He was the vice president of Ningjiang District Sub-branch of ABC in Songyuan from January 2001 to May 2002, secretary of the party committee and head of the business department of Songyuan Branch of ABC from May 2002 to February 2003 and manager of the personal business department of Songyuan Branch of ABC from February 2003 to March 2003. Mr. Zhu was president of Qianguo County Sub-branch of ABC from March 2003 to March 2006, vice president of Songyuan Branch of ABC from March 2006 to June 2007, general manager of Songyuan Urban Credit Union from June 2007 to October 2008, vice president of Songyuan Branch of Jilin Bank from November 2008 to February 2009 and president and secretary of the party committee of Songyuan Branch of Jilin

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Bank from March 2009 to November 2010. Mr. Zhu graduated from China Agricultural Broadcasting School with a secondary diploma in April 1987, majoring in agriculture and from Changchun Taxation College (currently known as Jilin University of Finance and Economics) in December 1994, majoring in accounting. He completed his correspondence undergraduate studies in economics and management at Party School of CPC Jilin Provincial Committee in February 2000, his postgraduate studies in economics at Northeast Normal University in August 2002 and in economics and management at Party School of CPC Jilin Provincial Committee in July 2010 respectively. Mr. Zhu is also a mid-level economist accredited by the Jilin Professional Examination Office in November 1999.

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

Ms. Song Xiaoping (宋曉萍) served as the Bank's vice president from February 2011 to March 2020. Ms. Song worked at Changchun Branch of PBOC as a member of the accounting section from July 1985 to March 1994 and deputy section head of the accounting section from March 1994 to December 1998. She then worked at Changchun Center Sub-branch of PBOC as deputy section head of the payment and technology section from December 1998 to July 2000 and deputy section head of the accounting and finance section from July 2000 to April 2002. Ms. Song was deputy director of the settlement subcenter of PBOC from April 2002 to January 2003. She then returned to Changchun Center Sub-branch of PBOC as director of the business and settlement center from January 2003 to January 2008, section head of the payment and settlement section from January 2008 to February 2010 and section head of the treasury section from February 2010 to September 2010. Ms. Song graduated from Jilin Bank School (currently known as Changchun Finance College) in July 1985, majoring in accounting, from a correspondence course in Jilin Institute of Finance and Trade (currently known as Jilin University of Finance and Economics) in August 1991, majoring in finance. She completed her correspondence undergraduate studies in corporate management at Jilin University of Technology (currently known as Jilin University) in July

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1997 and her postgraduate studies in politics and economics at Northeast Normal University in May 1999. In addition, Ms. Song is a mid-level economist accredited by Ministry of Personnel of the PRC in November 1998, and a mid-level accountant accredited by Jilin Professional Examination Office in May 1999.

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

Mr. Chen Xinzhe (陳新哲) has been the Bank's vice president since July 2019. Prior to joining the Bank, Mr. Chen held a number of positions at several branches of at the Bank of China, including credit approval clerk and manager of corporate department of Jilin Branch of the Bank of China from July 1991 to January 2003, manager of corporate department of Changchun Xinmin Street Sub-branch of the Bank of China from January 2003 to September 2004, the vice president of Changchun Development Zone Sub-branch of the Bank of China from September 2004 to March 2009, the president of Changchun Jincheng Sub-branch of the Bank of China from March 2009 to May 2011, and secretary of the party committee and president of Siping Branch of the Bank of China from May 2011 to August 2014. Mr. Chen joined the Bank in August 2014 as the deputy general manager of the extraterritorial branches management department. He was the chairman of the board of Jilin Chuncheng Rural Commercial Bank from September 2015 to July 2019, and has been the marketing director of Changchun Branch of the Bank since February 2018. Mr. Chen graduated from Changchun Finance College in July 1991, majoring in finance, and completed his undergraduate and post graduate studies in accounting at Changchun Taxation College (currently known as Jilin University of Finance and Economics) in June 1999 and July 2005, respectively, and his postgraduate studies in business management at Northeast Normal University in September 2008. He obtained a Master of Business Administration majoring in business administration from Asia International Open University (Macau) in December 2008, and is a mid-level economist accredited by Ministry of Personnel of the PRC in November 1998.

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

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

(IV) Biographies of Joint Company Secretaries

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

Mr. Lau Kwok Yin (劉國賢) has been the joint company secretary of the Bank since May 2018. Mr. Lau is a senior manager of SWCS Corporate Services Group (Hong Kong) Limited (formerly known as SW Corporate Services Group Limited). He has over 10 years' experience in corporate secretarial services, finance and banking operations. He holds a Bachelor of Business Administration degree in Accounting and Finance from the University of Hong Kong, and is a member of the Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst charterholder.

IV. Remuneration Policies for Directors, Supervisors and Senior Management

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

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

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

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

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

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

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

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

Name	Position held with the Bank	Name of the Shareholder company	Position held in the Shareholder company
Mr. Zhang Xinyou	Non-executive Director	Changchun Longde Real Estate Development Co., Ltd.	Chairman
Mr. Wang Baocheng	Non-executive Director	Changchun Changqing Pharmaceutical Group Co., Ltd.	Chairman
Mr. Zhang Yusheng	Non-executive Director	Changchun Huaxing Construction Co., Ltd.	Chairman

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

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

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

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

Dr. Fu Qiong (傅穹) was a supervisor of Chizhou Chijiu Automobile Trade Co., Ltd. (池州市池九汽車貿易有限公司), a limited liability company incorporated in the PRC on March 12, 2013, which was mainly engaged in the sales of automobiles, and dissolved by way of deregistration on August 20, 2013. Dr. Fu confirmed that there is no wrongful act on his part leading to the dissolution, nor is he aware of any actual or potential claim that has been or will be made against him as a result of the dissolution, that his involvement in the operation of the above company was mainly due to his duties as a supervisor of the company and that no misconduct or misfeasance had been involved in the dissolution of the company, and the company was solvent at the time of dissolution or deregistration.

VIII. Employee, Employee Compensation Policy and Employee Training Program

(I) Staff Composition

As of December 31, 2019, the Group had 6,219 employees. The table below sets forth its number of full-time employees by function as of the same date:

	Number of Employees	Percentage (%)
Retail banking	2,994	48
Management	726	12
Finance and accounting	744	12
Corporate banking	870	14
Risk management, internal audit and legal and compliance	184	3
Treasury operations	75	1
Information technology	83	1
Others	543	9
Total	6,219	100

As of December 31, 2019, more than 59% of the Group's employees had a bachelor's degree or higher.

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

In addition to full-time employees, as of December 31, 2019, the Group also had 163 contract staff from third-party human resources agencies. These contract staff are not the Group's employees. Instead, they have entered into employment contracts with third-party human resources agencies. They generally serve in non-key positions, such as bank tellers and customer service officers. The Bank and the subsidiaries make advance payments to the third-party agencies, which then pay salaries to and make social security contributions for contract staff.

(II) Employee Remuneration

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

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

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

(III) Employee Training Program

The Group focuses on employee career development and provide training programs tailored to employees in different business lines. The Bank has built a specific team of internal trainers. The Bank also collaborates with PRC institutions of higher education to recruit and train employees. For example, the Bank has established a training center to enhance employee professional skills. The Bank emphasizes internal recruiting and employee training. Through internal selection in various ways, the Bank trains outstanding management personnel and provides employees with opportunities to enhance professional knowledge and develop professional skills.

(IV) Labor Union

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

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

IX. SUBSIDIARIES

Subsidiaries	Places of business	Remarks
Liaoyuan Rural Commercial Bank Limited Liability Company (遼源農村商業銀行有限責任公司)	3257 Renmin Street, Longshan District, Liaoyuan City, Jilin Province, PRC	13 sub-branches
Hanshan Huimin Town Bank Co., Ltd. (含山惠民村鎮銀行有限責任公司)	Block 2, Zone C, Jinxiu Hua Cheng, North Baochanshan Road, Huanfeng Town, Hanshan County, Anhui Province, PRC	5 sub-branches
Shuangcheng Huimin Village Bank Co., Ltd. (雙城惠民村鎮銀行有限責任公司)	Building Complex, Longsheng South District, Fada Road, Shuangcheng City, Heilongjiang Province, PRC	4 sub-branches
Tongcheng Huimin Village Bank Co., Ltd. (通城惠民村鎮銀行有限責任公司)	59 Jiefang East Road, Juanshui Town, Tongcheng County, Hubei Province, PRC	2 sub-branches
Gaomi Huimin Village and Township Bank Co., Ltd. (高密惠民村鎮銀行有限責任公司)	919 Liqun Road, Gaomi Town, Weifang City, Shandong Province, PRC	7 sub-branches
Wuchang Huimin Village Bank Co., Ltd. (五常惠民村鎮銀行有限責任公司)	Block 1, Guanye Guojijie District, Yachen Road, Wuchang City, Heilongjiang Province, PRC	3 sub-branches
Yun' an Huimin Village Bank Co., Ltd. (雲安惠民村鎮銀行股份有限公司)	62 Jixiang Road, Yun'an District, Yunfu City, Guangdong Province, PRC	
Lu Jiang Hui Min Town Bank Co., Ltd. (廬江惠民村鎮銀行有限責任公司)	Block 18, Fenghuang City, Jun'er West Road, Lujiang County, Hefei City, Anhui Province, PRC	5 sub-branches
Qingdao Pingdu Huimin Village Bank Co., Ltd. (青島平度惠民村鎮銀行股份有限公司)	27 Hongqi Road, Pingdu City, Qingdao City, Shandong Province, PRC	8 sub-branches
Da' an Huimin Village Bank Co., Ltd. (大安惠民村鎮銀行有限責任公司)	54 Renmin Road, Da'an City, Jilin Province, PRC	5 sub-branches

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

Subsidiaries	Places of business	Remarks
Changchun Nanguan Hui Min Village Bank Co., Ltd. (長春南關惠民村鎮銀行有限責任公司)	Shop 105-111 of Block 32, Shop 105-106 of Block 33, Haojing Villa, Yatai Street, Nanguan District, Changchun City, Jilin Province, PRC	4 sub-branches
Huimin Village Bank Company Limited of Anci, Langfang (廊坊市安次區惠民村鎮銀行股份有限公司)	39 Guangming West Road, Anci District, Langfang City, Hebei Province, PRC	5 sub-branches
Guangzhou Huangpu Huimin Village and Township Bank Co., Ltd. (廣州黃埔惠民村鎮銀行股份有限公司)	1192 Jiufu Middle Road, Jiulong Town, Huangpu District, Guangzhou City, Guangdong Province, PRC	3 sub-branches
Heyang Huimin Village Bank Co., Ltd. (合陽惠民村鎮銀行股份有限公司)	North of East Section, Fenghuang West Road, Heyang County, Weinan City, Shaanxi Province, PRC	2 sub-branches
Huadian Huimin Village Bank Co., Ltd. (樺甸惠民村鎮銀行股份有限公司)	316 Huadian Street, Huadian City, Jilin Province, PRC	5 sub-branches
Jilin Fengman Huimin Village Bank Co., Ltd. (吉林豐滿惠民村鎮銀行股份有限公司)	121 Jilin Street, Fengman District, Jilin City, Jilin Province, PRC	8 sub-branches
Jingmen Dongbao Huimin Village Bank Co., Ltd. (荊門東寶惠民村鎮銀行股份有限公司)	82 Xiangshan Street, Dongbao District, Jingmen City, Hubei Province, PRC	3 sub-branches
Qingyuan Qingxin Huimin Village Bank Co., Ltd. (清遠清新惠民村鎮銀行股份有限公司)	102#, 66 Qingxin Street, Taihe Town, Qingxin District, Qingyuan City, Guangdong Province, PRC	2 sub-branches
Wenan Huimin Village Bank Co., Ltd. (文安縣惠民村鎮銀行股份有限公司)	344 Xingwen Road, Wen'an County, Langfang City, Hebei Province, PRC	7 sub-branches
Wuhua Huimin Village Bank Co., Ltd. (五華惠民村鎮銀行股份有限公司)	189 Huaxing North Road, Shuizhai Town, Wuhua County, Meizhou City, Guangdong Province, PRC	4 sub-branches
Qianan Huimin Village Bank Co., Ltd. (乾安惠民村鎮銀行有限責任公司)	Caishui Jiayuan Neighborhood, Yuzhou West Road, Qian'an County, Jilin Province, PRC	5 sub-branches
Changchun Gaoxin Huimin Village Bank Co., Ltd. (長春高新惠民村鎮銀行有限責任公司)	Room 101, Block 16a, Baolai Yaju, 999 Guanggu Street, Gaoxin District, Changchun City, Jilin Province, PRC	5 sub-branches
Baicheng Taobei Huimin Village Bank Co., Ltd. (白城洮北惠民村鎮銀行股份有限公司)	Block 2, Siji Huacheng, 299 Guangming South Street, Taobie District, Baicheng City, Jilin Province, PRC (Shops 4, 5 and 6, District A, Zuanshi Siji Huacheng)	4 sub-branches
Fuyu Huimin Village Bank Co., Ltd. (扶餘惠民村鎮銀行股份有限公司)	222 Yucai South Street, Fuyu City, Jilin Province, PRC	3 sub-branches

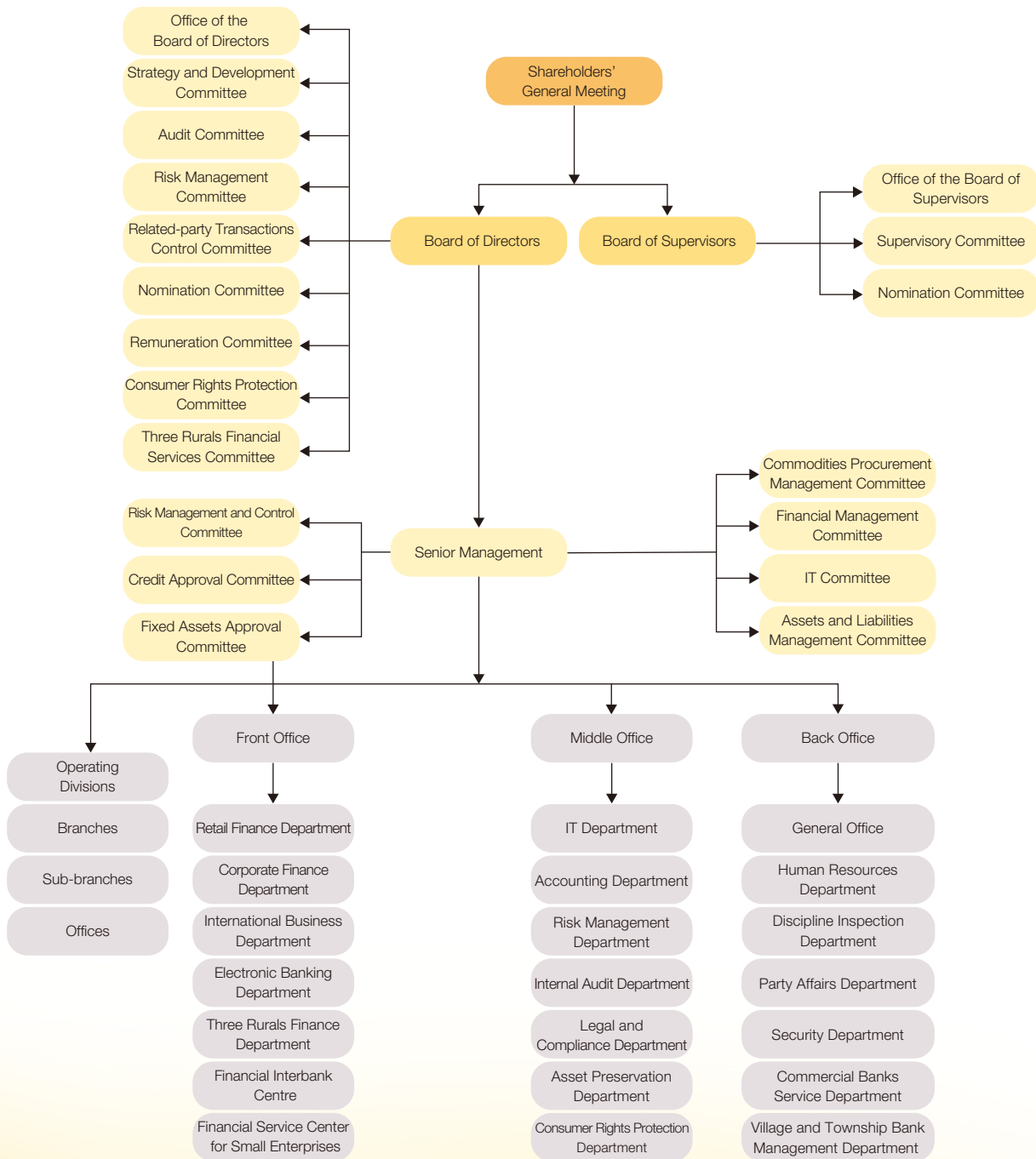
Chapter 8 Directors, Supervisors, Senior Management, Employees and Organisations

Subsidiaries	Places of business	Remarks
Taonan Huimin Village Bank Co., Ltd. (洮南惠民村鎮銀行股份有限公司)	1098 Tuanjie West Road, Taonan City, Jilin Province, PRC	2 sub-branches
Tianjin Binhai Huimin Village Bank Co., Ltd. (天津濱海惠民村鎮銀行股份有限公司)	322-324 East Century Street, Binhai New District, Tianjin City, PRC	13 sub-branches
Jilin Chuanying Huimin Village Bank Co., Ltd. (吉林船營惠民村鎮銀行股份有限公司)	Outlets Nos. 1, 3, 4, 116 Guangze Amethyst City, 8 Huangqi Road, Chuanying District, Jilin City, Jilin Province, PRC	3 sub-branches
Leizhou Huimin Village Bank Co., Ltd. (雷州惠民村鎮銀行股份有限公司)	021 Leihu South Road, Leicheng Town, Leizhou City, Guangdong Province, PRC	1 sub-branch
Songyuan Ningjiang Huimin Village Bank Company Limited (松原寧江惠民村鎮銀行股份有限公司)	2099 Wulan Street, Ningjiang District, Songyuan City, Jilin Province, PRC	10 sub-branches
Anping Huimin Village Bank Co., Ltd. (安平惠民村鎮銀行股份有限公司)	8 Xima Road, Anping County, Hebei Province, PRC	4 sub-branches
Huidong Huimin Village Bank Co., Ltd. (惠東惠民村鎮銀行股份有限公司)	66-71 Jinzuan Street, Zhonghang City, Huaqiao City, Pingshan Town, Huidong County, Huizhou City, Guangdong Province, PRC	4 sub-branches
Lingshui Huimin Village Bank Co., Ltd. (陵水惠民村鎮銀行股份有限公司)	98 Yelin South Street Lingshui County, Hainan Province, PRC	1 sub-branch
Sanya Huimin Village Bank Co., Ltd. (三亞惠民村鎮銀行股份有限公司)	Dongdu Mansion, 1350 Jiefang Si Road, Sanya City, Hainan Province, PRC	1 sub-branch
Qingdao Jimo Huimin Village Bank Co., Ltd. (青島即墨惠民村鎮銀行股份有限公司)	878 Heshan Road, Jimo City, Shandong Province, PRC	3 sub-branches
Jilin Jiuyin Financial Leasing Co., Ltd. (吉林九銀金融租賃股份有限公司)	3333 Xiantai Street, Changchun Economic and Technological Development Zone, Jilin Province, PRC	

Chapter 9 Corporate Governance Report

I. Corporate Governance Structure

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



Chapter 9 Corporate Governance Report

II. Corporate Governance

Overview

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

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

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

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

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

Chapter 9 Corporate Governance Report

The Director Nomination Policy and the Board Diversity Policy

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

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

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

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

Sex			Age		
Male	Female		40–49	50–59	60 or above
12 persons	1 person		3 persons	7 persons	6 persons

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

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III. General Meeting

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

Annual General Meeting for 2018

The annual general meeting of the Bank for 2018 was convened on June 20, 2019, at which the following resolutions were considered and approved by the Shareholders:

Ordinary resolutions

1. to consider and approve the work report of the Board of Directors for 2018;
2. to consider and approve the work report of the Board of Supervisors for 2018;
3. to consider and approve the annual report for 2018;
4. to consider and approve the final financial report for 2018;
5. to consider and approve the profit distribution proposal for 2018;
6. to consider and approve the annual financial budget for 2019;
7. to consider and approve the engagement of external auditing firms for 2019;
8. to consider and approve the election of Mr. Cui Qiang as a non-executive Director of the fourth session of the Board of the Bank;
9. to consider and approve the election of Ms. Zhang Qihua as an independent non-executive Director of the fourth session of the Board of the Bank;
10. to consider and approve the amendments to the Administrative Measures for Connected Transactions of the Bank;

Special resolutions

11. to consider and approve the issuance of capital supplementary bonds of the Bank;

Chapter 9 Corporate Governance Report

12. to consider and approve the Capitalization Issue of the Bank;
13. to consider and approve the change of the registered capital of the Bank; and
14. to consider and approve the amendments to certain articles of the Articles of Association of the Bank.

The First Domestic Share Class Meeting of 2019 and the First H Share Class Meeting of 2019

The first Domestic Share class meeting of 2019 and the first H Share class meeting of 2019 of the Bank were convened on June 20, 2019, at which the following resolution was considered and approved by the Shareholders:

Special resolution

1. to consider and approve the Capitalization Issue of the Bank;

The First Extraordinary General Meeting of 2019, the Second Domestic Share Class Meeting of 2019 and the Second H Share Class Meeting of 2019

The following resolution was considered and approved by the Shareholders at the first extraordinary general meeting of 2019, the second Domestic Share class meeting of 2019 and the second H Share class meeting of 2019 held on October 24, 2019:

Special Resolution

1. To consider and approve the extension of the validity period of the issuance plans and relevant authorizations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares by the Bank.

Chapter 9 Corporate Governance Report

IV. Board of Directors

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

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

(I) Composition of the Board of Directors

As of the date of this annual report, the fourth session of the Board consisted of 13 members, including:

- Mr. Gao Bing (chairman, executive Director)
- Mr. Liang Xiangmin (executive Director)
- Mr. Yuan Chunyu (executive Director)
- Mr. Cui Qiang (non-executive Director)
- Mr. Wu Shujun (non-executive Director)
- Mr. Zhang Xinyou (non-executive Director)
- Mr. Wang Baocheng (non-executive Director)

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- Mr. Zhang Yusheng (non-executive Director)
- Dr. Fu Qiong (independent non-executive Director)
- Mr. Jiang Ning (independent non-executive Director)
- Ms. Zhang Qiuhua (independent non-executive Director)
- Mr. Chung Wing Yin (independent non-executive Director)
- Mr. Yang Jinguan (independent non-executive Director)

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

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

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

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

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

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

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

(IV) Changes of Directors

For changes of Directors, please refer to the section headed "Directors, Supervisors, Senior Management, Employees and Organisations — II. Changes in Directors, Supervisors and Senior Management Members" of this annual report.

(V) Operation of the Board of Directors

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

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

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

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

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

(VI) Powers of the Board of Directors

The Board of Directors exercises the following powers:

- (1) to convene general meetings and report its work to the general meetings;
- (2) to implement the resolutions approved by the Shareholders at general meetings;
- (3) to decide on the business plans and investment plans of the Bank;
- (4) to prepare the annual financial budgets and final accounts of the Bank;
- (5) to prepare the capital replenishment plan, risk capital distribution plan, profit distribution plan and the plan for making up the losses of the Bank;
- (6) to prepare plans for increase or reduction of the registered capital of the Bank;
- (7) to prepare plans for issue and listing of bonds or other securities of the Bank;
- (8) to prepare plans for merger, division, dissolution or liquidation or alteration of corporate form of the Bank;
- (9) to prepare plans for repurchase of any Shares of the Bank;

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- (10) to approve the establishment of any corporate bodies, material acquisitions, material external investments, material connected transactions, purchase and disposal and write-off of material assets and material external guarantees of the Bank;
- (11) to decide on the establishment of any internal management structure and the reform plan for the operation and management affecting the Bank as a whole;
- (12) to appoint or remove the president of the Bank and the secretary to the Board of Directors; and based on the nomination by the president of the Bank, to appoint or remove the deputy presidents and senior officers (such as the persons in charge of finance, credit and audit) of the Bank and other persons whom the Board of Directors believes should be appointed or removed by the Board of Directors and to determine their remunerations and rewards and penalties;
- (13) to formulate the basic management system of the Bank (including but not limited to human resources, finance and remuneration) and internal control policies;
- (14) to formulate any amendment proposals to the Articles of Association, the rules of procedure for general meetings and meetings of the Board of Directors;
- (15) to formulate the information disclosure system of the Bank and to manage information disclosure of the Bank;
- (16) to propose the appointment or removal of the Bank's auditors to the general meeting;
- (17) to receive the work report and examine the work of the president of the Bank;
- (18) to prepare the operation and development strategy and capital planning of the Bank and monitor the implementation of such strategy; and
- (19) other duties and powers as provided in the laws, rules and regulations and the Articles of Association or conferred by the general meetings.

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(VII) Responsibilities of Directors

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

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

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

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

The Directors have acknowledged their responsibilities in the preparation of financial statements of the Bank for the year ended December 31, 2019. The Directors are responsible for reviewing and confirming the financial statements for each accounting period to ensure that the financial statements truly and fairly reflect the financial conditions, operating results and cash flows of the Bank. In preparing the consolidated financial statements of the Bank for the year ended December 31, 2019, the Directors have adopted appropriate accounting policies which have been applied consistently, and prudent and reasonable judgments have been made.

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(IX) Meetings of the Board of Directors

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

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

Note: Mr. Cui Qiang and Ms. Zhang Qiuhua have served as the Directors of the Company since August 2019. Ms. Guo Yan and Mr. Li Beiwei have ceased to serve as the Directors of the Company since August 2019. The number of meetings attended by them were less than the number of meetings convened.

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(X) Independent Non-executive Directors

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

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

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

(XI) Continuing professional development plan for Directors

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

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

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

Training program for the Directors

No.	Training program	Participants
1	Highlights of Laws on Commercial Banks (商業銀行法規速遞)	All Directors
2	Inside Information Provisions under the SFO (《證券及期貨條例》下的內幕消息條文)	All Directors
3	Continuing Obligation under the Listing Rules (《上市規則》下的持續責任)	All Directors
4	Related-party Transactions and their Effective Regulation (關聯交易及有效規管)	All Directors
5	Corporate Value Management (企業價值管理)	All Directors
6	Regulation Newsletter to Listed Issuers (上市發行人監管通訊)	All Directors
7	Review of Issuers' Annual Report Disclosure (發行人年報內容審閱)	All Directors
8	Consultation Conclusions on Review of the Environmental, Social and Governance Reporting Guide and Related Listing Rules (諮詢總結：檢討《環境、社會及管治報告指引》及相關《上市規則》條文)	All Directors
9	Principles and Written Guidelines for Amendments to Articles of Association and Organisation of General Meetings for H Shares (H股公司章程修訂及股東大會統籌原則性實物指引)	All Directors
10	Academic Conference: Reform of the Company Law under Civil Code (學術研討會：民法典背景下的公司法改革)	Dr. Fu Qiong
	Academic Conference: Formulation of Commercial Code — Regulation under Basic Principles of Commercial Law (學術研討會：制定商法典 — 商法基本原則的規範表現)	
	Academic Conference: Correlated Amendments to the Company Law and the Securities Law (學術研討會：《公司法》與《證券法》的聯動修改)	
	Academic Conference: Legalization of Business Environment and Modernization of Commercial Law System (學術研討會：營商環境法治化與商事法律制度現代化)	
	Academic Conference: International Financial Risk Prevention and Financial Regulation in the New Era (學術研討會：新時期國際金融風險防範與金融監管)	
11	Seminar: Structure and Practice of the “Three in One” Cost Management System (專題講座：「三位一體」成本管控體系構造與實踐)	Mr. Yang Jinguan
	Seminar: New Financial Instrument Standards (專題講座：新金融工具準則)	
	Academic Conference: Application of Text Big Data Analysis on Finance and Management (學術研討會：文本大數據分析在財經與管理領域的應用)	
	Academic Conference: Blockchain Audit (學術研討會：區塊鏈審計)	

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No.	Training program	Participants
12	<p>The seventh session of the Development Strategy Forum of Rural Commercial Bank (第七屆農商銀行發展戰略論壇)</p> <p>China Asset Securitization 100 Forum and CAF00 Seminar (中國資產證券化百人會論壇CAF00研討會)</p> <p>New Generation Artificial Intelligence Industrial Development Forum for 2019 (2019年新一代人工智能產業發展論壇)</p> <p>The third session of the B2B Platform + Supply Chain Finance Summit (第三屆B2B平台+供應鏈金融高峰論壇)</p>	Mr. Jiang Ning
13	<p>Presentation: Research on Classification of Market Entities in China (報告會：我國市場主體分類研究)</p> <p>Academic Seminar: Optimizing Business and Regulatory Environments to Support Economic Development for Private Enterprises (學術研討會：優化營商法治環境保障民營經濟發展)</p> <p>The First Huizhong Forum of Trust and Asset Management Regulation in China (首屆惠眾中國信託與資產管理法治論壇)</p>	Ms. Zhang Qiuhua
14	<p>Update on Rules of MPF and Recognized Occupational Retirement Scheme (強積金及認可職業退休計劃規則更新)</p> <p>Implementation and Frequently Asked Questions of the Significant Controller Registers (重要控制人登記冊的執行及常見問題)</p> <p>Handling and Response Methods of Inside Information and Investigation of Regulatory Authorities (內幕消息及監管機構調查的處理及應對方法)</p> <p>International Expansion of Chinese Enterprises (中國企業的國際化擴張)</p> <p>Focuses of Corporate Governance after Listing (上市後企業管治重點)</p> <p>Focuses of Feasibility Study and Due Diligence on Corporate Transactions (企業進行交易合適調研及盡職調查重點)</p> <p>Management of Employee Stock Ownership Scheme (員工持股計劃管理)</p> <p>Accounting Treatment for HKFRS 16 Leases (香港財務報告準則16租賃的會計處理)</p>	Mr. Chung Wing Yin

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(XII) Corporate governance functions of the Board of Directors

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

- (1) developed and reviewed the Bank's policies and practices on corporate governance;
- (2) reviewed and monitored the training and continuing professional development of Directors and senior management;
- (3) reviewed and monitored the Bank's policies and practices on compliance with legal and regulatory requirements;
- (4) developed, reviewed and monitored the code of conduct for Directors; and
- (5) reviewed the Bank's compliance with the Code of Corporate Governance and disclosure in the corporate governance report.

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(XIII) Board Committees

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

1. Strategy and Development Committee

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

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

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

During the Reporting Period, the Strategy and Development Committee held three meetings in total, a total of 17 resolutions including the Outline Development Plan of Key Task for 2019, the Resolution regarding the Issuance of Capital Supplementary Bonds, the Resolution regarding the Establishment of Branches and Offices and the Resolutions regarding the Extension of the Validity Period of the Issuance Plans for Private Placement of Domestic Shares and Non-public Issuance of Foreign Shares Listed Overseas (H Shares) and Authorizations for Related Matters were considered and approved.

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2. Audit Committee

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

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

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

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During the Reporting Period, the Audit Committee held four meetings in total, a total of 72 resolutions including the Final Financial Report for 2018, the Profit Distribution Proposal for 2018, the Annual Results Announcement for 2018, the Annual Report for 2018, the Internal Audit Report for 2018, the Audit Report for Connected Transaction for 2018, the Annual Financial Budget for 2019, the Interim Report for 2019 and the Interim Results Announcement for 2019 were considered and approved. The Audit Committee is of the view that the internal audit function of the Bank was effective during the Reporting Period.

Overview of the annual audit work of the Bank:

ShineWing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited carried out the 2019 audit on the Bank by two stages, the preliminary audit and year-end audit. In the preliminary audit stage, ShineWing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited fully conducted an audit on internal control, and carried out internal control test at the Bank's level and business process level to evaluate the effectiveness of the internal control design and assess whether it has been consistently and effectively implemented during the audit. Through interviews, ShineWing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited understood the Bank's control environment, the main operation conditions, business innovation, system updates and fraud risk. ShineWing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited conducted a preliminary analysis and audit on major subjects of financial statements, such as financial instruments, operating income, investment income and other subjects. ShineWing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited also tested and evaluated the main information system used by the Bank and discussed promptly the findings of preliminary audit with the Bank's management. In the year-end audit stage, ShineWing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited followed up the findings on the preliminary audit stage and conducted detailed audit procedures for all major subjects, and communicated the findings of year-end audit with the Bank's management.

In order to successfully complete the audit work in 2019 and issue relevant audit reports as scheduled, the Audit Committee of the Board of Directors arranged the finance department of the Bank to discuss with ShineWing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited about the planning of audit work, audit progress, scope of consolidation, timing of initial draft and final draft of the audit report, etc. During the audit period, the Audit Committee made multiple rounds of supervision. On March 30, 2020, ShineWing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited issued the standard unqualified audit report to the Bank within the scheduled time.

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

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3. *Related-party Transactions Control Committee*

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

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

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

During the Reporting Period, the Related-party Transaction Control Committee held four meetings in total, a total of seven resolutions including the Report on the Implementation of Connected Transactions Control Management System and Connected Transactions for 2018, the Credit Planning for Related Corporations for 2019 and the Proposal on Pledge of Equity Interests by Shareholders were considered and approved.

4. *Risk Management Committee*

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

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

- to control, manage, supervise and assess the risks through continuous assessment of the effectiveness of the risk management and internal control systems;
- to formulate the strategies, policies and targets for the risk management and control for the Board's approval;
- to supervise senior management on the control of risks such as credit risks, market risks, operating risks and liquidity risks and conduct regular evaluation on the risk management status and risk tolerance level;
- to provide advices on improvement of risk management and internal control and raise any material issues in risk management to the attention of Board of Directors;
- to undertake the duties of anti-money laundering of the Bank, and to organize and guide the anti-money laundering works in accordance with the authorization of the Board of Directors and be accountable to the Board of Directors; to supervise and provide guidance to the anti-money laundering steering group; to discuss important issues of anti-money laundering works and review work reports on anti-money laundering; to be authorized and obligated to make decisions on and handle substantial or sensitive issues in relation to anti-money laundering;
- to discuss the risk management and internal control system with the management to ensure that the management has performed its duties by developing an effective system, and the discussion shall cover the adequacy of resources, qualification and experience of employees, training of employees and the relevant budget for accounting, internal audit and financial reporting of the Bank; and
- to review the following special issues at least once a year:
 - the changes of the nature and extent of major risks, and the capabilities of the Bank in dealing with the changes of its businesses and the external environment since the review of last year;
 - the scope and quality of the works of the management for continuous monitoring of the risk and internal control system as well as (if applicable) the internal audit functions and the works of other assurers;

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- the extent and frequency that the supervision results were reported to the Board of Directors, which may facilitate the assessment of the Board of Directors on the effectiveness of the supervision and risk management of the Bank;
- substantial supervision faults incurred and material supervision weaknesses identified during the period and the seriousness of the unforeseeable consequences or critical situations, as well as the significant influences which have been, might have been or will be caused by such consequences or situations on the financial performance or position of the Bank;
- the effectiveness of the procedures of the Bank in relation to financial reporting and compliance with the requirements of the Hong Kong Listing Rules.

During the Reporting Period, the Risk Management Committee held four meetings in total, a total of 23 resolutions including the Evaluation Report on the Comprehensive Risk and Internal Control Management System for the Fourth Quarter of 2018, the Statement on Risk Management Preference for 2019 and Plan for Risk Prevention and Control for 2019 were considered and approved.

5. *Nomination Committee*

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

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

- to review the structure and composition of the Bank's Board of Directors and senior management and advise on any changes to be made to the Board of Directors to complement the strategies;
- to formulate the selection procedures and criteria for Directors and senior management;
- to conduct preliminary review and examination of and advise the Board of Directors on the qualifications and suitability of candidates for Directors and senior management and the appointment and re-appointment of Directors; and
- to assess the independence of independent non-executive Directors.

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During the Reporting Period, the Nomination Committee held three meetings in total, a total of 15 resolutions including the Work Report of the Nomination Committee for 2018, the Resolution regarding the Evaluation of Independence of Independent Non-executive Directors, the Resolution regarding the Amendments to the Terms of Reference of the Nomination Committee and the Resolution on Appointment of President of the Bank were considered and approved.

6. Remuneration Committee

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

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

- to establish and review a reasonable and transparent remuneration system and policy for the Bank;
- to make recommendations to the Bank's Board of Directors on remuneration system and policy and supervise the implementation of the scheme;
- to assess and approve the fair and reasonable compensation for loss of office of Directors and senior management;
- to review the performance of Directors and senior management and review and advise on the remuneration for Directors and senior management with reference to the rates of remuneration of other comparable banks; and
- to review the duty performance of Directors and the senior management and to carry out annual appraisal.

During the Reporting Period, the Remuneration Committee held one meeting in total, a total of two resolutions including the Work Report of the Remuneration Committee for 2018 and the Administrative Measures on Remuneration for 2019 were considered and approved. In particular, the Remuneration Committee assessed the performance of executive Directors and approved the terms of executive Directors' service contracts.

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7. Consumer Rights Protection Committee

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

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

- to determine the strategies, policies and objectives for protection of the rights of financial customers of the Bank and supervise the senior management for implementation of the same and relevant work; to receive regularly the special reports on protection of rights of financial customers as prepared by the senior management and to disclose such reports as important information;
- to supervise the protection of rights of financial customers and evaluate the completeness, timeliness and effectiveness of the protection works of the Bank; and to review the duty performance of the senior management in this regard; and
- to review other matters in relation to the protection of customers' rights or authorized by the Board.

During the Reporting Period, the Consumer Rights Protection Committee held two meetings in total, and five resolutions including the Work Report of the Consumer Rights Protection Committee for 2018 and the Consumer Rights Protection Committee Work Plan for 2019 were considered and approved.

8. Three Rurals Financial Services Committee

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

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

- to formulate the development strategy plan, policies and basic management systems of “three rurals” business in accordance with the general development strategy plan of the Bank and make recommendations to the Board;
- to determine the risk strategy plan and other important matters in relation to “three rurals” business development in accordance with the general development strategy plan of the Bank;
- to consider the important factors having impact on the development of the “three rurals” business of the Bank with reference to changes of government policy and financial market conditions in relation of “three rurals” and to make recommendations to the Board for the changes to the development strategy plan of “three rurals” business in a timely manner;
- to supervise the implementation of the development strategy plan, policies and basic management systems of “three rurals” business of the Bank;
- to evaluate the results of “three rurals” services and to propose suggestions to the Board accordingly;
- to review the “three rurals” business plan in accordance with the business plan of the Bank and to make recommendations to the Board; and
- to review other matters in relation to “three rurals” business or authorised by the Board.

During the Reporting Period, the Three Rurals Financial Services Committee held one meeting in total, and two resolutions including the Report of the Three Rurals Financial Services for 2018 and the Three Rurals Financial Services Plan for 2019 were considered and approved.

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V. Board of Supervisors

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

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

(I) Composition of the Board of Supervisors

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

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

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

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(II) Chairman of the Board of Supervisors

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

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

(III) Changes of Supervisors

For changes of Supervisors, please refer to the section headed “Directors, Supervisors, Senior Management, Employees and Organisations – II. Changes in Directors, Supervisors and Senior Management Members” of this annual report.

(IV) Responsibilities of the Board of Supervisors

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

- (1) to examine and supervise the Bank’s financial affairs;
- (2) to supervise the duty performance of the Board of Directors and senior management;
- (3) to monitor the Directors, president of the Bank and other senior management in performing their duties;
- (4) to demand rectification from a Director, the president of the Bank and any other senior management of the Bank when the acts of such persons are detrimental to the interests of the Bank;

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- (5) to conduct special and departure audits in respect of any Directors and senior management of the Bank;
- (6) to conduct audits in respect of the operation policy, risk management and internal controls of the Bank and to provide guidance with respect to such internal audits of the Bank;
- (7) to make inquiries to any Directors, the chairman of the Board and senior management of the Bank;
- (8) to propose the convening of extraordinary general meetings;
- (9) to propose to general meetings to remove any Directors, president of the Bank or Supervisors who have failed to perform their duties or violated any laws, administrative regulations or the Articles of Association;
- (10) to review the financial reports, operation reports and profit distribution plans to be submitted by the Board to general meetings; if any queries arise or any abnormality is found in operations of the Bank, to conduct investigations; and when necessary, to engage such professionals as accounting firms or law firms to assist in the work, at the expenses of the Bank;
- (11) to propose any remuneration (or allowance) arrangement of Supervisors; and
- (12) other duties and powers as provided in laws, rules and regulations, department regulations, normative documents and the Articles of Association or conferred by the general meetings.

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

- convening regular meetings of the Board of Supervisors;
- attending general meetings and the meetings of the Board of Directors;
- attending the relevant meetings of the senior management;

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- reviewing various documents and materials provided by the senior management and listening to the work report prepared by the senior management;
- evaluating annual performance of the Directors and senior management;
- conducting on-site inspections of the Bank's branches and subsidiaries; and
- conducting departure audits of the Bank's executive Directors and senior management.

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

(V) Meetings of the Board of Supervisors

During the Reporting Period, the Board of Supervisors convened 4 meetings and there was no objection to the matters under the supervision of the Board of Supervisors. The following table sets forth the attendance of Supervisors at meetings during the Reporting Period:

Members of the Board of Supervisors	Number of meetings attended in person/attended by proxy/should be attended		
	Attendance in Person	Attendance by Proxy	No. of Required Attendance
Mr. Luo Hui	4	0	4
Mr. Wang Enjiu	4	0	4
Mr. Liu Xiangjun	4	0	4
Mr. Fan Shuguang	4	0	4
Mr. Gao Pengcheng	4	0	4
Mr. Wang Zhi	4	0	4
Mr. Zhang Ruibin	4	0	4

(VI) Attendance at the general meetings

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

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

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

(VIII) Committees of the Board of Supervisors

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

1. *Nomination Committee*

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

The principal responsibilities of the Nomination Committee include:

- (1) to make recommendations to the Board of Supervisors in relation to the scale and composition of the Board of Supervisors in accordance with the Bank's operation, scale of assets and shareholding structure;
- (2) to review the procedures and criteria for selecting and appointing Supervisors and making recommendations to the Board of Supervisors;
- (3) to search for qualified candidates for the Supervisors;
- (4) to perform preliminary review of the qualifications and credentials of candidates for the Supervisors nominated by the Bank's Shareholders in accordance with applicable laws and regulations;
- (5) to supervise the process of election and appointment of Directors;



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- (6) to supervise and examine the discharge of responsibilities and duties of the Supervisors during their term of office as authorized by the Board of Supervisors;
- (7) to take the lead in conducting a comprehensive assessment and evaluation of the discharge of responsibilities and duties by the Board of Directors, the Board of Supervisors and senior management and report the results to the Board of Supervisors;
- (8) to draft the proposals related to removal of a Supervisor to be submitted by the Board of Supervisors;
- (9) to make proposals related to award or sanction of Supervisors to the Board of Supervisors;
- (10) to be responsible for the daily work of the Nomination Committee and liaise with the members of the Nomination Committee under the guidance of the chairman of the Nomination Committee;
- (11) to be responsible for the preparatory works in relation to the election of the members of the Board of Supervisors;
- (12) to supervise scientificity and reasonableness of remuneration system and policies of the Bank and remuneration proposals of the senior management; and
- (13) other matters authorized by the Board of Supervisors.

The Nomination Committee held a total of 4 meetings during the Reporting Period, and 15 resolutions including the Performance Evaluation Report of the Board of Supervisors for 2018 and the Evaluation Report of the Board of Supervisors on the Performance of Duties by the Directors and Senior Management for 2018 were considered and approved.

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2. Supervisory Committee

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

The principal responsibilities of the Supervisory Committee include:

- (1) to formulate plans on supervising and examining the Bank's financial activities;
- (2) to formulate plans of specific audits of the Directors and senior management and perform departure audit of the Directors and senior management;
- (3) to formulate and implement audit plans of the Bank's business decision-making, risk management and internal controls;
- (4) to perform audit related to the authenticity of the financial results of the Bank in the last financial year;
- (5) to supervise compliance with applicable laws, regulations, financial policies and the Articles of Association by the Directors and senior management in discharging their respective duties and responsibilities;
- (6) to make proposals in relation to engagement or change of external auditors;
- (7) to provide guidance to the Bank's internal audit and supervise the Bank's internal audit policies and implementation of these policies;
- (8) to liaise with internal auditors and external auditors;
- (9) to review the financial information of the Bank and its disclosure;
- (10) to review the internal control policies of the Bank; and
- (11) other matters authorized by the Board of Supervisors.

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The Supervisory Committee held a total of four meetings during the Reporting Period, a total of 28 resolutions including the Review Report of the Board of Supervisors on the Risk Management and Internal Control for 2018, the Review Report of the Board of Supervisors for the Financial Activities for 2018, the Special Review Plan of the Board of Supervisors for 2019, and the Supervisory Opinions regarding Operation Decisions for 2018 were considered and approved.

(IX) Work performed by Non-employee Supervisors

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

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

VI. Senior Management

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

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

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

- Mr. Liang Xiangmin (executive Director and president)
- Mr. Zhu Weidong (vice president)

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- Mr. Li Guoqiang (vice president)
- Ms. Song Xiaoping (vice president, resigned in March 2020)
- Mr. Gao Zhonghua (vice president)
- Mr. Chen Xinzhe (vice president)
- Mr. Yuan Chunyu (executive Director, secretary to the Board of Directors and joint company secretary)

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

- (1) to manage the business operations of the Bank and report work to the Board of Directors;
- (2) to organize the implementation of resolutions passed by the Board of Directors, the annual business plans and investment plans of the Bank;
- (3) to prepare plans for the establishment of internal management organisations;
- (4) to establish the basic management system of the Bank;
- (5) to formulate detailed regulations of the Bank;
- (6) to propose to the Board of Directors for the appointment or removal of such senior management members of the Bank as the vice president and persons in charge of finance, credit and audit;
- (7) to appoint or remove the management personnel other than those required to be appointed or removed by the Board of Directors;

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- (8) to determine the salary, welfare, reward and punishment of employees of the Bank and to decide on the appointment and dismissal of employees of the Bank;
- (9) to propose to convene interim meetings of the Board of Directors;
- (10) to decide on the set-up and cancellation of any branches of the Bank and to authorize presidents of any sub-branches to manage daily business and operation;
- (11) in the event of emergencies (such as a run on the Bank), to take contingency measures and report immediately to the banking regulators under the State Council, the Board of Directors and the Board of Supervisors; and
- (12) other duties and powers provided by laws, regulations, departmental regulations, normative documents, regulators and the Articles of Association and conferred by the Board of Directors.

The president shall, as required by the Board of Directors or the Board of Supervisors, report to the Board of Directors or the Board of Supervisors any conclusion and performance of material contracts, use of fund and profits and losses, as well as the relevant guarantees, and ensure the truthfulness of such reports.

The remuneration paid to the senior management (excluding the members of senior management who are also Directors) for the year ended December 31, 2019 is set out as follows:

Remuneration bands	Number of Persons
Less than RMB0.8 million (note)	1
RMB1.5 million–RMB1.8 million	3
More than RMB1.8 million	1

(note: Mr. Chen Xinzhe has been a vice president of the Bank since July 2019)

VII. Chairman of the Board and the President

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

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

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

VIII. Securities Transactions by Directors, Supervisors and Senior Management

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

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

IX. External Auditors and Remuneration of Auditors

The Group engaged ShineWing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited as its domestic and international auditors for 2019, respectively. The fees as agreed to be paid by the Group for the audit of the financial statements for the year ended December 31, 2019 are RMB3.16 million, and for the non-audit service (i.e. interim review) are RMB1.928 million.

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

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X. Joint Company Secretaries

Mr. Yuan Chunyu, an executive Director and the secretary to the Board of Directors, and Mr. Lau Kwok Yin, a senior manager of SWCS Corporate Services Group (Hong Kong) Limited, are the current joint company secretaries of the Bank. The key contact person between Mr. Lau Kwok Yin and the Bank is Mr. Yuan Chunyu.

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

XI. Communication with Shareholders

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

General enquiries

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

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

Place of Business in Hong Kong: Room 15, 11th Floor, Tower 2, Admiralty Centre,
18 Harcourt Road, Admiralty, Hong Kong

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

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Enquiries on matters relating to the H Shares

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

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

Enquiries on matters relating to the Domestic Shares

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

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

XII. Information Disclosure

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

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

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

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XIII. Procedures and Regulatory Measures related to Inside Information

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

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

XIV. Amendment to the Articles of Association

- (1) Due to the establishment of special committees of the Board and in order to standardize the Shareholders' pledge of the Bank's equity interests, the Bank amended relevant articles in the Articles of Association. Such amendments were approved by the Shareholders at the second extraordinary general meeting of 2017 held on November 8, 2017.

According to the spirit of the documents including the Constitution of the Communist Party of China (《中國共產黨章程》), the Guiding Opinions on Deepening the Reforms of State-owned Enterprises (《關於深化國有企業改革的指導意見》) issued by the Central Committee of the Communist Party of China and the State Council, the Several Opinions on Upholding the Party's Leadership and Strengthening the Party's Construction in Deepening the Reforms of State-owned Enterprises (《關於在深化國有企業改革中堅持黨的領導加強黨的建設的若干意見》) issued by the General Office of the CPC Central Committee, and the Notice regarding the Promotion of Incorporation of the Requirements of Party Building Work into the Articles of Associations of State-owned Enterprises (《關於紮實推動國有企業黨建工作要求寫入公司章程的通知》) issued by the Organisation Department of the CPC Central Committee and the Party Committee of the State-owned Assets Supervision and Administration Commission of the State Council, the Bank incorporated the party building work into the Articles of Association. Such amendments were approved by the Shareholders at the first extraordinary general meeting of 2018 held on February 5, 2018.

Such amendments were approved by the CBIRC Jilin Bureau on March 29, 2019 and became effective on the same date. For details of the amendments, investors may refer to the circulars of the Bank dated September 20, 2017 and December 21, 2017 posted on the website of the Bank (www.jttnsh.com) and the designated website of the Hong Kong Stock Exchange (www.hkexnews.hk).

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- (2) The Bank amended the relevant articles of the Articles of Association in relation to its registered capital and share structure to reflect such changes to be made following the completion of the capitalization issue. Such amendments were approved by the Shareholders at the annual general meeting of 2018 held on June 20, 2019.

The capitalization issue was completed on August 16, 2019. The above amendments were approved by the CBIRC Jilin Bureau on August 20, 2019 and became effective from the same date. For details of the amendments, investors may refer to the circular of the Bank dated May 3, 2019 posted on the website of the Bank (www.jtsh.com) and the designated website of the Hong Kong Stock Exchange (www.hkexnews.hk).

XV. Rights of Shareholders

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

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

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

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

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

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

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

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

(II) Proposing resolutions at Shareholders' general meetings

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

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

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

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

(III) Making inquiries to the Board of Directors

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

(IV) Inspection rights of the Shareholders

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

1. a copy of the Articles of Association upon the payment of cost;
2. a copy of the following documents after a reasonable fee has been paid:
 - a. all parts of the register of members of the Bank;
 - b. the personal information of Directors, Supervisors, president and senior management of the Bank;
 - c. status of the share capital of the Bank;
 - d. reports on the aggregate par value, number, and highest and lowest prices of each class of Shares in relation to any repurchase by the Bank of its own Shares since the last financial year, as well as all the expenses paid by the Bank in relation to such repurchases;
 - e. minutes of the general meeting;
 - f. special resolutions of the Bank;

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- g. the latest audited financial statements and the reports of the Board, auditors and the Board of Supervisors; and
- h. any annual report of the Bank that has been submitted to the State Administration for Industry & Commerce of China or other competent authorities for filing.

In accordance with the requirements of Hong Kong Listing Rules, the Bank shall make the documents referred to in items (a), (c), (d), (e), (f), (g) and (h) available for free inspection by the public and Shareholders of H Shares at the address of the Bank in Hong Kong, of which the documents referred to in item (f) shall be available for inspection by Shareholders only.

Copies of minutes of the meetings will be available for inspection by the Shareholders free of charge during the office hours of the Bank. If any Shareholder makes a request to obtain a copy of the relevant minutes from the Bank, the Bank shall send a copy of the requested minutes within seven days upon the receipt of a reasonable fee. The Bank may refuse to provide any documents if such documents or the copies thereof requested involve any business secrets and/or include inside information of the Bank.

Where a Shareholder of the Bank requests to review the relevant information above, such Shareholder shall provide written document to prove that he possesses any Shares of the Bank and the Bank shall make available such information required by the Shareholder after the identity of such Shareholder has been proved.

Chapter 10 Risk Management, Internal Control and Internal Audit

I. Overview

The Group emphasizes prudent business management and believes that effective risk management and internal control are critical to its sustainable business growth:

- The Bank has established a comprehensive risk management system covering its front, middle and back offices and all business procedures to monitor, evaluate and manage the risk exposure of its business activities. The Group has adopted different risk management strategies based on the risk characteristics of different industries. In particular, for sensitive industries such as real estate, the Group has adopted more stringent management measures and optimized its credit structure to lower concentration risks.
- As a separate legal entity, each subsidiary has established risk management and internal control systems in accordance with applicable regulatory requirements.

The Bank actively participates in formulating the risk management policies and strategies of the subsidiaries through the nomination of representatives to serve on their respective board of directors. The Bank also assists each subsidiary in formulating and reforming its risk management measures and processes, and supervises and monitors the implementation of the risk management measures and processes by sending or designating risk management personnel to each subsidiary or through the management department of village and township banks.

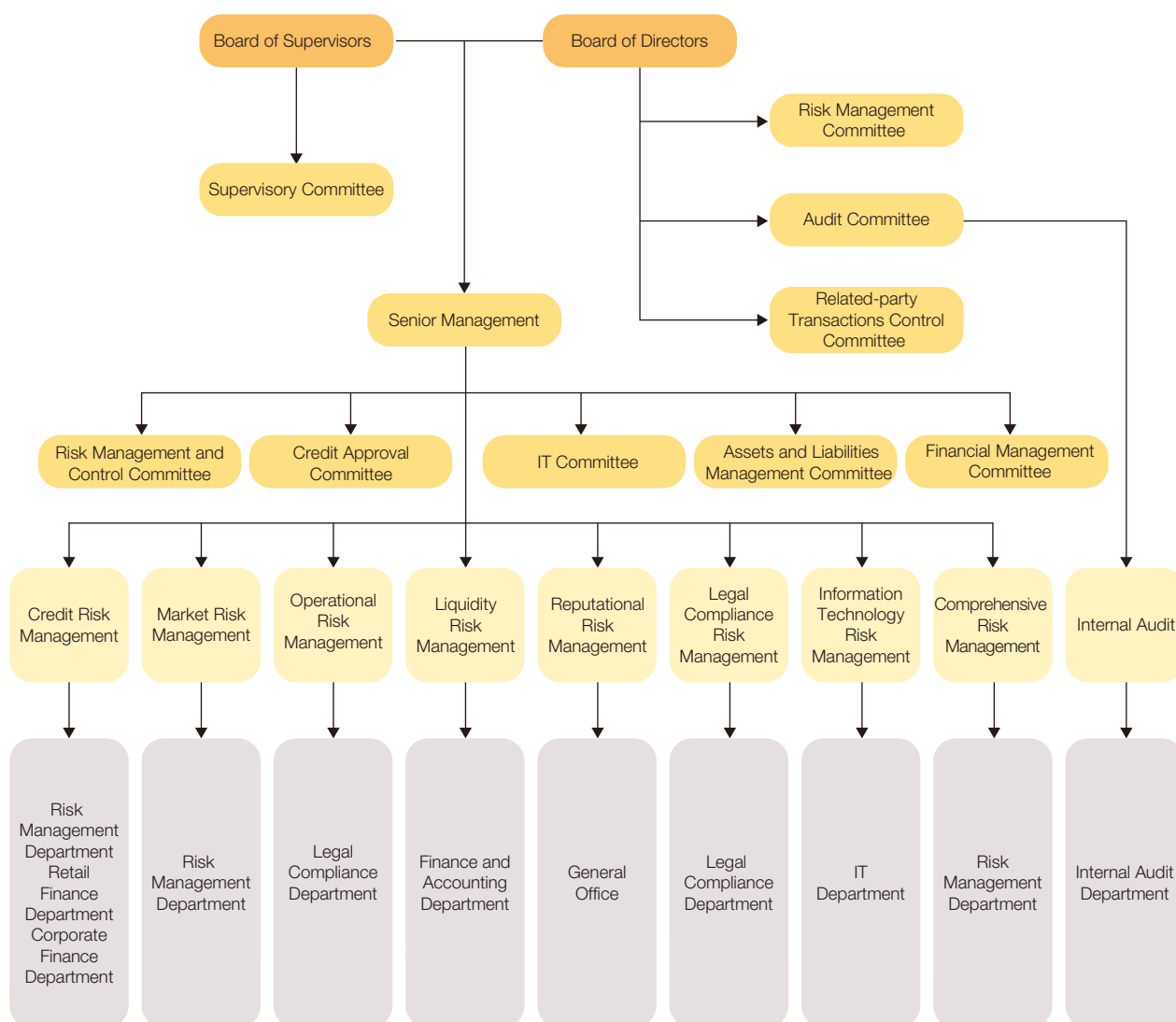
The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

Chapter 10 Risk Management, Internal Control and Internal Audit

II. Risk Management and Internal Control of the Bank

(I) Organisational System

As of the date of this annual report, the organisational structure of the Bank's risk management was as follows:



Chapter 10 Risk Management, Internal Control and Internal Audit

Board of Directors and special committees of the Board of Directors

The Board of Directors is ultimately responsible for risk management and internal control of the Bank. The Board of Directors is responsible for (i) determining the Bank's overall risk appetite and risk tolerance level; (ii) approving risk management strategies, policies and procedures; (iii) requiring senior management to take necessary risk response measures; and (iv) monitoring and assessing the comprehensiveness and effectiveness of the Bank's risk management and internal control. The Bank has also established the Risk Management Committee, Audit Committee and Related-party Transactions Control Committee under the Board of Directors.

Risk Management Committee

The Bank's Risk Management Committee is primarily responsible for (i) controlling, managing, monitoring and evaluating risks and assessing its risk management system and internal control system; (ii) proposing risk management strategies, policies and targets for Board's discussion and approval; (iii) reviewing risk management measures; and (iv) reviewing risk management issues and making recommendations to improve its risk management and internal control.

Audit Committee

The Bank's Audit Committee is primarily responsible for (i) reviewing its accounting policies, financial position, financial reports, and risk and compliance conditions; (ii) proposing the engagement or replacement of external auditing firms; (iii) supervising its internal audit system; (iv) coordinating internal and external audits; and (v) ensuring the truthfulness, accuracy and completeness of its audited financial information.

Related-party Transactions Control Committee

The Bank's Related-party Transactions Control Committee is primarily responsible for (i) identifying related parties and monitoring and reviewing significant connected transactions; (ii) establishing, updating and overseeing the implementation of rules for connected transactions; and (iii) submitting regular reports on connected transactions to the Board of Directors.

Chapter 10 Risk Management, Internal Control and Internal Audit

During the Reporting Period, through the strengthening of bottom line thinking and in pursuit of synchronized improvement in business scale, quality and efficiency, the Bank promoted comprehensive risk management to ensure steady growth. In addition to license management and classified management, the Bank also implemented risk pre-warning and reporting system to constantly regulate its operation and management activities. Furthermore, it strengthened the inspection of key business lines to prevent and mitigate various risk exposures. Employee education and training programs were conducted, which effectively enhanced the competence of staff and their awareness of internal control and compliance. The supervisory functions of the business management departments, internal control and compliance department and audit department in internal control were improved, which set up a supervision and inspection system covering all levels of institutions, different products and business procedures.

According to the regulatory requirements, the Board of Directors of the Bank conducts self-evaluation on the effectiveness of risk management and internal control on an annual basis. During the Reporting Period, the Bank maintained effective and adequate risk management and internal control in all material respects, and the Board of Directors was not aware of any significant or material defects in risk management and internal control.

Board of Supervisors and its Supervisory Committee

The Board of Supervisors monitors the compliance of the Board of Directors and senior management of the Bank with laws, regulations and internal policies related to risk management. It also examines and supervises the financial activities and internal control of the Bank. Additionally, the Board of Supervisors conducts departure audits on executive Directors and senior management.

The Supervisory Committee of the Board of Supervisors draws up supervisory plans for financial activities and conducts related inspections. It also oversees the implementation of the Bank's operating philosophy and development strategies. Additionally, the Supervisory Committee monitors and inspects the Bank's operational decisions, risk management and internal control while performing other duties as authorized by the Board of Supervisors.

Senior management and its special committees

Senior management implements risk management policies, strategies, plans and any policies determined by the Board of Directors and coordinates risk management activities. With the assistance of other senior management personnel, the Bank's president is ultimately responsible for risk management at the senior management level and reports directly to the Board of Directors.

Chapter 10 Risk Management, Internal Control and Internal Audit

The Bank has established five special committees with risk management functions, namely the Risk Management and Control Committee, Credit Approval Committee, IT Committee, Assets and Liabilities Management Committee and Financial Management Committee. These committees work together to organize, coordinate and review measures for risk management and their implementation.

Risk Management and Control Committee

The Bank's Risk Management and Control Committee is primarily responsible for (i) monitoring the daily risk management and internal control activities of the Bank; (ii) regularly assessing overall risk status of the Bank; (iii) approving the disposal of non-performing assets; and (iv) making recommendations for the improvement of risk management and internal control.

Credit Approval Committee

The Bank's Credit Approval Committee is mainly responsible for (i) reviewing and approving extension of credits; (ii) providing market knowledge for authorized approval officers; and (iii) ensuring the appropriate check and balance of approval rights exercised by authorized approval officers. The Credit Approval Committee reviews any credit business that exceeds the approval authority of vice presidents.

IT Committee

The Bank's IT Committee is responsible for (i) reviewing the IT development plans of the Bank; (ii) reviewing and coordinating work plans for IT development; (iii) evaluating information technology management standards, data standards and information management specifications; (iv) reviewing approvals and system requirements for bank-wide informatization development projects; (v) coordinating the development, testing and maintenance of IT systems; and (vi) reviewing the development plans and policies for information safety management system.

Assets and Liabilities Management Committee

The Bank's Assets and Liabilities Management Committee is primarily responsible for (i) centralized management of the size, structure and proportion of the Bank's asset and liability businesses; (ii) making appropriate adjustments to risk asset management plans in accordance with the Bank's business development strategies; and (iii) evaluating the Bank's internal and external pricing policies and strategies, pricing management mechanism and liquidity management system.

Chapter 10 Risk Management, Internal Control and Internal Audit

Financial Management Committee

The Bank's Financial Management Committee is responsible for (i) monitoring the implementation of the national policies and regulations; (ii) overseeing the accuracy, timeliness, truthfulness and completeness of financial information; (iii) evaluating the Bank's financial condition and operating performance; (iv) reviewing the financial inspections of the Bank by external institutions and preparing appropriate remediation plans; and (v) reviewing fixed asset purchases, construction and leasing as well as the feasibility of other bulk purchase plans.

Risk Management Department

A number of the Bank's business departments, such as the Risk Management Department, the Legal Compliance Department, the Corporate Finance Department and the Retail Finance Department, are also involved in the Bank's daily risk management.

(II) Risk Management System

1. Authorization management system

The Bank has established the Measures for Authorization Management to grant the annual basic authorization for the operation, finance, human resources and other affairs of the general and ordinary business within its statutory scope of business. The Bank may also grant a temporary special authorization for any businesses that exceed the scope of basic authorization, special financing business and new businesses. While the Bank's headquarters grants an authorization directly to specific personnel, such authorized personnel may delegate authority to other personnel within their scope of authority after proper approvals or reporting have been made.

The Bank grants and properly adjusts authorizations to different authorized personnel in accordance with their operational management performance, management role and employment status. The businesses and other affairs that are beyond the scope of authorization of the relevant personnel shall be reported to and obtained approval from the higher level pursuant to the Measures for Authorization Management.

Chapter 10 Risk Management, Internal Control and Internal Audit

2. Credit management system

The credit management system of the Bank has the following features:

- **Credit management for all credit customers:** in accordance with the CBIRC's requirements, the Bank determines the credit limit for each customer primarily based on factors such as (a) the operational and financial condition and repayment history of borrowers, (b) the intended purpose of loans, and (c) the collateral or guarantees for loans.
- **Strengthening uniform credit management for group customers:** in order to identify and control concentration risks arising from group customers, the Bank does not extend credit to any group customer in excess of 15% of its regulatory capital. The Bank uniformly determines the overall credit limits for group customers to prevent parallel credit extension from multiple branches.
- **Separate systems for credit examination and approval:** the investigation, assessment and decision of the Bank's credit business are carried out by different departments and personnel.
- **Strengthening the management of credit business procedures:** the Bank has formulated specific administrative measures for each stage of credit extension.
- **Strengthening the management of the acceptance business:** the Bank has formulated specific administrative measures for its acceptance bill business, discounted bill business and other bill businesses to ensure that its acceptance business complies with applicable laws and regulations and to prevent the use of false trading information or the use of loan proceeds for security deposits.
- **Strengthening the management of loan classifications:** the Bank has established refined loan classification measures based on the loan risk classifications formulated by the CBIRC to precisely evaluate its credit risks.
- **Strengthening the management of corporate customers:** the Bank has formulated a sophisticated management system for credit ratings of corporate customers to evaluate credit risks for each type of corporate customers.

Chapter 10 Risk Management, Internal Control and Internal Audit

- **Strengthening the risk awareness of employees:** the Bank has formulated stringent punishment measures targeted on the non-compliance with regulations and disciplines by working staff, as well as the punishment measures for the issues identified in its internal audits to increase the initiative of all employees to strictly implement the policies and rules relevant to risk management.

(III) Management of Different Types of Risks

The Bank has paid close attention to the development trend and directional changes of various risks and continued to improve its comprehensive risk management system, which effectively enhances its risk management ability.

For details of the management of various risks including credit, market, operating, liquidity, reputational, legal and compliance, and information technology risks, and anti-money laundering management, please refer to the section headed “Management Discussion and Analysis — 4.5 Risk Management — (a) Risk Management of the Bank” of this annual report.

III. Risk Management and Internal Control of Subsidiaries

As a separate legal entity, each subsidiary of the Bank has established risk management and internal control systems, in accordance with applicable regulatory requirements. The Bank participates in formulating the risk management policies and strategies of each subsidiary through the Bank’s Board representatives. The Bank supervises and monitors the implementation of the risk management processes of its subsidiaries by sending or designating risk management personnel and through the management department of the Bank’s village and township banks.

(I) Organisational System

Each subsidiary has established a multi-layer risk management organisational system that primarily consists of (1) the Board of Directors that is ultimately responsible for risk management, (2) various special committees under the Board of Directors, which are responsible for proposing risk management strategies, policies and targets and reviewing accounting policies, financial reports and risk and compliance conditions, (3) the Board of Supervisors, which is primarily responsible for monitoring the compliance by the Board of Directors and senior management with risk management laws, regulations and internal policies, and (4) senior management and various special committees, which are responsible for implementing the risk management policies, strategies, plans and any policies determined by the Board of Directors and coordinating risk management activities.

Chapter 10 Risk Management, Internal Control and Internal Audit

(II) Management of Different Types of Risks

For details of the management of various risks including credit, market and operating risks of each subsidiary, please refer to the section headed “Management Discussion and Analysis — 4.5 Risk Management — (b) Risk Management of the Subsidiaries” of this annual report.

IV. Internal Audit

(I) Internal audit of the Bank

For details regarding the internal audit of the Bank, please refer to the section headed “Management Discussion and Analysis — 4.5 Risk Management — (a) Risk Management of the Bank — (ix) Internal audit” of this annual report.

(II) Internal audit of subsidiaries

Each subsidiary has designated auditors who perform the functions of audit, supervision, assessment and consultation independently.

V. Regulation of the Bank’s Inside Information

The Bank attaches great importance to information disclosure and inside information management. In order to strengthen the inside information and confidentiality work, safeguard the fairness of information disclosure and protect the legitimate rights and interests of investors, the Bank has formulated the Measures for Information Disclosure (《信息披露制度》) and the Measures for Registration of Insiders and Confidentiality of Relevant Persons Possessing the Bank’s Inside Information (《内幕信息知情人登記管理及保密制度》) in accordance with the PRC Company Law, the PRC Securities Law, the Hong Kong Listing Rules, and other applicable laws, regulations and normative documents. The following aspects are clearly provided for in the Measures for Registration of Insiders and Confidentiality of Relevant Persons Possessing the Bank’s Inside Information, including the coverage of the information that involves the Bank’s operation and finance, or that may have significant impact on the market prices of the Bank’s Shares and that has not been publicly disclosed on the information disclosure media designated by securities regulatory authorities, and the scope of insiders. In addition, the Bank has specified in detail the management of insiders and confidential information and the penalties for violating the internal measures governing insiders and inside information.



Chapter 10 Risk Management, Internal Control and Internal Audit

In accordance with the Measures for Registration of Insiders and Confidentiality of Relevant Persons Possessing the Bank's Inside Information, the Office of the Board of Directors shall maintain a complete list of the persons that are involved in preparing, circulating, reviewing and disclosing the inside information of the Bank before such information is formally disclosed. The details of registration include the identities of insiders, number of their securities accounts, relationship between the insiders and the Bank, and timing and method of obtaining the inside information. The Office of the Board of Directors shall also conduct regular and ad hoc inspections of the securities transactions between the insiders and the Bank.

The Bank carries out information disclosure strictly according to regulatory requirements. In the Measures for Information Disclosure, the Bank has clearly defined the basic principles of information disclosure and the disclosure rules. In addition, the Bank has specified that the Office of the Board of Directors is responsible for developing and implementing the Measures for Information Disclosure, the Bank's chairman is the first responsible officer responsible for implementing the Bank's information disclosure system, the secretary to the Board of Directors is the designated contact person between the Bank and the PRC banking regulatory authorities, and the company secretary is responsible for submitting the required documents to the Hong Kong Stock Exchange. The Board of Supervisors is responsible for supervising the Bank's information disclosure and reporting to the general meeting of the Bank and the competent regulatory authorities about irregularities related to information disclosure involving the Bank's Directors, president or senior management.

Chapter 11 Environmental, Social and Governance Report

1. About the ESG Report

This Environmental, Social and Governance Report (the “ESG Report” or this “Report”) of Jilin Jiutai Rural Commercial Bank Corporation Limited (the “Bank”) and its subsidiaries (the “Group” or “We”) summarizes the efforts in fulfilling our social responsibilities as well as the environmental and social performance (please refer to Appendix I: Sustainability Data Statements) in pursuit of sustainable development and operation.

Scope of Reporting

This Report elaborates the environmental and social performance of the core business of the Group from January 1, 2019 to December 31, 2019 (the “Reporting Period” or the “Year”). Key performance indicators have been consolidated in this Report in order to quantify the performance of the Group and reflect its business development on various aspects. Unless otherwise specified, this Report covers the businesses directly controlled by the Group, while the key environmental performance indicators include the Bank and its 35 subsidiaries.

Reporting Guidance

This Report was prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “Guide”) as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by The Stock Exchange of Hong Kong Limited, the covering scope of which is in compliance with the disclosure obligations under the Guide. Certain key social performance indicators were also included so that readers can fully understand the development of the Group during the Reporting Period. Readers can refer to the last section of this Report, ESG Reporting Guide Index, for quick reference. For details of corporate governance, please refer to the section headed “Corporate Governance Report” of this annual report of the Bank, which should be read in conjunction with this ESG Report in order to have a thorough understanding of the environmental, social and governance practices of the Group.

Reporting Language

This Report is published in both Traditional Chinese and English. In the event of any discrepancy between the two versions, the Traditional Chinese version shall prevail.

Feedbacks

Your opinions on this Report are highly valued by the Group for continuous improvement of the disclosure in future reports. If you have any advice or suggestion, please email to the following address: jtnsyh@126.com.

Chapter 11 Environmental, Social and Governance Report

2. Environmental, Social and Governance Management

2.1 Sustainable Development Strategies

The Group has attached importance to the fulfilment of its social responsibilities and proactively promoted inclusive finance and targeted poverty alleviation in the course of its sound development. In addition to putting more effort in protecting environment and saving resources, the Group has taken up the leading role in rural revitalization to make contribution to the innovation, coordination, greening, openness and sharing development.

We have formulated the Sustainable Development Policy specifying our principles and management policies of sustainable development in five major aspects, including environmental protection, operating practice, employee interests, community investment and stakeholder engagement, in order to implement our environmental, social and governance management in all businesses, products and services of the Group among all employees and stakeholders.

2.2 Environmental, Social and Governance Task Force

In order to manage the environmental, social and governance related risks and promote the implementation of various environmental, social and governance policies in a more effective manner, and to enhance the efficiency and effectiveness of environmental, social and governance promotion, the Bank has established an environmental, social and governance task force (“ESG Task Force”). The ESG Task Force is coordinated by the President of the Bank and is comprised of heads of related departments. The ESG Task Force shall report regularly to the Board of Directors to help them assess and determine the appropriateness and effectiveness of the risk management and internal control system relating to the environmental, social and governance. The main duties of the ESG Task Force are as follows:

- to identify environmental, social and governance issues that are relevant and significant to the operations of the Group and/or affect shareholders and other substantial stakeholders, including the quality of the working environment, environmental protection, operating practices and community involvement;

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- to review and supervise the policies, management and performance of the Group relating to major environmental, social and management issues and ensure their appropriateness for the size, nature and scope of the business of the Group;
- to maintain the operation of the corporate social responsibility management system of the Group, and to enhance corporate social responsibility awareness of its employees;
- to promote the implementation of various environmental, social and governance policies in various departments and institutions, and to adopt and update policies on environmental protection, corporate social responsibility management and corporate governance when necessary;
- to identify and understand the concerns of stakeholders on major environmental, social and governance issues through appropriate channels, and to respond to their opinions;
- to review and monitor the environmental, social and governance policies and practices of the Group;
- to ensure that the Group complies with relevant legal and regulatory requirements and to monitor and respond to the latest environmental, social and governance issues; and
- to make recommendations to the Board in due course to improve the environmental, social and governance performance of the Group.

The ESG Task Force shall convene a meeting at least once a year to discuss environmental, social and governance management issues, and monitor and review the implementation of the Sustainable Development Policy and the progress of the implementation of various measures to ensure the performance of the Group in environmental protection and social issues.

Chapter 11 Environmental, Social and Governance Report

2.3 Communication with Stakeholders

We have identified stakeholders from different sectors, including shareholders/investors, employees, customers, business partners, government and regulatory authorities, suppliers and the general public. We actively and openly listen to and understand the concerns of stakeholders, so as to determine the aspects that shall be covered in this Report. We also continue to communicate and interact with internal and external stakeholders to understand their opinions and expectations for the Group and establish a long-term relationship with mutual trust. The following set forth the major communication methods of the Group with substantial stakeholders:

Substantial stakeholders	Major engagement methods
Shareholders/investors	<ul style="list-style-type: none">• Annual general meetings and other Shareholders' general meetings• Interim reports and annual reports• Corporate communications such as letters/circulars to Shareholders and notices of meeting• Shareholders' visits
Employees	<ul style="list-style-type: none">• Surveys on employees' opinions• Feedback forms and suggestion boxes for employees• Work performance appraisal• Group discussion• Conferences and face-to-face discussion• Business presentation• Volunteering activities• Employees newsletters• Employee communication meetings• Employee intranet
Customers	<ul style="list-style-type: none">• Customer satisfaction surveys and feedback forms• Customer consultation groups• Customer service centers• Customers' visits• Daily operation/interaction• Internet service platforms• Telephone and mailbox

Chapter 11 Environmental, Social and Governance Report

Substantial stakeholders	Major engagement methods
Business partners	<ul style="list-style-type: none">• Reports• Conferences• Visits• Seminars
Media	<ul style="list-style-type: none">• Press release• Senior management interviews• Results announcements
Community/non-governmental organisations	<ul style="list-style-type: none">• Community and volunteering activities• Donations• Community investment schemes• Conferences
Regulatory authorities	<ul style="list-style-type: none">• Conferences• Written responses to public consultation• Compliance reports
Suppliers	<ul style="list-style-type: none">• Supplier management procedures• Conferences• Supplier/contractor assessment systems• On-site inspection
Peers of the financial industry	<ul style="list-style-type: none">• Strategic cooperation projects

Chapter 11 Environmental, Social and Governance Report

3. Compliance Operation

To ensure the compliance and sound operation of the Group is an important cornerstone to achieve its strategic goal of becoming a modernized and well-branded rural commercial bank in the PRC. The Group has strictly complied with laws and regulations related to the banking businesses, including the Law of the People's Republic of China on Commercial Banks (《中華人民共和國商業銀行法》), the Banking Supervision Law (《銀行業監督管理法》) and the Guidelines for the Management Comprehensive Risk of Banking Financial Institutions (《銀行業金融機構全面風險管理指引》) and the relevant requirements of the Bank to regulate various business operation and management activities.

3.1 Strengthening of Corporate Governance

The Group has established an integral corporate management system, including the committees established under the Board of Directors, such as the Risk Management Committee, the Strategy and Development Committee and the Audit Committee, conduct supervision and management based on their functions and duties to disperse and undertake risks. The Board of Directors is responsible for introducing policies, strategies and plans while the senior management are required to report the feasibility of such policies, strategies and plans, identify major risks and hidden issues and compile a corresponding special report. A bottom-up management model is adopted to improve administrative efficiency and help the Board of Directors to identify more risks and take follow-up measures in a timely manner.

We have attached great importance to the ethics of our employees and our employees are strictly required to demonstrate their honesty and faithfulness and to be honest and fair in daily operations in order to safeguard the interests of the Group and its customers. In order to regulate the conduct of our employees in respect of honesty and compliance, and in strict compliance with relevant laws and regulations including the Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》), Provisions on Anti-Money Laundering of Financial Institutions (《金融機構反洗錢規定》), Guidelines for the Risk Management of Money Laundering and Terrorist Financing of Corporate Financial Institutions (《法人金融機構洗錢和恐怖融資風險管理指引》) and Administrative Measures for Reporting of High-value Transactions and Suspicious Transactions of Financial Institutions (《金融機構大額交易和可疑交易報告管理辦法》), the Group has formulated the Anti-money Laundering Management Measures (《反洗錢管理辦法》) to specify the management measures for anti-money laundering, such as customer identification, maintenance of identity information and transaction records of customers, evaluation of money laundering risk, risk rating of customers, and reports on large-amount transactions and suspicious transactions. The Group has also formulated the Anti-corruption Management System (《反舞弊管理制度》) to regulate the guidance and supervision of anti-corruption tasks, prevention and control of corruption, as well as the whistle-blowing, investigation and report of corruption cases. Whistle-blowers may make real-name or anonymous report through various channels such as hotline and email. The department responsible for anti-corruption and relevant officers shall then decide whether to start investigation upon evaluation and inform relevant whistle-blower regarding the decision. If any staff is found to have engaged in any corruption behaviour upon investigation, the Group shall impose corresponding internal economic and administrative disciplinary penalties according to the rules. For those involving violation of criminal laws, they shall be handed over to the relevant judiciary authorities according to laws.

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In respect of supervision of employees, the Group has further expanded the scope and strengthen the supervision of employees beyond working hours. We prohibit our employees from having any abnormal interaction and economic interests with our service targets and claiming any reimbursement from the Company, providing financial services, such as loans, investments, guarantees, financing, settlement and withdrawals, to their relatives and friends in violation of relevant rules and taking advantage of their positions to accept banquet invitation, enjoy high-end consumption or receive valuable gifts and negotiable securities. If any non-compliance is discovered, the human resources department and the discipline inspection department shall conduct investigation of misconduct and non-compliance and impose corresponding penalty on the respective employee.

During the Reporting Period, we had not discovered any lawsuit against the Group or its employees or any case of corruption, bribery, extortion, fraud and money laundering.

3.2 Information Safety Management

Refining information confidentiality mechanism

The operation of the financial industry involves commercial and customer information and privacy. Effective protection measures have been taken to better protect personal financial information in the process of information collection, usage and storage in an effort to ensure information safety and prevent information leakage and misuse. In respect of the enhancement of the preventive measures of information safety technology, relevant employees are required to sign the Undertaking of Key Personnel on Personal Financial Information Confidentiality (《重要崗位個人金融信息保密承諾書》) to prevent leakage of personal financial information in every aspect.

In order to protect the privacy of personal and other information of customers and maintain good reputation of corporate governance, we have formulated the Management Measures of Data Governance Platform (《數據治理平台管理辦法》), Management Measures of Keys (《密鑰管理辦法》) and the Employee Handbook (《員工手冊》) to handle and protect customers' information according to the Banking Supervision Law of the People's Republic of China (《中華人民共和國銀行業監督管理法》), the Law of the People's Republic of China on Commercial Banks (《中華人民共和國商業銀行法》) and the Guidelines on IT Risk Management of Commercial Banks (《商業銀行資訊科技風險管理指引》). Employees must strictly adhere to confidentiality disciplines, including keeping secrets of country, the Bank and customers confidential during their employment or after resignation. Information of customers and transaction records shall be kept properly to ensure that there is no violation of laws and regulations of customers' privacy during operation. The confidentiality agreements signed by customers shall protect their rights. If customers believe their information is disclosed or illegally used, they can report the issues through the IT service complaint mechanism.

Chapter 11 Environmental, Social and Governance Report

Strengthening information network safety

In order to strengthen the information and network safety of the Group, we have formulated the Management Mechanism of Operation of Computers in Business Outlets (《營業機構計算機工作管理制度》), Management Rules of Computer Devices (《計算機物品管理規定》), Management Measures for the Prevention of Computer Virus (《計算機病毒防治管理辦法》) and Information Safety Management Strategy (《信息安全管理策略》) according to the Regulations of the People's Republic of China for the Safety Protection of Computer Systems (《中華人民共和國計算機系統安全保護條例》) to define the information technology risk management, protect the information safety of the Group and set out prevention and governance measures regarding computer virus so as to prevent the risk of leakage of documents and customer information of the Group.

Adhering to the approach of “prevention as the key measures, safety as the top priority, work in compliance with laws, governance comprehensively adopted”, the Group has constantly stepped up its prevention efforts, and coped with ever-changing challenges. We have formulated the Management Manual for Inspections on Information Technology of Outlets (《網點信息科技巡檢管理說明》) to regulate the inspection and audit of operation and maintenance service process of outlets in order to prevent network failure and ensure the stable network operation of outlets. In addition, employees have to attend training courses on political ideologies, work ethic and safety and confidentiality education regularly so that they can fully understand the IT risk management system and procedures. We also regularly carry out drills so as to verify the effectiveness of the emergency response and disaster recovery procedures, decision-making mechanisms, reporting channels and resource protection ability. Efforts are also made to enhance the awareness and professional skills of relevant employees regarding emergency and disaster response.

3.3 Protection of Customer Rights

Customer satisfaction and sound communication with customers are critical to the success of our business. Therefore, we attach high importance to the opinions of customers. During the Reporting Period, according to our actual needs and aiming to protect the legal interests of financial consumers, we continued to refine our organisational structure and working mechanism, conducted featured campaigns to promote financial knowledge and enhanced counter service quality in order to create a safe consumption environment. The level of protection for financial consumers has been raised.

Optimizing organisational structure

The Board of the Bank bears ultimate responsibility for the protection of consumer rights, and is responsible for the review and approval of management system and working mechanism for consumer rights protection, implementing consumer rights protection tasks in terms of corporate governance, establishment of corporate culture, operation development, internal control and risk management, and receiving regular reports from the senior management regarding the implementation of consumer

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rights protection. The Consumer Rights Protection Committee has been established under the Board to formulate relevant systems for the consumer rights protection of the Bank and supervise and evaluate the implementation of such systems. We have also set up the Consumer Rights Protection Department with designated personnel in charge of the daily work of consumer rights protection.

Improving work handling mechanism

In order to further protect the rights of customers, we have formulated the Measures for the Protection of Consumer Rights (《消費者權益保護管理辦法》) based on relevant laws, regulations and normative documents including the Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》), the Guiding Opinions of the General Office of the State Council on Strengthening the Protection of Financial Consumers' Rights (《國務院辦公廳關於加強金融消費者權益保護工作的指導意見》), the Guidelines on Consumer Rights Protection for the Banking Industry (《銀行業消費者權益保護工作指引》) and the Implementation Measures of the PBOC for Protecting Financial Consumers' Rights and Interests (《中國人民銀行金融消費者權益保護實施辦法》), stating detailed regulations on various aspects including organisational structure and duties, product and service management, complaints management and emergency response, promotion and training, supervision and evaluation, and report and disclosure of information.

Moreover, we have formulated the Management Measures of Complaints from Customers (《客戶投訴管理辦法》) according to applicable documents such as the Notice of the Office of CBRC on the Handling of Complaints from Customers of the Banking Industry (《中國銀監會辦公廳關於加強銀行業客戶投訴處理工作的通知》), the Notice of the CBRC on Issuing the Guidelines for the Work of the Protection of Consumer Rights of the Banking Industry (《中國銀監會關於印發銀行業消費者權益保護工作指引的通知》), Guidelines for Civilized Services of the Banking Industry in China (《中國銀行業文明規範服務工作指引》) and the Implementation Measures of the PBOC for Protecting Financial Consumers' Rights and Interests (《中國人民銀行金融消費者權益保護實施辦法》) to specify the standardization of management, handling process, methods, time limit, measures and rectification in respect of complaints so as to improve the customer service system and enhance the quality of customer services.

We have also established the Complaint Handling and Management Mechanism of the Customer Service Center (《客戶服務中心投訴處理管理機制》). The Customer Service Center collects customers' opinions through the 24-hour service center hotlines with automated and manual customer service and handles complaints promptly by providing the best solutions. After handling of complaints, The Customer Service Center consolidates the complaints handled and reasons thereof and receives evaluation and suggestion from customers for improvement of services and products, so as to further improve functions and streamline the processes, achieving standardization of the complaint handling procedures and enhancing the complaint handling service quality. During the year, we had received 16 complaints and all of them were properly addressed.

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Regulating product and service management

We have strictly complied with the applicable requirements of China and the relevant regulations and code of conduct formulated by the Bank. Consumer rights protection is integrated into each business segment of products and services, including development and design, pricing management, approval and admission, marketing and promotion, and aftersales management. Our staff must comply with the regulatory requirements and recommend products or provide services to customers under the circumstance that the consumers are fully aware of the relevant laws, policies and market risks relating to such products and services. Our staff are also required to reply to customer inquiries honestly with accurate information. The process shall be recorded and both audio and video footages are kept to make sure that our staff will not conceal any risks, make false or misleading statements, make promises or guarantees to customers that do not comply with the relevant laws and the rules and regulations of relevant institutions, exaggerate earnings for the purpose of concluding a transaction, or conduct forced transactions. Education and Training Department provides staff education and training courses on a regular basis to increase their knowledge of financial products and sales regulations. In addition, in terms of strengthening service management, we divert customers to shorten their waiting time and provide convenient services according to the actual needs of special customers (such as disabled people and the elderly).

Conducting training and promotion

The Group organized education and training for employees regularly to improve their awareness of consumer rights protection and understanding of relevant requirement of regulatory authorities and the Bank regarding the consumer rights protection systems, complaints handling and emergency plans so as to improve their service skills and enrich their professional knowledge. We included concepts of consumer rights protection in the orientation training for new employees to nurture their awareness of consumer rights protection. According to the requirement of the promotion and education campaign organized by the regulatory authorities for the banking industry and based on our actual situation, we continued to organize a series of promotion campaigns such as 3.15 Financial Consumer Rights Day (3.15金融消費者權益日) and Financial Knowledge Walk (普及金融知識萬里行), in an attempt to promote financial knowledge in the communities, schools and merchants through various online and offline channels. Consumers' financial knowledge and their financial risk prevention awareness has been raising continuously.

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3.4 Better Supply Chain Management

During the year, the Group has 41 major suppliers from Changchun, Beijing, Hangzhou, Hefei, Foshan and Guangzhou. Its procurement includes goods and services such as office furniture and electronic equipment. We have formulated the Administrative Measures for Central Procurement (《集中採購管理辦法》) and established a Procurement Committee to regulate procurements. Following the procurement principle of “pre-planning, budgeting and then repurchasing”, a procurement plan shall be formulated according to the project background, budget, method and the procurement shall only be carried out after review and approval. At least three suppliers fulfilling requirements, such as the capacity for such projects, good reputation and compliance operation, shall be invited for participating in the procurement process. A review panel shall select suppliers according to various requirements, such as procurement demand, quality, price, service, lower impact on the environment and performance of social responsibilities in their operation. In addition, suppliers shall enter into a written contract with the Bank when large-scale procurement is involved, and major terms such as price, payment terms, quality standards, and procurement deadlines shall be specified in the contract.

The Procurement Committee shall conduct regular and ad hoc inspections, and provide guidance and supervision on procurement and performance of contracts in due course. If violations of laws and discipline are identified, the committee shall correct the misconduct and offer opinions, and also urge relevant departments to complete the work promptly. A procurement shall be ordered to stop immediately and treated with the utmost seriousness if any act that causes damage to the interests of the Bank is identified, and relevant personnel shall be held accountable. Behaviours such as abuse of power for personal gains shall also be sanctioned or transferred to the judicial authorities if the case is found to be serious.

4. Professional Team

A professional banking team consisting of outstanding talents is the most valuable asset of the Group. Hence, recruitment of quality talents and enhancement of the sense of belonging for the existing employees have become the focus of the Group. We strive to develop an equal employment system, provide competitive remuneration and benefits, nurture talents, create a healthy and safe working environment to protect the interests of employees, so as to enhance the cohesion and loyalty of our professional employee teams.

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4.1 Strict Employment System

The Group strictly complies with the relevant laws and regulations including the Labour Law of the People's Republic of China (《中華人民共和國勞動法》) and the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and carries out recruitment procedures in strict accordance with the Administrative Measures for Employees (《員工管理辦法》). Based on the principles of open recruitment, fair competition and considering candidates on merit, we conduct open recruitment through various channels such as press media, talent market and graduates from colleges under close supervision of the Audit Department. During the interview process, certificates of identity, education and qualifications shall be collected and relevant files shall be kept for stringent inspection. In addition, the Group adopts a working schedule of eight hours per day and 40 hours on average per week. It makes arrangements of employees' working hours according to the rules. No child labour or forced labour was found in the Group during the Reporting Period.

4.2 Employee Remuneration and Benefits

In order to attract and retain talents and enhance the loyalty of employees, the Group is committed to improving employees' regulations, protecting their rights and interests and providing competitive remuneration and benefits to employees based on its "people-oriented" management principle. We have established a scientific remuneration system based on performance and job position under the principle of safeguarding the living standard of employees, allowing employees to share the development achievement of the Group. In addition to the statutory festival holidays and public holidays according to the national regulations, employees are entitled to personal leave, sick leave, marital leave, compassionate leave, maternity leave and leave related to giving birth. Female employees who have children under one year old are given nursing time every day to express our care for working mums. In respect of benefits, other than the five social insurances and one housing fund as required by the government, the Group also makes contribution to corporate annuity funds for employees and introduces the Supplementary Administrative Measures on Medical Insurance (《補充醫療保險管理辦法》) to improve the medical protection for employees and retirees. Participants in the medical insurance shall be provided with subsidies from the fund to reduce their medical expenses, provided that the medicines, scope of medical treatments and standards of medical service facilities are in line with standards specified in the catalogue for basic medical insurance. Travel allowance and accommodation subsidies are paid to employees on business trips. The Group also organizes various recreation activities for employees on major festivals to improve their relationship and maintain work-life balance.

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4.3 Emphasizing Talent Development

Talent cultivation

In order to support the growth and development of our employees and facilitate business development, the Group holds a number of basic, sustainable and perspective trainings for employees at different levels in a proactive and innovative manner. In 2019, total headcount of employees trained under various offline training programs reached 1,701. The professional standard and business and management skills of employees at different levels have been enhanced significantly, facilitating the sustainable development of the Group's human resources.

Our major offline training programs held during the year are as follows:

Type of training	Major training programs
Orientation training for new employees	One orientation training course of Jiutai Rural Commercial Bank Four orientation training courses of Jilin Province Rural Credit Union
Training for junior/young employees	One training camp for junior internal trainers Three training courses for enhancement of duty performance of young employees
Themed training for business skills and career mentality	One training class for "village cadres" with Jilin Agricultural University One training course for the development of starred outlets Two themed training courses for legal risk prevention of credit business One themed training course for development of career mentality
Training for management/senior employees	One session of experience sharing and training for service management officers Two training courses for marketing and management of community banks One training class for skill enhancement of lobby managers One themed training course for stronger sustainable development of senior employees

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In addition, the Group actively holds remote and online trainings through online college. The learning platform of the Group's online college has 5,321 courses in total. In order to ensure the practicality and timeliness of the courses on the learning platform, the online college updates the banking-related courses with high popularity and demand from learners on a regular basis.

Most popular online training courses of the online college:

Type of training	Major training programs
Themed courses	Over 510 courses with 34 topics, including: <ul style="list-style-type: none"> • explanation of macro-economic policies; • specific operation procedures for business departments; • courses with high demand from learners such as marketing cases; • courses closely related to work and life such as using skills of certain office software, jewellery appreciation and regimen
Course of law and regulation	In addition to the mandatory learning course of laws and regulations in each quarter, the online college has also prepared 521 questions based on the 31 common topics on laws and regulations in the banking industry and developed a database on the learning platform. Learner may choose to finish the exercise himself or complete a test with another learner through the "PK" mode, which aims to boost the interests of learners and ensure their learning results
Qualification examination	Updates according to the new examination syllabus for 2019

During the year, the online college of the Group held a production competition of online micro courses featuring e-banking business. Over 80 e-banking courses have been produced, which will be allocated to the quarterly mandatory courses of the online college.

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Promotion and appraisal

Based on the philosophy of meritocracy, the Group conducts fair and impartial performance appraisal of the cadres in respect of their virtue, capability, diligence, results and integrity through democratic inspection and evaluation, interviews with employees and other ways, and develops a management team with high quality, dedication and competence. In addition, we have established an evaluation system for the impartial and fair assessment of the accomplishment of operation objectives and daily management of sub-branches in order to strengthen the supervision of leaders and management members of sub-branches.

4.4 Healthy and Safe Working Environment

The Group concerns and cares the health of all employees. We strictly comply with relevant laws and regulations of work health and safety as stipulated in the Law of the PRC on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), Regulation on the Supervision and Administration of Occupational Health at Work Sites (《工作場所職業衛生監督管理規定》) and Regulation of Insurance for Labour Injury (《工傷保險條例》), in order to protect the health and safety of employees. To improve the physical fitness of employees, the Group has issued the Administrative Measures for Medical Examination of Employees (《員工健康體檢管理辦法》) and continues to provide free medical check-ups for eligible employees every year. Results of the medical examinations of employees have been kept in the health record for reference and comparison. Professionals also provide specific advices for employees. These initiatives make early detection, early diagnosis and early treatment possible and raise the health awareness of employees. In addition, the Group increases its concern about the physical and mental health of employees by organizing seminars on how to cope with their workplace stress. During the year, the Group regularly organized various education and training sessions on fire fighting and safety protection as well as emergency drills to strengthen safety training of its employees and ensure the safety of employees and customers. During the Reporting Period, there was no incident of work-related injury or death of employee.

5. Focusing on Environment

In the course of accelerating its development, the Group has always adhered to the principles of environmental protection and resources conservation. To establish comprehensive environment management system and measures, we have added the policy and measures in relation to environmental protection in the Sustainable Development Policy (《可持續發展政策》) in order to save energy and water, reduce emission of greenhouse gas (“GHG”) and air pollution, minimize waste and make good use of natural resources. Although our businesses are mainly carried out in offices, we strictly comply with relevant environmental protection laws of regions in which we operate our business, including the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), Energy Conservation Law of the PRC (《中華人民共和國節約能源法》) and Water Pollution Prevention and Control Law of the PRC (《中華人民共和國污染防治法》), and aim to minimize the impacts on the environment. During the Reporting Period, the Company did not have any material non-compliance in relation to environment.

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5.1 Promoting Low Carbon Culture

Climate change is the most concerned topic of environmental protection by various countries in the world. In response to China's Policies and Actions for Addressing Climate Change 2019 (《中國應對氣候變化的政策與行動2019年度報告》) issued by the State Council of the PRC in 2019 and pursuant to the national strategy to combat climate change to reduce carbon emission, as a global citizen, the Group has conducted greenhouse gas emission audit for 36 companies under the Group, including the Bank and 35 subsidiaries, in accordance with the Greenhouse Gas Protocol prepared by the World Resources Institute and the World Business Council for Sustainable Development and the ISO14064-1 formulated by the International Organisation for Standardization. In addition, making reference of the recommendations of the Task Force on Climate-related Financial Disclosures, we have made full disclosure and comparison regarding the greenhouse gas emission and energy consumption in the report and strived to minimize the carbon footprint in the course of the Group's operation and promote low carbon operation. During the Reporting Period, a summary of the greenhouse gas emission was as follows:

GHG Emissions	Unit	2018*	2019
GHG Emissions			
Direct GHG emissions (Scope 1)	Tonnes of carbon dioxide equivalent (CO ₂ e)	1,075	975
Indirect GHG emissions (Scope 2)	Tonnes of CO ₂ e	13,082	11,467
Other indirect GHG emissions (Scope 3)	Tonnes of CO ₂ e	670	563
Total GHG emissions (Scope 1, 2 and 3)	Tonnes of CO ₂ e	14,827	13,005
GHG Emissions Intensity			
Per square meter (Scope 1, 2 and 3)	Tonnes of CO ₂ e/square meter	0.043	0.037
Per employee (Scope 1, 2 and 3)	Tonnes of CO ₂ e/employee	2.56	2.09

Scope 1: The direct GHG emissions generated from sources owned and controlled by the Bank.

Scope 2: GHG emissions indirectly generated by electricity generation, heating and cooling or steam purchased by the Bank.

Scope 3: Emissions include GHG emissions indirectly generated by sources that are not owned or directly controlled by the Bank but related to the Bank's business activities.

* As optimization was made to the calculation method of GHG emissions for 2018, GHG emissions and GHG emissions intensity for 2018 were updated.

Upon the audit, GHGs emissions of the Bank could be classified as direct emissions (Scope 1) and indirect emissions (Scope 2 and 3). GHG emissions from various scopes include fuel consumed by fixed equipment and gasoline consumed by vehicles owned by the Bank (Scope 1), electricity consumed during business operation (Scope 2), emissions from air travel of employees for business trips, waste disposal and paper consumption (Scope 3). During the Year, the Bank's total GHG emissions amounted to 13,005 tonnes of CO₂e. GHG emissions per square meter amounted to 0.037 tonnes of CO₂e, representing a decrease of approximately 15% as compared to the previous year. The decrease was mainly due to the significant reduction of fuel consumption of fixed equipment, gasoline consumption of vehicles, total electricity consumption in business operation, flight emissions of employees on business trips and paper consumptions.

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In order to reduce GHG emissions and deal with climate changes, the Group has implemented the following specific measures in relation to different emissions sources:

Business trips

Measure: Direct flights are chosen for necessary business trips while telephone and video conferences are adopted to replace business trips unnecessary

Purpose: To significantly reduce emissions of GHG

Business vehicles

Measure: Application form should be submitted to, reviewed and approved by the Administrative Department based on the usage and route before using business vehicles

Purpose: To ensure proper usage of business vehicles and to reduce carbon emission by the reduction of vehicle usage

Measure: Engines are required to be turned off when stopping

Purpose: To reduce fuel consumption and air pollution

Vehicles maintenance

Measure: Regular maintenance for business vehicles is performed and problems identified are promptly fixed

Purpose: To prevent over consumption of gasoline or emissions of more pollutants due to vehicle aging

Boilers

Measure: All coal stoves are replaced with electronic heaters for heating

Purpose: To use clean energy and to reduce carbon emission and air pollution

Tree planting

Measure: Tree planting activities are organized

Purpose: To absorb carbon dioxide by trees and to reduce carbon emission

5.2 Green Office

In order to implement a green office, the Group is committed to saving energy and water, conducting paperless office, waste management and cherishing natural resources to minimize its impact on the environment and natural resources. In the future, we will strengthen our efforts in the environmental protection and resources saving, and operate its business in a sustainable development model.

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Energy saving

In terms of lighting systems, we try to use daylighting as much as possible, and choose energy-efficient lamps, such as light emitting diodes (LEDs). Dynamic sensors are installed in places that are not often used. Offices are divided into multiple different lighting zones, independently controllable lighting switches are installed. To reduce electricity consumption, our employees are required to turn off the lightings when the offices are not used.

In terms of air-conditioning systems, we set the minimum temperature to 25.5 degrees Celsius, and reasonably control the use of air-conditioning. Regular inspections, maintenance and cleaning are carried out to ensure the effectiveness of the air-conditioning systems. We use a variable refrigerant flow system to optimize the refrigerant flow, and install seals on the doors and windows to prevent the temperature-adjusted air from leaking and reduce the energy consumption of the air conditioning systems. Our employees are required to turn off the air conditioners when the offices are not used.

We use energy-efficient electronic equipment and multi-function devices and reduce the use of independent printers. Computers, electronic equipment, printers and other equipment will be turned off completely during non-working hours.

Our total electricity consumption during the operation was 14,991 MWh and the total electricity consumption intensity per square meter was 0.043 MWh for the year, representing a decrease of approximately 14% compared to 0.050 MWh of last year. The measures of electricity saving had significant results.

Total electricity consumption	Unit	2018	2019
Total electricity consumption	MWh	17,060	14,991
Total electricity consumption intensity (per square meter)	MWh/square meter	0.050	0.043
Total electricity consumption intensity (per employee)	MWh/employee	2.94	2.41

Reducing water consumption

To prevent wastage of water resources, water saving slogans and notices are placed in prominent locations of water consumption to promote proper water consumption practice among employees. Sensor faucets and double flush toilets with excellent water-saving features are installed. Regular inspections and repairs are conducted to prevent water leakage. We test hidden water pipes and inspect water meter readings regularly. Water pipes would be repaired immediately once problems are identified in order to prevent water leakage. Domestic water is supplied by the public fresh water network in respective locations, and there is no problem in obtaining water sources.

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Our total water consumption in operation was 113,299 cubic meters and total water consumption intensity per square meter was 0.32 cubic meters for the year, representing a decrease of approximately 12% compared to 0.37 cubic meters of last year, also demonstrating the effectiveness of our water saving measures.

Water consumption	Unit	2018	2019
Total water consumption	Cubic meters	125,756	113,299
Total water consumption intensity (per square meter)	Cubic meters/square meter	0.37	0.32
Total water consumption intensity (per employee)	Cubic meters/employee	21.7	18.2

Paperless office

The Bank places great importance to the environmental impacts of paper consumption and issued the Notice on the Trial Operation of New Office Automation System (《關於新版辦公自動化系統試運行的通知》). Our head office has commenced the trial operation of the new office automation system (OA system). We aim to realize efficient, automatic and standardized daily office work while making contribution to environmental protection. OA system could be used in computers and mobile phones, and tasks that may consume a large quantity of paper would be processed in the system. When printing internal documents is necessary, we use recycled paper or paper made of recycled materials. We will continue to observe our consumption of paper and review the efficiency of our measures and rectify inadequacies.

In addition, the Group provides a variety of electronic service channels such as online banking, mobile banking and WeChat banking, so that customers can enjoy convenient and efficient finance and banking services and select electronic bills and electronic promotional materials instead of mailing bills and physical promotional materials to further reduce paper consumption.

Our paper consumption was 66.4 tonnes and the paper consumption per capita was 0.011 tonnes for the year, representing a decrease of approximately 10% compared to last year and demonstrating the effectiveness of paperless office.

Paper consumption	Unit	2018 [^]	2019
Paper consumption	Tonnes	68.6	66.4
Paper consumption intensity	Tonnes/employee	0.012	0.011

[^] The paper consumption and density in 2018 was updated as the calculation method of paper consumption in 2018 has been optimized.

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Waste management

Paper is the primary source of non-hazardous waste generated in our office. All waste papers, except for papers containing confidential information, are recycled by paper recycling companies. When purchasing office supplies, we will choose pens with replaceable cartridges or reusable stationery. Waste sorting bins are placed in our offices to encourage our staff to separate recyclables such as metal cans, plastics, waste paper, and glass bottles, before they are collected and recycled by recycling companies.

Our total amount of non-hazardous waste was 62.7 tonnes and the intensity was 0.010 tonnes per employee for the year, representing a decrease of approximately 8% compared to last year and demonstrating the effectiveness of waste reduction.

Non-hazardous waste	Unit	2018	2019
Total non-hazardous waste	Tonnes	63.7	62.7
Total non-hazardous waste intensity (per employee)	Tonnes/employee	0.011	0.010

In respect of hazardous waste, the Group disposes of electronic waste in accordance with the Administrative Regulations on Computer Equipment (《電腦物品管理規定》). Our Information Technology Department has established a scrapping approval team to review scrapping application and deal with waste in accordance with the requirements for scrapping management. In case of any computer malfunction, the team will prepare a test report based on the feasibility of repair or modification and estimated repair cost, so as to avoid excessive consumption of parts and generation of unnecessary waste during maintenance. If criteria of scrapping are fulfilled, the Information Technology Department and relevant departments will confirm the approval of scrapping. We also collect obsolete computers or other electronic waste through cooperation with electronic companies for recycling.

Cherishing natural resources

The Group will organize environmental education, and promote and educate its employees to conserve resources through email, posters, intranet and other channels to enhance their sense of responsibility towards environmental protection. We will post posters with slogans, such as “Action for Everyone, Finish All Food on Your Plate” and “Respect the Fruits of Work, Cherish Every Grain” in canteens of the Group to remind its employees that it is a virtue to cherish the food. In addition, we promote green procurement by reducing the purchase of disposable and non-recyclable products. We will preferentially choose environmentally friendly products and purchase electronic equipment and lamps with energy efficiency labels.

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6. Contribution to Community

The Group pays attention to its social responsibilities by adopting inclusive finance, targeted poverty alleviation and various charity activities in an effort to contribute to the community with practical actions.

6.1 Adoption of Inclusive Finance

Since its incorporation, the Group has adhered to its operation philosophy of “inclusive financial services and improving the well-being of both public and the enterprise”. By refining service channels, enhancing service capabilities and optimizing financial environment, we have endeavored to promote the establishment of inclusive finance and continuously improve the availability and flexibility of financial services.

Refining service channels

While upgrading and improving physical outlets, the Group has conducted offline construction of rural service stations and set up ATM to effectively fill gaps in rural financial services. In respect of online services, we have extensively explored WeChat, mobile banking, online banking and other channels to meet different payment demands of urban and rural residents. Innovative applications such as “Medical Payment (銀醫通)” and education cloud payment platform were launched to enhance customers’ experience. We have actively participated in the financial services of “New Rural Social Pension Insurance (新農保)” and “New Rural Cooperative Medical Insurance (新農合)”. Favorable collection and disbursement services, including social security assistance, New Rural Social Pension Insurance, New Rural Cooperative Medical Insurance, medical insurance and direct food subsidies were provided to the rural community in order to enhance the convenience of financial services.

Enhancing service capabilities

Adhering to the directions of national and regional development, the Group has allocated more financial resources to serve the real economy through innovative mechanisms and product development. In terms of serving “three rurals”, we have initially made pilot operation of secured loan business in respect of “three rights” in rural areas, including land operating rights, forest rights and housing property rights. We have exclusively carried out pilot operation of mortgage loans secured by farmers’ housing property rights and mortgage loans secured by the land use rights regarding rural collectively-owned construction land for operating purpose. The assetization of rural resources and the capitalization of assets have been effectively promoted. In terms of serving small and micro enterprises, small enterprise financial services center has been established to provide specialized and professional financial services for small and micro enterprises. Aiming at the general problem of insufficient collaterals, we have adopted a strategy of “two enhancements” to increase the credit line. In addition, the Group has launched a series of exclusive products such as “Flying Dragon Plan (小巨龍騰飛計劃)” and

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“Jiutai Easy Loan (九易貸)” with simple procedures, fast approval and flexible guarantee methods. For companies with good prospects and temporary operating difficulties, we have introduced a “non-repayment loan renewal service (無還本續貸業務)” to assist companies to overcome their difficulties. Taking accounting of various factors, such as credit rating, business status, cooperation prospects and loan security, the Group has offered favorable interest rates to small and micro enterprises, and prohibited from collecting additional fees, such as commitment fees and management fees, from our clients, which effectively reducing their corporate financing costs. In addition, in accordance with the trend of upgrading resident consumption, we have developed personal consumption loans, including housing mortgages and vehicle mortgages. We have explored special merchants and enriched consumption scenarios. A retail financial service system covering daily life of residents have been initially established.

Optimizing financial environment

By fully taking advantages of a wide range of services, the Group has continued to carry out “point-to-point” and “face-to-face” financial knowledge promotion and education activities. Various measures, such as service-oriented and standard-oriented measures, have been carried out to effectively protect the rights and interests of financial consumers and improve their satisfaction. In addition, we carried out pilot projects in respect of our credit system and strived to create a social environment with integrity.

6.2 Supporting Targeted Poverty Alleviation

The Group has actively implemented the major decisions of the 19th National Congress of the Communist Party of China on poverty alleviation and rural rejuvenation, continuously explored the reform and innovation of poverty alleviation models, focused on promoting the transformation of single-dimensional poverty alleviation to multi-dimensional assistances, and shifted to stimulate endogenous poverty alleviation motivation of poor villages. One-family poverty alleviation has shifted towards strengthening the overall economy and poverty alleviation has been carried out for of the entire village. A new model of targeted financial poverty alleviation has been initially formed with an aim of “providing assistances to industries and farmers with financial supports from enterprise”.

Establishing poverty alleviation platforms with comprehensive systems

The Group has established a working mechanism of unified leadership of the party committee with separate implementation and regulated coordination of departments. We have formulated a “three-year plan for targeted financial poverty alleviation” and systematically implemented various measures for targeted poverty alleviation. We have initially established Jilin Provincial Financial Poverty Alleviation Alliance (吉林省金融商會扶貧聯盟) and Rural Industrial Poverty Alleviation Alliance of Jiutai Commerce Association (九台商會農村產業扶貧聯盟) to effectively integrate resources, information and technology, actively liaise with government departments, closely monitor pilot poverty villages, and build up a poverty alleviation mechanism that supports coordinated assistances and comprehensive development. Jilin

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Agricultural University and Changchun University of Traditional Chinese Medicine were invited to provide technical advices. Enterprises and villages in the poverty alleviation alliance such as Maolin Village were guided to set up agro-industrial companies with “transparent shareholding structure, clear division of power and duties, as well as sharing of interests”, in order to overcome the bottleneck constraint of “having an organisation but no entity, having an intent but no opportunity, and having resources but no income” in poor villages.

Supporting featured industries by cultivating entities

The Group has focused on cultivating and introducing entities, stimulating endogenous poverty alleviation motivation in poor villages and establishing a mechanism for linking interests, poverty-stricken villages and poor people to achieve sustainable and stable poverty alleviation. On the one hand, we have developed featured agricultural industries. Combining agricultural resources and ecological advantages in poor villages, we have assisted to study and formulate green agricultural development plans. On this basis, we have provided loans to concentrate scattered lands and realize large-scale operations. We also actively liaised to introduce quality seeds varieties and technologies, focusing on the development of high-oleic soybeans, sticky corn, organic millet, green vegetables and other featured industries. In order to realize the sustainable development of featured industries, we have provided assistances in setting up of food factories, sticky corn processing factories and soy products processing factories, applying for registration of “Jiushang Maolin (九商茂林)” trademark, and hiring local villagers to work in the factories. During the peak season, nearly 100 villagers can be employed every day. On the other hand, production and processing projects have been introduced. The labour-intensive sewing project of Northeast Socks Park (東北襪業園) was introduced into Maolin Village by setting up Jiutai Maolin Sewing Factory (九台茂林縫製分廠), and realized a local employment of nearly 100 local poor people. The average annual wage of each person is more than RMB30,000. At present, the second phase of the sewing factory is under construction, and more than 200 people can be employed after it is put into operation. In addition, the Group has cultivated the cultural tourism industry. We organized experts to hold seminars regarding the construction of featured towns. It is plan to realize the poverty alleviation by promoting tourism of featured towns and rural areas. Histories and cultures, folk customs and traditional crafts of poverty-stricken areas have been explored and recorded in a book titled Imprints of Village compiled and published by Jilin Literature and History Publishing House.

Strengthening integrated services and providing innovative financial services

The Group has implemented preferential policies, such as the implementation of benchmark interest rates of credit loans for poverty alleviation, streamlining of loan application procedures and establishment of green channels. We completed the registration of all poor households in Jiutai District and granted loans of RMB3.02 million to 219 registered poor households. Aimed at those who are unable to pay the basic pension insurance, we have specially developed the loans for social security

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funds, and loans of RMB400,000 were granted. In addition, we have actively explored the financial model of “bank + government + enterprises + cooperatives + poor households”. We assisted 339 poor households in Jiutai Province to set up cooperatives. Poverty alleviation loans were given to the cooperatives for purchase of equipment which was leased to Northeast Socks Park. The leasing income was distributed as bonus to the poor households.

Coordinating and promoting poverty alleviation with intelligence

The Group has carried out poverty alleviation through education. We recruited three batches with a total of 97 junior high school graduates from poor families to attend the motivation class with special training programs provided by Changchun Finance College, which was sponsored by the Bank. Those students would be assigned to the local branches of the Bank at their hometowns upon graduation, achieving poverty alleviation through intelligence and employment. At present, the first batch of 50 graduates have been assigned to poverty-stricken villages and rural outlets. We also implemented poverty alleviation through talent cultivation. We have provided trainings to selected reserve cadres, and cooperated with local party committees and governments to cultivate rural financial talents. 28 talents have been assigned as “village cadres” in poor villages. Cooperated with Jilin Agricultural University, a training class for potential “village cadres” was organized. 22 graduates finished their studies and were sent to villages to support poverty alleviation. We have implemented charitable poverty alleviation. In order to help poor villages get rid of poverty and become rich, we have donated RMB15.87 million to poverty-stricken villages, including Maolin Village in Jiutai District.

6.3 Charity Activities

The Group has set up “Charity Fund” of RMB5 million per year in Changchun Charity Association (長春市慈善會) and Jilin Provincial Charity Federation (吉林省慈善總會) respectively to carry out charity assistance projects in respect of study, disability, elderly care, medical assistance and poverty alleviation. A team of caring volunteers was established to visit villages and community from time to time to help vulnerable groups.

During the Reporting Period, the Company and the Group organized over 180 charity activities with a total investment of more than RMB7.5 million and 29,018 beneficiaries, including supporting and visiting elderly who live alone, supporting poor families, organizing social donation activities, offering education subsidies, providing financial knowledge lectures and social welfare and health talks. In the future, we will continue to fulfill our corporate social responsibilities by providing services and support for the daily lives of the general public in order to promote the outstanding charitable culture.

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Appendix I: Sustainability Data Statements

Indicators	Unit	2019
Environmental Aspect		
Emissions		
Nitrogen oxides (NOx)	Kg	1,843.8
Sulphur oxides (SOx)	Kg	3.5
Particulate matter (PM)	Kg	176.7
GHG Emissions		
Direct GHG emissions (Scope 1)	Tonnes of CO ₂ e	975
Indirect GHG emissions (Scope 2)	Tonnes of CO ₂ e	11,467
Other indirect GHG emissions (Scope 3)	Tonnes of CO ₂ e	563
Total GHG emissions (Scope 1, 2 and 3)	Tonnes of CO ₂ e	13,005
Intensity of GHG emissions		
Per square meter (Scope 1, 2 and 3)	Tonnes of CO ₂ e/square meter	0.037
Per employee (Scope 1, 2 and 3)	Tonnes of CO ₂ e/employee	2.09
Energy consumption		
Total energy consumption	MWh	17,227
Total energy consumption intensity (per square meter)	MWh/square meter	0.05
Total energy consumption intensity (per employee)	MWh/employee	2.77
Total electricity consumption	MWh	14,991
Total electricity consumption intensity (per square meter)	MWh/square meter	0.043
Total electricity consumption intensity (per employee)	MWh/employee	2.41
Gasoline	MWh	2,235
Diesel	Tonnes	0.07
Natural gas	Cubic meters	52,525
Water consumption		
Total water consumption	Cubic meters	113,299
Total water consumption intensity (per square meter)	Cubic meters/square meter	0.32
Total water consumption intensity (per employee)	Cubic meters/employee	18.2

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Indicators	Unit	2019
Hazardous waste		
Toner cartridges used	Unit	814
Intensity of toner cartridges used	Unit/employee	0.13
Ink cartridges used	Unit	763
Intensity of ink cartridges used	Unit/employee	0.12
Printers used	Unit	24
Intensity of printers used	Unit/employee	0.004
Computers used	Unit	17
Intensity of computers used	Unit/employee	0.003
Toner cartridges recycled	Unit	814
Ink cartridges recycled	Unit	763
Printers recycled	Unit	24
Computers recycled	Unit	17
Non-hazardous waste		
Total non-hazardous waste	Tonnes	62.7
Total non-hazardous waste intensity (per employee)	Tonnes/employee	0.010
Paper consumption		
Total paper consumption	Tonnes	66.4
Total paper consumption intensity	Tonnes/employee	0.011

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Indicators	Unit	2019
Social Aspect		
Employees		
Total number of employees	Number of employees	6,219
Female employees	Number of employees	3,330
Male employees	Number of employees	2,889
Junior employees	Number of employees	5,098
Middle management	Number of employees	882
Senior management	Number of employees	239
Employees aged under 30	Number of employees	2,814
Employees aged between 30 to 50	Number of employees	3,082
Employees aged above 50	Number of employees	323
Employees from northern China	Number of employees	645
Employees from northeastern China	Number of employees	4,979
Employees from eastern China	Number of employees	131
Employees from central China	Number of employees	105
Employees from northwestern China	Number of employees	37
Employees from southern China	Number of employees	322
Turnover rate		
Female employees	%	2.9
Male employees	%	3.2
Employees aged under 30	%	5.0
Employees aged between 30 to 50	%	1.4
Employees aged above 50	%	1.2
Employees from northern China	%	4.2
Employees from northeastern China	%	2.2
Employees from eastern China	%	7.1
Employees from central China	%	3.7
Employees from northwestern China	%	0
Employees from southern China	%	1.1
Health and safety		
Number of work-related fatalities	Number of employees	0
Lost days due to work injuries	Number of days	0
Development and trainings		
Percentage of junior employees trained	%	100
Percentage of middle management trained	%	98
Percentage of senior management trained	%	100
Average training hours per junior employees	Hours	227
Average training hours per middle management	Hours	91
Average training hours per senior management	Hours	45

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Appendix II: Hong Kong Stock Exchange ESG Reporting Guide Index

Indicators		Chapter
A. Environmental Aspect		
A1 Emissions	General disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharge into water and land, and generation of hazardous and non-hazardous waste.
	A1.1	The types of emissions and respective emissions data.
	A1.2	Greenhouse gas emissions in total and intensity.
		Appendix I: Sustainability Data Statements
	A1.3	Total hazardous waste produced and intensity.
	A1.4	Total non-hazardous waste produced and intensity.
	A1.5	Description of measures to mitigate emissions and results achieved.
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.
		5. Focusing on Environment
		5.1 Promoting Low Carbon Culture
		Appendix I: Sustainability Data Statements
		Appendix I: Sustainability Data Statements
		Appendix I: Sustainability Data Statements
		5. Focusing on Environment
		5.2 Green Office

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Indicators		Chapter	
A2 Use of resources	General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	5.2 Green Office
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity.	5.2 Green Office Appendix I: Sustainability Data Statements
	A2.2	Water consumption in total and intensity.	5.2 Green Office Appendix I: Sustainability Data Statements
	A2.3	Description of energy use efficiency initiatives and results achieved.	5.2 Green Office
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	5.2 Green Office
	A2.5	Total packaging material used for finished products and with reference to per unit produced.	Inapplicable as no packaging material is used in the course of business of the Group
A3 The environment and natural resources	General disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	5. Focusing on Environment
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	5. Focusing on Environment

Chapter 11 Environmental, Social and Governance Report

Indicators		Chapter	
B. Social Aspect			
B1 Employment	General disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	4.1 Strict Employment System 4.2 Employee Remuneration and Benefits 4.3 Emphasizing Talent Development
	B1.1	Total workforce by gender, employment type, age group and geographical region.	Appendix I: Sustainability Data Statements
	B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix I: Sustainability Data Statements
B2 Health and safety	General disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	4.4 Healthy and Safe Working Environment
	B2.1	Number and rate of work-related fatalities.	Appendix I: Sustainability Data Statements
	B2.2	Lost days due to work injury.	Appendix I: Sustainability Data Statements
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	4.4 Healthy and Safe Working Environment

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Indicators		Chapter	
B3 Development and training	General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.3 Emphasizing Talent Development
	B3.1	The percentage of employees trained by gender and employee category.	Appendix I: Sustainability Data Statements
	B3.2	The average training hours completed per employee by gender and employee category.	Appendix I: Sustainability Data Statements
B4 Labour standards	General disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	4.1 Strict Employment System
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	4.1 Strict Employment System
	B4.2	Description of steps taken to eliminate such practices when discovered.	4.1 Strict Employment System
B5 Supply chain management	General disclosure	Policies on managing environmental and social risks of the supply chain.	3.4 Better Supply Chain Management
	B5.1	Number of suppliers by geographical region.	3.4 Better Supply Chain Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	3.4 Better Supply Chain Management

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Indicators		Chapter	
B6 Product responsibilities	General disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	3. Compliance Operation
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Inapplicable as the Group is not engaged in recalls of products
	B6.2	Number of products and service related complaints received and how they are dealt with.	3.3 Protection of Customer Rights
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Considered to be disclosed in the future
	B6.4	Description of quality assurance process and recall procedures.	Inapplicable as the Group is not engaged in recalls of products
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	3.2 Information Safety Management

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Indicators		Chapter	
B7 Anti-corruption	General disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing bribery, extortion, fraud and money laundering.	3.1 Strengthening of Corporate Governance
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	3.1 Strengthening of Corporate Governance
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	3.1 Strengthening of Corporate Governance
B8 Community investment	General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	6. Contribution to Community
	B8.1	Focus areas of contribution.	6. Contribution to Community
	B8.2	Resources contributed to the focus area.	6. Contribution to Community

Independent Auditor's Report to the Shareholders of Jilin Jiutai Rural Commercial Bank Corporation Limited

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



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

Opinion

We have audited the consolidated financial statements of Jilin Jiutai Rural Commercial Bank Corporation Limited (the “Bank”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on pages 251 to 441, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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 (the “IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”) issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”) and we have fulfilled our other ethical responsibilities in accordance with IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report to the Shareholders of Jilin Jiutai Rural Commercial Bank Corporation Limited (Continued)

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

Key audit matters

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

Key audit matters identified in our audit are summarised as follows:

- Basis of consolidation
- Impairment of loans and advances to customers
- Impairment of goodwill
- Outsourcing arrangements for information technology system

Basis of consolidation

Refer to note 58 to the consolidated financial statements and the accounting policies on page 266 to 268.

The key audit matter	How the matter was addressed in our audit
<p>The Bank operates its businesses through the Bank itself and through 35 subsidiaries as at 31 December 2019.</p> <p>As at 31 December 2019, the Bank controlled and consolidated 17 subsidiaries in which the Bank owned no more than 50% equity interest (the “non major subsidiaries”). To control these non major subsidiaries, the Bank held more than 50% of the voting rights in these non major subsidiaries through acting in concert agreements (the “AIC agreements”) with certain minority shareholders of the subsidiaries. In particular, under these AIC agreements, these minority shareholders have agreed to align their votes with the Bank in respective shareholders’ meeting of the subsidiaries.</p> <p>If these minority shareholders fail to abide by their agreements, or if the AIC agreements are terminated, the Bank may not be able to continue to control and consolidate the financial results of these non major subsidiaries.</p>	<p>Our procedures were designed to review the management’s assessment, with reference to the legal advice on the validity of AIC agreements, of whether the Group control the non major subsidiaries and challenge the reasonableness of the methodologies used to assessment of control.</p> <p>We have discussed the indicators of possible loss of control with the management and, where such indicators were identified, assessing the management’s view on control. Also, we have sought legal advice on the validity of AIC agreements.</p>

Independent Auditor's Report to the Shareholders of Jilin Jiutai Rural Commercial Bank Corporation Limited (Continued)

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

Impairment of loans and advances to customers

Refer to note 23 to the consolidated financial statements and the accounting policies on pages 279 to 286.

The key audit matter	How the matter was addressed in our audit
<p>Impairment allowances represent management's best estimate of the expected credit losses within the loan portfolios at the reporting date.</p> <p>They are assessed based on whether the credit risk has increased significantly since initial recognition and the Group's historical credit loss experience adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.</p> <p>The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.</p> <p>Management estimations and judgements are required to determine whether there are significant increase in credit risk, the probability of default, loss given default and the expected future cash flows related to each loan within the loan portfolios.</p>	<p>Our procedures were designed to review the management assessment on the expected credit losses model and challenge the reasonableness of the methods and assumptions used to estimate the expected credit losses of loans and advances to customers.</p> <p>We have discussed the judgement in relation to the recognition of 12 months and life time expected credit losses of loan and advance under the 3 different stages and assessed the appropriateness of the modelling policy, assumptions and methodology used for material portfolios independently by reference to the accounting standards and market practices, and model calculations were tested through re-performance.</p> <p>We have challenged the assumptions, critical judgement and statistical models used by the management by assessing the reliability of the management's past estimates and future forecast, and taking into account the ageing at year end and whether any significant increase in credit risk of borrowers.</p>

Independent Auditor's Report to the Shareholders of Jilin Jiutai Rural Commercial Bank Corporation Limited (Continued)

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

Impairment of loans and advances to customers (Continued)

Refer to note 23 to the consolidated financial statements and the accounting policies on pages 279 to 286.

The key audit matter	How the matter was addressed in our audit
<p>The audit was focused on impairment due to the materiality of the balances amounted to approximately RMB93,394,198,000 and the subjective nature of the judgement, estimation and calculation involved in the determination of the expected credit losses.</p>	<p>For the collectively assessed expected credit loss ("ECL"), we assessed the reasonableness of the Group's ECL models, including the model input, model design, model performance for significant portfolios. We assessed the reasonableness of the Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment. We challenged whether historical experience is representative of current circumstances and of the recent losses incurred in the portfolios and assessed the reasonableness of forward-looking adjustments, including the economic variables and assumptions used in each of the economic scenarios and their probability weightings. Where changes had been made in model parameters and assumptions, we evaluated the appropriateness of such changes. We also assessed and tested the sensitivity of the credit loss provisions to changes in modelling assumptions.</p> <p>For a sample of exposures that was subject to an individual impairment assessment, we specifically reviewed the Group's assumptions on the expected future cash flows, including the value of realisable collateral based on available market information. We also assessed the financial statement disclosures relating to the Group's exposure to credit risk.</p>

Independent Auditor's Report to the Shareholders of Jilin Jiutai Rural Commercial Bank Corporation Limited (Continued)

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

Impairment of goodwill

Refer to note 29 to the consolidated financial statements and the accounting policies on page 271.

The key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2019, the Group had goodwill of approximately RMB401,335,000 and no impairment was recognised.</p>	<p>Our procedures were designed to obtain management's assessment and challenged the reasonableness of the selection of valuation model, adoption of key assumptions and input data. In particular, we have tested the future cash flow forecasts on whether they are agreed to the budgets approved by the board of directors of the Bank and compared the budgets with actual results available up to the report date. We have challenged the appropriateness of the assumptions, including the growth rates and gross margin, against latest market expectations.</p>
<p>The impairment assessment relied on the calculation of a value in use for each of the cash-generating units (the "CGUs"). That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with an average growth rate and pre-tax discount rate. Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 3% which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the People's Republic of China. The discount rates used were the CGU's specific weighted average cost of capital, adjusted for the risks of the specific CGU.</p>	<p>We have also challenged the discount rate employed in each calculation of value in use by reviewing its basis of calculation and comparing its input data to market sources.</p>
<p>The estimation of future cash flows and the level to which they are discounted are inherently uncertain and requires significant judgement. The extent of judgement and the size of the goodwill resulted in impairment of goodwill being identified as an area of audit focus.</p>	<p>As any changes in these assumptions and input to valuation model may result in significant financial impact, we have tested management's sensitivity analysis in relation to the key inputs to the impairment assessment and performed our own sensitivity analysis which included changes in the growth rate, gross margin and discount rates employed.</p>

Independent Auditor's Report to the Shareholders of Jilin Jiutai Rural Commercial Bank Corporation Limited (Continued)

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

Outsourcing arrangements for information technology system

Refer to note 51(d) to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
<p>The Group's information technology ("IT") system are critical to various aspects of its operations which are developed, operated and maintained by various IT service providers (the "IT outsourcing arrangements"). The Group entrusts those IT service providers to manage and maintain its database but has its own dedicated IT team to perform daily monitoring on those IT service providers for the operations and maintenance of the Group's IT system.</p> <p>If the Group cannot effectively monitor the services provided by the IT service providers, any problems of the IT system could have a material impact, among other aspects, on the Group's financial statements.</p>	<p>We involved our IT audit specialists in the course of audit. We carried out assessment, testings and review of the Group's controls over the IT outsourcing arrangements and the monitoring procedures executed by the Group on various IT service providers.</p> <p>We also assessed the reliability of the Group's IT system regarding the process in the preparation of the Group's financial statements.</p>

Information other than the Consolidated Financial Statements and Auditor's Report Thereon

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report to the Shareholders of Jilin Jiutai Rural Commercial Bank Corporation Limited (Continued)

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

Responsibilities of Directors of the Bank and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibilities towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report to the Shareholders of Jilin Jiutai Rural Commercial Bank Corporation Limited (Continued)

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

Independent Auditor's Report to the Shareholders of Jilin Jiutai Rural Commercial Bank Corporation Limited (Continued)

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Chuen Fai.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Wong Chuen Fai

Practising Certificate Number: P05589

Hong Kong

30 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Interest income		8,722,512	8,602,590
Interest expenses		(4,557,085)	(5,082,541)
Net interest income	6	4,165,427	3,520,049
Fee and commission income		348,951	407,164
Fee and commission expenses		(32,485)	(31,560)
Net fee and commission income	7	316,466	375,604
Net trading gains	8	609,784	914,483
Dividend income		64,698	82,167
Net gains arising from investment securities	9	21,121	11,843
Gain on disposal of an associate	26	37,510	—
Losses on deemed disposals of subsidiaries	57	—	(6,204)
Net exchange gains		5,762	14,998
Other operating incomes	10	90,670	124,637
Operating income		5,311,438	5,037,577
Operating expenses	11	(2,787,448)	(2,851,399)
Impairment losses on assets, net of reversals	14	(1,088,080)	(890,169)
Operating profit		1,435,910	1,296,009
Share of profits of associates	26	67,564	143,731
Profit before tax		1,503,474	1,439,740
Income tax expense	15	(307,779)	(256,076)
Profit for the year		1,195,695	1,183,664
Earnings per share			(Restated)
— Basic and diluted (RMB cents)	16	24.91	23.49

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

For the Year Ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Profit for the year		1,195,695	1,183,664
Other comprehensive income/(expense) for the year:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
– Financial assets at fair value through other comprehensive income			
– Changes in fair value recognised in investment revaluation reserve		44,084	355,804
– Reclassified to the profit or loss upon disposal		11,564	5,938
– Changes in allowance for expected credit loss		4,950	(217)
– Income tax relating to item that may be reclassified subsequently		(15,440)	(90,436)
– Release of reserve upon deemed disposal of subsidiaries	57	–	6,204
– Release of reserve upon disposal of an associate		(172)	–
– Share of other comprehensive income of associates	26	(1,793)	3,352
		43,193	280,645
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
– Financial assets at fair value through other comprehensive income			
– Fair value gain on investments in equity investments		668	6,046
		43,861	286,691
Total comprehensive income for the year		1,239,556	1,470,355
Profit for the year attributable to:			
– Owners of the Bank		1,042,146	982,940
– Non-controlling interests		153,549	200,724
		1,195,695	1,183,664
Total comprehensive income for the year attributable to:			
– Owners of the Bank		1,084,476	1,256,482
– Non-controlling interests		155,080	213,873
		1,239,556	1,470,355

Consolidated Statement of Financial Position

At 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Assets			
Cash and deposits with the central bank	17	23,626,361	22,458,129
Deposits with banks and other financial institutions	18	6,193,346	9,884,358
Placements with banks and other financial institutions	19	1,814,046	1,698,580
Financial assets held under resale agreements	20	99,960	—
Financial assets at fair value through profit or loss	21	9,538,413	16,387,635
Interests receivables	22	939,845	750,735
Loans and advances to customers	23	93,394,198	75,354,549
Financial assets at fair value through other comprehensive income	24	6,670,888	6,349,689
Financial assets measured at amortised cost	25	23,008,859	23,716,352
Interests in associates	26	1,588,632	2,203,249
Property and equipment	27	3,986,902	4,009,412
Right-of-use assets	28	791,493	—
Goodwill	29	401,335	401,335
Deferred tax assets	30	561,496	405,626
Other assets	31	659,770	633,627
Total assets		173,275,544	164,253,276

Consolidated Statement of Financial Position (Continued)

At 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Liabilities and equity			
Liabilities			
Borrowings from the central bank	33	3,345,160	2,376,520
Deposits from banks and other financial institutions	34	6,277,616	4,711,266
Placements from banks and other financial institutions	35	4,379,496	1,106,496
Financial assets sold under repurchase agreements	36	2,610,800	8,406,720
Deposits from customers	37	122,840,400	109,521,161
Accrued staff costs	38	199,350	163,083
Tax payable		180,063	64,664
Interests payable	39	2,204,889	1,749,748
Debt securities issued	40	14,220,057	20,552,182
Lease liabilities	28	711,903	—
Other liabilities	41	645,634	493,798
Total liabilities		157,615,368	149,145,638
Equity			
Share capital	42	4,184,037	3,984,797
Capital reserve	43	5,148,616	5,331,249
Investment revaluation reserve		12,038	(30,292)
Surplus reserve	44(a)	814,076	724,671
General reserve	44(b)	1,777,674	1,571,192
Retained earnings		1,403,512	1,374,517
Total equity attributable to owners of the Bank		13,339,953	12,956,134
Non-controlling interests		2,320,223	2,151,504
Total equity		15,660,176	15,107,638
Total liabilities and equity		173,275,544	164,253,276

The consolidated financial statements on pages 251 to 441 were approved and authorised for issue by the board of directors of the Bank on 30 March 2020 and are signed on its behalf by:

Mr. GAO Bing

Director

Mr. YUAN Chunyu

Director

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2019

	Attributable to owners of the Bank								
	Share Capital RMB'000	Investment Capital reserve RMB'000	revaluation reserve RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non- controlling interests RMB'000	Total RMB'000
As 1 January 2019	3,984,797	5,331,249	(30,292)	724,671	1,571,192	1,374,517	12,956,134	2,151,504	15,107,638
Profit for the year	—	—	—	—	—	1,042,146	1,042,146	153,549	1,195,695
Other comprehensive income for the year	—	—	42,330	—	—	—	42,330	1,531	43,861
Total comprehensive income for the year	—	—	42,330	—	—	1,042,146	1,084,476	155,080	1,239,556
Changes in ownership in subsidiaries without changes in control (Note 56)	—	16,607	—	—	—	—	16,607	61,974	78,581
Changes in share capital — capitalisation of capital reserve	199,240	(199,240)	—	—	—	—	—	—	—
Appropriation of profits — Appropriation to surplus reserve	—	—	—	89,405	—	(89,405)	—	—	—
— Appropriation to general reserve	—	—	—	—	206,482	(206,482)	—	—	—
— Dividends recognised as distribution (Note 45)	—	—	—	—	—	(717,264)	(717,264)	—	(717,264)
— Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(48,335)	(48,335)
At 31 December 2019	4,184,037	5,148,616	12,038	814,076	1,777,674	1,403,512	13,339,953	2,320,223	15,660,176

Consolidated Statement of Changes in Equity (Continued)

For the Year Ended 31 December 2019

	Attributable to owners of the Bank								Non-controlling interests	Total
	Share Capital	Capital reserve	Investment		General reserve	Retained earnings	Sub-total	Non-controlling interests		
			revaluation reserve	Surplus reserve						
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 31 December 2017	3,984,797	5,315,803	(299,747)	631,095	1,538,170	1,381,593	12,551,711	4,098,941	16,650,652	
Change in accounting policy for adoption of IFRS 9 and IFRS 15	—	—	(4,087)	—	—	(142,294)	(146,381)	(146,047)	(292,428)	
As 1 January 2018 (Restated)	3,984,797	5,315,803	(303,834)	631,095	1,538,170	1,239,299	12,405,330	3,952,894	16,358,224	
Profit for the year	—	—	—	—	—	982,940	982,940	200,724	1,183,664	
Other comprehensive expense for the year	—	—	273,542	—	—	—	273,542	13,149	286,691	
Total comprehensive income for the year	—	—	273,542	—	—	982,940	1,256,482	213,873	1,470,355	
Changes in ownership in subsidiaries without changes in control (Note 56)	—	11,586	—	—	—	—	11,586	111,068	122,654	
Deemed disposal of subsidiaries (Note 57)	—	—	—	—	—	—	—	(1,969,005)	(1,969,005)	
Release of reserve upon deemed disposal of subsidiaries	—	3,860	—	—	(92,293)	88,433	—	—	—	
Appropriation of profits										
— Appropriation to surplus reserve	—	—	—	93,576	—	(93,576)	—	—	—	
— Appropriation to general reserve	—	—	—	—	125,315	(125,315)	—	—	—	
— Dividends recognised as distribution (Note 45)	—	—	—	—	—	(717,264)	(717,264)	—	(717,264)	
— Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(157,326)	(157,326)	
At 31 December 2018	3,984,797	5,331,249	(30,292)	724,671	1,571,192	1,374,517	12,956,134	2,151,504	15,107,638	

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2019

	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES		
Profit before tax for the year	1,503,474	1,439,740
Adjustments for:		
Interest income from financial investments	(1,465,535)	(1,946,319)
Share of profits of associates	(67,564)	(143,731)
Dividend income	(64,698)	(82,167)
Government grants	(49,437)	(72,926)
Gain on disposal of an associate	(37,510)	—
Net gains arising from investment securities	(21,121)	(10,387)
(Gain)/loss on disposal of property and equipment	(17,064)	6,340
Gain on early termination of lease agreements	(3,198)	—
Impairment losses on assets, net of reversals	1,088,080	890,169
Interest expense on debts securities issued	796,421	1,070,868
Depreciation of property and equipment	317,026	295,324
Interest income from impaired loans and advances to customers and impaired financial assets measured at amortised cost	278,125	206,269
Depreciation of right-of-use assets	185,663	—
Net unrealised trading losses/(gains)	48,312	(44,816)
Interest expense on lease liabilities	34,857	—
Amortisation of long-term deferred expenses	27,732	13,619
Losses on deemed disposals of subsidiaries	—	6,204
	2,553,563	1,628,187
Changes in operating assets		
Net increase in loans and advances to customers	(18,691,564)	(18,786,643)
Net increase in other assets	(189,621)	(337,911)
Net (increase)/decrease in deposits with the central bank	(65,674)	3,159,264
Net increase in interest receivables	(33,340)	(262,128)
Net decrease in financial assets at fair value through profit or loss	6,947,925	4,249,286
Net decrease/(increase) in deposits and placements with the banks and other financial institutions	3,103,886	(2,345,366)
	(8,928,388)	(14,323,498)
Changes in operating liabilities		
Net decrease in financial assets sold under repurchase agreements	(5,795,920)	(304,540)
Net increase in deposits from customers	13,319,239	6,312,640
Net increase in placements from banks and other financial institutions	3,273,000	244,000
Net increase in deposits from banks and other financial institutions	1,566,350	3,185,890
Net increase in borrowing from central bank	968,640	920,750
Net increase in interests payable	455,141	290,711
Net increase in other liabilities	151,842	32,607
Net increase/(decrease) in accrued staff costs	36,267	(36,354)
	13,974,559	10,645,704

Consolidated Statement of Cash Flows (Continued)

For the Year Ended 31 December 2019

	2019 RMB'000	2018 RMB'000
Cash generated from/(used in) operations	7,599,734	(2,049,607)
Income tax paid	(363,690)	(400,831)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	7,236,044	(2,450,438)
INVESTING ACTIVITIES		
Payments on acquisition of financial investments	(13,442,127)	(13,488,374)
Payments on acquisition of property and equipment	(350,089)	(567,882)
Proceeds from disposal of financial investments	13,435,599	17,592,270
Interest income from financial investments	1,081,005	1,997,255
Net proceeds from disposal of interest in an associate	521,235	—
Proceeds from disposal of property and equipment	72,637	914
Dividend income received from equity investments	64,698	82,167
Dividend received from associates	49,476	49,579
Proceeds from disposal of right-of-use assets	18,030	—
Net cash outflow arising on deemed disposal of subsidiaries (Note 57)	—	(2,236,343)
NET CASH GENERATED FROM INVESTING ACTIVITIES	1,450,464	3,429,586
FINANCING ACTIVITIES		
Repayment of debt securities issued	(19,690,000)	(20,090,000)
Dividends paid	(717,264)	(717,760)
Payment on lease liabilities	(161,434)	—
Interest paid on debts securities issued	(137,200)	(137,200)
Dividends paid to non-controlling interests	(48,335)	(157,326)
Interest paid on lease liabilities	(34,857)	—
Net proceeds from issue of new debt securities	12,698,654	19,668,949
Proceeds from disposals and dilutions of interests in subsidiaries without loss in control	78,581	122,654
Government grants received	49,437	72,926
NET CASH USED IN FINANCING ACTIVITIES	(7,962,418)	(1,237,757)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	724,090	(258,609)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	16,095,980	16,354,589
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Note 48)	16,820,070	16,095,980
Interest received	8,913,204	9,234,130
Interest paid (excluding interest expense on debts securities issued and lease liabilities)	(3,270,666)	(3,720,962)

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

1. GENERAL

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

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

As at 31 December 2019, the Bank has established 3 branches and 74 sub-branches. The Bank has 35 subsidiaries. The principal activities of the Bank and its subsidiaries (collectively referred to as the “Group”) are the provision of corporate and retail deposits, loans and advances, payment and settlement services, as well as other banking services as approved by the CBRC. The Group operates in mainland China.

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

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

In the current year, the Group has applied, for the first time, the following new and amendments to IFRSs, which include related Interpretations, issued by the International Accounting Standards Board (the “IASB”).

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

The adoption of IFRS 16 resulted in changes in the Group’s accounting policies and adjustments to the amounts recognised in the consolidated financial statements as summarised below.

The application of other new and amendments to IFRSs in the current year has had no material impact on the Group’s financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

IFRS 16 Lease

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 3. The Group has applied IFRS 16 Leases retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17 Leases.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

IFRS 16 Lease (Continued)

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC-4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

The Group as lessee

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

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

IFRS 16 Lease (Continued)

The Group as lessee (Continued)

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

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

Notes:

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

IFRS 16 Lease (Continued)

Practical expedients applied

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

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

New and revised IFRSs issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs and interpretation that have been issued but are not yet effective:

IFRS 17	Insurance Contracts ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IFRS 3	Definition of a Business ⁴
Amendments to IAS 1 and IAS 8	Definition of Material ¹
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform ¹
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting ¹

¹ Effective for annual periods beginning on or after 1 January 2020.

² Effective for annual periods beginning on or after 1 January 2021.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

The directors of the Bank anticipate that, except as described below, the application of the new and amendments IFRSs will have no material impact on the results and the financial position of the Group.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

New and revised IFRSs issued but not yet effective (Continued)

Amendments to IFRS 3 Definition of a Business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of ‘obscuring’ material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from ‘could influence’ to ‘could reasonably be expected to influence’. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, other Standards and the Conceptual Framework were that contain a definition of material or refer to the term ‘material’ were amended to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporates the financial statements of the Bank and entities controlled by the Bank (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

The Bank reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income of subsidiaries are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Bank.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries (Continued)

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets and liabilities of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets and liabilities (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Businesses combinations are accounted for by applying the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs incurred to effect a business combination are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with IAS 12 *Income Taxes*;

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

- assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with IAS 19 *Employee Benefits*;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.
- lease liabilities are measured at the present value of the remaining lease payments as if the acquired lease was a new lease at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase.

Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in subsidiaries and associates

Investments in subsidiaries and associates are included in the Bank's statement of financial position at cost less accumulated impairment losses, if any.

Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the dates of transactions.

A spot exchange rate is quoted by The People's Bank of China (the "PBOC"), the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is a rate determined by a systematic and rational method, normally the average exchange rate of the current period.

Monetary items denominated in foreign currencies are retranslated to RMB at the spot exchange rate at the end of each of the reporting period. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are retranslated to RMB using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the exchange differences are recognised in profit or loss, except for the exchange differences arising from the translation of non-monetary financial investments which are recognised in investment revaluation reserve.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted balances with the central bank, short-term deposits and placements with banks and other financial institutions and highly liquid short-term investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill relating to an associate that included in the carrying amount of the investment is set out in "investments in associates" below.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

The Group's investments in associates are accounted for in the consolidated financial statements using the equity method. Under the equity method, investments in associates are initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the associates are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate is recognised as goodwill and is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised in profit or loss in the period in which the investment is acquired.

After application of the equity method, including recognising the associate's losses (if any), the Group determines whether there is an objective evidence that the net investment in the associate is impaired. Goodwill that forms part of the carrying amount of an investment in an associate is not separately recognised. The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the net investment in the associate. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

When the investment ceases to be an associate upon the Group losing significant influence over the associate, the Group discontinues to apply equity method and any retained interest is measured at fair value at that date which is regarded as its fair value on initial recognition as a financial asset in accordance with the applicable standard. Any difference between the fair value of any retained interest and any proceeds from disposing of a part interest in the associate and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss. Any amount previously recognised in other comprehensive income in relation to that investment is reclassified to profit or loss or retained earnings on the same basis as it would have been required if the investee had directly disposed of the related assets or liabilities.

Gains and losses resulting from transactions between the Group and its associate are recognised in consolidated financial statements only to the extent of unrelated investors' interests in the associate. The Group's share in the associate's gains or losses resulting from these transactions is eliminated.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (“FVTOCI”), and fair value through profit or loss (“FVTPL”).

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

(i) *Amortised cost and effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit loss ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

(i) *Amortised cost and effective interest method (Continued)*

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the “Net interest income” line item (Note 6).

Financial assets at FVTOCI (debt instruments)

The Group measures financial assets subsequently at FVTOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group’s debt instruments classified as at FVTOCI includes investments in debt instruments. Fair value is determined in the manner described in note 52. Debt instruments are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of debt instruments as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income (“OCI”) and accumulated under the heading of investments revaluation reserve. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments as at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "dividend income" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL (Continued)

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The interest earned on the financial assets is included in the “Net trading gains” line item. Fair value is determined in the manner described in note 52.

In respect of the Group’s equity instruments at FVTPL, the Group subsequently measures them at fair value, with fair value gains and losses recognised in “Net trading gains”. Dividends from equity instruments continue to be recognised in profit or loss as dividend income when the Group’s right to receive payments is established. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including loans and advances to customers, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, financial assets measured at amortised cost, debt investments measured at FVTOCI, interest receivable, other receivables, credit commitments and financial guarantee contracts). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument (for stage 2 and stage 3). In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date (for stage 1). Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Stage 1 is where credit risk has not increased significantly since initial recognition. For financial assets in stage 1, entities are required to recognise 12 month ECL and recognise interest income on a gross basis — this means that interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.

Stage 2 is where credit risk has increased significantly since initial recognition. When a financial asset transfers to stage 2 entities are required to recognise lifetime ECL but interest income will continue to be recognised on a gross basis.

Stage 3 is where the financial asset is credit impaired. This is effectively the point at which there has been an incurred loss event. For financial assets in stage 3, entities will continue to recognise lifetime ECL but they will now recognise interest income on a net basis. This means that interest income will be calculated based on the gross carrying amount of the financial asset less ECL.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

The Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

For credit commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 Leases (on or after 1 January 2019) or IAS 17 Leases (prior to 1 January 2019).

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

For deposits with banks and other financial institutions, placements with banks and other financial institutions, financial asset held under resale agreement and financial assets at amortised cost, the ECL is based on the 12-month ECL.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Measurement and recognition of ECL (Continued)

For undrawn credit commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the credit commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

For ECL on financial guarantee contracts or on credit commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

For financial guarantee contracts and credit commitments, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

Except for investments in debt instruments that are measured at FVTOCI, credit commitments and financial guarantees contracts, the Group recognises an impairment gain or loss for all other financial instruments by adjusting their carrying amount where the corresponding adjustment is recognised through a loss allowance account. The Group recognised an impairment gain or loss in profit or loss for all financial instruments.

For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the investment revaluation reserve without reducing the carrying amounts of these debt instruments.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Loan commitments and financial guarantee contracts

Loan commitments and financial guarantee contract are contracts that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Loan commitments and financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

When measuring fair value for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimizing the use of unobservable inputs.

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets held under resale and repurchase agreements

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

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

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are recognised respectively as interest income and interest expense over the life of each agreement using the effective interest method.

Property and equipment

Property and equipment are assets held by the Group for operation and administration purposes with useful lives over one year. Property and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment loss, if any. When the costs attributable to the land use rights cannot be reliably measured and separated from that of the building at inception, the costs are included in the cost of buildings and recorded in property and equipment.

Property and equipment including buildings and leasehold improvement for use in the supply of services, or for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment (Continued)

Depreciation is recognised so as to write off their costs, other than construction in progress, less their residual values over their estimated useful lives, using straight-line method. The estimated useful lives, residual values and depreciation/amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress is carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated residual value rates and useful lives of each class of property and equipment, other than construction in progress, are as follows:

Classes	Estimated residual value rates	Useful lives
Premises	3%	20 years
Leasehold improvement	0%	Over the shorter of the economic useful lives and remaining lease terms
Office equipment	3%	3–10 years
Motor vehicles	3%	4 years

Useful lives, residual values and depreciation methods are reviewed at least at each year-end.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land use rights

Accounting policy applicable prior to 1 January 2019

Land use rights are classified in other assets and amortised over a straight-line basis over their authorised useful lives.

Leasing

Accounting policy applicable on or after 1 January 2019

Definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

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

Lease liabilities

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Accounting policy applicable on or after 1 January 2019 (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Accounting policy applicable on or after 1 January 2019 (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

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

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

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under IAS 37 "Provision, Contingent Liabilities and Contingent Assets". The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Accounting policy applicable on or after 1 January 2019 (Continued)

The Group as lessee (Continued)

Right-of-use assets (Continued)

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

The Group presents right-of-use assets as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Lease modification

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

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

For a lease modification that is not accounted for a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Accounting policy applicable on or after 1 January 2019 (Continued)

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its property. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Accounting policy applicable prior to 1 January 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as, a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on tangible and intangible assets other than goodwill and financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Repossessed assets

Repossessed assets are physical assets or property rights obtained by the Group from debtors, warrantors or third parties following the enforcement of its creditor's rights. The repossessed assets are initially recognised at fair value, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

Salaries and allowances

Salaries and allowances are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Contributions to retirement benefits scheme

The Group participates in Central Provident Fund (“CPF”) Scheme for its employees in the PRC organised by the municipal governments of the relevant provinces. The Group also sets up annuity scheme for qualified employees. Annuity contributions are accrued based on a certain percentage of the participants’ total salary when employees have rendered service entitling them to the contributions. The contribution is recognised in profit or loss.

Other social welfare

Social welfare expenditure refers to payments for employees’ social welfare system established by the government of the PRC, including social pension insurance, health care insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on certain percentage of the employees’ salaries and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group’s liabilities in respect of these funds are limited to the contribution payable in the reporting period.

Other long-term employee benefits

The Group’s net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in respect of their services in the current and prior periods.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) 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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding (“entrusted funds”) to the Group, and the Group grants loans to third parties (“entrusted loans”) under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No provision for impairment loss is made for entrusted loans.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is recognised to depict the transfer of promised goods and services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services to a customer. Specifically, the Group uses a five-step approach to recognise revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligations is transferred to customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

The Group recognised revenue from the following major sources:

- Advisory fees
- Settlement and clearing fees
- Wealth management service fees
- Agency services fees
- Syndicated loan services fees
- Bank card services fees

The Group recognises settlement and clearing fees and agency services fees at a point in time when the services are provided to customers.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The Group recognises the advisory fees, bank card service fees and wealth management service fees overtime as the related services are transferred overtime. The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Contracts with multiple performance obligations (including allocation of transaction price)

Regarding to the syndicated loan service fees, those contracts contain two performance obligations, the syndicated loan service and loan management services. For the syndicated loan service, this fee is one-off and recognised when syndicated loans provided to customers. Hence, the revenue is recognised at a point of time. For loan management services, the fee depends on services transferred overtime according to contract terms. Hence, the revenue is recognised over-time. The Group allocates the transaction price to each performance obligations on a relative stand-alone fair value of these performance obligations.

The stand-alone selling price of the distinct service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised loan service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised services to the customer.

The Group's revenue mainly includes interest income and fee and commission income, among which fee and commission income will be within the scope of IFRS 15, while interest income is within the scope of IFRS 9.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenses recognition

Interest expenses

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortised cost and the applicable effective interest rate.

Other expenses

Other expenses are recognised on an accrual basis.

Related parties

If a Group has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Group is under common control only from the State and that have no other related party relationships are not regarded as related parties of the Group. Related parties of the Group include, but are not limited to:

- (a) the Bank's subsidiaries;
- (b) investors that exercise significant influence over the Group;
- (c) key management personnel of the Group and close family members of such individuals;
- (d) other enterprises that are controlled or jointly controlled by principal individual investors, key management personnel of the Group, and close family members of such individuals.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Segment reporting (Continued)

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Dividends

Dividends are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders in general meetings and declared. Interim dividends are deducted from equity when they are approved and declared, and no longer at the discretion of the Bank. Dividend for the year that is approved after the end of the reporting period is disclosed as a subsequent event.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Bank are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Bank have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgements in applying accounting policies (Continued)

Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

Determination of control over investees

Management applies its judgement to determine whether the control indicators indicate that the Group controls a non-principal guaranteed wealth management product and an asset management plan.

The Group acts as manager to a number of non-principal guaranteed investment products. Determining whether the Group controls such a structured entity usually focuses on the assessment of the aggregate economic interests of the Group in the entity (comprising any carried interests and expected management fees) and the decision-making authority of the entity. For all these structured entities managed by the Group, the Group's aggregate economic interest is in each case not significant and the decision makers establish, market and manage them according to restricted parameters as set out in the investment agreements as required by laws and regulations. As a result, the Group has concluded that it acts as agent as opposed to principal for the investors in all cases, and therefore has not consolidated these structured entities.

For further disclosure in respect of unconsolidated non-principal guaranteed investment products in which the Group has an interest or for which it is a sponsor, see Note 46(iii).

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgements in applying accounting policies (Continued)

Classification of financial assets

When the Group determines the classification of financial assets, a number of significant judgements in the business model and the contractual cash flow characteristics of the financial assets are required. Factors considered by the Group in determining the business model for a group of financial assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. When the Group assesses whether the contractual cash flows of the financial assets are consistent with basic lending arrangements, the main judgements are described as whether the principal amount may change over the life of the financial asset (for example, if there are repayments of principal); whether the interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin and cost, associated with holding the financial asset for a particular period of time.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key source of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision of ECL for all categories debt security of financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns probabilities of default to the individual grades

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Provision of ECL for all categories debt security of financial assets (Continued)

- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment
- The segmentation of financial assets based on risk characteristics of the customers and by product types when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs over determination of the period over which the entity is exposed to credit risk based on the behavioural life of the credit exposures, loss given default and collateral recovery of the credit exposures
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on probabilities of default, exposures at default and losses given default
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Provision of ECL for all categories debt instruments of financial assets (Continued)

As at 31 December 2019, the carrying amounts of loans and advances to customers, deposits with banks and other financial institutions, placements with banks and other financial institutions, interest receivables, financial assets held under resale agreements, debt securities financial assets at fair value through other comprehensive income and financial assets measured at amortised cost were approximately RMB93,394,198,000, RMB6,193,346,000, RMB1,814,046,000, RMB939,845,000, RMB99,960,000, RMB6,525,603,000 and RMB23,008,859,000 respectively (2018: approximately RMB75,354,549,000, RMB9,884,358,000, RMB1,698,580,000, RMB750,735,000, nil, RMB6,205,072,000 and RMB23,716,352,000 respectively), net of impairment loss RMB2,709,763,000, RMB1,690,000, RMB954,000, nil, nil, RMB6,110,000 and RMB878,256,000 respectively (2018: RMB2,173,122,000, RMB7,356,000, RMB2,056,000, nil, nil, RMB1,160,000 and RMB636,757,000 respectively).

The measurement of impairment losses under IFRS 9 across all categories of debt instruments financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At each reporting date, the Bank assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Bank considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

Fair value of financial instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments and discounted cash flow analysis. Valuation models established by the Group make maximum use of market input and rely as little as possible on the Group's specific data. However, it should be noted that some input, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Impairment of non-financial assets

Non-financial assets (i.e. property and equipment, repossessed assets, long-term deferred expenses and right-of-use 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) may not be obtained reliably, the fair value of the asset may not be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the asset's selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.

As at 31 December 2019, the carrying amount of non-financial assets were approximately RMB5,268,552,000 (2018: approximately RMB4,347,720,000), net of accumulated impairment losses amounted approximately RMB19,440,000 (2018: approximately RMB14,892,000).

Depreciation and amortisation

Property and equipment, right-of-use assets and intangible assets are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in each of the reporting period. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

As at 31 December 2019, the carrying amount of property and equipment and right-of-use assets were approximately RMB3,986,902,000 and RMB791,493,000 respectively (2018: approximately RMB4,009,412,000 and nil respectively) , net of accumulated impairment losses amounted nil and nil respectively (2018: nil and nil respectively).

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2019, the carrying amount of goodwill is approximately RMB401,335,000 (2018: approximately RMB401,335,000). Details of the recoverable amount calculation are disclosed in Note 29.

Impairment of interests in associates

In determining whether the interests in associates are impaired, the directors of the Bank assesses the recoverable amount of the interests in associates which is the higher of its fair value less costs of disposal and its value in use. An impairment loss is made if the carrying amount of interests in associates exceeds its recoverable amount. In determining the recoverable amount of the interests in associates, the directors of the Bank require an estimation of the future cash flows expected to arise from the expected dividend yield from the associates in order to determine the value in use of the interests in associates. When the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2019, the carrying amount of interests in associates was approximately RMB1,588,632,000 (2018: approximately RMB2,203,249,000). No accumulated impairment losses were recognised for the year ended 31 December 2019 and 2018.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

5. TAXATION

The Group's main applicable taxes and tax rates are as follows:

(a) Urban maintenance and construction tax

Urban maintenance and construction tax is calculated as 5%–7% of value added tax.

(b) Education surcharge

Education surcharge is calculated as 3% of business tax and value added tax.

(c) Local education surcharge

Local education surcharge is calculated as 2% of business tax and value added tax.

(d) Income tax

The income tax is calculated on taxable income. The statutory income tax rate is 15%–25%.

(e) Value added tax

Pursuant to the “Circular regarding the Pilot Program on Comprehensive Implementation of Value Added Tax Reform” issued by the Ministry of Finance of the PRC (the “MOF”) and the State Administration of Taxation, the Group is required to pay value added tax instead of business tax from 1 May, 2016. Value added tax and related underlying value of the invoice for value added taxable income and expenses shall be stated and accounted for separately.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

6. NET INTEREST INCOME

	2019 RMB'000	2018 RMB'000
Interest income arising from		
– Deposits with the central bank	195,510	227,262
– Deposits with banks and other financial institutions	410,512	665,722
– Placements with banks and other financial institutions	89,113	74,359
– Financial assets at FVTOCI	221,021	332,188
– Financial assets measured at amortised cost	1,244,514	1,614,131
– Loans and advances to customers:		
Corporate loans and advances		
– Loans	4,749,131	3,945,766
– Finance lease loans	134,932	95,235
Personal loans and advances	1,596,842	1,432,385
Discounted bills	8,213	14,412
– Financial assets held under resale agreements	72,724	201,130
	8,722,512	8,602,590
Less: Interest expenses arising from		
– Borrowings from the central bank	(32,038)	(15,270)
– Deposits from banks and other financial institutions	(197,703)	(279,366)
– Placements from banks and other financial institutions	(88,558)	(93,049)
– Deposits from customers:		
Corporate customers	(1,045,670)	(1,269,312)
Individual customers	(2,202,828)	(1,972,412)
– Financial assets sold under repurchase agreements	(159,010)	(382,264)
– Debts securities issued	(796,421)	(1,070,868)
– Lease liabilities	(34,857)	–
	(4,557,085)	(5,082,541)
	4,165,427	3,520,049

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

7. NET FEE AND COMMISSION INCOME

	2019 RMB'000	2018 RMB'000
Fee and commission income		
– Advisory fees	227,190	218,848
– Settlement and clearing fees	25,518	51,351
– Wealth management service fees	1,598	9,234
– Agency service fees	27,100	19,924
– Syndicated loan service fees	59,151	94,311
– Bank card service fees	4,099	5,739
– Others	4,295	7,757
	348,951	407,164
Fee and commission expense		
– Settlement and clearing fees	(24,829)	(22,234)
– Others	(7,656)	(9,326)
	(32,485)	(31,560)
	316,466	375,604

8. NET TRADING GAINS

	2019 RMB'000	2018 RMB'000
Investment income from financial assets at FVTPL (Note)	609,784	914,483

Note:

The investment income from financial assets at FVTPL includes interest income from financial assets at FVTPL of approximately RMB657,927,000 for the year ended 31 December 2019 (2018: approximately RMB871,330,000).

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

9. NET GAINS ARISING FROM INVESTMENT SECURITIES

	2019 RMB'000	2018 RMB'000
Net gains on disposal of financial assets measured at amortised cost	5,424	7,394
Net gains on disposal of financial assets at FVTOCI	27,261	10,387
Net revaluation losses reclassified from other comprehensive income upon disposal	(11,564)	(5,938)
	21,121	11,843

10. OTHER OPERATING INCOMES, NET

	2019 RMB'000	2018 RMB'000
Government grants (Note)	49,437	72,926
Gain (loss) on disposal of property and equipment	17,064	(6,340)
Gain on early termination of lease agreements	3,198	—
Other operating income	20,971	58,051
	90,670	124,637

Note:

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

11. OPERATING EXPENSES

	2019 RMB'000	2018 RMB'000
Staff costs (including directors' and supervisors' emoluments)		
— Salaries and bonuses	1,149,012	1,170,420
— Staff welfares	93,079	90,674
— Social insurance	292,492	284,086
— Housing allowances	87,943	85,050
— Labour union and staff education expenses	26,378	29,524
	1,648,904	1,659,754
Premises and equipment expenses		
— Depreciation of property and equipment	317,026	295,324
— Amortisation of long-term deferred expenses	27,732	12,746
— Amortisation of land use rights	—	873
— Rental and property management expenses	56,895	252,885
— Depreciation of right-of-use assets	185,663	—
	587,316	561,828
Other tax and surcharges	74,293	94,764
Other general and administrative expenses (Note)	476,935	535,053
	2,787,448	2,851,399

Note:

Auditor's remuneration for the year ended 31 December 2019 was RMB3,160,000 (2018: RMB2,860,000).

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments paid or payable to each of the 22 (2018: 20) directors, the chief executive and supervisors were as follows:

For the Year Ended 31 December 2019

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefits scheme contributions RMB'000	Discretionary bonuses (Note) RMB'000	Total RMB'000
Executive directors					
Gao Bing	—	537	225	1,875	2,637
Yuan Chunyu	—	362	153	1,125	1,640
Liang Xiangmin	—	378	153	1,151	1,682
Non-executive directors					
Wu Shujun	—	—	—	—	—
Zhang Xinyou	—	—	—	—	—
Guo Yan ⁽¹⁾	—	—	—	—	—
Cui Qiang ⁽²⁾	—	—	—	—	—
Zhang Yusheng	—	—	—	—	—
Wang Baocheng	—	—	—	—	—
Independent non-executive directors					
Fu Qiong	100	—	—	—	100
Li Beiwei ⁽³⁾	100	—	—	—	100
Zhang Qihua ⁽⁴⁾	—	—	—	—	—
Yang Jinguan	100	—	—	—	100
Chung Wing Yin	298	—	—	—	298
Jiang Ning	100	—	—	—	100
Supervisors					
Luo Hui	—	452	165	1,188	1,805
Wang Enjiu	—	833	81	—	914
Liu Xiangjun	—	123	26	23	172

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

The emoluments paid or payable to each of the 22 (2018: 20) directors, the chief executive and supervisors were as follows: (Continued)

For the Year Ended 31 December 2019 (Continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefits scheme contributions RMB'000	Discretionary bonuses (Note) RMB'000	Total RMB'000
External supervisors					
Gao Pengcheng	50	—	—	—	50
Wang Zhi	50	—	—	—	50
Zhang Ruibin	50	—	—	—	50
Fan Shuguang	50	—	—	—	50
	898	2,685	803	5,362	9,748

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

For the Year Ended 31 December 2018

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefits scheme contributions RMB'000	Discretionary bonuses (Note) RMB'000	Total RMB'000
Executive directors					
Gao Bing	—	543	235	1,875	2,653
Yuan Chunyu	—	367	161	1,125	1,653
Liang Xiangmin	—	368	161	1,125	1,654
Non-executive directors					
Wu Shujun	—	—	—	—	—
Zhang Xinyou	—	—	—	—	—
Guo Yan	—	—	—	—	—
Zhang Yusheng	—	—	—	—	—
Wang Baocheng	—	—	—	—	—
Independent non-executive directors					
Fu Qiong	100	—	—	—	100
Li Beiwei	100	—	—	—	100
Yang Jinguan	100	—	—	—	100
Chung Wing Yin	273	—	—	—	273
Jiang Ning	100	—	—	—	100
Supervisors					
Luo Hui	—	457	174	1,188	1,819
Wang Enjiu	—	1,144	103	—	1,247
Liu Xiangjun	—	103	27	17	147

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

For the Year Ended 31 December 2018 (Continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefits scheme contributions RMB'000	Discretionary bonuses (Note) RMB'000	Total RMB'000
External supervisors					
Gao Pengcheng	50	—	—	—	50
Wang Zhi	50	—	—	—	50
Zhang Ruibin	50	—	—	—	50
Fan Shuguang	50	—	—	—	50
	873	2,982	861	5,330	10,046

Note:

Discretionary bonuses are paid depending on staff grading, individual performance and the profitability of the Group.

- (1) Guo Yan resigned as non-executive director on 28 March 2019.
- (2) Cui Qiang was appointed as non-executive director on 6 August 2019.
- (3) Li Beiwei resigned as independent non-executive director on 28 March 2019.
- (4) Zhang Qihua was appointed as independent non-executive director on 29 August 2019.

Mr. Gao Bing is also the chief executive of the Bank and his emoluments disclosed above include those for services rendered by him as the chief executive.

No directors of the Bank waived or agreed to waive any emolument paid by the Group during the years ended 31 December 2019 and 2018. No emoluments were paid by the Group to the directors or supervisors of the Bank as an incentive payment for joining the Group or as compensation, for loss of office during the years ended 31 December 2019 and 2018.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2018: one) was director whose emoluments are disclosed in Note 12 above. The emoluments of remaining four (2018: four) individuals were as follows:

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	7,176	8,882
Retirement benefits scheme contributions	638	553
Discretionary bonuses	4,283	3,121
	12,097	12,556

Their emoluments were within the following bands:

	2019 No. of employees	2018 No. of employees
Nil-RMB1,000,000	—	—
RMB1,000,001-1,500,000	—	—
RMB1,500,001-2,000,000	3	2
RMB2,000,001-2,500,000	—	—
RMB2,500,001-3,000,000	1	1
RMB3,000,001-3,500,000	—	1
RMB3,500,001-4,000,000	1	—

None of these individuals received any inducement to join or upon joining the Group or compensation for loss of office, or waived any emoluments during the years ended 31 December 2019 and 2018.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

14. IMPAIRMENT LOSSES ON ASSETS, NET OF REVERSALS

	2019 RMB'000	2018 RMB'000
Loans and advances to customers	602,550	513,779
Other receivables and repossessed assets	17,095	18,321
Debt securities financial assets at FVTOCI	4,950	(217)
Financial assets held under resale agreements	—	(37)
Deposits with bank and other financial institutions	(5,666)	4,294
Placements with banks and other financial institutions	(1,102)	1,007
Provision for credit commitments and financial guarantees	(6)	2
Financial assets measured at amortised costs	470,259	353,020
	1,088,080	890,169

15. INCOME TAX EXPENSE

(a) Income tax:

	2019 RMB'000	2018 RMB'000
Current tax:		
— Mainland China Enterprise Income Tax	475,200	383,444
Under provision in prior years:		
— Mainland China Enterprise Income Tax	3,889	9,215
Deferred tax (Note 30)		
— Current year	(171,310)	(136,583)
	307,779	256,076

Under the Law of the Mainland China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the Mainland China companies is 25%. During the year ended 31 December 2018, certain branches with operations in a subsidiary, Changbai Mountain Rural Commercial Bank Co., Ltd. (“長白山農村商業銀行股份有限公司”, “Changbai Mountain Rural Commercial Bank”) obtained approvals from tax authorities to adopt the preferential income tax rate of 15%.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

15. INCOME TAX EXPENSE (Continued)

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

	2019 RMB'000	2018 RMB'000
Profit before tax	1,503,474	1,439,740
Tax at domestic income tax rate of 25%	375,868	359,935
Tax effect of share of profit of associates	(16,891)	(35,933)
Tax effect of expenses not deductible for tax purpose (Notes i)	9,641	22,063
Tax effect of income that are not taxable for tax purpose (Notes ii)	(64,728)	(97,303)
Under provision in respect of prior years	3,889	9,215
Income tax on concessionary rate	—	(1,901)
Income tax expense	307,779	256,076

Notes:

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

Details of the deferred taxation are set out in Note 30.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

16. EARNINGS PER SHARE

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

	2019 RMB'000	2018 RMB'000
Profit for the year attributable to owners of the Bank	1,042,146	982,940
		(restated)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000)	4,184,037	4,184,037

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the years ended 31 December 2019 and 2018.

The weighted average number of ordinary shares in issue during the year ended 31 December 2019 and 2018 represents 199,239,885 ordinary shares in issue as if such shares were issued the year ended 31 December 2018 after taking into account the capitalisation issue as stated in note 42 as if the capitalisation issue had been effective on 1 January 2018.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

17. CASH AND DEPOSITS WITH THE CENTRAL BANK

	2019 RMB'000	2018 RMB'000
Cash on hand	698,776	733,406
Deposits with the central bank		
– Statutory deposit reserves (Notes a)	10,875,726	10,847,788
– Surplus deposit reserves (Notes b)	11,911,299	10,774,110
– Fiscal deposits	140,560	102,825
	22,927,585	21,724,723
	23,626,361	22,458,129

Notes:

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

	2019	2018
Reserve ratio for RMB deposits	10.5%	12.0%
Reserve ratio for foreign currency deposits	5.0%	5.0%

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

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

18. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	2019 RMB'000	2018 RMB'000
Deposits in Mainland China		
— Banks	6,174,306	9,837,621
— Other financial institutions	1,777	12,324
	6,176,083	9,849,945
Deposits outside Mainland China		
— Banks	18,953	41,769
	6,195,036	9,891,714
Less: provision for impairment losses (Note (a))	(1,690)	(7,356)
	6,193,346	9,884,358

Notes:

- (a) As at 31 December 2019 and 2018, the Group classifies all deposits with banks and other financial institutions in Stage 1, and measures the loss allowance equal to 12 months ECL.
- (b) Movement of provision for impairment losses:

	2019 RMB'000	2018 RMB'000
At 1 January	7,356	5,518
Impairment losses (reversed)/recognised	(5,666)	4,294
Derecognised on deemed disposal of subsidiaries	—	(2,456)
At 31 December	1,690	7,356

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

19. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	2019 RMB'000	2018 RMB'000
Placements in Mainland China		
– Banks	315,000	20,636
– Other financial institutions	1,500,000	1,680,000
	1,815,000	1,700,636
Less: provision for impairment losses (Note (a))	(954)	(2,056)
	1,814,046	1,698,580

Notes:

- (a) As at 31 December 2019 and 2018, the Group classifies all placements with banks and other financial institutions in Stage 1, and measures the loss allowance equal to 12-month ECL.
- (b) Movement of provision for impairment losses:

	2019 RMB'000	2018 RMB'000
At 1 January	2,056	1,166
Impairment losses (reversed)/recognised	(1,102)	1,007
Derecognised on deemed disposals of subsidiaries	–	(117)
At 31 December	954	2,056

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

20. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by type and location of counterparty

	2019 RMB'000	2018 RMB'000
In Mainland China		
– Banks	99,960	—

(b) Analysed by type of security held

	2019 RMB'000	2018 RMB'000
Debt securities		
– Government	99,960	—

Movement of provision for impairment losses:

	2019 RMB'000	2018 RMB'000
At 1 January	—	37
Impairment losses reversed	—	(37)
At 31 December	—	—

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RMB'000	2018 RMB'000
Unlisted equity investments measured at FVTPL (Notes (a))	1,205,654	1,017,382
Other debt instruments (Notes (b))	8,332,759	15,370,253
	9,538,413	16,387,635

Notes:

(a) Unlisted equity investments measured at FVTPL

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities established in the PRC.

(b) Other debt instruments

Other debt securities represented investments, financed by the proceeds raised from principal-guaranteed wealth management products issued by the Group. The Group accounts for the corresponding investment funds under deposits from customers.

	2019 RMB'000	2018 RMB'000
Trusts plans	—	481,775
Asset management plans	8,332,759	14,888,478
	8,332,759	15,370,253

22. INTERESTS RECEIVABLES

	2019 RMB'000	2018 RMB'000
Interests receivables arising from:		
– Investments	580,988	425,218
– Loans and advances to customers	307,459	222,397
– Financial assets held under resale agreements	8	—
– Deposits and placements with banks and other financial institutions	51,390	103,120
	939,845	750,735

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

23. LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	2019 RMB'000	2018 RMB'000
Gross loans and advances to customers		
Corporate loans and advances		
– Loans	71,018,305	55,288,224
– Finance lease loans	2,251,837	1,559,929
	73,270,142	56,848,153
Personal loans and advances		
– Personal business loans	16,700,117	14,655,473
– Personal consumption loans	2,771,082	3,621,813
– Credit card overdrafts	24,734	17,161
– Residential and commercial mortgage loans	3,337,886	2,374,172
	22,833,819	20,668,619
Discounted bills	—	10,899
	96,103,961	77,527,671
Less: Provision for impairment losses		
– Individually assessed	(800,960)	(811,371)
– Collectively assessed	(1,908,803)	(1,361,751)
	(2,709,763)	(2,173,122)
	93,394,198	75,354,549

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

23. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analysed by industry sector

	At 31 December 2019		
	Amounts RMB'000	Percentages	Loans and advances secured by collaterals RMB'000
Gross loans and advances to customers			
Corporate loans and advances			
– Wholesale and retail	16,974,228	17.66%	5,951,261
– Manufacturing	13,696,639	14.25%	5,396,840
– Leasing and business services	12,293,450	12.79%	4,803,660
– Agriculture, forestry, animal husbandry and fishery	6,306,661	6.56%	1,841,179
– Construction	6,177,663	6.43%	1,948,146
– Transportation, storage and postal services	3,731,868	3.88%	364,354
– Real estate	3,413,495	3.55%	1,679,015
– Scientific research, technical services and geological prospecting	2,637,661	2.74%	905,049
– Electricity, gas and water production and supply	1,816,665	1.89%	225,200
– Education	1,776,163	1.85%	560,420
– Information transmission, computer services and software	1,054,018	1.10%	218,938
– Health and social services	935,788	0.97%	95,508
– Accommodation and catering	900,185	0.94%	595,825
– Cultural, sports and entertainment	473,722	0.49%	191,349
– Resident and other services	415,019	0.43%	142,251
– Water, environment and public facility management	402,124	0.42%	235,450
– Public administration, social security and social organisation	162,960	0.17%	110,000
– Mining	91,944	0.10%	10,700
– Finance	9,889	0.02%	4,901
	73,270,142	76.24%	25,280,046
Personal loans and advances	22,833,819	23.76%	13,265,826
	96,103,961	100.00%	38,545,872
Less: Provision for impairment losses			
– Individually assessed	(800,960)		
– Collectively assessed	(1,908,803)		
	(2,709,763)		
	93,394,198		

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

23. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analysed by industry sector (Continued)

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

23. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analysed by industry sector (Continued)

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

	At 31 December 2019					
	Gross impaired loans and advances RMB'000	ECL			Impairment charged during the year RMB'000	Written-off during the year RMB'000
		Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000		
– Wholesale and retail	179,622	305,383	48,600	71,757	(8,431)	–
– Manufacturing	533,653	305,272	59,573	254,029	5,294	(1,500)
– Leasing and business services	82,476	168,598	4,591	29,813	146,824	–

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

23. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Analysed by type of collateral

	2019 RMB'000	2018 RMB'000
Gross loans and advances to customers		
Unsecured loans	3,396,521	3,045,467
Guaranteed loans	43,901,776	36,121,702
Collateralised loans	38,545,872	30,665,598
Pledged loans	10,259,792	7,694,904
	96,103,961	77,527,671
Less: Provision for impairment losses		
— Individually assessed	(800,960)	(811,371)
— Collectively assessed	(1,908,803)	(1,361,751)
	(2,709,763)	(2,173,122)
	93,394,198	75,354,549

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

23. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(d) Overdue loans analysed by overdue period

	At 31 December 2019				
	Overdue within three months (inclusive) RMB'000	Overdue more than three months to one year (inclusive) RMB'000	Overdue more than one year to three years (inclusive) RMB'000	Overdue more than three years RMB'000	Total RMB'000
Unsecured loans	6,968	6,973	1,290	4,929	20,160
Guaranteed loans	1,007,622	230,443	95,871	169,234	1,503,170
Collateralised loans	477,486	343,564	435,902	441,365	1,698,317
Pledged loans	22,610	5,759	5,565	58,261	92,195
	1,514,686	586,739	538,628	673,789	3,313,842
As a percentage of gross loans and advances to customers	1.58%	0.61%	0.56%	0.70%	3.45%

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

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 Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

23. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(e) Loans and advances and provision for impairment losses

	As at 31 December 2019			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Gross loans and advances to customers	91,884,629	2,315,007	1,904,325	96,103,961
Less: Provision for impairment losses	(1,478,337)	(278,402)	(953,024)	(2,709,763)
	90,406,292	2,036,605	951,301	93,394,198

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

The Group conducts internal stratified management of asset risk characteristics according to the quality status of assets. Financial assets included in the expected credit losses are further classified into “Normal”, “Special mention”, “Substandard”, “Doubtful” and “Loss” within each stage according to internal rating scales and overdue days, the results of this layered management are used by the Bank for internal credit risk management purposes.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

23. LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

As at 31 December 2019 and 2018, an analysis of the gross amount of loans receivables with the grading of the loan is as follows:

	At 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
	12m ECL RMB'000	Lifetime ECL RMB'000	Lifetime ECL RMB'000	
Normal	91,884,629	1,017,500	—	92,902,129
Special mention	—	1,297,507	287,348	1,584,855
Substandard	—	—	520,996	520,996
Doubtful	—	—	1,067,058	1,067,058
Loss	—	—	28,923	28,923
Gross carrying amount	91,884,629	2,315,007	1,904,325	96,103,961
Less: allowance for impairment losses	(1,478,337)	(278,402)	(953,024)	(2,709,763)
Net carrying amount	90,406,292	2,036,605	951,301	93,394,198

	At 31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
	12m ECL RMB'000	Lifetime ECL RMB'000	Lifetime ECL RMB'000	
Normal	73,681,683	1,339,001	300	75,020,984
Special mention	—	865,380	286,538	1,151,918
Substandard	—	—	363,590	363,590
Doubtful	—	—	965,019	965,019
Loss	—	—	26,160	26,160
Gross carrying amount	73,681,683	2,204,381	1,641,607	77,527,671
Less: allowance for impairment losses	(1,080,762)	(219,925)	(872,435)	(2,173,122)
Net carrying amount	72,600,921	1,984,456	769,172	75,354,549

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

23. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(f) Movements of provision for impairment losses

	As at 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
	12m ECL RMB'000	Lifetime ECL RMB'000	Lifetime ECL RMB'000	
Loss allowance at 1 January 2019	1,080,762	219,925	872,435	2,173,122
Changes in the loss allowance				
– Transfer to stage 1	45,541	(25,206)	(20,335)	–
– Transfer to stage 2	(13,486)	26,061	(12,575)	–
– Transfer to stage 3	(9,845)	(42,248)	52,093	–
– Charge to profit or loss, net	375,365	99,870	127,315	602,550
– Recoveries of loans and advances previously written off as uncollectible	–	–	7,963	7,963
– Interest income on impaired loans and advances to customers	–	–	(49,365)	(49,365)
– Amounts written off as uncollectible	–	–	(24,507)	(24,507)
Loss allowance at 31 December 2019	1,478,337	278,402	953,024	2,709,763

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

23. LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	2019 RMB'000	2018 RMB'000
At 1 January	2,173,122	2,632,742
Impairment losses recognised		
Charge for the year	629,116	670,886
Reverse for the year	(26,566)	(157,107)
	602,550	513,779
Recoveries of loans and advances previously written off	7,963	23,826
Interest income on impaired loans and advances to customers	(49,365)	(28,598)
Amounts written off as uncollectible	(24,507)	(16,257)
Derecognised on deemed disposal of subsidiaries	—	(952,370)
At 31 December	2,709,763	2,173,122

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

23. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(g) Analysed by geographical sector

	At 31 December 2019		
	Gross loans balance RMB'000	Percentages	Loans and advances secured by collaterals RMB'000
Jilin Region	73,148,404	76.11%	27,645,195
Mainland China excluding Jilin Region	22,955,557	23.89%	10,900,677
	96,103,961	100.00%	38,545,872

	At 31 December 2018		
	Gross loans balance RMB'000	Percentages	Loan and advances secured by collaterals RMB'000
Jilin Region	65,442,106	84.41%	24,296,165
Mainland China excluding Jilin Region	12,085,565	15.59%	6,369,433
	77,527,671	100.00%	30,665,598

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

23. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(h) Finance lease receivables

The Group entered into finance leasing arrangements as a lessor for certain equipment to its retailers. The average term of finance leases entered into is 3.55 years. Generally, these lease contracts do not include extension or early termination options.

	2019 RMB'000
Amounts receivable under finance leases:	
Within one year	884,835
After one year but within two years	655,413
After two years but within three years	600,847
After three years but within four years	234,358
After four years but within five years	124,209
After five years	—
Undiscounted lease payments	2,499,662
Unguaranteed residual values	—
Gross investment in leases	2,499,662
Less: Unearned finance income	(247,825)
Present value of minimum finance lease receivables	2,251,837
Less: Provision for impairment losses	(34,491)
	2,217,346

The following table presents the amounts included in profit or loss.

	2019 RMB'000
Finance income on the net investment in finance leases	134,932

The Group's finance lease arrangement do not include variable payments.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

23. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(h) Finance lease receivables (Continued)

Disclosure required by IAS17

	2018	2018
	Minimum lease payments RMB'000	Present value of minimum lease payments RMB'000
Amounts receivable under finance leases:		
Within one year	976,715	934,035
In the second to fifth years, inclusive	690,454	625,894
Over five years	—	—
	1,667,169	1,559,929
Less: Unearned finance income	(107,240)	—
Present value of minimum finance lease receivables	1,559,929	—
Less: Provision for impairment losses (Note)		(18,143)
		1,541,786

Note:

As at 31 December 2019 and 2018, the Group classifies all finance lease receivables in Stage 1, and measures the loss allowance equal to 12-month ECL included in note 23(f).

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 RMB'000	2018 RMB'000
Debt securities issued by the following institutions in Mainland China		
– Government	1,967,780	3,131,872
– Banks and other financial institutions	728,636	2,073,041
– Corporations	684,393	675,508
– Interbank deposits	2,803,021	—
	6,183,830	5,880,421
Asset management plans	341,773	324,651
Unlisted equity investments measured at FVTOCI	145,285	144,617
	487,058	469,268
	6,670,888	6,349,689
Analysed as:		
– Listed outside Hong Kong	6,183,830	5,880,421
– Unlisted outside Hong Kong	487,058	469,268
	6,670,888	6,349,689

The Group made an irrevocable election to present changes in the fair value of certain of its equity investments in OCI.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

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

Debt securities included in FVTOCI are traded on the China Interbank Bond Market and are included in “Listed outside Hong Kong”.

At 31 December 2019 and 2018, parts of financial assets at FVTOCI were pledged as security for repurchase agreement (Note 32(a)).

Provision for impairment losses for debt instruments at FVTOCI:

	At 31 December 2019			Total RMB'000
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	
Gross debt instruments at FVTOCI	6,440,748	—	84,855	6,525,603
Less: Provision for impairment losses	(5,960)	—	(150)	(6,110)
	6,434,788	—	84,705	6,519,493

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

The movements in the impairment allowance (included in investment revaluation reserve) for the debt instruments at FVTOCI during the year are as follows:

	2019 Total RMB'000	2018 Total RMB'000
At 1 January	1,160	1,430
Charge for the year	4,950	(217)
Derecognised on deemed disposal of subsidiaries	—	(53)
At 31 December	6,110	1,160

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

25. FINANCIAL ASSETS MEASURED AT AMORTISED COST

	2019 RMB'000	2018 RMB'000
Debt securities issued by the following institutions in Mainland China		
– Government	5,579,410	5,518,559
– Banks and other financial institutions	531,695	1,353,901
	6,111,105	6,872,460
Trust plans	10,419,566	9,021,324
Asset management plans	6,635,538	7,761,214
Investment funds	720,906	698,111
	17,776,010	17,480,649
	23,887,115	24,353,109
Less: Provision for impairment losses (Note a)	(878,256)	(636,757)
	23,008,859	23,716,352
Analysed as:		
Listed outside Hong Kong	6,110,632	6,871,790
Unlisted outside Hong Kong	16,898,227	16,844,562
	23,008,859	23,716,352

Notes:

(a) Provision for impairment losses:

	At 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
	12m ECL	Lifetime ECL	Lifetime ECL	
	RMB'000	RMB'000	RMB'000	RMB'000
Gross financial assets measured at amortised costs	13,628,204	3,364,277	6,894,634	23,887,115
Less: Provision for impairment losses	(30,923)	(35,856)	(811,477)	(878,256)
	13,597,281	3,328,421	6,083,157	23,008,859

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

25. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Continued)

Notes: (Continued)

(a) Provision for impairment losses: (Continued)

	At 31 December 2018			Total RMB'000
	Stage 1	Stage 2	Stage 3	
	12m ECL RMB'000	Lifetime ECL RMB'000	Lifetime ECL RMB'000	
Gross financial assets measured at amortised costs	17,684,535	1,972,592	4,695,982	24,353,109
Less: Provision for impairment losses	(81,066)	(22,498)	(533,193)	(636,757)
	17,603,469	1,950,094	4,162,789	23,716,352

(b) Movements of allowance for impairment losses

	As at 31 December 2019			Total RMB'000
	Stage 1	Stage 2	Stage 3	
	12m ECL RMB'000	Lifetime ECL RMB'000	Lifetime ECL RMB'000	
Loss allowance at 1 January 2019	81,066	22,498	533,193	636,757
Changes in the loss allowance				
– Transfer to stage 1	4,937	(4,937)	–	–
– Transfer to stage 2	(12,223)	12,223	–	–
– Transfer to stage 3	(13,169)	(12,685)	25,854	–
– Charge (reverse) to profit or loss, net	(29,688)	18,757	481,190	470,259
– Interest income on impaired financial asset measured at amortised cost	–	–	(228,760)	(228,760)
Loss allowance at 31 December 2019	30,923	35,856	811,477	878,256

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

25. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Continued)

Notes: (Continued)

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

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

	2019 RMB'000	2018 RMB'000
At 1 January	636,757	764,516
Impairment losses recognised, net	470,259	353,020
Interest income on impaired financial asset measured at amortised cost	(228,760)	(177,671)
Derecognised on deemed disposal of subsidiaries	–	(303,108)
At 31 December	878,256	636,757

Notes:

- (i) The Group had an objective to hold these investments in order to collect contractual cash flows and had measured them at their amortised cost.
- (ii) All debt securities are traded on the China Interbank Bond Market and are included in "Listed outside Hong Kong".
- (iii) At 31 December 2019 and 2018, parts of financial assets at amortised cost were pledged as securities for repurchase agreement (Note 32(a)).

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

26. INTERESTS IN ASSOCIATES

	2019 RMB'000	2018 RMB'000
Costs of investments in associates, unlisted	1,483,133	2,071,188
Share of post-acquisition profits and other comprehensive income, net of dividends received	105,499	132,061
	1,588,632	2,203,249

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

Name of the bank	Form of entity	Country of incorporation/operation	Class of shares held	Proportion of ownerships interests or participating shares held by the Group		Proportion of voting power held		Principal activity
				2019	2018	2019	2018	
Jilin Gongzhuling Rural Commercial Bank Co., Ltd.* ("吉林公主嶺農村商業銀行股份有限公司", "Jilin Gongzhuling Rural Commercial Bank") ⁽¹⁾	Incorporated	PRC	Ordinary	30%	30%	30%	30%	Corporate and retail bank
Changbai Mountain Rural Commercial Bank Co., Ltd.	Incorporated	PRC	Ordinary	38.8%	38.8%	38.8%	38.8%	Corporate and retail bank
Jilin Dehui Rural Commercial Bank Co., Ltd.* ("吉林德惠農村商業銀行股份有限公司", "Jilin Dehui Rural Commercial Bank") ⁽¹⁾	Incorporated	PRC	Ordinary	—	45%	—	45%	Corporate and retail bank
Jilin Chuncheng Rural Commercial Bank Co., Ltd.* ("吉林春城農村商業銀行股份有限公司", "Jilin Chuncheng Rural Commercial Bank") ⁽¹⁾	Incorporated	PRC	Ordinary	30%	30%	30%	30%	Corporate and retail bank
Haikou United Rural Commercial Bank Co., Ltd.* ("海口聯合農村商業銀行股份有限公司", "Haikou United Rural Commercial Bank") ⁽¹⁾	Incorporated	PRC	Ordinary	20%	20%	24%	24%	Corporate and retail bank

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

* The English translation is for identification only.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

26. INTERESTS IN ASSOCIATES (Continued)

Note:

- (a) During the year ended 31 December 2019, the Bank disposed of 175,500,000 shares (35.1% equity interest) in Jilin Dehui Rural Commercial Bank to four independent third parties at cash consideration of RMB 521,235,000. The result gain recognised in profit or loss is as follow:

	RMB'000
Consideration	521,235
Fair value of retained interest recognised as financial assets at FVTPL	147,015
Carry amount of disposed 35.1% investment on the date of loss of significant influence	(630,912)
Release of other comprehensive income upon disposal an associate	172
<hr/>	
Gain on disposal of an associate	37,510

After the disposal, the Group holds 9.9% of equity interest of Jilin Dehui Rural Commercial Bank. As the Group loss of significant influence on Jilin Dehui Rural Commercial Bank, the investment was classified as financial assets at FVTPL which carrying amount was approximately RMB147,015,000 on the date of disposal.

- (b) On 28 May 2018, certain shareholders who hold certain ownership and voting power of the banks including Jilin Gongzhuling Rural Commercial Bank, Changbai Mountain Rural Commercial Bank, Jilin Dehui Rural Commercial Bank and Jilin Chuncheng Rural Commercial Bank, terminated the act in concert contracts with the Group. Hence, the Group loss control over these banks as the Group did not obtain more than half of the voting power in the shareholders meetings of these banks. Details are set out in note 57.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

26. INTERESTS IN ASSOCIATES (Continued)

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

	2019 RMB'000	2018 RMB'000
The Group's share of profit for the year	67,564	143,731
The Group's share of other comprehensive income for the year	(1,793)	3,352
	65,771	147,083

	2019 RMB'000	2018 RMB'000
Carrying amount of the Group's interests in these associates	1,588,632	2,203,249

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

27. PROPERTY AND EQUIPMENT

	Premises RMB'000	Leasehold improvement RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost						
At 1 January 2018	3,732,129	587,306	706,791	380,000	14,154	5,420,380
Additions	30,332	35,864	111,272	388,091	2,323	567,882
Transfers in/(out) of construction in progress	222,445	282	24,450	(247,177)	—	—
Deemed disposals of subsidiaries	(487,987)	(23,006)	(153,795)	(269,824)	(5,175)	(939,787)
Disposals	—	—	(13,716)	—	(977)	(14,693)
At 31 December 2018	3,496,919	600,446	675,002	251,090	10,325	5,033,782
Additions	36,077	23,105	161,354	127,686	1,867	350,089
Transfers in/(out) of construction in progress	81,473	—	1,167	(82,640)	—	—
Disposals	(63,068)	(2,335)	(11,947)	—	(1,465)	(78,815)
At 31 December 2019	3,551,401	621,216	825,576	296,136	10,727	5,305,056

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

27. PROPERTY AND EQUIPMENT (Continued)

	Premises RMB'000	Leasehold improvement RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Motor vehicles RMB'000	Total RMB'000
Accumulated depreciation and impairment						
At 1 January 2018	320,374	243,509	388,124	—	12,459	964,466
Provided for the year	113,581	69,793	111,834	—	116	295,324
Impairment loss recognised in profit or loss	(112,943)	(6,947)	(104,319)	—	(3,772)	(227,981)
Eliminated on disposals	—	—	(6,724)	—	(715)	(7,439)
At 31 December 2018	321,012	306,355	388,915	—	8,088	1,024,370
Provided for the year	146,739	62,347	107,333	—	607	317,026
Eliminated on disposals	(10,517)	(177)	(11,125)	—	(1,423)	(23,242)
At 31 December 2019	457,234	368,525	485,123	—	7,272	1,318,154
Net book value						
At 31 December 2019	3,094,167	252,691	340,453	296,136	3,455	3,986,902
At 31 December 2018	3,175,907	294,091	286,087	251,090	2,237	4,009,412

At 31 December 2019, the net book values of premises of which title deeds were not yet finalised by the Group were approximately RMB2,336,150,000 (2018: approximately RMB2,302,874,000). Among them, the net book values of premises that the Group has obtained housing property title certificates issued by the authorities but no land use right certificates were approximately RMB539,546,000 (2018: approximately RMB533,783,000).

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

27. PROPERTY AND EQUIPMENT (Continued)

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

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

	2019 RMB'000	2018 RMB'000
Held in Mainland China		
– Long term leases (over 50 years)	75,809	76,068
– Medium term leases (10–50 years)	2,992,546	3,016,806
– Short term leases (less than 10 years)	25,812	83,033
	3,094,167	3,175,907

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

28. LEASE

i Right-of-use assets

	Premises RMB'000	Motor Vehicles RMB'000	Land use rights RMB'000	Total RMB'000
Cost				
At 1 January 2019	—	—	—	—
Adoption of IFRS 16	934,503	5,364	29,370	969,237
Additions	53,439	5,688	—	59,127
Disposals	—	—	(20,950)	(20,950)
Early termination of lease	(35,072)	—	—	(35,072)
At 31 December 2019	952,870	11,052	8,420	972,342
Accumulated depreciation				
At 1 January 2019	—	—	—	—
Adoption of IFRS 16	—	—	3,587	3,587
Provided for the period	180,875	4,327	461	185,663
Elimination on disposals	—	—	(2,920)	(2,920)
Elimination on early termination of lease	(5,481)	—	—	(5,481)
At 31 December 2019	175,394	4,327	1,128	180,849
Carrying amounts				
At 31 December 2019	777,476	6,725	7,292	791,493

Right-of-use assets of approximately RMB7,292,000 represents land use rights located in the PRC. As at 31 December 2019, the Group is still in a process of obtaining the land certificate with the carrying amount of approximately RMB972,000. In the opinion of the directors, based on the advice from the Group's external legal adviser, the absence of the land certificate does not impair its carrying value to the Group.

The Group has lease arrangements for premises and motor vehicles. The lease terms are generally ranged from two to twenty years. The land is located in PRC with lease term ranged from ten to fifty years.

Additions to the right-of-use assets for the year ended 31 December 2019 amounted to approximately RMB59,127,000, due to new leases of premises and motor vehicles.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

28. LEASE (Continued)

ii Lease liabilities

Amounts payable under lease liabilities	31/12/2019 RMB'000	1/1/2019 RMB'000
Within one year	212,000	190,854
After one year but within two years	151,174	170,179
After two year but within five years	278,970	359,432
After five years	69,759	126,534
	711,903	846,999

During the year ended 31 December 2019, the Group entered into a number of new lease agreements in respect of renting properties and motor vehicles and recognised lease liability of approximately RMB59,127,000.

iii Amount recognised in profit or loss

	31/12/2019 RMB'000
Depreciation expense on right-of-use assets	185,663
Interest expense on lease liabilities	34,857

iv Others

As at 31 December 2019, the Group is not committed for lease agreements not yet commenced.

During the year ended 31 December 2019, the total cash outflow for leases amount to approximately RMB196,291,000.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

29. GOODWILL

	2019 RMB'000	2018 RMB'000
Cost		
At the beginning of the financial year	401,335	1,184,527
Eliminated on deemed disposals of subsidiaries	—	(783,192)
At the end of the financial year	401,335	401,335
Carrying amounts		
At the end of the financial year	401,335	401,335

Impairment testing on goodwill

For the purpose of impairment testing, goodwill with indefinite useful lives set out as above have been allocated to four individual cash-generating units (“CGUs”), comprising four subsidiaries in corporate and retail banking as at 31 December 2019 and 2018 respectively.

	2019 RMB'000	2018 RMB'000
Liaoyuan Rural Commercial Bank Limited Liability Company* (“遼源農村商業銀行有限責任公司”), “Liaoyuan Rural Commercial Bank”)	386,202	386,202
Lingshui Huimin Village and Township Bank Co., Ltd.* (“陵水惠民村鎮銀行股份有限公司”), “Lingshui Huimin Village and Township Bank”)	1,010	1,010
Sanya Huimin Village Bank Co., Ltd.* (“三亞惠民村鎮銀行股份有限公司”), “Sanya Huimin Village and Township Bank”)	3,352	3,352
Qingdao Jimo Huimin Village Bank Co., Ltd.* (“青島即墨惠民村鎮銀行股份有限公司”), “Qingdao Jimo Huimin Village and Township Bank”)	10,771	10,771
	401,335	401,335

* The English translation is for identification only.

During the year ended 31 December 2019 and 2018, management of the Group determines that there are no impairments of any of its cash-generating units containing goodwill with indefinite useful lives.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

29. GOODWILL (Continued)

Impairment testing on goodwill (Continued)

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Liaoyuan Rural Commercial Bank

The recoverable amounts of this unit have been determined on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with an average growth rate of 6%, and pre-tax discount rate of 13% (2018: 13%). Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 3%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the country in which the CGU operates. The discount rates used are the CGU's specific weighted average cost of capital, adjusted for the risks of the specific CGU.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of this CGU to exceed its recoverable amount.

Lingshui Huimin Village and Township Bank

The recoverable amounts of this unit have been determined on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with an average growth rate of 6%, and pre-tax discount rate of 13% (2018: 13%). Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 3%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the country in which the CGU operates. The discount rates used are the CGU's specific weighted average cost of capital, adjusted for the risks of the specific CGU.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of this CGU to exceed its recoverable amount.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

29. GOODWILL (Continued)

Impairment testing on goodwill (Continued)

The basis of the recoverable amounts of the above cash-generating units and their major underlying assumptions are summarised below: (Continued)

Sanya Huimin Village and Township Bank

The recoverable amounts of this unit have been determined on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with an average growth rate of 36%, and pre-tax discount rate of 13% (2018: 13%). Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 3%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the country in which the CGU operates. The discount rates used are the CGU's specific weighted average cost of capital, adjusted for the risks of the specific CGU.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of this CGU to exceed its recoverable amount.

Qingdao Jimo Huimin Village and Township Bank

The recoverable amounts of this unit have been determined on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with an average growth rate of 23%, and pre-tax discount rate of 13% (2018: 13%). Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 3%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the country in which the CGU operates. The discount rates used are the CGU's specific weighted average cost of capital, adjusted for the risks of the specific CGU.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of this CGU to exceed its recoverable amount.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

30. DEFERRED TAXATION

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

	2019 RMB'000	2018 RMB'000
Deferred tax assets	725,916	582,124
Deferred tax liabilities	(164,420)	(176,498)
	561,496	405,626

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

	Provision for impairment losses on assets RMB'000 Notes (i)	Change in fair value of available- for-sales financial assets RMB'000 Notes (ii)	Change in fair value of financial asset at FVTOCI RMB'000 Notes (ii)	Net losses/ (gains) from fair value changes of financial asset at FVTPL RMB'000 Note (ii)	Tax losses RMB'000 Notes (iii)	Others RMB'000	Net balance of deferred tax assets RMB'000
At 1 January 2018	482,252	109,005	—	(80,559)	43,100	1,848	555,646
Adjustment on opening balance as adoption on IFRS 9 (Note 2)	175,101	(109,005)	110,283	(82,428)	—	—	93,951
Credit/(charge) to profit or loss	132,302	—	(849)	(11,204)	13,672	2,662	136,583
Charge to other comprehensive income	—	—	(90,436)	—	—	—	(90,436)
Derecognised on deemed disposals of subsidiaries	(280,650)	—	(7,161)	(2,307)	—	—	(290,118)
At 31 December 2018 and 1 January 2019	509,005	—	11,837	(176,498)	56,772	4,510	405,626
Credit to profit or loss	148,262	—	2,380	12,078	5,518	3,072	171,310
Charge to other comprehensive income	—	—	(15,440)	—	—	—	(15,440)
At 31 December 2019	657,267	—	(1,223)	(164,420)	62,290	7,582	561,496

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

30. DEFERRED TAXATION (Continued)

Notes:

- (i) The Group made provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses was determined based on the expected recoverable amount of the relevant assets at the end of each of the reporting period. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of each of the reporting period, together with write-offs which fulfill specific criteria as set out in the Mainland China tax rules and are approved by the tax authorities.
- (ii) Net gains or losses on fair value changes of financial instruments are subject to tax when realised.
- (iii) At 31 December 2019, the Group has unused tax losses of approximately RMB249,162,000 (2018: approximately RMB227,088,000), available for offset against future profits. A deferred tax asset has been recognised in respect of such losses. Such tax losses can be carried forward for five years from the year in which the respective loss arose.

31. OTHER ASSETS

	2019 RMB'000	2018 RMB'000
Other receivables and prepayments (Notes (i))	106,576	283,424
Repossessed assets (Notes (ii))	338,197	178,852
Long-term deferred expenses (Notes (iii))	151,960	133,673
Land use rights (Notes (iv))	—	25,783
Other	63,037	11,895
	659,770	633,627

Notes:

- (i) Other receivables and prepayments

	2019 RMB'000	2018 RMB'000
Other receivables and prepayments	130,003	295,692
Less: Provision for impairment losses (Note)	(23,427)	(12,268)
	106,576	283,424

Note:

As at 31 December 2019, the Group has other receivables in gross amount of approximately RMB106,943,000 (2018: RMB50,566,000), and measures the loss allowance comprised of 12-month ECL and lifetime ECL amounting to approximately RMB23,427,000 (2018: RMB12,268,000).

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

31. OTHER ASSETS (Continued)

Notes: (Continued)

(i) Other receivables and prepayments (Continued)

Movements of allowance for impairment losses

	2019 RMB'000	2018 RMB'000
At 1 January	12,268	7,036
Impairment losses recognised	12,662	16,729
Impairment losses reversed	(189)	—
Amounts written off as uncollectible	(1,314)	(1,041)
Derecognised on deemed disposals of subsidiaries	—	(10,456)
At 31 December	23,427	12,268

(ii) Repossessed assets

	2019 RMB'000	2018 RMB'000
Gross repossessed assets	357,637	193,744
Less: Provision for impairment losses	(19,440)	(14,892)
	338,197	178,852

Movements of allowance for impairment losses

	2019 RMB'000	2018 RMB'000
At 1 January	14,892	95,178
Impairment losses recognised	4,622	1,592
Amounts written off as uncollectible	(74)	—
Derecognised on deemed disposals of subsidiaries	—	(81,878)
At 31 December	19,440	14,892

(iii) Long-term deferred expenses represent prepaid rent (2019: nil) and prepayments for services with average contract terms ranging from one year to five years and amortise at straight line basis over the contract period.

	2019 RMB'000	2018 RMB'000
At the beginning of the financial year	133,673	127,125
Adoption of IFRS 16	(92,868)	—
Addition	138,887	19,294
Amortisation	(27,732)	(12,746)
At 31 December	151,960	133,673

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

31. OTHER ASSETS (Continued)

Notes: (Continued)

(iv) Movements of land use rights

	2019 RMB'000	2018 RMB'000
Cost		
At the beginning of the financial year	29,370	75,238
Adoption of IFRS16	(29,370)	—
Additions	—	—
Derecognised on deemed disposals of subsidiaries	—	(45,868)
At the end of the financial year	—	29,370
Accumulated amortisation		
At the beginning of the financial year	3,587	4,452
Adoption of IFRS16	(3,587)	—
Amortised for the year	—	873
Derecognised on deemed disposals of subsidiaries	—	(1,738)
At the end of the financial year	—	3,587
Carrying amounts		
At the end of the financial year	—	25,783

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

32. PLEDGED ASSETS

(a) Assets pledged as collaterals

Financial assets pledged by the Group as collaterals for liabilities or contingent liabilities mainly include debt securities, which are for repurchase agreements. The carrying amounts of the financial assets pledged as collaterals as at 31 December 2019 is approximately RMB2,904,773,000 (2018: approximately RMB8,578,500,000).

(b) Received pledged assets

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

33. BORROWINGS FROM THE CENTRAL BANK

	2019 RMB'000	2018 RMB'000
Borrowings	3,345,160	2,376,520

34. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	2019 RMB'000	2018 RMB'000
Deposits in Mainland China — Banks	6,277,616	4,711,266

35. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	2019 RMB'000	2018 RMB'000
Placements in Mainland China — Banks	4,379,496	1,106,496

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

36. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by type and location of counterparty

	2019 RMB'000	2018 RMB'000
In Mainland China		
— Banks	2,610,800	6,715,120
— Other financial institutions	—	1,691,600
	2,610,800	8,406,720

(b) Analysed by collateral

	2019 RMB'000	2018 RMB'000
Debt securities	2,610,800	8,406,720

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

37. DEPOSITS FROM CUSTOMERS

	2019 RMB'000	2018 RMB'000
Demand deposits		
— Corporate customers	28,671,038	26,708,188
— Individual customers	21,044,132	19,116,290
	49,715,170	45,824,478
Time deposits		
— Corporate customers	9,449,133	13,758,454
— Individual customers	60,484,129	46,650,767
	69,933,262	60,409,221
Pledged deposits		
— Acceptances	772,821	922,891
— Guarantees and letters of guarantees	1,586,772	1,998,030
	2,359,593	2,920,921
Others	832,375	366,541
	122,840,400	109,521,161

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

38. ACCRUED STAFF COSTS

	2019 RMB'000	2018 RMB'000
Salary and bonus payable	191,744	156,180
Social pension schemes payable	258	431
Other social insurances payable	1,693	1,387
Other staff welfare payable	5,655	5,085
	199,350	163,083

39. INTERESTS PAYABLE

	2019 RMB'000	2018 RMB'000
Deposits from customers	2,023,005	1,572,979
Deposits and placements from banks and other financial institutions	133,872	124,468
Debts securities issued	43,876	43,876
Others	4,136	8,425
	2,204,889	1,749,748

40. DEBT SECURITIES ISSUED

	2019 RMB'000	2018 RMB'000
Fixed rate subordinated debts/tier-two capital bonds issued (Notes (i))	2,395,997	2,395,187
Interbank deposits (Notes (ii))	11,824,060	18,156,995
	14,220,057	20,552,182

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

40. DEBT SECURITIES ISSUED (Continued)

Notes:

- (i) Fixed rate subordinated debts/tier-two capital bonds issued
 - (a) Fixed rate subordinated debts at a face value of RMB700,000,000 with a term of ten years were issued on 31 December 2012. The coupon rate is 7.00% p.a.. The effective interest rate per annum on the Group's fixed rate subordinated debts issued is 7.06%. As at 31 December 2019, the outstanding balance of this fixed rate subordinated debts issued is RMB699,100,000 (2018: RMB698,800,000).
 - (b) Fixed rate tier-two capital bonds at a face value of RMB800,000,000 with a term of ten years were issued on 13 April 2015. The coupon rate is 6.30% p.a.. The Group has an option to redeem the debts on 13 April 2020 at the nominal amount. The effective interest rate per annum on the Group's tier-two capital bonds issued is 6.35%. As at 31 December 2019, the outstanding balance of this fixed rate tier-two capital bonds issued is approximately RMB798,733,000 (2018: approximately RMB798,493,000).
 - (c) Fixed rate tier-two capital bonds at a face value of RMB900,000,000 with a term of ten years were issued on 20 October 2016. The coupon rate is 4.20% p.a.. The Group has an option to redeem the debts on 20 October 2021 at the nominal amount. The effective interest rate per annum on the Group's tier-two capital bonds issued is 4.24%. As at 31 December 2019, the outstanding balance of this fixed rate tier-two capital bonds issued is approximately RMB898,164,000 (2018: approximately RMB897,894,000).
- (ii) Interbank deposits
 - (a) For the year ended 31 December 2019, the Bank issued a number of zero coupon interbank deposits with total nominal amount of RMB13,040,000,000 and duration between 1 month to 1 year. As at 31 December 2019, the outstanding balance of interbank deposits issued is approximately RMB11,824,060,000. The ranges of effective interest rates per annum on the Group's interbank deposits issued are 3.15% to 4.30%.
 - (b) For the year ended 31 December 2018, the Bank issued a number of zero coupon interbank deposits with total nominal amount of RMB20,480,000,000 and duration between 3 months to 1 year. As at 31 December 2018, the outstanding balance of interbank deposits issued is approximately RMB18,156,995,000. The ranges of effective interest rates per annum on the Group's interbank deposits issued are 3.50% to 5.32%.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

41. OTHER LIABILITIES

	2019 RMB'000	2018 RMB'000
Other payable and accrued expenses	355,682	242,441
Clearance of inter-bank accounts	204,554	132,925
Other taxes payables	25,088	83,080
Agency business liabilities	11,225	3,292
Dividend payable	6	6
Deposits under finance lease arrangement and unearned revenue (Notes (a))	48,853	31,822
Provision for credit commitments and financial guarantees (Notes (b))	226	232
	645,634	493,798

Notes:

- (a) Deposits under finance lease arrangement and unearned revenue mainly represents finance leases deposits payable and deferred income received under finance leases for which the income will be amortised over the leasing periods.
- (b) As at 31 December 2019 and 2018, the Group classifies all provision for credit commitments and financial guarantees in Stage 1, and measures the loss allowance equal to 12-month ECL.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

42. SHARE CAPITAL

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

Share capital as at the end of the reporting period are as follows:

	2019 RMB'000	2018 RMB'000
Registered, issued and fully paid ordinary shares of RMB1 each:		
— Ordinary shares	4,184,037	3,984,797
At the beginning of the year	3,984,797	3,984,797
Share increase by converting capital reserve into new shares (Note)	199,240	—
At end of the year	4,184,037	3,984,797

Note:

At 16 August 2019, the Bank issued 199,239,885 ordinary shares with a par value RMB1 at issue price by way of capitalisation of capital reserve of the Bank on the basis of five new shares for every one hundred existing shares. The new shares rank pari passu with the existing shares in all respects.

As at the end of reporting period, the Bank's issued shares (in thousands of shares) is as follows:

	2019 RMB'000	2018 RMB'000
Domestic shareholders	3,387,087	3,225,797
H shareholders	796,950	759,000
At end of the year	4,184,037	3,984,797

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

43. CAPITAL RESERVE

	2019 RMB'000	2018 RMB'000
Share premium	4,852,049	5,051,289
Changes in ownership in subsidiaries without changes in control	296,567	279,960
	5,148,616	5,331,249

44. SURPLUS RESERVE AND GENERAL RESERVE

(a) Surplus reserve

The surplus reserve at the end of each of the reporting period represented statutory surplus reserve fund and other surplus reserve. The statutory surplus reserve fund as at 31 December 2019 is approximately RMB797,417,000 (2018: approximately RMB708,012,000), while other surplus reserve is approximately RMB16,659,000 as at 31 December 2019 (2018: approximately RMB16,659,000). The Bank and its subsidiaries are required to appropriate 10% of its net profit, after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

(b) General reserve

With effect from 1 July 2012, pursuant to the "Administrative Measures on Accrual of Provisions by Financial Institutions" issued by the MOF in March 2012, the Group is required, in principle, to set aside a general reserve not lower than 1.5% of the balance of its gross risk-bearing assets at each year end.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

45. DIVIDENDS

	2019 RMB'000	2018 RMB'000
2018 final dividend (Note a)	717,264	—
2017 final dividend (Note b)	—	717,264

Notes:

- (a) Pursuant to the resolution of the shareholders meeting of 2018 on 20 June 2019, the Bank distributed cash dividends of RMB0.18 per share (tax included) based on 3,984,797,692 shares held amounting to approximately RMB717,264,000 during the year ended 31 December 2019.
- (b) Pursuant to the resolution of the shareholders meeting of 2017 on 18 June 2018, the Bank distributed cash dividends of RMB0.18 per share (tax included) based on 3,984,797,692 shares held amounting to approximately RMB717,264,000 during the year ended 31 December 2018.

Subsequent to the end of the reporting period, a final dividend of RMB0.18 (tax inclusive) for each share in respect of the year ended 31 December 2019 has been proposed by the directors of the Bank and is subject to approval by the shareholders in the forthcoming general meeting on 18 June 2020.

46. STRUCTURED ENTITIES

(a) Consolidated structured entities

The consolidated structured entities of the Group mainly include principal-guaranteed wealth management products sponsored by the Bank. As at 31 December 2019, the amount of assets held by the consolidated principal-guaranteed wealth management products sponsored by the Bank amounted to approximately RMB7,879,594,000 (2018: RMB14,463,474,000).

(b) Unconsolidated structured entities

(i) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include trust fund plans, asset management plans and wealth management products issued by other financial institutions.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

46. STRUCTURED ENTITIES (Continued)

(b) Unconsolidated structured entities (Continued)

(i) Structured entities sponsored by third party institutions in which the Group holds an interest (Continued)

The following table set out an analysis of the gross carrying amounts of interests held by the Group as at 31 December 2019 and 2018:

	31 December 2019			
	Financial assets			
	Financial assets at FVTOCI RMB'000	measured at amortised cost RMB'000	Carrying amount RMB'000	Maximum exposure RMB'000
Trust plans	—	10,419,566	10,419,566	10,419,566
Asset management plans	341,774	6,635,538	6,977,312	6,977,312
Investment funds	—	720,906	720,906	720,906
	341,774	17,776,010	18,117,784	18,117,784

	31 December 2018			
	Financial assets			
	Financial assets at FVTOCI RMB'000	measured at amortised cost RMB'000	Carrying amount RMB'000	Maximum exposure RMB'000
Trust plans	—	9,021,324	9,021,324	9,021,324
Asset management plans	324,651	7,761,214	8,085,865	8,085,865
Investment funds	—	698,111	698,111	698,111
	324,651	17,480,649	17,805,300	17,805,300

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

46. STRUCTURED ENTITIES (Continued)

(b) Unconsolidated structured entities (continued)

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

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Group includes investments in units issued by these structured entities and fees charged by providing management services. As at 31 December 2019 and 2018, the carrying amounts of the investments in the units issued by these structured entities and management fee receivables being recognised are not material in the statement of financial positions.

As at 31 December 2019, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, are approximately RMB3,828,730,000 and (2018: approximately RMB3,739,160,000).

(iii) Unconsolidated structured entities sponsored by the Group during the year which the Group does not have an interest in as at 31 December 2019 and 2018:

During the year ended 31 December 2019, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January, but matured before 31 December amounted to approximately RMB3,722,410,000 (2018: approximately RMB4,469,230,000).

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

47. CAPITAL MANAGEMENT

The Group's capital management includes capital adequacy ratio management, capital financing management and economic capital management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines issued by the CBRC. The capital of the Group is divided into core tier-one capital, other core tier-one capital and tier-two capital.

Capital adequacy ratio management is the key in capital management. The capital adequacy ratio reflects the soundness of the Group's operations and risk management capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading peer banks with reference to its own business environment and conditions.

The Group considers its strategic development plans, business expansion plans and risk variables when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio.

Since 1 January 2013, the Group started computing its capital adequacy ratios in accordance with "Administrative Measures for the Capital of Commercial Banks (Provisional)" and other relevant regulations promulgated by the CBRC.

The CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2019 in accordance with "Administrative Measures for the Capital of Commercial Banks (Provisional)". For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collaterals or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using basic indicator approach.

The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group's statutory financial statements prepared in accordance with the generally accepted accounting principles in the PRC. During the years ended 31 December 2019 and 2018, the Group has complied with all its externally imposed capital requirements.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

47. CAPITAL MANAGEMENT (Continued)

The Group's capital adequacy ratios as at 31 December 2019 and 2018 calculated in accordance with "Administrative Measures for the Capital of Commercial Banks (Provisional)" and relevant requirements promulgated by the CBRC are as follows:

	2019 RMB'000	2018 RMB'000
Total core tier-one capital		
Share capital	4,184,037	3,984,797
Qualifying portion of capital reserve	5,148,616	5,331,249
Investment revaluation reserve	12,038	(30,292)
Surplus reserve	814,076	724,671
General reserve	1,777,674	1,571,192
Retained earnings	1,403,512	1,374,517
Qualifying portions of non-controlling interests	1,115,665	974,182
Core tier-one capital deductions (Notes)	(905,514)	(1,562,427)
Net core tier-one capital	13,550,104	12,367,889
Eligible portion of non-controlling interests	146,885	128,655
Net tier-one capital	13,696,989	12,496,544
Tier-two capital		
Qualifying portion of tier-two capital instruments issued	1,910,000	1,980,000
Surplus provision for loan impairment	1,092,787	818,352
Eligible portion of non-controlling interests	297,012	258,865
Net capital base	16,996,788	15,553,761
Total risk weighted assets	141,841,465	131,516,303
Core tier-one capital adequacy ratio	9.55%	9.40%
Tier-one capital adequacy ratio	9.66%	9.50%
Capital adequacy ratio	11.98%	11.83%

Notes:

Core tier-one capital deductions primarily include other intangible assets excluding land use rights, goodwill, deferred tax assets recognised for tax losses and other regulatory deductions.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

48. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following balances with an original maturity of less than three months:

	2019 RMB'000	2018 RMB'000
Cash on hand	698,775	733,406
Deposits with the central bank	11,911,299	10,774,110
Deposits with banks and other financial institutions	3,793,036	4,141,585
Placements with banks and other financial institutions	317,000	446,879
Financial assets held under resale agreements	99,960	—
Total	16,820,070	16,095,980

49. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS

(a) Related parties of the Group

(i) Major shareholders

Major shareholders include shareholders of the Bank with 5% or above shareholding, or with the right to appoint a director in the Bank.

Shareholding in the Bank:

	2019	2018
Jilin Province Trust Co., Ltd. ("吉林省信託有限責任公司")	9.61%	9.61%
Changchun Huaxing Construction Co., Ltd. ("長春華星建築有限責任公司")	8.23%	8.23%

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

49. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

(a) Related parties of the Group (Continued)

(ii) Other related parties

Other related parties can be individuals or enterprises, which include members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 49(a)(i) or their controlling shareholders. Transactions with other related parties were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties.

(b) Transactions with related parties other than key management personnel

(i) Transactions between the Bank and subsidiaries

The subsidiaries of the Bank are its related parties. The transactions between the Bank and its subsidiaries and among the subsidiaries are eliminated on consolidation and therefore are not disclosed in this note.

(ii) Transactions between the Group and associates

	2019 RMB'000	2018 RMB'000
Transactions during the year		
Interest income	77,319	65,808
Rental income	6,800	6,800
Interest expense	37,520	7,797

	2019 RMB'000	2018 RMB'000
Balances at end of the year		
Deposits with banks and other financial institutions	2,354,758	3,076,069
Interests receivable	7,813	17,787
Deposits from banks and other financial institutions	1,076,281	106,892
Interests payable	18,801	174
Placements from banks and other financial institutions	300,000	—

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

49. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

(b) Transactions with related parties other than key management personnel (Continued)

(iii) Transactions between the Group and major shareholders

	2019 RMB'000	2018 RMB'000
Transactions during the year		
Interest income	38,381	31,341
Interest expense	209	452
Rental expense	—	520

	2019 RMB'000	2018 RMB'000
Balances at end of the year		
Placements with banks and other financial institutions	140,000	140,000
Loans and advances to customers	445,540	377,500
Interests receivable	2,090	187
Interests payable	4	73
Deposits from customers	46,258	749,179

(iv) Transactions between the Group and other related parties

	2019 RMB'000	2018 RMB'000
Transactions during the year		
Interest income	48,064	32,057
Interest expense	13,645	28,876

	2019 RMB'000	2018 RMB'000
Balances at end of the year		
Loans and advances to customers	898,000	720,560
Interests receivable	3,471	3,895
Interests payable	979	624
Deposits from customers	896,166	517,804

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

49. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

(c) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, board of directors, the supervisory board and executive officers.

(i) Transactions between the Group and key management personnel

	2019 RMB'000	2018 RMB'000
Transactions during the year		
Interest income	181	201
Interest expense	58	195
Rental expense	522	2,789

	2019 RMB'000	2018 RMB'000
Balances at end of the year		
Interest payable	1	95
Interest receivable	24	—
Loans and advances to customers	5,222	4,023
Deposits from customers	6,268	10,570

(ii) Key management personnel compensation

The aggregate compensation of key management personnel is listed as follows:

	2019 RMB'000	2018 RMB'000
Short-term staff benefits	16,611	16,961
Retirement benefits		
— Basic social pension insurance	1,555	1,653
	18,166	18,614

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

49. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

(d) Loans and advances to directors, supervisors and officers

Loans and advances to directors, supervisors and officers of the Group disclosed pursuant to section 383 to the Hong Kong Companies Ordinance (Cap. 622) are as follows:

	2019 RMB'000	2018 RMB'000
Loans and advances to directors, supervisors and officers	5,222	4,023

50. SEGMENT REPORTING

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

Corporate banking

This segment represents the provision of a range of financial products and services to corporations and government agencies. These products and services include corporate loans and advances, deposit taking activities, agency services, consulting and advisory services, remittance and settlement services and guarantee services.

Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans and deposit taking activities, bank card business, personal wealth management services and remittance services.

Treasury operations

This segment covers the Group's treasury operations. The treasury operations enters into inter-bank money market transactions, repurchases transactions and investments. It also trades in debt securities. The treasury segment also covers management of the Group's overall liquidity position, including the issuance of debts.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

50. SEGMENT REPORTING (Continued)

Others

These represent assets, liabilities, income and expenses which cannot directly attributable or cannot be allocated to a segment on a reasonable basis.

Measurement of segment assets and liabilities and of segment income, expenses and results is based on the Group's accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income/expense". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest (expense)/income".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income and expenses are determined before intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the reporting period to acquire property and equipment, land use rights and other long-term assets.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

50. SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities

	Year ended 31 December 2019				
	Corporate banking RMB'000	Retail banking RMB'000	Treasury operations RMB'000	Others RMB'000	Total RMB'000
Operating income					
External net interest income/(expense)	3,858,554	(707,906)	1,017,031	(2,252)	4,165,427
Internal net interest (expense)/income	(493,349)	1,244,426	(751,077)	—	—
Net interest income	3,365,205	536,520	265,954	(2,252)	4,165,427
Net fee and commission income	26,528	29,766	260,172	—	316,466
Net trading gains	—	—	609,784	—	609,784
Dividend income	—	—	—	64,698	64,698
Net gains arising from investment securities	—	—	21,121	—	21,121
Gain on disposals of an associate	—	—	—	37,510	37,510
Net exchange gains	—	—	—	5,762	5,762
Other operating income	—	—	—	90,670	90,670
Operating income	3,391,733	566,286	1,157,031	196,388	5,311,438
Operating expenses	(1,859,067)	(517,522)	296,800	(114,059)	(2,787,448)
Impairment losses on assets, net of reversals	(427,342)	(175,202)	(468,441)	(17,095)	(1,088,080)
Operating profit/(loss)	1,105,324	(126,438)	391,790	65,234	1,435,910
Share of profits of associates	—	—	—	67,564	67,564
Profit before tax	1,105,324	(126,438)	391,790	132,798	1,503,474
Segment assets	77,328,456	22,397,043	69,320,207	3,668,342	172,714,048
Deferred tax assets	—	—	—	561,496	561,496
Total assets	77,328,456	22,397,043	69,320,207	4,229,838	173,275,544
Segment liabilities	(44,858,626)	(83,254,296)	(29,221,403)	(281,037)	(157,615,362)
Dividend payable	—	—	—	(6)	(6)
Total liabilities	(44,858,626)	(83,254,296)	(29,221,403)	(281,043)	(157,615,368)
Other segment information					
— Depreciation and amortisation	388,379	87,736	42,539	11,767	530,421
— Capital expenditure	222,643	50,953	51,920	24,573	350,089

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

50. SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities (Continued)

	Year ended 31 December 2018				
	Corporate banking RMB'000	Retail banking RMB'000	Treasury operations RMB'000	Others RMB'000	Total RMB'000
Operating income					
External net interest income/(expense)	2,781,473	(547,456)	1,286,032	—	3,520,049
Internal net interest (expense)/income	(412,836)	1,513,428	(1,100,592)	—	—
Net interest income	2,368,637	965,972	185,440	—	3,520,049
Net fee and commission income	136,414	25,183	214,007	—	375,604
Net trading gains	—	—	914,483	—	914,483
Dividend income	—	—	—	82,167	82,167
Net gains arising from investment securities	—	—	11,843	—	11,843
Losses on deemed disposals of subsidiaries	—	—	—	(6,204)	(6,204)
Net exchange gains	—	—	—	14,998	14,998
Other operating income	—	—	—	124,637	124,637
Operating income	2,505,051	991,155	1,325,773	215,598	5,037,577
Operating expenses	(1,691,783)	(676,566)	(391,809)	(91,241)	(2,851,399)
Impairment losses on assets, net of reversals	(440,084)	(73,696)	(358,067)	(18,322)	(890,169)
Operating profit	373,184	240,893	575,897	106,035	1,296,009
Share of profits of associates	—	—	—	143,731	143,731
Profit before tax	373,184	240,893	575,897	249,766	1,439,740
Segment assets	58,221,504	20,766,392	74,652,618	10,207,136	163,847,650
Deferred tax assets	—	—	—	405,626	405,626
Total assets	58,221,504	20,766,392	74,652,618	10,612,762	164,253,276
Segment liabilities	(44,556,674)	(66,920,498)	(37,382,582)	(285,878)	(149,145,632)
Dividend payable	—	—	—	(6)	(6)
Total liabilities	(44,556,674)	(66,920,498)	(37,382,582)	(285,884)	(149,145,638)
Other segment information					
— Depreciation and amortisation	202,573	70,172	28,563	7,635	308,943
— Capital expenditure	294,480	69,763	157,317	46,322	567,882

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

50. SEGMENT REPORTING (Continued)

(b) Geographical information

The Group operates principally in Mainland China.

Non-current assets include property and equipments, long-term deferred expenses and right-of-use assets. In presenting of geographical information, non-current assets are allocated based on geographical location of the underlying assets. Operating income is allocated based on the locations of the subsidiaries which generate income. Geographical areas, as defined for management reporting purposes, are as follows:

- “Jilin Region” refers to the head quarter of the Bank and the 13 (2018: 13) subsidiaries of the Group.
- “Mainland China excluding Jilin Region” refers to the following areas serviced by the Bank and its subsidiaries: Anhui Province, Hebei Province, Hubei Province, Guangdong Province, Hainan Province, Heilongjiang Province, Shaanxi Province, Shandong Province and Tianjin City.

	Operating Income	
	2019 RMB'000	2018 RMB'000
Jilin Region	4,656,104	4,385,065
Mainland China excluding Jilin Region	655,334	652,512
	5,311,438	5,037,577

	Non-current asset	
	2019 RMB'000	2018 RMB'000
Jilin Region	4,301,042	3,662,864
Mainland China excluding Jilin Region	629,313	506,004
	4,930,355	4,168,868

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

51. FINANCIAL RISK MANAGEMENT

The primary objectives of risk management of the Group are to maintain risk within acceptable parameters and satisfy the regulatory requirements.

The Group's risk management policies are designed and controls are set up to identify, analyse, monitor and report risks arising from normal operation. The Group regularly reviews its risk management policies and systems to address changes in markets, products and emerging best practices.

Details of the financial instruments are disclosed in respective notes to the consolidated financial statements. The risks associated with these financial instruments include credit risk, liquidity risk and market risk (i.e. interest rate risk and exchange rate risk).

(a) Credit risk

The Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime ECL rather 12m ECL.

In order to minimise credit risk, the Group has tasked to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit grading information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgment. The nature of the exposure and the type of counterparty are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

51. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

The five category classifications in which the Group classifies its loans and advances to customers and financial assets at amortised cost are set out below:

Category	Description	Basis for recognising ECL
Normal	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.	12-month ECL
		Lifetime ECL — not credit impaired (Only if more than 30 days pass due)
Special mention	Borrowers are able to repay their loans currently, although repayment may be adversely affected by specific factors.	Lifetime ECL — credit impaired (Only if more than 90 days pass due and no reason to doubt their ability to repay principal and interest in full on a timely basis)
		Lifetime ECL — not credit impaired
Substandard	Borrowers' ability to repay their loans is in question and they cannot rely entirely on normal operational revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.	Lifetime ECL — credit impaired (Only if more than 90 days pass due and repayment may be adversely affected by specific factors)
		Lifetime ECL — credit impaired
Doubtful	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.	Lifetime ECL — credit impaired
Loss	Only a small portion or none of the principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.	Lifetime ECL — credit impaired

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

51. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

The internal credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases, the difference in risk of default between grades changes. Each exposure is allocated to a credit's risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The Group uses credit risk grades as a primary input into the determination of the term structure of the probability of default ("PD") for exposures. The Group uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative information that are indicative of risk of default.

Loan and advance to customers and financial asset at amortised cost

The Group has applied the general approach in IFRS 9 to measure ECL. The Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

Financial assets at FVTOCI

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of investment securities measured at FVTOCI is at Stage 1 of which the loss allowance is measured at 12 month ECL.

Financial asset measured at amortised cost

The Group has applied the general approach in IFRS 9 to measure ECL. The Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

Placements with banks and other financial institutions

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of placements with banks and other financial institutions is at Stage 1 of which the loss allowance is measured at 12 month ECL.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

51. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Deposits with banks and other financial institutions

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of deposits with banks and other financial institutions is at Stage 1 of which the loss allowance is measured at 12 month ECL.

Financial assets held under resale agreements

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of financial assets held under resale agreements is at Stage 1 of which the loss allowance is measured at 12 month ECL.

Credit commitments and financial guarantees

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of financial guarantees and loans commitment is at Stage 1 of which the loss allowance is measured at 12 month ECL.

Other receivables

The Group has applied the general approach in IFRS 9 to measure ECL. The Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

51. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Credit rating

The Group adopts a credit rating approach in managing the credit risk of the debt securities portfolio. Debt securities are rated with reference to major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analysed by the rating agency designations as at the end of each of the reporting period are as follows:

	As at 31 December 2019			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Ratings				
— AAA	2,153,360	—	—	2,153,360
— AA- to AA	292,440	—	—	292,440
— C	—	—	84,706	84,706
— Unrated (Note)	9,764,429	—	—	9,764,429
	12,210,229	—	84,706	12,294,935
Provision for impairment loss	(2,384)	—	—	(2,384)
	12,207,845	—	84,706	12,292,551

	As at 31 December 2018			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Ratings				
— AAA	1,320,715	—	—	1,320,715
— AA- to AA	296,002	—	—	296,002
— A- to A	82,582	—	—	82,582
— Unrated (Note)	11,053,582	—	—	11,053,582
	12,752,881	—	—	12,752,881
Provision for impairment loss	(1,759)	—	—	(1,759)
	12,751,122	—	—	12,751,122

Note:

Unrated debt securities held by the Group are mainly issued by the Mainland China government and policy banks.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

51. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

The board of directors is ultimately responsible for monitoring the Group's market risk to ensure that the Group has effectively identified, measured and monitored all types of market risk. The Risk Management Committee monitors the market risk management process within the scope authorised by the board of directors, which include review and approval of market risk management strategies, policies and procedures. The Group is primarily exposed to market risk in its treasury operations. The board assumes ultimate responsibility for management of market risk. The senior management implements market risk management strategies and policies as approved by our board. The Group's business departments implement market risk management measures in their daily operations.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile for each period with reference to the interest rate risks for different maturities.

Scenario analysis is a multi-factor analysis method which assesses the impact of multiple factors interacting simultaneously, taking into consideration of the probabilities of various scenarios.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on/off-balance sheet items.

Sensitivity gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorizing each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

The results of stress testing are assessed against a set of forward-looking scenarios using stress moves in market variables. The results are used to estimate the impact on profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

51. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarising all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.

Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of treasury position.

Repricing risk

Repricing risk, which is also known as "maturity mismatch risk", is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group's income or its inherent economic value to vary with the movement in interest rates.

The Finance Management Department is responsible for measuring, monitoring and managing interest rate risk. The Group regularly performs assessment on the interest rate repricing gap between the assets and liabilities that are sensitive to changes in interest rates and sensitivity analysis on the net interest income as a result of changes in interest rates. The primary objective of interest rate risk management is to minimise potential adverse effects on its net interest income or its inherent economic value caused by interest rate volatility.

Trading interest rate risk

Trading interest rate risk mainly arises from the treasury's investment portfolios. Interest rate risk is monitored using the effective duration analysis method. The Group employs other supplementary methods to measure its interest rate sensitivity, which is expressed as changes in the investment portfolios' fair value given a 100 basis points (1%) movement in the interest rates.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

51. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(i) *The following tables indicate the assets and liabilities at 31 December 2019 and 2018 by the expected next repricing dates or by maturity dates, depending on which is earlier:*

	At 31 December 2019					
	Total RMB'000	Non-interest bearing RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000
Assets						
Cash and deposits with the central bank	23,626,361	698,775	22,927,586	—	—	—
Deposits with banks and other financial institutions	6,193,346	—	5,815,589	377,757	—	—
Placements with banks and other financial institutions	1,814,046	—	864,706	949,340	—	—
Financial assets held under resale agreements	99,960	—	99,960	—	—	—
Loans and advances to customers (Notes (i))	93,394,198	—	21,416,240	41,489,041	25,999,377	4,489,540
Investments (Notes (ii))	39,218,160	1,350,939	13,182,042	13,483,888	5,994,259	5,207,032
Interest receivables	939,845	939,845	—	—	—	—
Others	7,989,628	7,989,628	—	—	—	—
	173,275,544	10,979,187	64,306,123	56,300,026	31,993,636	9,696,572
Liabilities						
Borrowings from the central bank	3,345,160	—	2,361,480	970,180	13,500	—
Deposits from banks and other financial institutions	6,277,616	—	2,562,616	3,715,000	—	—
Placements from banks and other financial institutions	4,379,496	—	1,389,496	2,990,000	—	—
Provision for credit commitments and financial guarantees	226	226	—	—	—	—
Financial assets sold under repurchase agreements	2,610,800	—	2,610,800	—	—	—
Deposits from customers	122,840,400	—	71,698,762	19,671,387	31,264,132	206,119
Interests payable	2,204,889	2,204,889	—	—	—	—
Debt securities issued	14,220,057	—	6,973,682	4,850,378	699,100	1,696,897
Others	1,736,724	1,024,821	50,411	161,589	430,144	69,759
	157,615,368	3,229,936	87,647,247	32,358,534	32,406,876	1,972,775
Asset-liability gap	15,660,176	7,749,251	(23,341,124)	23,941,492	(413,240)	7,723,797

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

51. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(i) *The following tables indicate the assets and liabilities at 31 December 2019 and 2018 by the expected next repricing dates or by maturity dates, depending on which is earlier: (Continued)*

	At 31 December 2018					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets						
Cash and deposits with the central bank	22,458,129	733,406	21,724,723	—	—	—
Deposits with banks and other financial institutions	9,884,358	—	6,465,282	3,419,076	—	—
Placements with banks and other financial institutions	1,698,580	—	863,054	835,526	—	—
Loans and advances to customers (Notes (i))	75,354,549	—	17,884,496	36,293,317	19,512,888	1,663,848
Investments (Notes (ii))	46,453,676	1,161,999	11,396,107	16,488,950	9,286,735	8,119,885
Interest receivables	750,735	750,735	—	—	—	—
Others	7,653,249	7,653,249	—	—	—	—
	164,253,276	10,299,389	58,333,662	57,036,869	28,799,623	9,783,733
Liabilities						
Borrowings from the central bank	2,376,520	—	1,641,000	735,520	—	—
Deposits from banks and other financial institutions	4,711,266	—	2,871,266	1,840,000	—	—
Placements from banks and other financial institutions	1,106,496	—	1,106,496	—	—	—
Provision for credit commitments and financial guarantees	232	232	—	—	—	—
Financial assets sold under repurchase agreements	8,406,720	—	8,406,720	—	—	—
Deposits from customers	109,521,161	—	63,518,441	25,326,500	20,415,253	260,967
Interests payable	1,749,748	1,749,748	—	—	—	—
Debt securities issued	20,552,182	—	4,296,821	13,860,174	698,800	1,696,387
Others	721,313	721,313	—	—	—	—
	149,145,638	2,471,293	81,840,744	41,762,194	21,114,053	1,957,354
Asset-liability gap	15,107,638	7,828,096	(23,507,082)	15,274,675	7,685,570	7,826,379

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

51. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(i) The following tables indicate the assets and liabilities at 31 December 2019 and 2018 by the expected next repricing dates or by maturity dates, depending on which is earlier: (Continued)

Notes:

- (i) As at 31 December 2019, for loans and advances to customers, the category “Less than three months” includes overdue amounts (net of provision for impairment losses) of approximately RMB1,762,141,000 (2018: approximately RMB1,161,321,000).
- (ii) Investments include financial assets at FVTPL, financial assets at FVTOCI, and financial assets measured at amortised cost.

(ii) Interest rate sensitivity analysis

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group’s net profit or loss and equity. As at 31 December 2019, assuming other variables remain unchanged, an increase in estimated interest rate of 100 basis points will cause the Group’s net profit to decrease approximately RMB150,644,000 (2018: decrease approximately RMB159,713,000), and the Group’s equity to decrease approximately RMB279,053,000 (2018: decrease approximately RMB602,408,000); a decrease in estimated interest rate of 100 basis points will cause the Group’s net profit to increase approximately RMB150,644,000 (2018: increase approximately RMB159,713,000), and the Group’s equity to increase approximately RMB279,053,000 (2018: increase approximately RMB602,408,000).

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

51. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(ii) Interest rate sensitivity analysis (Continued)

The sensitivity analysis above is based on a static interest rate risk profile of the Group's assets and liabilities. This analysis measures only the impact of changes in interest rates, showing how annualised net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities. The sensitivity analysis is based on the following assumptions:

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

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

Foreign currency risk

The Group's foreign currency risk mainly arises from exchange rate fluctuation on its foreign exchange exposures. The Group manages foreign currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies and monitoring its foreign currency exposures on daily basis.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

51. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The Group's currency exposures at 31 December 2019 and 2018 are as follows:

	At 31 December 2019			
	RMB'000	USD (RMB'000 equivalent)	Others (RMB'000 equivalent)	Total (RMB'000 equivalent)
Assets				
Cash and deposits with the central bank	23,624,266	1,136	959	23,626,361
Deposits with banks and other financial institutions	6,173,343	19,230	773	6,193,346
Placement with banks and other financial institutions	1,814,046	—	—	1,814,046
Financial assets held under resale agreements	99,960	—	—	99,960
Financial assets at fair value through profit or loss	9,538,413	—	—	9,538,413
Interest receivables	939,843	2	—	939,845
Loans and advances to customers	93,388,321	5,877	—	93,394,198
Financial assets at fair value through other comprehensive income	6,670,888	—	—	6,670,888
Financial assets measured at amortised costs	23,008,859	—	—	23,008,859
Others	7,989,628	—	—	7,989,628
	173,247,567	26,245	1,732	173,275,544
Liabilities				
Borrowings from the central bank	3,345,160	—	—	3,345,160
Deposits from banks and other financial institutions	6,271,335	6,281	—	6,277,616
Placements from banks and other financial institutions	4,379,496	—	—	4,379,496
Provision for credit commitments and financial guarantees	226	—	—	226
Financial assets sold under repurchase agreements	2,610,800	—	—	2,610,800
Deposits from customers	122,829,654	10,546	200	122,840,400
Interests payable	2,204,832	52	5	2,204,889
Debt securities issued	14,220,057	—	—	14,220,057
Others	1,736,724	—	—	1,736,724
	157,598,284	16,879	205	157,615,368
Net position	15,649,283	9,366	1,527	15,660,176
Off-balance sheet credit commitments	4,214,250	—	—	4,214,250

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

51. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The Group's currency exposures at 31 December 2019 and 2018 are as follows: (Continued)

	RMB'000	At 31 December 2018		
		USD (RMB'000 equivalent)	Others (RMB'000 equivalent)	Total (RMB'000 equivalent)
Assets				
Cash and deposits with the central bank	22,455,164	2,143	822	22,458,129
Deposits with banks and other financial institutions	9,840,584	42,422	1,352	9,884,358
Placement with banks and other financial institutions	1,677,944	20,636	—	1,698,580
Financial assets at fair value through profit or loss	16,387,635	—	—	16,387,635
Interest receivables	750,734	1	—	750,735
Loans and advances to customers	75,348,820	5,729	—	75,354,549
Financial assets at fair value through other comprehensive income	6,349,689	—	—	6,349,689
Financial assets measured at amortised costs	23,716,352	—	—	23,716,352
Others	7,653,249	—	—	7,653,249
	164,180,171	70,931	2,174	164,253,276
Liabilities				
Borrowings from the central bank	2,376,520	—	—	2,376,520
Deposits from banks and other financial institutions	4,704,374	6,892	—	4,711,266
Placements from banks and other financial institutions	1,106,496	—	—	1,106,496
Financial assets sold under repurchase agreements	8,406,720	—	—	8,406,720
Deposits from customers	109,466,092	54,322	747	109,521,161
Interests payable	1,749,688	54	6	1,749,748
Debt securities issued	20,552,182	—	—	20,552,182
Others	701,881	18,243	1,421	721,545
	149,063,953	79,511	2,174	149,145,638
Net position	15,116,218	(8,580)	—	15,107,638
Off-balance sheet credit commitments	4,782,161	120,842	74,835	4,977,838

As the net position of the Group's foreign currency is immaterial, the foreign currency risk is immaterial and no sensitivity analysis is presented.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

51. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to sustain its asset business or meet repayment obligations. This risk exists even if a bank's solvency remains strong. In accordance with liquidity policies, the Group monitors the future cash flows and maintains an appropriate level of highly liquid assets.

The Asset and Liability Management Committee ("ALMC") is responsible for managing the Group's overall liquidity risk. The ALMC is responsible for the formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

- Maintaining at a stable and sufficient level; establishing integrated liquidity risk management system; ensuring the meeting on a timely basis of liquidity requirements and the payment of assets, liabilities, and off-balance sheet business, whether under a normal operating environment or a state of stress; balancing the effectiveness and security of funds in an efficient manner; and
- Making timely and reasonable adjustments to capital structure and scale in response to market changes and business developments; pursuing profit maximization and cost minimisation to a modest extent while ensuring appropriate liquidity; achieving the integration of the security, liquidity, and effectiveness of the Group's funds.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

51. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The assets and liabilities management department is responsible for the development of liquidity risk management strategies, policies, procedures and limits, and routine supervision and monitoring of liquidity risks. It establishes and implements internal control systems relating to liquidity risk management, such as Liquidity Risk Management Measures (流動性風險管理辦法) and Contingency Plan for Liquidity Risks (流動性風險應急預案). The assets and liabilities management department is also responsible for setting annual liquidity management objectives and liquidity management profile plans. It also monitors and adjusts these plans on a quarterly basis in order to maintain a reasonable assets and liabilities structure.

A substantial portion of the Group's assets are funded by deposits from customers. These deposits from customers, which have been growing in recent years, are widely diversified in terms of type and duration and represent a stable source of funds.

The Group principally uses liquidity gap analysis to measure liquidity risk. Scenario analysis and stress testing are also adopted to assess the impact of liquidity risk.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

51. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at 31 December 2019 and 2018:

	At 31 December 2019						
	Repayable on demand	Indefinite (Note)	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets							
Cash and deposits with the central bank	12,610,074	11,016,287	—	—	—	—	23,626,361
Deposit with banks and other financial institutions	3,760,036	—	2,055,553	377,757	—	—	6,193,346
Placements with banks and other financial institutions	—	—	864,706	949,340	—	—	1,814,046
Financial assets held under resale agreements	—	—	99,960	—	—	—	99,960
Financial assets at fair value through profit or loss	—	1,205,654	3,936,211	4,396,548	—	—	9,538,413
Financial assets at fair value through other comprehensive income	—	145,285	139,000	3,130,745	1,343,833	1,912,025	6,670,888
Interest receivables	326,091	—	296,207	281,738	32,055	3,754	939,845
Loans and advances to customers	532,297	1,275,246	11,921,833	42,348,839	27,674,269	9,641,714	93,394,198
Financial assets measured at amortised costs	4,874,933	—	4,231,899	5,956,595	4,650,425	3,295,007	23,008,859
Others	63,037	7,820,015	—	—	106,576	—	7,989,628
	22,166,468	21,462,487	23,545,369	57,441,562	33,807,158	14,852,500	173,275,544
Liabilities							
Borrowings from the central bank	—	—	2,361,480	970,180	13,500	—	3,345,160
Deposits from banks and other financial institutions	52,616	—	2,510,000	3,715,000	—	—	6,277,616
Placements from banks and other financial institutions	2,496	—	1,387,000	2,990,000	—	—	4,379,496
Provision for credit commitments and financial guarantees	—	—	95	63	33	35	226
Financial assets sold under repurchase agreements	—	—	2,610,800	—	—	—	2,610,800
Deposits from customers	53,938,004	—	17,760,758	19,671,388	31,264,132	206,118	122,840,400
Interest payables	1,067,217	—	253,873	320,270	563,520	9	2,204,889
Debt securities issued	—	—	6,973,682	4,850,378	699,100	1,696,897	14,220,057
Others	466,325	—	454,912	174,139	571,589	69,759	1,736,724
	55,526,658	—	34,312,600	32,691,418	33,111,874	1,972,818	157,615,368
(Short)/Long position	(33,360,190)	21,462,487	(10,767,231)	24,750,144	695,284	12,879,682	15,660,176

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

51. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at 31 December 2019 and 2018: (Continued)

	At 31 December 2018							Total RMB'000
	Repayable on demand RMB'000	Indefinite (Note) RMB'000	Less than three months RMB'000	Between	Between	More than five years RMB'000		
				three months and one year RMB'000	one year and five years RMB'000			
Assets								
Cash and deposits with the central bank	11,507,516	10,950,613	—	—	—	—	22,458,129	
Deposit with banks and other financial institutions	3,181,584	—	3,283,698	3,419,076	—	—	9,884,358	
Placements with banks and other financial institutions	—	—	863,054	835,526	—	—	1,698,580	
Financial assets at fair value through profit or loss	—	1,017,382	6,558,590	8,329,888	481,775	—	16,387,635	
Financial assets at fair value through other comprehensive income	—	144,617	—	463,934	1,469,078	4,272,060	6,349,689	
Interest receivables	109,466	—	365,538	264,356	10,788	587	750,735	
Loans and advances to customers	148,394	848,385	13,028,368	36,678,631	18,516,108	6,134,663	75,354,549	
Financial assets measured at amortised costs	515,281	—	4,322,236	7,695,128	7,335,882	3,847,825	23,716,352	
Others	10,571	7,361,269	—	—	281,409	—	7,653,249	
	15,472,812	20,322,266	28,421,484	57,686,539	28,095,040	14,255,135	164,253,276	
Liabilities								
Borrowings from the central bank	—	—	1,641,000	735,520	—	—	2,376,520	
Deposits from banks and other financial institutions	61,266	—	2,810,000	1,840,000	—	—	4,711,266	
Placements from banks and other financial institutions	2,496	—	294,000	810,000	—	—	1,106,496	
Provision for credit commitments and financial guarantees	3	—	47	114	40	28	232	
Financial assets sold under repurchase agreements	—	—	8,406,720	—	—	—	8,406,720	
Deposits from customers	49,516,180	—	14,002,261	25,326,500	20,415,253	260,967	109,521,161	
Interest payables	754,076	—	399,646	316,425	279,583	18	1,749,748	
Debt securities issued	—	—	4,296,821	13,860,174	698,800	1,696,387	20,552,182	
Others	336,595	—	317,038	7	64,171	3,502	721,313	
	50,670,616	—	32,167,533	42,888,740	21,457,847	1,960,902	149,145,638	
(Short)/Long position	(35,197,804)	20,322,266	(3,746,049)	14,797,799	6,637,193	12,294,233	15,107,638	

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

51. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at 31 December 2019 and 2018: (Continued)

Note:

Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amount of loans and advances to customers includes all the impaired loans, as well as those overdue more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of repayable on demand. Indefinite amount of investments represents impaired investments or those overdue more than one month. Equity investments are listed in the category of indefinite.

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off-balance sheet credit commitments at 31 December 2019 and 2018:

	At 31 December 2019						
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years
					RMB'000	RMB'000	
Non-derivative financial liabilities							
Borrowings from the central bank	3,345,160	3,370,569	—	2,370,741	985,048	14,780	—
Deposits from bank and other financial institutions	6,277,616	6,513,038	52,698	2,572,996	3,887,344	—	—
Placements from bank and other financial institutions	4,379,496	4,521,666	2,496	1,420,753	3,098,417	—	—
Financial assets sold under repurchase agreements	2,610,800	2,613,444	—	2,613,444	—	—	—
Deposits from customers	122,840,400	129,084,717	54,091,725	18,038,502	20,245,391	36,436,374	272,725
Debt securities issued	14,220,057	15,054,000	—	6,990,000	5,087,200	1,150,800	1,826,000
Others	1,736,724	1,874,414	466,325	455,441	175,835	680,814	95,999
	155,410,253	163,031,848	54,613,244	34,461,877	33,479,235	38,282,768	2,194,724
Off-balance sheet credit commitments	—	4,214,250	193,738	1,064,201	1,663,603	693,196	599,512

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

51. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off-balance sheet credit commitments at 31 December 2019 and 2018: (Continued)

	At 31 December 2018						
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Less than three months	Between	Between	More than five years
					three months and one year	one year and five years	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities							
Borrowings from the central bank	2,376,520	2,392,640	—	1,647,117	745,523	—	—
Deposits from bank and other financial institutions	4,711,266	4,913,545	61,266	2,942,370	1,909,909	—	—
Placements from bank and other financial institutions	1,106,496	1,125,978	2,496	304,340	819,142	—	—
Financial assets sold under repurchase agreements	8,406,720	8,415,689	—	8,415,689	—	—	—
Deposits from customers	109,521,161	114,196,709	49,567,448	14,450,047	26,162,263	23,755,966	260,985
Debt securities issued	20,552,182	21,836,387	—	4,320,000	14,407,200	1,198,600	1,910,587
Others	721,313	721,313	336,595	317,038	7	64,171	3,502
	147,395,658	153,602,261	49,967,805	32,396,601	44,044,044	25,018,737	2,175,074
Off-balance sheet credit commitments	—	4,977,838	216,556	1,026,459	2,303,487	835,336	596,000

This analysis of the non-derivative financial liabilities by contractual undiscounted cash flow might diverge from actual results.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

51. FINANCIAL RISK MANAGEMENT (Continued)

(d) Operational risk

Operational risk refers to the risk of losses associated with internal processes deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group establishes a framework of policies and procedures to identify, assess, control, manage and report operational risk. The framework covers all business functions ranging from corporate banking, retail banking, settlement, intermediary business and all supporting functions, including human resource management, financial management, legal affairs, anti-money laundering and administration management. The key elements of the framework are listed as below:

- A multi-level operational risk management framework with segregation of duties between front and back offices under the leadership of senior management;
- A series of operational risk management policies covering all businesses on the basis of core operational risk management policy;
- An emergency plan and a business continuity system designed to deal with emergent and adverse circumstances, including public relation issues, natural disasters, IT system errors, bank runs, robberies, etc.;
- An evaluation system on the operational risk management as well as an inquiry and disciplinary system on the non-compliance issues; and
- An independent risk assessment framework based on the internal audit and the compliance review.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

52. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Methods and assumptions for measurement of fair value

The Group adopts the following methods and assumptions when evaluating fair values:

(i) *Debt securities*

Fair values of debt securities investments are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of policy models or discounted cash flows.

(ii) *Receivables and other non-derivative financial assets*

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the reporting period.

(iii) *Debt securities issued and other non-derivative financial liabilities*

Fair values of debt securities issued are based on the present value of estimated future cash flows at the end of the reporting period. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the reporting period.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

52. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Fair value measurement

(i) Financial assets

The Group's financial assets mainly consist of cash and deposits with the central bank, receivables with banks and other financial institutions, loans and advances to customers, and investments.

Deposits with the central bank and receivables with banks and other financial institutions are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

Loans and advances to customers are mostly priced at floating rates close to the PBOC rates. Accordingly, the carrying amounts approximate the fair values.

Financial assets at FVTPL and financial assets at FVTOCI are stated at fair value. The carrying amount of financial assets at amortised cost approximates their fair values.

(ii) Financial liabilities

The Group's financial liabilities mainly include borrowing from the central bank, deposits and placements from banks and other financial institutions, financial assets sold under repurchase agreements, deposits from customers and debts securities issued.

The carrying amounts of financial liabilities are approximate to their fair value.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

52. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy

The following table presents the carrying value of financial instruments measured at fair value in the consolidated statements of financial position across the three levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. These three types of inputs have created the following fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

52. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

	At 31 December 2019			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVTPL				
– other debt instruments	–	8,332,759	–	8,332,759
– unlisted equity investments measured at FVTPL	–	147,015	1,058,639	1,205,654
Financial assets at FVTOCI				
– debt securities	–	6,183,830	–	6,183,830
– asset management plans	–	341,773	–	341,773
– unlisted equity investments measured at FVTOCI	–	–	145,285	145,285
	–	15,005,377	1,203,924	16,209,301
Assets				
Financial assets at FVTPL				
– other debt instruments	–	15,370,253	–	15,370,253
– unlisted equity investments measured at FVTPL	–	–	1,017,382	1,017,382
Financial assets at FVTOCI				
– debt securities	–	5,880,421	–	5,880,421
– asset management plans	–	324,651	–	324,651
– unlisted equity investments measured at FVTOCI	–	–	144,617	144,617
	–	21,575,325	1,161,999	22,737,324

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

52. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

During the year ended 31 December 2019 and 2018, there were no significant transfers among each level.

- (i) The Group uses valuation techniques to determine the fair value of financial instruments when open quotation in active markets is not available. The main parameters used in valuation techniques for financial instruments held by the Bank include bond prices, interest rates, foreign exchange rates, equity and stocks prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are basically observable and obtainable from open market.
- (ii) The valuation techniques and input used in the fair value measurements of financial instruments as set out below:

Financial assets	Fair value as at ,		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of key inputs and significant unobservable inputs to fair value
	31 December 2019	31 December 2018				
	RMB'000	RMB'000				
Financial assets at FVTPL						
Debt instruments	8,332,759	15,370,253	Level 2	Based on valuation results provided by China Central Depository & Clearing Co., determined by using discounted cash flow model	N/A	N/A
Unlisted equity investments measured at FVTPL	1,058,639	1,017,382	Level 3	Market approach adopted. The value is based on price-to-book ratio ("PB ratio"), adjusted by discount for lack of marketability ("DLOM").	The PB ratio is 1.34 (2018: 0.86). The DLOM is 10% (2018: 10%).	The higher the PB ratio, the higher the fair value. The higher the DLOM, the lower the fair value. (Note (i))
	147,015	—	Level 2	Based on recent transaction price	N/A	N/A
Financial assets at FVTOCI						
Debt securities – listed	6,183,830	5,880,421	Level 2	Based on valuation results provided by China Central Depository & Clearing Co., determined by using discounted cash flow model	N/A	N/A
Asset management plans	341,774	324,651	Level 2	Based on the net asset values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses	N/A	N/A
Unlisted equity investments measured at FVTOCI	145,285	144,617	Level 3	Market approach adopted. The value is based on PB ratio, adjusted by DLOM.	The PB ratio is 1.34 (2018: 0.86). The DLOM is 10% (2018: 10%).	The higher the PB ratio, the higher the fair value. The higher the DLOM, the lower the fair value. (Note (ii))

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

52. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

- (ii) The valuation techniques and input used in the fair value measurements of financial instruments as set out below: (Continued)

Notes:

- (i) A 5% increase in PB ratios used in isolation would result in an increase in fair value measurement of unlisted equity investments at FVTPL by RMB52,932,000 (2018: RMB50,869,000) and vice versa.

A 5% increase in DLOM used in isolation would result in a decrease in fair value measurement of unlisted equity investments at FVTPL by RMB52,932,000 (2018: RMB50,869,000) and vice versa.

- (ii) A 5% increase in PB ratios used in isolation would result in an increase in fair value measurement of unlisted equity investments at FVTOCI by RMB7,264,000 (2018: RMB7,231,000) and vice versa.

A 5% increase in DLOM used in isolation would result in a decrease in fair value measurement of unlisted equity investments at FVTOCI by RMB7,264,000 (2018: RMB7,231,000) and vice versa.

Reconciliation of Level 3 fair value measurements of financial assets:

	Unlisted equity investment		Total RMB'000
	Financial assets at FVTPL	Financial assets at FVTOCI	
	RMB'000	RMB'000	
At 31 December 2018	1,017,382	144,617	1,161,999
Changes in fair value recognised in profit or loss	41,257	—	41,257
Changes in fair value recognised in OCI	—	668	668
At 31 December 2019	1,058,639	145,285	1,203,924

The above total changes in fair value for the year ended 31 December 2019 of approximately RMB41,257,000 and RMB668,000 are included in net trading gains and investment revaluation reserve respectively.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

52. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

- (ii) The valuation techniques and input used in the fair value measurements of financial instruments as set out below: (Continued)

Notes: (Continued)

Reconciliation of Level 3 fair value measurements of financial assets: (Continued)

	Unlisted equity investment		Total RMB'000
	Financial assets at FVTPL	Financial assets at FVTOCI	
	RMB'000	RMB'000	
At 1 January 2018	1,134,940	152,445	1,287,385
Changes in fair value recognised in profit or loss	46,199	—	46,199
Changes in fair value recognised in OCI	—	6,046	6,046
Derecognised on deemed disposals of subsidiaries	(163,757)	(13,874)	(177,631)
At 31 December 2018	1,017,382	144,617	1,161,999

The above total changes in fair value for the year ended 31 December 2018 of approximately RMB46,199,000 and RMB6,046,000 are included in net trading gains and investment revaluation reserve respectively.

The fair value of equity investment is determined with reference to price-to-book ratio of certain listed companies with an adjustment of discount for lack of marketability, which are unobservable inputs for the fair value measurement. The higher the discount for lack of marketability, the lower the fair value.

53. ENTRUSTED LENDING BUSINESS

The Group provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognised in the statements of financial position. Surplus funding is accounted for as deposits from customers.

	2019 RMB'000	2018 RMB'000
Entrusted loans	8,188,269	7,723,044
Entrusted funds	8,188,269	7,723,044

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

54. COMMITMENTS

(a) Credit commitments

The Group's credit commitments take the form of acceptances, letters of guarantees, letters of credit and unused credit card commitments.

The Group provides letters of guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers. The amounts disclosed in respect of unused credit card commitments are under the assumption that the amounts will be fully advanced.

	2019 RMB'000	2018 RMB'000
Acceptances	1,703,108	1,976,960
Letters of guarantees	2,340,390	2,665,165
Letters of credit	12,169	195,678
Unused credit card commitments	158,583	140,035
	4,214,250	4,977,838

The Group may be exposed to credit risk in all the above credit businesses. Group Management periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

54. COMMITMENTS (Continued)

(b) Operating lease commitments

At 31 December 2018, the Group's future minimum lease payments under non-cancellable operating leases for properties are as follows:

The Group as lessee

	2018 RMB'000
Within one year	198,977
In the second to fifth years inclusive	596,075
Over five years	167,966
	<hr/>
	936,018

The Group is the lessee in respect of a number of premises and motor vehicles which the leases were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 3, and the details regarding the Group's future lease payments are disclosed in note 28.

(c) Capital commitments

At 31 December 2019 and 2018, the Group's authorised capital commitments are as follows:

	2019 RMB'000	2018 RMB'000
Purchase of property and equipment		
— Contracted for but not provided	25,090	53,831

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

55. CONTINGENT LIABILITIES

The Bank and its subsidiary are involved as defendants in certain lawsuits arising from their normal business operations. At 31 December 2019 and 2018, in light of court decisions or advice from legal counsels, the directors of the Bank considered it not necessary to provide for potential losses from these claims. The directors of the Bank believe, based on legal advices, the final result of the lawsuits will not have any material impact on the financial position or operations of the Group.

56. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES

During the years ended 31 December 2019 and 2018, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control.

For the year ended 31 December 2019

(i) **Dilution of interest in Shuangcheng Huimin Village and Township Bank Co., Ltd. (“雙城惠民村鎮銀行有限責任公司”, “Shuangcheng Huimin Village and Township Bank”) without loss of control**

During the year ended 31 December 2019, Shuangcheng Huimin Village and Township Bank issued 9,000,000 ordinary shares with par value of RMB1 at RMB2.15 per share to non-controlling interests and the Group’s ownership was diluted from 75% to 62.26%. This resulted in an increase in non-controlling interests of approximately RMB12,828,000 and an increase in equity attributable to owners of the Bank of approximately RMB6,518,000.

A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest diluted	(12,828)
Consideration received from non-controlling interests	19,346
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Gain recognised in capital reserve within equity	6,518

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

56. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2019 and 2018, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control. (Continued)

For the year ended 31 December 2019 (Continued)

(ii) **Dilution of interest in Hanshan Huimin Town Bank Co., Ltd. (“含山惠民村鎮銀行有限責任公司”, “Hanshan Huimin Village and Township Bank”) without loss of control**

During the year ended 31 December 2019, Hanshan Huimin Village and Township Bank issued 10,950,000 ordinary shares with par value of RMB1 at RMB1.3 per share to non-controlling interests and the Group’s ownership was diluted from 100% to 78.51%. This resulted in an increase in non-controlling interests of approximately RMB13,715,000 and an increase in equity attributable to owners of the Bank of approximately RMB520,000.

A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest diluted	(13,715)
Consideration received from non-controlling interests	14,235
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Gain recognised in capital reserve within equity	520

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

56. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2019 and 2018, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control. (Continued)

For the year ended 31 December 2019 (Continued)

(iii) Dilution of interest in Qingyuan Qingxin Huimin Village Bank Co., Ltd. (“清遠清新惠民村鎮銀行股份有限公司”, “Qingyuan Qingxin Huimin Village and Township Bank”) without loss of control

During the year ended 31 December 2019, Qingyuan Qingxin Huimin Village and Township Bank issued 15,000,000 ordinary shares with par value of RMB1 at RMB1 per share to non-controlling interests and the Group’s ownership was diluted from 51% to 39.23%. This resulted in an increase in non-controlling interests of approximately RMB9,739,000 and an increase in equity attributable to owners of the Bank of approximately RMB5,261,000.

The Group had signed contracts with two shareholders of Qingyuan Qingxin Huimin Village and Township Bank, which hold total 19.84% equity interests in Qingyuan Qingxin Huimin Village and Township Bank. Pursuant to agreement, these two shareholders agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Qingyuan Qingxin Huimin Village and Township Bank and therefore, Qingyuan Qingxin Huimin Village and Township Bank is still regarded as a non-wholly owned subsidiary of the Group.

A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest diluted	(9,739)
Consideration received from non-controlling interests	15,000
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Gain recognised in capital reserve within equity	5,261

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

56. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2019 and 2018, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control. (Continued)

For the year ended 31 December 2019 (Continued)

(iv) Dilution of interest in Wuhua Huimin Village Bank Co., Ltd. (“五華惠民村鎮銀行股份有限公司”, “Wuhua Huimin Village and Township Bank”) without loss of control

During the year ended 31 December 2019, Wuhua Huimin Village and Township Bank issued 15,000,000 ordinary shares with par value of RMB1 at RMB2 per share to non-controlling interests and the Group’s ownership was diluted from 51% to 39.23%. This resulted in an increase in non-controlling interests of approximately RMB25,692,000 and an increase in equity attributable to owners of the Bank of approximately RMB4,308,000.

The Group had signed contracts with two shareholders of Wuhua Huimin Village and Township Bank, which hold total 17.52% equity interests in Wuhua Huimin Village and Township Bank. Pursuant to agreement, these two shareholders agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Wuhua Huimin Village and Township Bank and therefore, Wuhua Huimin Village and Township Bank is still regarded as a non-wholly owned subsidiary of the Group.

A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest diluted	(25,692)
Consideration received from non-controlling interests	30,000
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Gain recognised in capital reserve within equity	4,308

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

56. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2019 and 2018, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control. (Continued)

For the year ended 31 December 2018

(i) Dilution of interest in Wenan County Huimin Village and Township Bank Co., Ltd. (“文安縣惠民村鎮銀行股份有限公司”, “Wenan County Huimin Village and Township Bank”) without loss of control

During the year ended 31 December 2018, Wenan County Huimin Village and Township Bank issued 12,500,000 ordinary shares with par value of RMB1 at RMB2.2 per share to non-controlling interests and the Group’s ownership was diluted from 51% to 36%. This resulted in an increase in non-controlling interests of approximately RMB28,240,000 and an decrease in equity attributable to owners of the Bank of approximately RMB740,000.

The Group had signed contracts with four shareholders of Wenan County Huimin Village and Township Bank, which hold total 15.99% equity interests in Wenan County Huimin Village and Township Bank. Pursuant to agreement, these four shareholders agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Wenan County Huimin Village and Township Bank and therefore, Wenan County Huimin Village and Township Bank is still regarded as a non-wholly owned subsidiary of the Group.

A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest diluted	(28,240)
Consideration received from non-controlling interests	27,500
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Loss recognised in capital reserve within equity	(740)

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

56. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2019 and 2018, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control. (Continued)

For the year ended 31 December 2018 (Continued)

(ii) Dilution of interest in Jilin Fengman Huimin Village and Township Bank Co., Ltd (“吉林豐滿惠民村鎮銀行股份有限公司”, “Jilin Fengman Huimin Village and Township Bank” without loss of control

During the year ended 31 December 2018, the Group disposed of 5% equity interest out of 51% equity interest in Jilin Fengman Huimin Village and Township Bank at consideration of RMB20,000,000. This resulted in an increase in non-controlling interests of approximately RMB16,963,000 and an increase in equity attributable to owners of the Bank of approximately RMB3,037,000.

The Group had signed contract with one shareholder of Jilin Fengman Huimin Village and Township Bank, which hold total 5 % equity interests in Jilin Fengman Huimin Village and Township Bank. Pursuant to agreement, this shareholder agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Jilin Fengman Huimin Village and Township Bank and therefore, Jilin Fengman Huimin Village and Township Bank is still regarded as a non-wholly owned subsidiary of the Group.

A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest disposed of	(16,963)
Consideration received from non-controlling interests	20,000
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Gain recognised in capital reserve within equity	3,037

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

56. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2019 and 2018, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control. (Continued)

For the year ended 31 December 2018 (Continued)

(iii) Dilution of interest in Heyang Huimin Village and Township Bank Co., Ltd. (“合陽惠民村鎮銀行股份有限公司”, “Heyang Huimin Village and Township Bank” without loss of control.

During the year ended 31 December 2018, Heyang Huimin Village and Township Bank issued 10,000,000 ordinary shares with par value of RMB1 at RMB1 per share to non-controlling interests and the Group’s ownership was diluted from 51% to 38.25%. This resulted in an increase in non-controlling interests of approximately RMB7,296,000 and an increase in equity attributable to owners of the Bank of approximately RMB2,704,000.

The Group had signed contracts with two shareholders of Heyang Huimin Village and Township Bank, which hold total 17.38% equity interests in Heyang Huimin Village and Township Bank. Pursuant to agreement, these two shareholders agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Heyang Huimin Village and Township Bank and therefore, Heyang Huimin Village and Township Bank is still regarded as a non-wholly owned subsidiary of the Group.

A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest diluted	(7,296)
Consideration received from non-controlling interests	10,000
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Gain recognised in capital reserve within equity	2,704

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

56. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2019 and 2018, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control. (Continued)

For the year ended 31 December 2018 (Continued)

(iv) Dilution of interest in Anping Humin Village and Township Bank Co., Ltd. (“安平惠民村鎮銀行股份有限公司”, “Anping Huimin Village and Township Bank” without loss of control.

During the year ended 31 December 2018, Anping Huimin Village and Township Bank issued 10,000,000 ordinary shares with par value of RMB1 at RMB2 per share to non-controlling interests and the Group’s ownership was diluted from 36% to 28.17%. This resulted in an increase in non-controlling interests of approximately RMB18,115,000 and an increase in equity attributable to owners of the Bank of approximately RMB1,885,000.

The Group had signed contracts with four shareholders of Anping Huimin Village and Township Bank, which hold total 28.54% equity interests in Anping Huimin Village and Township Bank. Pursuant to agreement, these four shareholders agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Anping Huimin Village and Township Bank and therefore, Anping Huimin Village and Township Bank is regarded as a non-wholly owned subsidiary of the Group.

A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest diluted	(18,115)
Consideration received from non-controlling interests	20,000
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Gain recognised in capital reserve within equity	1,885

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

56. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2019 and 2018, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control. (Continued)

For the year ended 31 December 2018 (Continued)

(v) Dilution of interest in Leizhou Huimin Village Bank Co., Ltd. (“雷州惠民村鎮銀行股份有限公司”, “Leizhou Huimin Village and Township Bank”) without loss of control.

During the year ended 31 December 2018, Leizhou Huimin Village and Township Bank issued 35,000,000 ordinary shares with par value of RMB1 at RMB1 per share to non-controlling interests and the Group’s ownership was diluted from 33.29% to 17.87%. This resulted in an increase in non-controlling interests of approximately RMB30,040,000 and an increase in equity attributable to owners of the Bank of approximately RMB4,960,000.

The Group had signed contracts with eight shareholders of Leizhou Huimin Village and Township Bank, which hold total 35.80% equity interests in Leizhou Huimin Village and Township Bank. Pursuant to agreement, these eight shareholders agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Leizhou Huimin Village and Township Bank and therefore, Leizhou Huimin Village and Township Bank is regarded as a non-wholly owned subsidiary of the Group.

A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest diluted	(30,040)
Consideration received from non-controlling interests	35,000
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Gain recognised in capital reserve within equity	4,960

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

56. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2019 and 2018, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control. (Continued)

For the year ended 31 December 2018 (Continued)

(vi) Dilution of interest in Tongcheng Huimin Village and Township Bank Co., Ltd. (“通城惠民村鎮銀行有限責任公司”, “Tongcheng Huimin Village and Township Bank”) without loss of control

During the year ended 31 December 2018, Tongcheng Huimin Village and Township Bank issued 9,600,000 ordinary shares with par value of RMB1 at RMB1.06 per share to non-controlling interests and the Group’s ownership was diluted from 100% to 75.76%. This resulted in an increase in non-controlling interests of approximately RMB10,414,000 and an increase in equity attributable to owners of the Bank of approximately RMB260,000.

A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest diluted	(10,414)
Consideration received from non-controlling interests	10,154
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Loss recognised in capital reserve within equity	(260)

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

57. DEEMED DISPOSAL OF INTEREST IN SUBSIDIARIES

(i) Deemed disposal of interest in Jilin Gongzhuling Rural Commercial Bank

On 28 May 2018, three of the shareholders who holds 30% of ownership and voting power of Jilin Gongzhuling Rural Commercial Bank terminated the act in concert contracts. Hence, the Group loss control over this bank as the Group did not obtain more than half of the voting power in the shareholder meeting of Jilin Gongzhuling Rural Commercial Bank.

The Group holds 30% equity interest in and has significant influence in Jilin Gongzhuling Rural Commercial Bank. As a result, it is classified as an associate of the Group. The Group remeasures its retained interest in the associate at fair value at the date it loses control.

Assets disposed and liabilities derecognised at the date of deemed disposal are as follow:

	RMB'000
Cash and deposits with the central bank	1,704,252
Deposits with banks and other financial institutions	597,941
Financial assets at fair value through profit or loss	16,000
Interest receivable	37,274
Loans and advances to customers	7,974,198
Financial assets at fair value through other comprehensive income	1,031,633
Financial assets measured at amortised costs	2,370,884
Property and equipment	162,318
Deferred tax assets	117,284
Other assets	322,509
Borrowing from the central bank	(18,238)
Placements from banks and other financial institutions	(790,000)
Deposits from banks and other financial institutions	(879,701)
Financial assets sold under repurchase agreements	(116,800)
Deposits from customers	(11,275,854)
Accrued staff costs	(21,826)
Taxes payable	(11,711)
Interests payable	(224,860)
Other liabilities	(36,117)
Net assets disposed of	959,186

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

57. DEEMED DISPOSAL OF INTEREST IN SUBSIDIARIES (Continued)

(i) Deemed disposal of interest in Jilin Gongzhuling Rural Commercial Bank (Continued)

Loss on deemed disposal of a subsidiary:

	RMB'000
Fair value of retained interest recognised as interests in associates	422,899
Net assets disposed of	(959,186)
Goodwill	(135,142)
Release of reserve upon deemed disposal of a subsidiary	(4,101)
Non-controlling interests	671,429
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Loss on deemed disposal	(4,101)

Net cash outflow arising on disposal

	RMB'000
Cash consideration	—
Less: cash and cash equivalent balances disposed of	(939,974)
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	(939,974)

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

57. DEEMED DISPOSAL OF INTEREST IN SUBSIDIARIES (Continued)

(ii) Deemed disposal of interest in Changbai Mountain Rural Commercial Bank

On 28 May 2018, three of the shareholders who holds 27.9% of ownership and voting power of Changbai Mountain Rural Commercial Bank terminated the act in concert contracts. Hence, the Group loss control over this bank as the Group did not obtain more than half of the voting power in the shareholder meeting of Changbai Mountain Rural Commercial Bank.

The Group holds 38.8% equity interest in and has significant influence in Changbai Mountain Rural Commercial Bank. As a result, it is classified as an associate of the Group. The Group remeasures its retained interest in the associate at fair value at the date it loses control.

Assets disposed and liabilities derecognised at the date of deemed disposal are as follow:

	RMB'000
Cash and deposits with the central bank	341,868
Deposits with banks and other financial institutions	556,380
Placement with banks and other financial intuition	99,882
Financial assets at fair value through profit or loss	252,520
Interest receivable	14,733
Loans and advances to customers	2,011,650
Financial assets at fair value through other comprehensive income	200
Financial assets measured at amortised costs	596,208
Property and equipment	81,791
Deferred tax assets	11,355
Taxes recoverable	77
Other assets	6,779
Borrowing from the central bank	(102,160)
Deposits from banks and other financial institutions	(575,456)
Financial assets sold under repurchase agreements	(147,140)
Deposits from customers	(2,374,168)
Accrued staff costs	(3,099)
Interests payable	(32,496)
Other liabilities	(6,603)
Net assets disposed of	732,321

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

57. DEEMED DISPOSAL OF INTEREST IN SUBSIDIARIES (Continued)

(ii) Deemed disposal of interest in Changbai Mountain Rural Commercial Bank (Continued)

Gain on deemed disposal of a subsidiary:

	RMB'000
Fair value of retained interest recognised as interests in associates	441,346
Net assets disposed of	(732,321)
Goodwill	(157,206)
Non-controlling interests	448,181
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Gain on deemed disposal	—

Net cash outflow arising on disposal

	RMB'000
Cash consideration	—
Less: cash and cash equivalent balances disposed of	(396,701)
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	(396,701)

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

57. DEEMED DISPOSAL OF INTEREST IN SUBSIDIARIES (Continued)

(iii) Deemed disposal of interest in Jilin Chuncheng Rural Commercial Bank

On 28 May 2018, four of the shareholders who holds 40% of ownership and voting power of Jilin Chuncheng Rural Commercial Bank terminated the act in concert contracts. Hence, the Group loss control over this bank as the Group did not obtain more than half of the voting power in the shareholder meeting of Jilin Chuncheng Rural Commercial Bank.

The Group holds 30% equity interest in and has significant influence in Jilin Chuncheng Rural Commercial Bank. As a result, it is classified as an associate of the Group. The Group remeasures its retained interest in the associate at fair value at the date it loses control.

Assets disposed and liabilities derecognised at the date of deemed disposal are as follow:

	RMB'000
Cash and deposits with the central bank	384,376
Deposits with banks and other financial institutions	600,660
Interest receivable	9,642
Loans and advances to customers	3,132,242
Financial assets at fair value through other comprehensive income	60
Financial assets measured at amortised costs	1,225,129
Property and equipment	292,480
Deferred tax assets	21,502
Taxes recoverable	1,225
Other assets	23,616
Deposits from banks and other financial institutions	(1,190,000)
Deposits from customers	(3,731,223)
Accrued staff costs	(2,582)
Interests payable	(54,115)
Other liabilities	(20,477)
Net assets disposed of	692,535

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

57. DEEMED DISPOSAL OF INTEREST IN SUBSIDIARIES (Continued)

(iii) Deemed disposal of interest in Jilin Chuncheng Rural Commercial Bank (Continued)

Gain on deemed disposal of a subsidiary:

	RMB'000
Fair value of retained interest recognised as interest in the associate	408,876
Net assets disposed of	(692,535)
Goodwill	(201,115)
Non-controlling interests	484,774
Gain on deemed disposal	—

Net cash outflow arising on disposal

	RMB'000
Cash consideration	—
Less: cash and cash equivalent balances disposed of	(424,636)
	(424,636)

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

57. DEEMED DISPOSAL OF INTEREST IN SUBSIDIARIES (Continued)

(iv) Deemed disposal of interest in Jilin Dehui Rural Commercial Bank

On 28 May 2018, two of the shareholders who holds 20% of ownership and voting power of Jilin Dehui Rural Commercial Bank terminated the act in concert contracts. Hence, the Group loss control over this bank as the Group did not obtain more than half of the voting power in the shareholder meeting of Jilin Dehui Rural Commercial Bank.

The Group holds 45% equity interest in and has significant influence in Jilin Dehui Rural Commercial Bank. As a result, it is classified as an associate of the Group. The Group remeasures its retained interest in the associate at fair value at the date it loses control.

Assets disposed and liabilities derecognised at the date of deemed disposal are as follow:

	RMB'000
Cash and deposits with the central bank	1,109,174
Deposits with banks and other financial institutions	733,881
Financial assets at fair value through profit or loss	23,794
Interest receivable	19,540
Loans and advances to customers	5,966,056
Financial assets at fair value through other comprehensive income	87,860
Financial assets at amortised cost	3,052,428
Property and equipment	175,217
Deferred tax assets	139,977
Taxes recoverable	2,446
Other assets	98,012
Deposits from banks and other financial institutions	(520,000)
Financial assets sold under repurchase agreements	(704,500)
Deposits from customers	(9,291,827)
Accrued staff costs	(2,385)
Interests payable	(194,272)
Other liabilities	(32,454)
Net assets disposed of	662,947

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

57. DEEMED DISPOSAL OF INTEREST IN SUBSIDIARIES (Continued)

(iv) Deemed disposal of interest in Jilin Dehui Rural Commercial Bank (Continued)

Loss on deemed disposal of a subsidiary:

	RMB'000
Fair value of retained interest recognised as interests in associates	588,055
Net assets disposed of	(662,947)
Goodwill	(289,729)
Release of reserve upon deemed disposal of a subsidiary	(2,103)
Non-controlling interests	364,621
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Loss on deemed disposal	(2,103)

Net cash outflow arising on disposal

	RMB'000
Cash consideration	—
Less: cash and cash equivalent balances disposed of	(475,032)
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	(475,032)

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

58. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2019 and 2018 are as follows:

Name of subsidiary	Incorporated date	Place of incorporation/ operation	Class of shares held	Kind of legal entity	Registered and fully paid capital		Proportion of ownership interest held by the Bank		Proportion of voting power held by the Bank		Principal activity
					(RMB'000)		2019	2018	2019	2018	
					2019	2018	2019	2018	2019	2018	
Qingdao Jimo Huimin Village and Township Bank Co., Ltd. ("青島即墨惠民村鎮銀行股份有限公司")	14/10/2008	PRC	Ordinary	Joint stock company with limited liability	200,000	200,000	59.00%	59.00%	59.00%	59.00%	Corporate and retail bank
Shuangcheng Huimin Village and Township Bank Co., Ltd. ("雙城惠民村鎮銀行有限責任公司")	25/1/2010	PRC	Ordinary	Company with limited liability	53,000	44,000	62.26%	75.00%	62.26%	75.00%	Corporate and retail bank
Hanshan Huimin Village and Township Bank Co., Ltd. ("含山惠民村鎮銀行有限責任公司")	30/12/2010	PRC	Ordinary	Company with limited liability	50,950	40,000	78.51%	100.00%	78.51%	100.00%	Corporate and retail bank
*Wuchang Huimin Village Bank Co., Ltd. ("五常惠民村鎮銀行有限責任公司")	11/11/2010	PRC	Ordinary	Company with limited liability	30,000	30,000	66.67%	66.67%	66.67%	66.67%	Corporate and retail bank
*Qingdao Pingdu Huimin Village Bank Co., Ltd. ("青島平度惠民村鎮銀行股份有限公司")	23/12/2010	PRC	Ordinary	Joint stock company with limited liability	113,135	102,850	58.82%	58.82%	58.82%	58.82%	Corporate and retail bank
*Qianan Huimin Village Bank Co., Ltd. ("乾安惠民村鎮銀行有限責任公司")	28/12/2010	PRC	Ordinary	Company with limited liability	41,745	41,745	50.67%	50.67%	50.67%	50.67%	Corporate and retail bank
*Lujiang Huimin Town Bank Co., Ltd. ("蘆江惠民村鎮銀行有限責任公司")	28/12/2010	PRC	Ordinary	Company with limited liability	55,000	50,000	60.00%	60.00%	60.00%	60.00%	Corporate and retail bank
*Changchun Nanguan Hui Min Village Bank Co., Ltd. ("長春南關惠民村鎮銀行有限責任公司")	11/1/2011	PRC	Ordinary	Company with limited liability	131,472	109,560	51.20%	51.20%	51.20%	51.20%	Corporate and retail bank
*Songyuan Ningjiang Huimin Village Bank Company Limited ("松原寧江惠民村鎮銀行股份有限公司") (Notes 11)	19/1/2011	PRC	Ordinary	Joint stock company with limited liability	106,920	97,200	40.80%	40.80%	51.87%	51.61%	Corporate and retail bank
*Da'an Huimin Village Bank Co., Ltd. ("大安惠民村鎮銀行有限責任公司")	26/1/2011	PRC	Ordinary	Company with limited liability	46,888	46,888	51.46%	51.46%	51.46%	51.46%	Corporate and retail bank
Lingshui Huimin Village and Township Bank Co., Ltd. ("陵水惠民村鎮銀行股份有限公司") (Notes 2)	16/5/2011	PRC	Ordinary	Joint stock company with limited liability	50,000	50,000	20.00%	20.00%	52.60%	52.60%	Corporate and retail bank
Sanya Huimin Village and Township Bank Co., Ltd. ("三亞惠民村鎮銀行股份有限公司") (Notes 3)	16/5/2011	PRC	Ordinary	Joint stock company with limited liability	100,000	100,000	20.00%	20.00%	50.50%	51.10%	Corporate and retail bank

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

58. PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the subsidiaries as at 31 December 2019 and 2018 are as follows: (Continued)

Name of subsidiary	Incorporated date	Place of incorporation/ operation	Class of shares held	Kind of legal entity	Registered and fully paid capital (RMB'000)		Proportion of ownership interest held by the Bank		Proportion of voting power held by the Bank		Principal activity
					2019	2018	2019	2018	2019	2018	
*Gaomi Huimin Village and Township Bank Co., Ltd. ("高密惠民村鎮銀行有限責任公司")	25/5/2011	PRC	Ordinary	Company with limited liability	106,943	101,850	56.70%	56.70%	56.70%	56.70%	Corporate and retail bank
*Huimin Village Bank Company Limited of Anci, Langfang ("廊坊市安次區惠民村鎮銀行股份有限公司")	6/12/2011	PRC	Ordinary	Joint stock company with limited liability	100,000	100,000	51.00%	51.00%	51.00%	51.00%	Corporate and retail bank
*Jingmen Dongbao Huimin Village Bank Co., Ltd. ("荆門東寶惠民村鎮銀行股份有限公司")	21/12/2011	PRC	Ordinary	Joint stock company with limited liability	54,610	54,610	51.36%	51.36%	51.36%	51.36%	Corporate and retail bank
*Huimin Bank of Wenan Co., Ltd. ("文安縣惠民村鎮銀行股份有限公司") (Note 46)	23/12/2011	PRC	Ordinary	Joint stock company with limited liability	42,500	42,500	36.00%	36.00%	51.99%	51.99%	Corporate and retail bank
*Tongcheng Huimin Village Bank Co., Ltd. ("通城惠民村鎮銀行有限責任公司")	19/9/2012	PRC	Ordinary	Company with limited liability	39,600	39,600	75.76%	75.76%	75.76%	75.76%	Corporate and retail bank
Liayuan Rural Commercial Bank Limited Liability Company ("遼源農村商業銀行有限責任公司")	15/11/2012	PRC	Ordinary	Company with limited liability	150,000	150,000	100.00%	100.00%	100.00%	100.00%	Corporate and retail bank
*Changchun Gaoxin Huimin Village Bank Co., Ltd. ("長春高新惠民村鎮銀行有限責任公司") (Notes 5)	24/9/2013	PRC	Ordinary	Company with limited liability	100,000	100,000	50.00%	50.00%	60.00%	51.85%	Corporate and retail bank
*Huadian Huimin Village Bank Co., Ltd. ("樺甸惠民村鎮銀行股份有限公司")	29/10/2013	PRC	Ordinary	Joint stock company with limited liability	100,000	100,000	51.00%	51.00%	51.00%	51.00%	Corporate and retail bank
*Jilin Fengman Huimin Village Bank Co., Ltd. ("吉林豐滿惠民村鎮銀行股份有限公司") (Note 6)	16/12/2013	PRC	Ordinary	Joint stock company with limited liability	200,000	200,000	46.00%	46.00%	51.00%	51.00%	Corporate and retail bank
*Heyang Huimin Village Bank Co., Ltd. ("合陽惠民村鎮銀行股份有限公司") (Note 7)	16/12/2013	PRC	Ordinary	Joint stock company with limited liability	40,000	40,000	38.25%	38.25%	55.63%	55.63%	Corporate and retail bank
*Anping Huimin Village Bank Co., Ltd. ("安平惠民村鎮銀行股份有限公司") (Note 8)	24/12/2013	PRC	Ordinary	Joint stock company with limited liability	46,000	46,000	28.17%	28.17%	56.72%	56.72%	Corporate and retail bank
Wuhua Huimin Village and Township Bank Co., Ltd ("五華惠民村鎮銀行股份有限公司") (Note 9)	13/1/2014	PRC	Ordinary	Joint stock company with limited liability	65,000	50,000	39.23%	51.00%	56.75%	51.00%	Corporate and retail bank

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

58. PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the subsidiaries as at 31 December 2019 and 2018 are as follows: (Continued)

Name of subsidiary	Incorporated date	Place of incorporation/ operation	Class of shares held	Kind of legal entity	Registered and fully paid capital (RMB'000)		Proportion of ownership interest held by the Bank		Proportion of voting power held by the Bank		Principal activity
					2019	2018	2019	2018	2019	2018	
					Qingyuan Qingxin Huimin Village and Township Bank Co., Ltd. ("清遠清新惠民村鎮銀行股份有限公司") ^(Note 170)	23/1/2014	PRC	Ordinary	Joint stock company with limited liability	65,000	
*Yun'an Huimin Village Bank Co., Ltd. ("雲安惠民村鎮銀行股份有限公司")	27/1/2014	PRC	Ordinary	Joint stock company with limited liability	80,000	80,000	61.00%	61.00%	61.00%	61.00%	Corporate and retail bank
*Guangzhou Huangpu Huimin Village and Township Bank Co., Ltd. ("廣州黃埔惠民村鎮銀行股份有限公司")	7/2/2014	PRC	Ordinary	Joint stock company with limited liability	200,000	200,000	51.00%	51.00%	51.00%	51.00%	Corporate and retail bank
*Tianjin Binhai Huimin Village Bank Co., Ltd. ("天津濱海惠民村鎮銀行股份有限公司") ^(Note 171)	11/6/2014	PRC	Ordinary	Joint stock company with limited liability	300,000	300,000	47.00%	47.00%	52.00%	52.00%	Corporate and retail bank
*Huidong Huimin Village Bank Co., Ltd. ("惠東惠民村鎮銀行股份有限公司") ^(Note 172)	21/11/2014	PRC	Ordinary	Joint stock company with limited liability	200,000	200,000	35.00%	35.00%	65.00%	65.00%	Corporate and retail bank
*Leizhou Huimin Village Bank Co., Ltd. ("雷州惠民村鎮銀行股份有限公司") ^(Note 173)	25/3/2015	PRC	Ordinary	Joint stock company with limited liability	75,550	75,550	17.87%	17.87%	51.69%	53.67%	Corporate and retail bank
*Baicheng Taobei Huimin Village Bank Co., Ltd. ("白城洮北惠民村鎮銀行股份有限公司") ^(Note 174)	23/11/2015	PRC	Ordinary	Joint stock company with limited liability	50,000	50,000	49.00%	49.00%	67.00%	67.00%	Corporate and retail bank
*Taonan Huimin Village Bank Co., Ltd. ("洮南惠民村鎮銀行股份有限公司") ^(Note 175)	11/12/2015	PRC	Ordinary	Joint stock company with limited liability	50,000	50,000	49.00%	49.00%	79.00%	79.00%	Corporate and retail bank
*Fuyu Huimin Village Bank Co., Ltd. ("扶余惠民村鎮銀行股份有限公司") ^(Note 176)	14/12/2015	PRC	Ordinary	Joint stock company with limited liability	50,000	50,000	49.00%	49.00%	52.00%	52.00%	Corporate and retail bank
*Jilin Chuanying Huimin Village Bank Co., Ltd. ("吉林船營惠民村鎮銀行股份有限公司") ^(Note 177)	21/1/2016	PRC	Ordinary	Joint stock company with limited liability	100,000	100,000	46.00%	46.00%	51.00%	51.00%	Corporate and retail bank
*Jilin Jiuyin Financial Leasing Co., Ltd. ("吉林九銀金融租賃股份有限公司")	20/2/2017	PRC	Ordinary	Joint stock company with limited liability	500,000	500,000	60.00%	60.00%	60.00%	60.00%	Provision of finance lease service

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

58. PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the subsidiaries as at 31 December 2019 and 2018 are as follows: (Continued)

No subsidiary has non-controlling interest material to the Group.

All subsidiaries are directly held by the Bank.

Notes:

- (1) During the year ended 31 December 2019, the Bank signed contracts with 3 shareholders who hold in total 11.07% of ownership and voting power of this bank. These 3 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

During the year ended 31 December 2018, the Bank signed contracts with 2 shareholders who hold in total 10.81% of ownership and voting power of this bank. These 2 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

- (2) During the year ended 31 December 2019 and 2018, the Bank signed contracts with 6 shareholders who hold in total 32.60% of ownership and voting power of this bank. These 6 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

- (3) During the year ended 31 December 2019, the Bank signed contracts with 10 shareholders who hold in total 30.50% of ownership and voting power of this bank. These 10 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

During the year ended 31 December 2018, the Bank signed contracts with 11 shareholders who hold in total 31.10% of ownership and voting power of this bank. These 11 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

- (4) During the year ended 31 December 2019 and 2018, the Bank signed contracts with 4 shareholders who hold in total 15.99% of ownership and voting power of this bank. These 4 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

- (5) During the year ended 31 December 2019, the Bank signed contracts with 1 shareholder who holds in total 10.00% of ownership and voting power of this bank. This shareholder votes consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

During the year ended 31 December 2018, the Bank signed contracts with 1 shareholder who holds in total 1.85% of ownership and voting power of this bank. This shareholder votes consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

- (6) During the year ended 31 December 2019, the Bank signed contracts with 2 shareholders who hold in total 5.00% of ownership and voting power of this bank. These 2 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

During the year ended 31 December 2018, the Bank signed contracts with 1 shareholder who holds in total 5.00% of ownership and voting power of this bank. This shareholder votes consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

- (7) During the year ended 31 December 2019 and 2018, the Bank signed contracts with 2 shareholders who hold in total 17.38% of ownership and voting power of this bank. These 2 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

- (8) During the year ended 31 December 2019 and 2018, the Bank signed contracts with 4 shareholders who hold in total 28.55% of ownership and voting power of this bank. These 4 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

58. PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the subsidiaries as at 31 December 2019 and 2018 are as follows: (Continued)

Notes: (Continued)

- (9) During the year ended 31 December 2019, the Bank signed contracts with 2 shareholders who hold in total 17.52% of ownership and voting power of this bank. These 2 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.
- (10) During the year ended 31 December 2019, the Bank signed contracts with 2 shareholders who hold in total 19.84% of ownership and voting power of this bank. These 2 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.
- (11) During the year ended 31 December 2019 and 2018, the Bank signed contracts with 1 shareholder who holds in total 5.00% of ownership and voting power of this bank. This shareholder votes consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.
- (12) During the year ended 31 December 2019 and 2018, the Bank signed contracts with 3 shareholders who hold in total 30.00% of ownership and voting power of this bank. These 3 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.
- (13) During the year ended 31 December 2019, the Bank signed contracts with 7 shareholders who hold in total 33.82% of ownership and voting power of this bank. These 7 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

During the year ended 31 December 2018, the Bank signed contracts with 8 shareholders who hold in total 35.80% of ownership and voting power of this bank. These 8 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.
- (14) During the year ended 31 December 2019 and 2018, the Bank signed contracts with 6 shareholders who hold in total 18.00% of ownership and voting power of this bank. These 6 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.
- (15) During the year ended 31 December 2019 and 2018, the Bank signed contracts with 4 shareholders who hold in total 30.00% of ownership and voting power of this bank. These 4 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.
- (16) During the year ended 31 December 2019 and 2018, the Bank signed contracts with 2 shareholders who hold in total 3.00% of ownership and voting power of this bank. These 2 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.
- (17) During the year ended 31 December 2019 and 2018, the Bank signed contracts with 1 shareholder who holds in total 5.00% of ownership and voting power of this bank. This shareholder votes consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

59. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flow will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Non-cash change						
	1 January 2019 RMB'000	Financing cash flows RMB'000	New lease entered RMB'000	termination of lease RMB'000	Finance cost incurred RMB'000	Dividend declared RMB'000	31 December 2019 RMB'000
Liabilities							
– Debt securities issued (Note 40)	20,552,182	(6,991,346)	–	–	659,221	–	14,220,057
– Interest payable arising from debt securities issued (Note 39)	43,876	(137,200)	–	–	137,200	–	43,876
– Dividend payable (Note 41)	6	(717,264)	–	–	–	717,264	6
– Lease liabilities (Note 28)	846,999	(196,291)	59,127	(32,789)	34,857	–	711,903
	21,443,063	(8,042,101)	59,127	(32,789)	831,278	717,264	14,975,842

	Non-cash change				
	1 January 2018 RMB'000	Financing cash flows RMB'000	Finance cost incurred RMB'000	Dividend declared RMB'000	31 December 2018 RMB'000
Liabilities					
Debt securities issued (Note 40)	20,039,565	(421,051)	933,668	–	20,552,182
Interest payable arising from debt securities issued (Note 39)	43,876	(137,200)	137,200	–	43,876
Dividend payable (Note 41)	502	(717,760)	–	717,264	6
	20,083,943	(1,276,011)	1,070,868	717,264	20,596,064

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

60. STATEMENTS OF FINANCIAL POSITION OF THE BANK

	2019 RMB'000	2018 RMB'000
Assets		
Cash and deposits with the central bank	15,768,055	14,546,763
Deposits with banks and other financial institutions	1,570,720	2,940,531
Placements with banks and other financial institutions	1,734,102	1,698,580
Financial assets held under resale agreements	99,960	—
Financial assets at fair value through profit or loss	9,538,413	16,387,635
Interest receivable	632,148	505,981
Loans and advances to customers	62,616,430	47,939,061
Financial assets at fair value through other comprehensive income	4,583,756	4,977,518
Financial assets measured at amortised costs	21,007,789	21,573,616
Interests in associates	1,218,693	1,781,194
Investments in subsidiaries	2,271,826	2,271,826
Property and equipment	2,653,429	2,711,043
Right-of-use assets	475,332	—
Deferred tax assets	292,339	172,180
Tax recoverable	—	7,507
Other assets	323,670	282,192
Total assets	124,786,662	117,795,627

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

60. STATEMENTS OF FINANCIAL POSITION OF THE BANK (Continued)

	2019 RMB'000	2018 RMB'000
Liabilities and equity		
Liabilities		
Borrowings from the central bank	2,950,000	2,000,000
Deposits from banks and other financial institutions	9,184,662	3,639,030
Placements from banks and other financial institutions	4,319,496	812,496
Financial assets sold under repurchase agreements	1,944,700	7,878,900
Deposits from customers	77,852,471	69,667,959
Accrued staff costs	73,000	41,966
Tax payable	117,091	—
Interests payable	1,132,433	950,318
Debts securities issued	14,220,057	20,552,182
Lease liabilities	425,967	—
Other liabilities	371,111	322,701
Total liabilities	112,590,988	105,865,552
Equity		
Share capital	4,184,037	3,984,797
Capital reserve	4,852,049	5,051,288
Investment revaluation reserve	9,377	(27,180)
Surplus reserve	814,076	724,671
General reserve	1,412,031	1,229,327
Retained earnings	924,104	967,172
Total equity	12,195,674	11,930,075
Total Liabilities and equity	124,786,662	117,795,627

Approved and authorised for issue by the board of directors of the Bank on 30 March 2020 and are signed on its behalf by:

Mr. GAO Bing

Director

Mr. YUAN Chunyu

Director

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2019

61. NON-CASH TRANSACTION

During the year ended 31 December 2019, the Group entered into new arrangements in respect of office premises. Right-of-use assets and lease liabilities of RMB59,127,000 were recognised at the commencement of the leases.

62. EVENT AFTER THE END OF THE REPORTING PERIOD

The wide spread of the novel Coronavirus in China since the beginning of 2020 is a fluid and challenging situation facing all the industries of the society. The Group has already assessed the overall impact of the situation on the operation of the Group and taken all possible effective measures to limit and keep the impact in control. The Group will keep continuous attention on the change of situation and make timely response and adjustments in the future.

Chapter 13 Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

The information set out below does not form part of the consolidated financial statements, and is included herein for information purpose only.

1. Leverage Ratio (%)

	At 31 December	
	2019	2018
Leverage Ratio (RMB and foreign currency)	7.77%	7.47%

Pursuant to the Leverage Ratio Management of Commercial Banks issued by the CBRC and effective since April 1, 2015, a minimum leverage ratio 4% is required.

The above liquidity coverage ratio and leverage ratio are calculated in accordance with the formula promulgated by the CBRC and based on the financial information prepared in accordance with PRC GAAP.

Chapter 13 Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

2. Currency concentrations

	At 31 December 2019		Total
	USD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	26,244	1,732	27,976
Spot liabilities	16,880	205	17,085
Net position	9,364	1,527	10,891

	At 31 December 2018		Total
	USD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	70,931	2,174	73,105
Spot liabilities	79,511	2,174	81,685
Net position	(8,580)	—	(8,580)

The above information is computed in accordance with the provisions of the CBRC. The Group has no structural position as at 31 December 2019 and 2018.

3. International claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as international claims.

International claims include loans and advances to customers, balances with the central bank, deposit and placement with banks and other financial institutions.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

	At 31 December	
	2019	2018
Deposit with banks Asia Pacific excluding mainland China	6,229	811

Chapter 13 Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

4. Loans and advances overdue for more than 90 days by geographical segments

	At 31 December	
	2019	2018
Jilin Region	1,529,890	1,331,045
Mainland China excluding Jilin Region	269,266	297,671
Total	1,799,156	1,628,716

5. Gross amount of loans and advances overdue for more than 90 days

	At 31 December	
	2019	2018
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– Between three months and six months (inclusive)	211,917	127,324
– Between six months and one year (inclusive)	374,822	437,923
– Between one year and three years	538,628	632,475
– Over three years	673,789	436,994
Total	1,799,156	1,628,716
As a percentage of total gross loans and advances		
– Between three months and six months (inclusive)	0.22%	0.16%
– Between six months and one year (inclusive)	0.39%	0.56%
– Between one year and three years	0.56%	0.82%
– Over three years	0.70%	0.56%
Total	1.87%	2.10%

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

6. Non-bank mainland China exposure

The Bank is a commercial bank incorporated in mainland China with its banking business conducted in mainland China. At 31 December 2019 and 2018, substantial amounts of the Bank's exposures arose from businesses with mainland China entities or individuals.



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