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Bank of Jiujiang Co., Ltd.*
九江銀行股份有限公司*

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock code: 6190)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

The board of directors (the “**Board**”) of Bank of Jiujiang Co., Ltd.* (the “**Bank**”) is pleased to announce the audited consolidated annual results of the Bank and its subsidiaries (the “**Group**”) for the year ended 31 December 2018 (the “**Annual Results**”). This results announcement is in compliance with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) in relation to information to accompany the preliminary announcement of annual results. The Annual Results have been reviewed by the Board and the audit committee of the Board.

This results announcement is published on the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.jjccb.com).

The 2018 annual report will be dispatched to the Bank's H shareholders in due course and will be published on the aforesaid HKEXnews website of the Hong Kong Stock Exchange as well as the website of the Bank.

By order of the Board
Bank of Jiujiang Co., Ltd.*
Liu Xianting
Chairman

Jiangxi, the People's Republic of China
29 March 2019

As at the date of this announcement, the Board comprises Mr. Liu Xianting, Mr. Pan Ming and Ms. Cai Liping as executive directors, Mr. Zeng Huasheng, Mr. Zhang Jianyong, Mr. Li Jianbao and Mr. Yi Zhiqiang as non-executive directors, Mr. Chua Alvin Cheng-Hock, Ms. Gao Yuhui, Mr. Quan Ze and Mr. Yang Tao as independent non-executive directors.

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



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Company Profile

1 Basics

Legal name in Chinese:

九江銀行股份有限公司

Legal name in English:

Bank of Jiujiang Co., Ltd.

Legal representative:

LIU Xianting (劉羨庭)

Authorized representatives:

PAN Ming (潘明), TONG Faping (童發平)

Board secretary:

TONG Faping (童發平)

Joint company secretaries:

TONG Faping (童發平), NG Wing Yan (伍穎欣)

H-share exchange:

The Stock Exchange of Hong Kong Limited

Stock short name:

BANK OF JIUJIANG

Stock code:

6190

Unified social credit code:

9136040070552834XQ

License number for financial business operations:

B0348H236040001

Registered address and office address:

No. 619, Changhong Avenue, Lianxi District, Jiujiang, Jiangxi Province, China (Postcode: 332000)

Principal place of business in Hong Kong:

40/F, Sunlight Tower, 248 Queen's Road East, Wan Chai, Hong Kong

Contact address:

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Tel: +86(792)7783000-1101

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Email: lushan2@jjccb.com

Website: <http://www.jjccb.com/>

PRC auditor:

Deloitte Touche Tohmatsu Certified Public Accountants LLP

International auditor:

Deloitte Touche Tohmatsu

PRC legal advisor:

Jiangxi Yangmingyang Law Firm (江西陽明陽律師事務所)

Hong Kong legal advisor:

Clifford Chance

Compliance advisor:

ABCI Capital Limited

H-share registrar and transfer office:

Computershare Hong Kong Investor Services Limited

Domestic share depository:

China Securities Depository and Clearing Corporation Limited (CSDC)

HKEXnews website of the Hong Kong Stock Exchange for publication of this report:

<http://www.hkexnews.hk>

2 About Us

Approved by Wuhan Branch of the central bank for establishment, Bank of Jiujiang Co., Ltd. (“Bank of Jiujiang” or the “Bank”) was a regional commercial bank incorporated in November 2000 from eight urban credit union in Jiujiang City. In October 2008, the Bank officially changed its name to Bank of Jiujiang Co., Ltd. On 10 July 2018, the Bank of Jiujiang was listed on the Main Board of the Hong Kong Stock Exchange (stock code: 6190).

Over the past 18 years, staffs of Bank of Jiujiang, with unwavering faith, persistent pursuit, selfless dedication, and the mindset that success only comes through hard work, have endured through great hardships in order to realize the success that Bank of Jiujiang has today. From a handful of branches to 265 outlets, we are now a renowned bank with total assets of over RMB300,000 million which also embodies the entrepreneurial spirit of Bank of Jiujiang – unity, integrity, perseverance and creativity.

Over the past 18 years, Bank of Jiujiang consistently optimized its shareholder structure and introduced strategic investors such as Industrial Bank and Beijing Automotive Group to enhance its brand image. Bank of Jiujiang ranks 372nd among banks worldwide and 64th among banks nationwide according to the rankings published in 2018 by The Banker, a globally authoritative journal in the United Kingdom. Besides, the Bank has received numerous recognition including “National Advanced Grassroots Party Organization”, “National May 1st Labour Award”, “Best National Small and Medium Commercial Bank” and “Exemplary Workplace for Talents in Jiangxi Province”.

As of 31 December 2018, Bank of Jiujiang has 3,597 employees (including country banks) across the whole organization, in which 99.61% of our staff had postgraduate degrees, among whom 321 had master’s degrees (or above). We now have 13 branches and 251 sub-branches, established and managed 18 county banks such as Xiushui Jiuyin and Beijing Daxing. As a city commercial bank, Bank of Jiujiang was the first to realize the full coverage of districts and cities within Jiangxi Province.

Bank of Jiujiang positions itself as a regional commercial bank rising in an area in the middle of Nanjing and Wuhan and with neighboring Guangzhou and Hefei on two sides, in a bid to be “Rooted in Jiujiang and Centered in Jiangxi Province, Spreading business across the country and Striding towards the world” and eventually forge a “gold cross” composed of the economic belts in the middle reach of Yangtze River and along the Beijing-Kowloon Railway. It has now grown into a financial brand name from Jiangxi, a headstream of China’s modern revolution.



Company Profile

3 Major awards in the year of 2018

In March 2018, the Jiujiang Municipal Committee of the Communist Youth League awarded the honorary title of “2017 Advanced Unit of the Communist Youth League Work in the City”.

In March 2018, the Ninth China Data Center Industry Commendation Conference hosted by the data center branch of China Computer User Association was successfully held at the Beijing National Convention Center. Our Wuhan Data Center Operation and Maintenance Team won the honorary title of “China Data Center Excellent Operation and Maintenance Management Team in 2017”.

In March 2018, the 2018 Inter-bank Local Currency Market Conference hosted by the China Foreign Exchange Trade System & National Interbank Funding Center was held in Hangzhou. The Bank won the Active Dealer award for its outstanding performance in the interbank RMB market in 2017.

In July 2018, the Banker announced the ranking of the top 1000 world banks in 2018. The Bank was on the list again because of its stable operations, ranked 372nd among global banks and 64th among national banks.

In August 2018, at the Conference of China Commercial Bank Value Management List held by NBD and the award ceremony of the China Small and Medium Bank Pioneer List of 2018, the Bank of Jiujiang won the Inclusive Finance Award.

In December 2018, the Bank won the City Commercial Bank of 2018 awarded by the China Times, the Excellent Competitive Brand Construction Bank of 2018 awarded by the China Business News, and the Most Popular Financial Institution of 2018 awarded by Sina Jiangxi.

Accounting Data and Financial Indicator Highlights

The financial information of the Bank and its subsidiaries (hereinafter collectively referred to as the “**Group**”) set forth in this annual report is prepared on a consolidated basis in accordance with International Financial Reporting Standards (“**IFRS**”) and expressed in Renminbi unless otherwise stated.

In the financial reports prepared in accordance with the PRC accounting standards and the IFRS, the Bank’s net profit attributable to shareholders for the year ended 31 December 2018 and the net profit attributable to shareholders at the end of the reporting period did not differ.

For the year ended 31 December					
Comparison between 2018 and					
	2018	2017	2017	2016	2015
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)					
Results of operations		Rate of changes (%)			
Net interest income	5,568.3	5,639.3	(1.3)	4,910.7	4,567.6
Net fee and commission income	279.1	349.7	(20.2)	163.4	100.6
Operating income	7,866.1	5,804.2	35.5	5,005.7	4,914.6
Operating expenses	(2,267.8)	(1,951.4)	16.2	(1,878.8)	(1,788.4)
Impairment losses on assets	(3,408.6)	(1,588.3)	114.6	(1,102.8)	(749.1)
Profit before tax	2,201.3	2,275.0	(3.2)	2,032.0	2,384.6
Net profit	1,787.0	1,761.6	1.4	1,559.1	1,801.6
Net profit attributable to shareholders of the Bank	1,757.7	1,766.4	(0.5)	1,578.3	1,783.0
Calculated on a per share basis (RMB)		Rate of changes (%)			
Net assets per share attributable to the Bank’s shareholders	9.58	8.57	11.8	8.55	7.95
Earnings per share	0.80	0.93	(14.0)	1.04	1.18
Profitability indicators (%)		Changes			
Return on average total assets ⁽¹⁾	0.61	0.71	(0.10)	0.78	1.17
Return on average equity ⁽²⁾	8.66	11.31	(2.65)	12.01	15.46
Net interest spread ⁽³⁾	2.49	2.16	0.33	2.57	2.80
Net interest margin ⁽⁴⁾	2.65	2.32	0.33	2.70	3.11
Net fee and commission income to operating income	3.55	5.97	(2.42)	3.26	2.05
Cost-to-income ratio ⁽⁵⁾	27.86	32.50	(4.64)	34.32	29.37

Accounting Data and Financial Indicator Highlights

For the year ended 31 December					
Comparison between 2018 and					
	2018	2017	2017	2016	2015
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)					
Capital adequacy indicators⁽⁶⁾(%)			Changes		
Calculated under the Administrative Measures for the Capital of Commercial Banks					
Core tier-one capital adequacy ratio	8.90	8.75	0.15	8.59	9.88
Tier-one capital adequacy ratio	8.90	8.75	0.15	8.59	9.88
Capital adequacy ratio	11.55	10.51	1.04	11.15	13.01
Total equity to total assets	7.57	6.51	1.06	5.99	7.13
Asset quality indicators (%)			Changes		
Non-performing loan ratio ⁽⁷⁾	1.99	1.62	0.37	1.99	1.86
General allowance ratio ⁽⁸⁾	169.69	192.00	(22.31)	164.11	201.49
Allowance to gross loan ratio ⁽⁹⁾	3.38	3.11	0.27	3.27	3.75
Other indicator (%)					
Loan to deposit ratio	65.08	57.19	7.89	54.60	50.05
Volume indicator			Rate of changes (%)		
Total assets	311,622.5	271,254.1	14.9	225,296.6	174,910.4
Including: Net loan products	137,148.2	99,528.2	37.8	76,907.6	48,405.1
Total liabilities	288,023.3	253,602.8	13.6	211,800.5	162,438.0
Including: Taking deposits	217,934.3	179,636.6	21.3	145,616.1	100,488.3
Share capital	2,407.4	2,000.0	20.4	1,516.0	1,516.0
Equity attributable to shareholders of the Bank	23,062.6	17,143.5	34.5	12,963.1	12,058.8
Non-controlling interests	536.6	507.7	5.7	533.0	413.6
Total equity	23,599.2	17,651.2	33.7	13,496.1	12,472.4

Note:

- (1) Represents net profit for the period as a percentage of average balance of total assets at the beginning and the end of the period.
- (2) Represents net profit attributable to the Shareholders of the Bank for the period as a percentage of average balance of total equity attributable to the Shareholders of our parent company at the beginning and the end of the period.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost ratio of total interest-bearing liabilities, and based on daily average interest-earning assets and interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets, and based on daily average interest-earning assets.
- (5) Calculated by dividing operating expenses, excluding business tax and surcharges, by operating income.
- (6) The Administrative Measures for the Capital of Commercial Banks (商業銀行資本管理辦法) promulgated by the CBIRC on 7 June 2012 and replaced by the Measures on the Administration of Capital Adequacy Ratios of Commercial Banks (商業銀行資本充足率管理辦法) effective on 1 January 2013.
- (7) Calculated by dividing total non-performing loans by gross loans to customers.
- (8) Calculated by dividing allowance for impairment losses on loans by total non-performing loans.
- (9) Calculated by dividing allowance for impairment losses on loans by gross loans to customers.

Management Discussion and Analysis

1 Historical economic and financial environment

In 2018, the overall growth of the world economy remained the same as that of the previous year. However, most countries showed a slowdown in their economic growth. Global unemployment rate remained at a low level, whereas full employment situation and rising bulk commodity prices have prompted inflation in various countries. At the same time, the world economy has also experienced a slowdown in international trade growth, a downturn in international direct investment activities, a continuous increase in global debt levels and turbulence in financial markets.

In the face of a complex international political and economic environment and the arduous domestic reform and development stability tasks in 2018, China adhered to the principle of “overall stability, moving forward with steady growth”. Its economic operation remained in a reasonable range, while its economic structure continued to be optimized, with its quality and efficiency being steadily improved. In 2018, China’s Gross Domestic Product (GDP) exceeded RMB90.0 trillion, with a year-on-year increase of 6.6%, representing a slight decrease of 0.2 percentage point as compared with that in the previous year, achieving an expected target of approximately 6.5%. Its growth rate has been hovering between a range from 6.4% to 7.0% in the consecutive 16 seasons. The stability and resilience of its economic operation are significantly strengthened.

In 2018, adhering to the general principle of moving forward with steady growth, the Jiangxi Province implemented new development concepts and fulfilled high-quality development requirements. In line with the supply-side structural reform, it coordinated well for various works including promoting steady growth, encouraging reforms, adjusting structure, improving ecology, benefiting people’s livelihood and preventing risks in accordance with the work guidelines of “innovative leadership, reform and tackle the core, open up and enhancement, the rise of the green sector, take on responsibility and work steadfastly, thriving the Jiangxi province and enriching its people”. In 2018, the whole province achieved a total production value of RMB2.19848 trillion, representing a growth of 8.7% as compared to that of last year which was higher than the average level of the whole country by 1.2 percentage points. Fixed asset investment increased by 11.1%; the balance of local and foreign currency loans of financial institutions exceeded RMB3 trillion, representing a growth of 18.1%. The growth rate of major economic indicators continued to rank among the top in China.

In 2018, adhering to a stable and neutral monetary policy, People's Bank of China applied comprehensively various monetary policy tools to maintain the reasonable stability of the liquidity of the banking system and promote the reasonable growth of scale of monetary credit and social financing; it further supported supply-side structural reforms, guided financial institutions to increase support for key areas and weak links in China's economy, as well as stepped up its efforts in promoting precise financial poverty alleviation work in deep poverty areas; it prevented and resolved financial risks practically, strengthened financial risk research and judgement as well as risk prevention in key areas and improved financial risk monitoring, assessment, early warning and disposal systems; and constantly promoted the progress of the interest rate marketization reform, strengthened its interest rate regulating capability, and maintained the basic stability of the RMB exchange rate at a reasonable balanced level.

In 2018, adhering to the general work principle of moving forward with steady growth and for the purpose of serving the supply-side structural reforms, banking regulatory authorities promoted fully the reform and open up of the banking industry, pushed forward the transformation of the banking industry from high-speed growth to high-quality development, optimizing continually the structure of the financial system, enhanced the quality and the efficiency of the service entity economy as well as promoted solidly the development of the inclusive finance. It laid a solid foundation for the battle to preventing and resolving financial risks, continued to rectify deeply irregularities in the banking industry and regarded that as the normalized key work of the reform and regulation of the banking industry for the current and future period. It prevented resolutely the occurrence of systematic financial risks.

Management Discussion and Analysis

2 Operational overview

The scale of operation has grown reasonably. Year-end total assets amounted to RMB311,623 million, representing an increase of RMB40,368 million, or 14.9%. Various deposits amounted to RMB217,934 million, representing an increase of RMB38,298 million, or 21.3%; Daily average deposits amounted to RMB196,711 million, representing an increase of RMB40,769 million, or 26.1%. Various loans amounted to RMB141,830 million, representing an increase of RMB39,104 million, or 38.1%. Various investments amounted to RMB121,427 million, representing an increase of RMB16,932 million, or 16.2%.

Regulatory indicators are sound and are up to standard. Year-end capital adequacy ratio amounted to 11.55% representing a year-on-year increase of 1.04 percentage points. Non-performing loan ratio amounted to 1.99%, representing a year-on-year increase of 0.37 percentage point. General allowance ratio amounted to 169.69%, and cost-to-income ratio amounted to 27.86%, meeting main regulatory indicators while exceeding regulatory requirements.

Operating efficiency remained strong. Operating income amounted to RMB7,866 million, representing an increase of RMB2,062 million, or 35.5%. To make more solid profit and to prevent risks, a year-end total profit of RMB2,201 million is achieved, representing a decrease of RMB74 million, or 3.2%; net profit amounted to RMB1,787 million, representing a slight increase of RMB25 million, or 1.4%. Return on capital amounted to 8.66% and return on assets amounted to 0.61%.

The brand image has improved significantly. The Bank was successfully listed on the Hong Kong Stock Exchange on 10 July 2018, the Jiuyin blossoms bloomed over the Victoria Harbour. The Banker, a British journal, published the “Top 1,000 World Banks 2018” rankings, in which the Bank ranked 372nd in the world bank list, which is 84th places higher than last year, and 64th in the China bank list. The Bank won the Inclusive Finance Award at the Conference of China Commercial Bank Value Management List held by NBD and the award ceremony of the China Small and Medium Bank Pioneer List of 2018. The Bank published a number of signed articles in People’s Daily and Financial Times which further improved the brand image.

3 Income statement analysis

For the year ended 31 December 2018, the Bank achieved a profit before tax of RMB2,201 million, representing a year-on-year decrease of 3.2%; the Bank achieved a net profit of RMB1,787 million, representing a year-on-year increase of 1.4%.

	For the year ended 31 December			
	2018	2017	Amount of change	Rate of changes (%)
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Interest income	12,570.7	11,835.4	735.3	6.2
Interest expenses	(7,002.4)	(6,196.1)	(806.3)	13.0
Net interest income	5,568.3	5,639.3	(71.0)	(1.3)
Fee and commission income	467.0	427.9	39.1	9.1
Fee and commission expenses	(187.9)	(78.2)	(109.7)	140.3
Net fee and commission income	279.1	349.7	(70.6)	(20.2)
Net gains/(losses) on investment securities	1,999.1	(180.1)	2,179.2	–
Other income, gains or losses	19.6	(4.7)	24.3	–
Operating income	7,866.1	5,804.2	2,061.9	35.5
Operating expenses	(2,267.8)	(1,951.4)	(316.4)	16.2
Impairment losses on assets	(3,408.6)	(1,588.3)	(1,820.3)	114.6
Share of profit of associates	11.6	10.5	1.1	10.4
Profit before tax	2,201.3	2,275.0	(73.7)	(3.2)
Income tax expenses	(414.3)	(513.4)	99.1	(19.3)
Net profit for the year	1,787.0	1,761.6	25.4	1.4
Net profit attributable to shareholders of the Bank	1,757.7	1,766.4	(8.7)	(0.5)
Interests of minorities	29.3	(4.8)	34.1	–

3.1 Net interest income, net interest spread and net interest margin

The Bank adopted IFRS 9 issued by the IASB in July 2014. The effective date of the standard is 1 January 2018. Combining the requirements of IFRS 9 and IAS 1 – Presentation of Financial Statements, the Bank reclassified certain financial assets measured at amortized cost under the original standard to financial assets at fair value through profit or loss under the new standard. The interest generated by such assets was also transferred from interest income item to investment income item, which would affect the interest income, net interest income, investment income, net interest spread and net interest margin. According to the transition requirements of IFRS 9, the Bank chose not to restate the information during the comparison period. In order to maintain the comparability of the two important financial indicators, the Bank still based on the relevant requirements of the IAS 39 to

Management Discussion and Analysis

calculate the interest income and net interest income for 2018, and then calculate the net interest spread and net interest margin for 2018 accordingly. The interest income calculated according to IAS 39 was RMB14,609 million which included the amount in investment income from financial assets at fair value through profit or loss and the net interest income was RMB7,607 million which included the amount in investment income from financial assets at fair value through profit or loss, which was 23.4% and 34.9% higher than the figures for 2017 on the same comparison basis.

The following table sets forth the average balance of interest-earning assets and interest-bearing liabilities, the interest income and expenses of these assets and liabilities, and the average yield of interest-earning assets and the average cost ratio of interest-bearing liabilities for the years ended 31 December 2017 and 2018.

	For the year ended 31 December					
	2018			2017		
	Average balance	Interest income/expense	Average yield/interest rate(%) ⁽¹⁾	Average balance	Interest income/expense	Average yield/interest rate (%) ⁽¹⁾
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)						
Interest-earning assets						
Loans and advances to customers	116,433.2	6,879.8	5.91	84,394.4	4,802.1	5.69
Investments in securities and other financial assets ⁽²⁾	119,432.9	6,361.1	5.33	112,883.3	5,502.8	4.87
Financial assets held under resale agreements	17,149.8	822.9	4.80	17,675.3	1,045.1	5.91
Balances with central bank ⁽³⁾	25,279.6	400.5	1.58	21,800.7	344.9	1.58
Amounts due from banks and other financial institutions ⁽⁴⁾	8,809.2	145.1	1.65	6,665.7	140.5	2.11
Total interest-earning assets	287,104.7	14,609.4	5.09	243,419.4	11,835.4	4.86
Interest-bearing liabilities						
Customer deposits	196,711.5	4,124.3	2.10	155,942.1	3,190.5	2.05
Deposits from banks and other financial institutions	18,959.4	665.2	3.51	13,569.0	584.0	4.30
Financial assets sold under repurchase agreements ⁽⁵⁾	12,459.1	341.4	2.74	20,209.6	673.8	3.33
Debt securities issued	39,816.0	1,849.3	4.64	39,846.0	1,740.4	4.37
Borrowings from central bank	938.1	22.2	2.37	335.3	7.4	2.20
Total interest-bearing liabilities	268,884.1	7,002.4	2.60	229,902.0	6,196.1	2.70
Net interest income⁽⁶⁾		7,607.0			5,639.3	
Net interest spread⁽⁷⁾		2.49			2.16	
Net interest margin⁽⁸⁾		2.65%			2.32%	

Note:

- (1) Calculated by dividing interest income/expense by average balance.
- (2) Consists of our holdings of non-standardized investments and debt securities. Non-standard investments mainly include asset management plans, trust plans and other wealth management products issued by PRC commercial banks.
- (3) Consists primarily of mandatory reserve deposits and surplus reserve deposits.
- (4) Consists of deposits with banks and other financial institutions and placements with banks and other financial institutions.
- (5) Consists of tier-two capital bonds issued, interbank negotiable certificates of deposit and asset-backed securities.
- (6) The adjusted interest income, net interest income, net interest spread and net interest margin are calculated as the same in the previous year according to IAS 39 in order to maintain the comparability of significant financial indicators for the two periods.
- (7) Calculated as the difference between the average yield on total interest-earning assets and the average cost ratio of total interest-bearing liabilities.
- (8) Calculated by dividing net interest income by the daily average balance of total interest-earning assets.

Management Discussion and Analysis

The following table sets forth the changes in interest income and interest expenses due to changes in scale and interest rates during the period indicated. The change in scale is measured by the change in the average balance of interest-earning assets and interest-bearing liabilities, while the change in interest rates is measured by the change in the average interest rates of interest-earning assets and interest-bearing liabilities. The combined effect of changes in scale and interest rates is included in interest rate changes.

For the year ended 31 December Changes in 2018 vs. 2017 Reasons of increase/(decrease)			
	Scale⁽¹⁾	Interest rate⁽²⁾	Net increase/ decrease⁽³⁾
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)			
Interest-earning assets			
Loans and advances to customers	1,823.0	254.7	2,077.7
Investments in securities and other financial assets	319.3	539.0	858.3
Financial assets held under resale agreements	(31.1)	(191.1)	(222.2)
Balances with central bank ⁽⁴⁾	55.0	0.6	55.6
Amounts due from banks and other financial institutions ⁽⁵⁾	45.1	(40.5)	4.6
Change in interest income	2,211.3	562.7	2,774.0
Interest-bearing liabilities			
Customer deposits	834.2	99.6	933.8
Deposits from banks and other financial institutions	231.9	(150.7)	81.2
Financial assets sold under repurchase agreements	(258.4)	(74.0)	(332.4)
Debt securities issued ⁽⁶⁾	(1.3)	110.2	108.9
Borrowings from central bank	13.2	1.6	14.8
Change in interest expense	819.6	(13.3)	806.3
Change in net interest income	1,391.7	576.0	1,967.7

Note:

- (1) Represents the average balance of the reporting period deducting the average balance of the previous period, multiplied by the average yield/cost ratio of the previous period.
- (2) Represents the average yield/cost ratio of the reporting period deducting the average yield/cost ratio of the previous period multiplied by the average balance for the reporting period.
- (3) Represents interest income/expense during the reporting period deducting interest income/expense from the previous period.
- (4) Consists primarily of mandatory reserve deposits and surplus reserve deposits.
- (5) Consists of deposits with banks and other financial institutions and placements with banks and other financial institutions.
- (6) Consists of tier-two capital bonds issued, interbank negotiable certificates of deposit and asset-backed securities.

3.2 Interest income

Adjusted according to the comparison basis of the corresponding period of the previous year, for the year ended 31 December 2018, the Bank achieved an interest income of RMB14,609 million, representing an increase of RMB2,774 million, or 23.4%. The increase in interest income was mainly due to the increase in the average balance of interest-earning assets and the average return on assets. The increase in the average balance of interest-earning assets during the reporting period was mainly attributable to the increase in the average balance of customer loans and debt securities investment of the Bank along with the business growth of the Bank. The increase in the average asset yield was mainly due to the increase in the average yield of customer loans as well as the investment yield of investments in securities and other financial assets.

Management Discussion and Analysis

3.2.1 Interest income from loans and advances

For the year ended 31 December 2018, interest income from the Bank's customer loans was RMB6,880 million, a year-on-year increase of RMB2,078 million or 43.3% over the same period of last year, mainly attributable to the increase in the average balance of total customer loans and the increase in the average yield of customer loans. The average balance of our total loans to customers increased during the reporting period, primarily reflecting the overall growth of our loan portfolio.

The following table sets forth the average balance, interest income and average yield of various customer loan components of the Bank in the period indicated.

	For the year ended 31 December					
	2018			2017		
	Average balance	Interest income	Average yield/ interest rate (%)	Average balance	Interest income	Average yield/ interest rate (%)
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)						
Corporate loans	73,549.4	4,421.0	6.01	52,976.1	3,032.2	5.72
Personal loans	39,090.7	2,329.8	5.96	30,060.6	1,721.3	5.73
Discounted bills	3,793.1	129.0	3.40	1,357.7	48.6	3.58
Total	116,433.2	6,879.8	5.91	84,394.4	4,802.1	5.69

3.2.2 Interest income from investments in securities and other financial assets

For the year ended 31 December 2018, interest income from investments in securities and other financial assets of the Bank amounted to RMB6,361 million, representing an increase of RMB858 million, or 15.6%, primarily due to the increase in the average balance of debt securities investment and the increase in the average yield of investments in securities and other financial assets.

3.2.3 Interest income from financial assets held under resale agreements

For the year ended 31 December 2018, interest income from financial assets held under resale agreements of the Bank amounted to RMB823 million, representing a year-on-year decrease of RMB222 million, or 21.3%, primarily due to the decrease in the average yield on financial assets held under resale agreements and, to a lesser extent, the decrease in the average balance. The decrease in average yield was primarily due to (i) decreased portion of bills held under resale agreements which have higher yields as compared to other financial assets, and (ii) loosened market liquidity. The decrease in average balance was primarily due to the implementation of a stable and neutral monetary policy by the central bank in 2018. The market liquidity was generally sufficient.

3.2.4 Interest income from deposits with central bank

For the year ended 31 December 2018, interest income from deposits with the central bank was RMB401 million, a year-on-year increase of RMB56 million, or 16.1%, mainly due to the increase in the average balance of deposits with the central bank. Such increase was mainly attributable to the continued growth in mandatory reserve deposits that was caused by the customer deposits.

3.2.5 Interest income from amounts due from banks and other financial institutions

For the year ended 31 December 2018, interest income from amounts due from banks and other financial institutions amounted to RMB145 million, which was basically the same as that of the same period last year. This was mainly due to the decrease in the average yield of amounts due from banks and other financial institutions, which was partially offset by an increase in the average balance. The decrease in the average yield was mainly attributable to the decrease in the proportion of time deposits deposited in banks and other financial institutions which earn higher yields than demand deposits. The increase in the average balance was due to the need for liquidity management measures.

3.3 Interest expense

For the year ended 31 December 2018, interest expense of the Bank amounted to RMB7,002 million, representing a year-on-year increase of RMB806 million, or 13.0%.

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3.3.1 Interest expense on customer deposits

For the year ended 31 December 2018, interest expense on customer deposits of the Bank amounted to RMB4,124 million, a year-on-year increase of RMB934 million, or 29.3%, primarily due to the increase in the average interest rate and the increase in average balance of customer deposits. The increase in the average interest expense on customer deposits was mainly due to fierce competition in the industry. The increase in the average balance of customer deposits was mainly due to (i)(a) our continuous efforts to broaden our corporate customer base, and (b) improvements in our customer services and marketing activities, which resulted in an increase in corporate customer deposits; and (ii) our increased personal deposits in line with the expansion of our retail banking branch network.

The following table sets forth average balance, interest expense and average interest rate for each component of the Bank's customer deposits in the period indicated.

	For the year ended 31 December					
	2018			2017		
	Average balance	Interest income/expense	Average yield/interest rate (%)	Average balance	Interest income/expense	Average yield/interest rate (%)
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)						
Corporate deposits						
Demand	71,516.0	639.9	0.89	51,650.3	404.1	0.78
Time	38,515.5	1,208.8	3.14	39,577.4	1,216.6	3.07
Margin deposits	23,875.5	633.9	2.66	14,385.1	346.6	2.41
Sub-total	133,907.0	2,482.6	1.85	105,612.8	1,967.3	1.86
Personal deposits						
Demand	13,697.6	56.3	0.41	11,381.5	44.8	0.39
Time	48,618.0	1,585.4	3.26	38,372.0	1,178.4	3.07
Sub-total	62,315.6	1,641.7	2.63	49,753.5	1,223.2	2.46
Others	488.9	0.0	0.00	575.8	0.0	0.00
Total customer deposits	196,711.5	4,124.3	2.10	155,942.1	3,190.5	2.05

3.3.2 Interest expense on deposits from banks and other financial institutions

For the year ended 31 December 2018, our interest expense on deposits from banks and other financial institutions was RMB665 million, a year-on-year increase of RMB81 million, or 13.9%. This was mainly due to the increase in the average balance of deposits from banks and other financial institutions, which was partially offset by the decrease in the average interest rate. The increase in the average balance of deposits from banks and other financial institutions was mainly due to funding from banks and other financial institutions. The decrease in average interest rate of deposits from banks and other financial institutions primarily reflected higher market interest rates which resulted from loosened market liquidity in 2018.

3.3.3 Interest expense from financial assets sold under repurchase agreements

For the year ended 31 December 2018, interest expense on financial assets sold under repurchase agreements amounted to RMB341 million, a year-on-year decrease of RMB332 million, or 49.3%. This was primarily due to the decrease in the average balance and the average yield of financial assets sold under repurchase agreements. The decrease in the average balance was primarily due to the gradual improvement on liquidity management of the Bank. The decrease in average yield was primarily due to the implementation of a stable and neutral monetary policy by the central bank in 2018. The market liquidity was generally sufficient and the capital price was lower than that in 2017.

3.3.4 Interest expense from debt securities issued

For the year ended 31 December 2018, interest expense from debt securities issued of the Bank amounted to RMB1,849 million, representing a year-on-year increase of RMB109 million, or 6.3%. This was primarily due to the increase in the average balance and the increase in the average interest rate of debt securities issued of the Bank. The increase in the average balance and the increase in the average interest rate of debt securities issued was primarily due to the additional issuance of tier-two capital bonds and financial bonds with higher interest costs as compared to certificates of interbank deposits.

3.3.5 Interest expense from borrowings from central bank

For the year ended 31 December 2018, interest expense on borrowings from central bank of the Bank amounted to RMB22 million, representing a year-on-year increase of RMB15 million. This was mainly due to the increase in the average balance of borrowings from the central bank.

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3.3.6 Net interest spread and net interest margin

For the year ended 31 December 2018, net interest spread of the Bank increased from 2.16% in last year to 2.49%, net interest margin increased from 2.32% in last year to 2.65%, primarily due to the fact that loan and investment pricing levels improved as we strengthened loan and investment pricing management.

3.4 Non-interest income

3.4.1 Fee and commission income

For the year ended 31 December 2018, the Bank achieved fee and commission income of RMB279 million, a year-on-year decrease of RMB71 million, or 20.2%, mainly due to the continuous increase in third-party platform fees with the expansion of third-party platform business.

The following table sets forth each component of fee and commission income in the period indicated.

	For the year ended 31 December			
	2018	2017	Amount of change	Rate of changes (%)
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Fee and commission income				
Agency service fee income	173.3	191.7	(18.4)	(9.6)
Wealth management fee	130.3	128.0	2.3	1.8
Acceptance and guarantee commitment fee	51.1	32.4	18.7	57.7
Settlement and clearing service fee	25.3	27.2	(1.9)	(7.1)
Bank card fee	65.7	15.2	50.5	331.7
Transaction and consultancy fee	21.3	33.4	(12.1)	(36.1)
Sub-total	467.0	427.9	39.1	9.1
Fee and commission expense	(187.9)	(78.2)	(109.7)	140.3
Net fee and commission income	279.1	349.7	(70.6)	(20.2)

For the year ended 31 December 2018, the Bank achieved agency service fee income of RMB173 million, representing a year-on-year decrease of RMB18 million, or 9.6%, primarily due to a decrease in the agency service fee relating to entrusted loan services.

For the year ended 31 December 2018, the Bank achieved wealth management fee income of RMB130 million, which was basically the same as that of the same period last year.

For the year ended 31 December 2018, the Bank achieved acceptance and guarantee commitment fee income of RMB51 million, a year-on-year increase of RMB19 million, or 57.7%, mainly due to the increase in trading volume as a result of our vigorous development of the acceptance business.

For the year ended 31 December 2018, the Bank achieved settlement and clearing service fee income of RMB25 million, which was basically the same as that of the same period last year.

For the year ended 31 December 2018, our bank card fee income reached RMB66 million, a year-on-year increase of RMB51 million, or 331.7%. This was mainly due to the increase in the related fee income as a result of promotion and application of our credit cards.

For the year ended 31 December 2018, we achieved transaction and consultancy fee income of RMB21 million, a year-on-year decrease of RMB12 million, mainly reflecting the decrease in the related fee income as a result of the decrease in that business.

3.5 Operating expense

For the year ended 31 December 2018, our operating expenses were RMB2,268 million, representing an increase of RMB316 million, or 16.2% over the same period of last year, which was in line with the overall growth of our business.

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The following table sets forth the amount, amount of change and rate of changes for each component of operating expenses of the Bank in the period indicated.

	For the year ended 31 December			
	2018	2017	Amount of change	Rate of changes (%)
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Staff costs				
Salaries, bonuses and allowances	830.6	788.9	41.7	5.3
Staff welfare	46.0	43.2	2.8	6.4
Social insurance	144.7	113.9	30.8	27.1
Housing funds	27.2	24.5	2.7	10.8
Labor union fees and staff education expenses	14.2	12.9	1.3	10.8
Total staff costs	1,062.7	983.4	79.3	8.1
General and administrative expenses	748.6	595.0	153.6	25.8
Tax and surcharges	76.3	48.9	27.4	55.9
Rental expenses	103.6	103.5	0.1	0.2
Depreciation	159.0	124.1	34.9	28.1
Amortization	88.0	68.4	19.6	28.6
Others	29.6	28.1	1.5	5.5
Total operating expenses	2,267.8	1,951.4	316.4	16.2

For the year ended 31 December 2018, our staff costs were RMB1,063 million, a year-on-year increase of RMB79 million, or 8.1%. This was mainly attributable to the general increase in the number of employees and average remuneration as a result of our continued business expansion, resulting in increases in salaries, bonuses and allowances and housing funds for our employees.

For the year ended 31 December 2018, our general and administrative expenses were RMB749 million, an increase of RMB154 million or 25.8% over the same period last year. This was mainly due to the increase in the promotion cost as our business grows.

For the year ended 31 December 2018, our tax and surcharges were RMB76 million, a year-on-year increase of RMB27 million, or 55.9%. This was mainly due to our business growth.

For the year ended 31 December 2018, our rental expenses were RMB104 million, which was basically the same as that of the same period last year.

For the year ended 31 December 2018, depreciation and amortization were RMB159 million and RMB88 million respectively. Depreciation increased by RMB35 million year-on-year, and amortization decreased by RMB20 million year-on-year, mainly due to changes in tangible assets, property and equipment and renovation expenses during the relevant period.

For the year ended 31 December 2018, other operating expenses were RMB30 million, which was basically the same as that of the same period last year.

3.6 Impairment losses

For the year ended 31 December 2018, our impairment losses were RMB3,409 million, an increase of RMB1,820 million, or 114.6% year-on-year, mainly due to (i) increase in allowance on loans and advances to customer; (ii) the increase in financial assets measured at amortised cost and allowances for impairment of financial assets measured at fair value through other comprehensive income. The above-mentioned factors manifested after the application of IFRS 9 Financial Instruments.

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The following table sets forth amount, amount of change and rate of changes for each component of impairment loss of the Bank in the period indicated.

	For the year ended 31 December			
	2018	2017	Amount of change	Rate of changes (%)
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Loans and advances to customers	2,437.9	1,272.6	1,165.3	91.6
Investments classified as receivables	–	309.2	(309.2)	–
Financial assets measured at amortized cost	716.6	–	716.6	–
Financial assets measured at fair value through other comprehensive income	151.6	–	151.6	–
Placements with banks and other financial institutions	1.1	–	1.1	–
Deposits with banks and other financial institutions	0.6	–	0.6	–
Financial assets held under resale agreement	(10.8)	–	(10.8)	–
Financial guarantee and commitment	111.6	–	111.6	–
Other assets	–	6.5	(6.5)	–
Total impairment losses	3,408.6	1,588.3	1,820.3	114.6

3.7 Income tax expense

For the year ended 31 December 2018, our income tax was RMB414 million, a year-on-year decrease of RMB99 million, or 19.3%, mainly due to the exemption of enterprise income tax on interest income and dividends of funds from investments in national bonds and local government bonds.

The following table sets forth amount, amount of change and rate of changes for each component of income tax expense of the Bank in the period indicated.

For the year ended 31 December				
	2018	2017	Amount of change	Rate of changes (%)
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Current income tax	1,049.4	745.4	304.0	40.8
Effect of tax for previous years	21.7	(1.4)	23.1	–
Deferred income tax	(656.8)	(230.6)	(426.2)	184.9
Total income tax expenses	414.3	513.4	(99.1)	(19.3)

4 Analysis of major financial position items

4.1 Assets

For the year ended 31 December 2018, our total assets amounted to RMB311,623 million, an increase of RMB40,368 million, or 14.9% from the end of the previous year. The increase was mainly due to the increase in the following assets: (i) loans and advances to customers; and (ii) investments in securities and other financial assets.

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The following table sets forth, as at the dates indicated, each component of total assets of the Bank.

	As of 31 December 2018		As of 31 December 2017	
	Amount	% of total	Amount	% of total
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Loans and advances to customers	141,829.5	45.5	102,725.2	37.9
Less: Impairment loss allowance	(4,681.3)	(1.5)	(3,197.0)	(1.2)
Loans and advances to customers, net	137,148.2	44.0	99,528.2	36.7
Net Investments in securities and other financial assets	120,055.8	38.6	103,495.4	38.2
Cash and balances with central bank	28,436.9	9.1	28,750.5	10.6
Deposits with banks and other financial institutions	1,634.3	0.5	1,667.8	0.6
Placements with banks and other financial institutions	2,818.3	0.9	1,481.0	0.5
Financial assets held under resale agreement	13,954.1	4.5	26,506.7	9.8
Investments in associates	117.7	0.0	111.3	0.0
Other assets	7,457.2	2.4	9,713.2	3.6
Total assets	311,622.5	100.0	271,254.1	100.0

4.1.1 Loans and advances to customers

For the year ended 31 December 2018, our loans and advances to customers amounted to RMB141,830 million, an increase of RMB39,104 million, or 38.1% from the end of the previous year. The growth of the our loan portfolio was mainly due to (i) the stable growth in our corporate loans; and (ii) our continued efforts to develop personal loan business.

The following table sets forth, as at the dates indicated, the distribution of our loans by business type.

	As of 31 December 2018		As of 31 December 2017	
	Amount	% of total	Amount	% of total
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Corporate loans	89,842.5	63.3	60,998.6	59.4
Personal loans	41,223.2	29.1	37,155.5	36.2
Discounted bills	10,763.8	7.6	4,571.1	4.4
Total loans and advances to customers	141,829.5	100.0	102,725.2	100.0

(1) Corporate loans

For the year ended 31 December 2018, our corporate loans amounted to RMB89,842 million, an increase of RMB28,844 million, or 47.3% from the end of the previous year. The overall increase in corporate loans was mainly due to our continued expansion of the corporate loan portfolio.

The following table sets forth, as at the dates indicated, the distribution of our corporate loans by type of collateral.

	As of 31 December 2018		As of 31 December 2017	
	Amount	% of total	Amount	% of total
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Unsecured loans	12,812.8	14.3	8,681.0	14.2
Guaranteed loans	30,084.1	33.5	17,554.3	28.8
Collateralized loans	35,671.0	39.7	26,608.6	43.6
Pledged loans	11,274.6	12.5	8,154.7	13.4
Total corporate loans	89,842.5	100.0	60,998.6	100.0

(2) Personal loans

For the year ended 31 December 2018, our personal loans amounted to RMB41,223 million, an increase of RMB4,068 million, or 10.9% from the end of the previous year. Our personal loans continued to grow, mainly due to the rapid development of our personal consumption loans and expansion of branch network.

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The table below sets forth, as at the dates indicated, the breakdown of our personal loans by product type.

	As of 31 December 2018		As of 31 December 2017	
	Amount	% of total	Amount	% of total
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Residential mortgage loans	20,289.9	49.2	19,162.3	51.6
Personal business loans	9,264.4	22.5	9,246.8	24.9
Personal consumption loans	10,116.0	24.5	8,113.0	21.8
Bank card balances	1,552.9	3.8	633.4	1.7
Total personal loans	41,223.2	100.0	37,155.5	100.0

(3) Discounted bills

For the year ended 31 December 2018, our discounted bills were RMB10,764 million, an increase of RMB6,193 million from the end of the previous year, or 135.5%, primarily due to the Bank increased the support towards the real economy through bills business in 2018, in particular the support towards the small and micro enterprises as well as private enterprise.

4.1.2 Investments in securities and other financial assets

For the year ended 31 December 2018, our total investments in securities and other financial assets amounted to RMB121,427 million, an increase of RMB16,932 million or 16.2% from the end of the previous year, primarily due to the fact that (i) the Bank's debt securities held by the Bank increased; and (ii) equity investments held by the Bank significantly increased, primarily in bond funds and currency funds.

The following table sets out the components of the Bank's investments in securities and other financial assets by investment intention as at the dates indicated.

	As of 31 December 2018		As of 31 December 2017	
	Amount	% of total	Amount	% of total
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Investments at fair value through profit or loss	36,994.9	30.5	910.8	0.9
Available-for-sale financial assets	–	–	20,554.6	19.7
Held-to-maturity investments	–	–	13,125.5	12.5
Investments classified as receivables	–	–	69,904.1	66.9
Investments at amortized cost	69,470.8	57.2	–	–
Investments at fair value through other comprehensive income	14,960.9	12.3	–	–
Investments in securities and other financial assets, gross	121,426.6	100.0	104,495.0	100.0

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The following table sets forth, as at the dates indicated, the distribution of our investments in securities and other financial assets.

	As of 31 December 2018		As of 31 December 2017	
	Amount	% of total	Amount	% of total
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Debt securities				
Government bonds	9,569.6	7.9	8,871.0	8.5
Debt securities issued by PRC policy banks	16,573.3	13.6	14,921.0	14.3
Debt securities issued by other PRC banks and financial institutions	859.2	0.7	124.0	0.1
Debt securities issued by PRC corporate issuers	14,658.9	12.1	6,816.1	6.5
Sub-total	41,661.0	34.3	30,732.1	29.4
Non-standard Investment				
Trust plans and asset management plans	67,070.1	55.2	69,026.3	66.1
Wealth management products issued by other PRC commercial banks	715.3	0.6	877.9	0.8
Other investments at fair value through profit or loss	2,963.2	2.5	–	–
Sub-total	70,748.6	58.3	69,904.2	66.9
Equity investments				
Equity investments	530.9	0.4	15.1	–
Funds investments	8,486.1	7.0	3,843.6	3.7
Sub-total	9,017.0	7.4	3,858.7	3.7
Investments in securities and other financial assets, gross	121,426.6	100.0	104,495.0	100.0
Less: Impairment loss allowance	(1,370.8)		(999.6)	
Investments in securities and other financial assets, net	120,055.8		103,495.4	

4.1.3 Other Components of Our Assets

Other components of our assets mainly include: (i) cash and deposits with central bank; (ii) deposits with banks and other financial institutions; (iii) placements with banks and other financial institutions; and (iv) financial assets held under resale agreements.

For the year ended 31 December 2018, the total amount of cash and balances with central bank was RMB28,437 million, a decrease of RMB314 million or 1.1% from the end of the previous year, primarily due to the cuts on statutory deposit reserve ratio by the PBOC for four times in a row in 2018, resulting in a decline in the statutory deposit reserve of the central bank.

For the year ended 31 December 2018, the total amount of deposits with banks and other financial institutions was RMB1,634 million, a decrease of RMB34 million or 2.0% from the end of the previous year, mainly due to our adjustment of liquidity management measures based on the funding situation and market liquidity changes.

For the year ended 31 December 2018, the total amount of placements with banks and other financial institutions was RMB2,818 million, an increase of RMB1,337 million or 90.3% from the end of the previous year, mainly due to our adjustment of liquidity management measures based on the funding situation and market liquidity changes.

For the year ended 31 December 2018, the total amount of financial assets held under resale agreements was RMB13,954 million, a decrease of RMB12,553 million, or 47.4% from the end of the previous year, primarily reflecting our reduced financial assets held under resale agreements based on our liquidity management measures.

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4.2 Liabilities

For the year ended 31 December 2018, the Bank recorded total liabilities of RMB288,023 million, increasing by RMB34,420 million, or 13.6% over that at the end of last year.

The following table sets forth, as at the dates indicated, each component of total liabilities of the Bank.

	As of 31 December 2018		As of 31 December 2017	
	Amount	% of total	Amount	% of total
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Borrowings from central bank	3,167.7	1.1	811.9	0.3
Customer deposits	217,934.3	75.7	179,636.6	70.8
Deposits from banks and other financial institutions	12,772.3	4.4	8,268.7	3.3
Placements from banks and other financial institutions	1,774.9	0.6	1,116.9	0.4
Financial assets sold under repurchase agreements	8,202.1	2.9	17,406.0	6.9
Debt securities issued	40,900.0	14.2	40,247.8	15.9
Other liabilities ⁽¹⁾	3,272.0	1.1	6,114.9	2.4
Total liabilities	288,023.3	100.0	253,602.8	100.0

Note:

- (1) Consists of interest payable, other payables, settlement payable, salaries payable, tax payables and dividends payable.

4.2.1 Customer deposits

For the year ended 31 December 2018, we recorded total deposits of RMB217,934 million, increasing by RMB38,298 million, or 21.3% over that at the end of last year, mainly due to the rising momentum of our corporate and retail banking business.

The following table sets forth, as at the dates indicated, customer deposits by product type and maturity.

	As of 31 December 2018		As of 31 December 2017	
	Amount	% of total	Amount	% of total
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Corporate deposits				
Demand	84,274.1	38.7	73,454.0	40.9
Time	39,507.7	18.1	31,406.9	17.5
Margin deposits	24,314.8	11.2	22,420.4	12.4
Sub-total	148,096.6	68.0	127,281.3	70.8
Personal deposits				
Demand	15,521.4	7.1	11,996.4	6.7
Time	54,130.2	24.8	40,087.1	22.3
Sub-total	69,651.6	31.9	52,083.5	29.0
Other deposits⁽¹⁾	186.1	0.1	271.8	0.2
Total customer deposits	217,934.3	100.0	179,636.6	100.0

Note:

(1) Consists primarily of funds deposited with us for remittance and outbound remittance.

4.2.2 Deposits from banks and other financial institutions

For the year ended 31 December 2018, the balance of deposits from banks and other financial institutions in our bank recorded a balance of RMB12,772 million, increasing by 4,504 million, or 54.5% from that at the end of last year, which was primarily due to our strategic adjustment on the financing structure portfolio which has driven up the deposits from banks and other financial institutions.

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4.2.3 Borrowings from central bank

For the year ended 31 December 2018, the balance of borrowings from central bank of the Bank amounted to RMB3,168 million, representing an increase of RMB2,356 million, or 290.1%, primarily due to the borrowings by the Bank from central bank with lower interest rates during the track record period to support the economic development of farmers and small and micro enterprises.

4.2.4 Financial assets sold under repurchase agreements

For the year ended 31 December 2018, our financial assets sold under repurchase agreements amounted to RMB8,202 million, declining by RMB9,204 million, or 52.9% from that at the end of last year, which was primarily due to our adjustment on selling bonds for repurchase in compliance with the liquidity management measures.

4.2.5 Debt securities issued

For the year ended 31 December 2018, our issued debt securities totaled RMB40,900 million, increasing by RMB652 million or 1.6%, from that at the end of last year, which was primarily due to our new issue of secondary capital bonds and green financial bonds along with the decline in issuance of interbank negotiable certificates of deposit.

4.3 Shareholders' equity

For the year ended 31 December 2018, our total shareholders' equity valued RMB23,599 million, representing an increase of RMB5,948 million, or 33.7% as compared to the end of last year; for the year ended 31 December 2018, the total equity attributed to shareholders of our parent company valued RMB23,063 million, representing an increase of RMB5,919 million, or 34.5% as compared to the end of last year. The increase in equity of the Bank's Shareholders can be primarily ascribed to the successful issuance of H Shares with the injection of proceeds into our capital and the growing net profit during the year.

The following table sets forth, as at the dates indicated, the various components of the equity of the Bank's shareholders.

	As of 31 December 2018		As of 31 December 2017	
	Amount	% of total	Amount	% of total
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Share capital	2,407.4	10.2	2,000.0	11.3
Capital reserve	8,165.7	34.6	5,020.0	28.4
Surplus reserve	3,106.4	13.2	2,758.0	15.6
General reserve	3,894.1	16.5	3,275.4	18.6
Investment revaluation reserve	(12.6)	(0.1)	(1,017.6)	(5.7)
Retained earnings	5,501.6	23.3	5,107.7	28.9
Equity attributable to				
shareholders of the Bank	23,062.6	97.7	17,143.5	97.1
Non-controlling interests	536.6	2.3	507.7	2.9
Shareholders' equity, gross	23,599.2	100.0	17,651.2	100.0

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5 Off-balance sheet commitments of assets and liabilities

The following table sets forth, as at the dates indicated, the amount of the Bank's off-balance sheet commitments of assets and liabilities.

	As of 31 December 2018	As of 31 December 2017
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)		
Credit commitments		
Loan commitments	2,016.9	463.4
Bank acceptance bills	30,837.9	27,912.3
Letters of credit	3,205.2	3,268.8
Letters of guarantee	3,976.2	3,018.0
Total	40,036.2	34,662.5

As of 31 December 2018, the Bank's off-balance sheet commitments totaled RMB40,036 million, mainly due to the Bank's vigorous effort in promoting credit cards, which resulted in increased loan commitments. For details on off-balance sheet commitments of assets and liabilities, see the Note 44 Contingent Liabilities and Commitments to the financial statements in this report.

6 Loan quality analysis

In 2018, the Bank paid close attention to external dynamics and took concrete steps to strengthen full-process management over loans, sped up credit structure adjustment, intensified recovery and disposal of non-performing loans, and enhanced risk management performance assessment. As a result, the Bank's loan quality was maintained under control overall. However, the external business environment changes, the slowdown in economic growth and the business difficulties in small and medium enterprises jointly posed pressure on rising non-performing loans of the Bank. As of 31 December 2018, the balance of non-performing loans amounted to RMB2,828 million. Non-performing loan ratio amounted to 1.99%, representing an increase of 0.37 percentage point as compared to the end of last year.

6.1 Distribution of loans by five-category loan classification

The following table sets forth, as at the dates indicated, loans and advances to customers categorized by five-category loan classification.

	As of 31 December 2018		As of 31 December 2017	
	Amount	% of total	Amount	% of total
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Normal	137,057.1	96.7	99,534.1	96.9
Special mention	1,944.2	1.4	1,525.9	1.5
Substandard	1,866.3	1.3	677.3	0.7
Doubtful	619.4	0.4	832.8	0.8
Loss	342.5	0.2	155.1	0.1
Total loans and advances to customers	141,829.5	100.0	102,725.2	100.0
Non-performing loan ratio⁽¹⁾		1.99		1.62

Note:

- (1) The core definition of credit asset classification in the Guidelines of Risk-based Classification of Loans is:

Normal: The borrower can honor the terms of its loans and there is insufficient reason to doubt its ability to repay principal and interest in full on a timely basis.

Special mention: The borrower is able to repay the loans currently, although repayment may be adversely affected by certain factors.

Substandard: The borrower's ability to repay its loans is in question as it cannot rely entirely on normal income to repay the principal and interest, and losses may ensue even when guarantees are invoked.

Doubtful: The borrower cannot repay principal and interest in full and significant losses will be recognized even when guarantees are invoked.

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.

- (2) Non-performing loan ratio is calculated by dividing the non-performing loans by the gross amount of loans and advances to customers.

Based on the five-category loan classification system, the Bank's non-performing loans are classified into substandard loans, doubtful loans and loss loans.

Management Discussion and Analysis

6.2 Loans and non-performing loans classified by business type

The following table sets forth, on the dates indicated, loans and non-performing loans of the Bank by business type.

	As of 31 December 2018				As of 31 December 2017			
			Non-performing loan amount	Non-performing loan ratio (%)			Non-performing loan amount	Non-performing loan ratio (%)
	Amount	% of total			Amount	% of total		
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)								
Corporate loans								
Working capital loans	54,832.9	38.7	1350.0	2.46	38,826.5	37.8	811.9	2.09
Fixed asset loans	30,719.5	21.6	666.3	2.17	19,284.5	18.8	143.6	0.74
Trade finance loans	2,298.4	1.6	2.0	0.09	960.6	0.9	0.0	0.00
Others	1,991.7	1.4	238.6	11.98	1,927.0	1.9	158.5	8.22
Sub-total	89,842.5	63.3	2,256.9	2.51	60,998.6	59.4	1,114.0	1.83
Personal loans								
Residential mortgage loans	20,289.9	14.3	50.2	0.25	19,162.3	18.7	46.7	0.24
Personal business loans	9,264.4	6.6	342.4	3.70	9,246.8	9.0	455.7	4.93
Personal consumption loans	10,116.0	7.1	151.0	1.49	8,113.0	7.9	44.4	0.55
Bank card balances	1,552.9	1.1	27.7	1.79	633.4	0.6	4.4	0.69
Sub-total	41,223.2	29.1	571.3	1.39	37,155.5	36.2	551.2	1.48
Discounted bills								
Bank acceptance bills	10,426.5	7.4	0.0	0.00	3,881.1	3.8	0.0	0.00
Commercial acceptance bills	337.3	0.2	0.0	0.00	690.0	0.6	0.0	0.00
Sub-total	10,763.8	7.6	0.0	0.00	4,571.1	4.4	0.0	0.00
Total loans and advances to customers	141,829.5	100.0	2,828.2	1.99	102,725.2	100.00	1,665.2	1.62

For the year ended 31 December 2018, the balance of the Bank's non-performing corporate loans amounted to RMB2,257 million, an increase of RMB1,143 million from the end of the previous year, recording a non-performing loan ratio from 0.68 percentage point to 2.51%; The increase in the non-performing loans of the Bank was primarily due to the impact of the operation difficulties of some small and medium enterprises. The balance of non-performing personal loans of the Bank amounted to RMB571 million, representing an increase of RMB20 million as compared to the end of last year. Non-performing ratio decreased by 0.09 percentage point to 1.39% as compared to the end of last year.

6.3 Loans and non-performing loans classified by industry

The following table sets forth, as at the dates indicated, the distribution of our corporate loans by industry of the Bank.

	As of 31 December 2018				As of 31 December 2017			
	Amount	% of total	Non-performing loan amount	Non-performing loan ratio (%) ⁽¹⁾	Amount	% of total	Non-performing loan amount	Non-performing loan ratio (%) ⁽¹⁾
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)								
Real estate	24,584.1	17.3	1026.3	4.17	19,338.5	18.8	255.2	1.32
Leasing and commercial services	21,188.9	14.9	14.1	0.07	6,814.0	6.6	35.9	0.53
Water conservancy, environment and public utility management	11,959.0	8.4	0.0	0.00	6,075.0	5.9	0.0	0.00
Wholesale and retail	9,247.8	6.5	531.9	5.75	8,380.8	8.2	410.1	4.89
Manufacturing	7,230.4	5.1	246.7	3.41	7,433.2	7.2	71.7	0.96
Construction	6,808.4	4.8	114.7	1.68	4,888.8	4.8	174.0	3.56
Production and supply of electricity, heat, gas and water	940.7	0.7	0.0	0.00	1,232.3	1.2	0.0	0.00
Education	1,356.8	1.0	0.0	0.00	977.4	1.0	0.0	0.00
Hotels and catering	1,197.8	0.8	71.8	5.99	853.6	0.8	58.2	6.81
Agriculture, forestry, animal husbandry and fishery	512.2	0.4	140.2	27.37	748.0	0.7	70.3	9.40
Transportation, storage and postal services	665.3	0.5	26.8	4.02	532.0	0.5	10.4	1.96
Others ⁽²⁾	4,150.9	2.9	84.5	2.04	3,725.0	3.6	28.2	0.76
Total corporate loans	89,842.5	63.3	2,256.9	2.51	60,998.6	59.4	1,114.0	1.83
Total personal loans	41,223.2	29.1	571.3	1.39	37,155.5	36.2	551.2	1.48
Discounted bills	10,763.8	7.6	0.0	0.00	4,571.1	4.4	0.0	0.00
Total loans and advances to customers	141,829.5	100.0	2,828.2	1.99	102,725.2	100.0	1,665.2	1.62

Management Discussion and Analysis

Note:

- (1) Calculated by dividing non-performing loans in each industry by gross loans to corporate customers in that industry.
- (2) mainly included (i)information transmission, software and information technical services; (ii)culture, sports and entertainment; (iii)residential services, repair and other services; (iv)hygiene and social services; and (v) mining.

As of 31 December 2018, the Bank's non-performing corporate loans were primarily from: (i) the real estate industry; (ii)wholesale and retail industries; (iii)the construction industry, our non-performing loan ratios were 4.17%, 5.75% and 3.41% respectively.

6.4 Loans and non-performing loans classified by collateral

The following table sets forth, on the dates indicated, loans and non-performing loans of the Bank by collateral.

	As of 31 December 2018				As of 31 December 2017			
	Amount	% of total	Non-	Non-	Amount	% of total	Non-	Non-
			performing	performing			performing	performing
			loan	loan			loan	loan
			amount	ratio			amount	ratio
				(%) ⁽¹⁾				(%) ⁽¹⁾
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)								
Unsecured loans	23,035.2	16.2	247.5	1.07	15,951.3	15.5	52.5	0.33
Guaranteed loans	32,591.3	23.0	483.1	1.48	20,224.6	19.7	244.3	1.21
Collateralized loans	63,547.2	44.8	1,920.4	3.02	53,190.1	51.8	1,305.7	2.45
Pledged loans	22,655.8	16.0	177.2	0.78	13,359.2	13.0	62.7	0.47
Total	141,829.5	100.0	2,828.2	1.99	102,725.2	100.0	1,665.2	1.62

Note:

- (1) Calculated by dividing the non-performing loans secured by various types of collateral in each product category by the total amount of loans for such collateral.

6.5 Borrower concentration

As of 31 December 2018, the Bank's loan balance to any single borrower did not exceed 10% of the Bank's net capital base.

The following table sets forth, as at the dates indicated, our loan balances to our ten largest single borrowers (excluding group borrowers). Such loans were classified as normal.

	As of 31 December 2018			
		Loan	% of	% of
Industry		balance	total loans	total net capital base
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Borrower A	Real estate	1,107.0	0.78	3.63
Borrower B	Leasing and commercial services	1,000.0	0.71	3.28
Borrower C	Leasing and commercial services	1,000.0	0.71	3.28
Borrower D	Leasing and commercial services	900.0	0.63	2.95
Borrower E	Leasing and commercial services	800.0	0.56	2.62
Borrower F	Leasing and commercial services	800.0	0.56	2.62
	Water conservancy, environment and public utility management			
Borrower G		789.0	0.56	2.59
Borrower H	Real estate	780.0	0.55	2.56
Borrower I	Leasing and commercial services	750.0	0.53	2.46
Borrower J	Leasing and commercial services	700.0	0.49	2.29
Total		8,626.0	6.08	28.26

As of 31 December 2018, loans to our largest single borrower amounted to RMB1,107 million, representing 0.78% of our total loans; loans to our ten largest single borrowers totaled RMB8,626 million, representing 6.08% of our total loans.

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6.6 Overdue loans

The following table sets forth, on the dates indicated, the Bank's loans and advances to customers by length of maturity.

	As of 31 December 2018		As of 31 December 2017	
	Amount	% of total	Amount	% of total
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Current loans	138,687.6	97.8	100,500.0	97.8
Overdue loans ⁽¹⁾				
Up to 3 months (inclusive)	1,983.9	1.4	825.5	0.8
3 months to 1 year	378.7	0.3	474.0	0.5
1 to 3 years	615.9	0.4	772.0	0.8
Over 3 years	163.4	0.1	153.7	0.1
Sub-total	3,141.9	2.2	2,225.2	2.2
Total loans and advances to customers	141,829.5	100.0	102,725.2	100.0

Note:

(1) Represents the principal amount of the loans on which principal or interest is overdue.

As of 31 December 2018, the total amount of overdue loans was RMB3,142 million, an increase of RMB917 million from the end of last year. The ratio of overdue loans to total loans was 2.2%, which remained unchanged as compared to last year. The increase in the overdue loans of the Bank was primarily since some small and medium enterprises could not repay the interest in time due to operation difficulties.

7 Segment reporting

7.1 By geographical region

The following table sets forth, for the periods indicated, the Bank's operating income in various geographical regions and shares in the total operating income.

	As of 31 December 2018		As of 31 December 2017	
	Amount	% of total	Amount	% of total
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Jiangxi Province	7,120.8	90.5	5,089.8	87.7
Guangdong Province	305.9	3.9	325.8	5.6
Anhui Province	128.4	1.6	107.0	1.8
Other areas ⁽¹⁾	311.0	4.0	281.6	4.9
Total operating income	7,866.1	100.0	5,804.2	100.0

Note:

- (1) Mainly includes the controlled county banks of the Bank where they are located in the provinces and cities such as Beijing, Shandong Province and Jiangsu Province.

7.2 By business segment

The following table sets forth, for the periods indicated, the operating income of the Bank's various business segments and shares in the total operating income.

	As of 31 December 2018		As of 31 December 2017	
	Amount	% of total	Amount	% of total
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Corporate banking business	3,867.9	49.2	2,754.9	47.5
Retail banking business	1,383.4	17.6	1,060.6	18.3
Financial market business	2,172.2	27.6	1,492.4	25.6
Others business ⁽¹⁾	442.6	5.6	496.3	8.6
Total operating income	7,866.1	100.0	5,804.2	100.0

Note:

- (1) Consists primarily of income and expenses that are not directly attributable to any specific segment.

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8 Analysis of Capital Adequacy Ratio

The Group continued to optimize its business structure and strengthen its capital management. As of 31 December 2018, the Group's capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio were 11.55%, 8.90% and 8.90%, respectively. The core tier-one capital adequacy ratio, tier-one capital adequacy ratio, and capital adequacy ratio increased by 0.15 percentage point, 0.15 percentage point, and 1.04 percentage points respectively, which met the internal regulatory requirements of the Administrative Measures for Capital of Commercial Banks (Trial) of the CBIRC during the transition period.

The capital adequacy ratio calculated by the Bank in accordance with the Administrative Measures for Capital of Commercial Banks (Trial) of the CBIRC is as follows:

	As of 31 December 2018	As of 31 December 2017
	(in millions of RMB, except percentages)	
Core tier-one capital		
Share capital	2,407.4	2,000.0
Qualifying capital reserve	8,153.2	4,002.4
Surplus reserve and general reserve	7,000.5	6,033.4
Retained earnings	5,501.6	5,107.7
Qualifying non-controlling interests	536.6	507.7
Deductions of core tier-one capital	(82.5)	(38.1)
Net core tier-one capital	23,516.8	17,613.1
Other tier-one capital	—	—
Net tier-one capital	23,516.8	17,613.1
Tier-two capital		
Qualifying tier-two capital instruments and related premiums	5,000.0	2,000.0
Surplus provision for loan impairment	1,986.1	1,541.9
Qualifying non-controlling interests	—	—
Net capital base	30,502.9	21,155.0
Total risk-weighted assets	264,112.9	201,197.5
Core tier-one capital adequacy ratio	8.90%	8.75%
Tier-one capital adequacy ratio	8.90%	8.75%
Capital adequacy ratio	11.55%	10.51%

9 Business operation

9.1 Corporate banking business

The corporate banking business adheres to its principle of moving forward with steady growth and continuously optimizes the structure of the corporate business to highlight the point of serving the real economy. Firstly, the basic business grew steadily. As of 31 December 2018, the Bank recognised corporate banking operating income of RMB3,868 million, accounting for 49.2% of the total operating income, increasing by 40.4% year-on-year. The total corporate deposits amounted to RMB148,097 million, representing an increase of RMB20,815 million, or 16.4% as compared to last year. The total corporate loans amounted to RMB89,843 million, representing an increase of RMB28,844 million, or 47.3% as compared to last year. Secondly, the structure of the customers became more optimized. As of 31 December 2018, the number of corporate deposit customers were approximately 37,846, representing an increase of 9,346 or 32.8%. The number of corporate loan customers was approximately 2,554, representing an increase of 794 or 45.1%.

Small and micro finance business

Small and micro finance business adheres to the principle of “customer-based”, seize the opportunity, counters the challenge and innovate continuously. This can strengthen the management and marketing service of customer stratification and classification, reinforce the basic of business development, establish the business characteristics and professional advantage, which can further enhance the ability of serving the real economy.

Bill Discounting Business

During the reporting period, the result of bill study was remarkable. Jiuyin Bills Research Center, which was established by the Bank and Jiangxi University of Finance and Economics, has held a conference on bill business for provincial financial institutions and organized four national symposiums, as well as published the first professional bill operating and management course textbook “Bill Theory Basics and Business Innovation” for Master of Finance postgraduates in the country. As of 31 December 2018, the Bank’s discounted bills totaled RMB10,764 million, accounting for 7.6% of the gross amount of loans and advances to customers, increasing by RMB6,193 million, or 135.5% over that at the end of last year.

Management Discussion and Analysis

Trading and Financial Business

In 2018, the trading and financial business continued to develop featured products and expanded the basic business scale. Total settlement of trading and financial business for the year amounted to USD1,989 million, increasing by USD565 million or 39.7% year-on-year. In addition, our Bank further actively deepened the interbank cooperation. The Bank became the spot trade counterparty in the interbank foreign exchange market with the headquarter of the Bank of China, and cooperated with the China Construction Bank (Asia) to handle the first blockchain business across financial institutions in Jiangxi Province.

Green Financial Business

The Bank actively fulfilled the social responsibility. In August 2017, the Bank established the first green financing department in Jiangxi Province, and committed to the simultaneous development of green financing and business. We focused on development directions such as green buildings, green transportation, clean energy, energy conservation and environmental protection as well as resources recycling. We further increased the support for green financing business through optimizing green financing system, protecting the cap for the green business, setting up green channel approval and establishing an assessment and award colligation mechanism, so as to introduce financial instruments such as green credit, green bills and green bonds. As of 31 December 2018, we recorded green credit balance of RMB2,955 million, increasing by RMB2,346 million, or 385.22% year-on-year. The number of green credit customers was 100, increasing by 91 year-on-year. In November 2018, the Bank formally issued 4,000 million green bonds, the funds raised would be used to further support green industry projects. For details please refer to the “Chapter 9 Reports of the Board of Directors – Debt securities issued”.

9.2 Retail Banking Business

In 2018, our retail banking business focused on establishing “Mobile Jiuyin” so as to expand customer base, reinforce the linkage marketing, new products retail and the launch of marketing platform for marketing platform expansion. The Bank facilitated the launch of “Loan Connect” marketing platform phase I and Jiuyin Partnership Marketing Platform. The Bank enriched the products types, in which the saving products launched “Zhen Hui Cun” and businesses such as online products of fixed deposits, demand deposits, quick demand deposits and certificates of deposit. The credit products launched Yi De Jin online cash withdrawal and recycling function. The Bank organized and planned special events such as “Chun Lei Xing Dong” and plaza dance competition, accessed the Jiangxi Province financial protection system, established the construction of ecological payment circle, and enhanced the brand impact of “Jiuyin New Retail”.

As of 31 December 2018, the Bank had around 575,500 personal loans customers, representing a newly increase of 199,200 or 52.9%. The number of personal deposits customers is approximately 3,036,900, representing a newly increase of 405,700 or 15.4% year-on-year. The Bank's personal loans totaled RMB41,223 million, representing a newly increase of RMB4,068 million or 10.9% year-on-year. The Bank's personal deposits totaled RMB69,652 million, representing a newly increase of RMB17,568 million or 33.7% year-on-year.

Electronic Banking Business

Our electronic channels provide comprehensive financial services through online banking, mobile banking, telephone banking and self-service banking. In 2018, we completed around 51.5188 million transactions through electronic banking channels, with the total value amounting to RMB925,010 million. In 2018, the Bank actively explored the users of various electronic channels. As of 31 December 2018, we had 508,500 mobile banking customers, representing an increase of 207,800 or 69.1%; 162,200 telephone banking customers, representing an increase of 33,000 or 25.5%; 31,500 corporate online banking customers, representing an increase of 10,600 or 50.7%; 530,000 retail online banking customers, representing an increase of 173,500 or 48.7%. Our online banking platform handled 35.39 million transactions, with the total value of transactions being approximately 790,228 million, accounting for 85.4% of the total amount of online banking channel transactions.

Bank Card Business

Debit card

As of 31 December 2018, we have issued a total of 3.24 million debit cards "Lushan Card (廬山卡)", increasing by 0.44 million year-on-year.

Credit card

During the reporting period, the Bank launched "Jiujiang Bank Credit Card" Wechat Official Account, established points exchange online store, organized activities such as "RMB9.9 Movie Watching" and "Jiuyin Food Festival", committed to provide more efficient and convenient services to the customers. As of 31 December 2018, we have issued a total of 105,600 credit cards, increasing by 56,200 year-on-year. The number of cards activated were 58,000 with an activation rate of 71%. The Bank also launched six types of income-generating products such as gold cards, 51 joint cards and Kang Ning cards.

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9.3 Inclusive Financial Business

During the reporting period, the Bank thoroughly implemented the requirements of the Notice of the State Council on Issuing the Plan for Promoting the Development of Inclusive Finance (2016-2020), promoted the consolidation process of inclusive finance and expanded the blue ocean of it. As of 31 December 2018, the Bank has established the Rural Inclusive Financial Service Station, and built 7 of them in Nanchang, Jiujiang, Ganzhou, Ji'an and Shangrao, and was awarded honorary titles such as the Poverty Alleviation Love Bank and Poverty Alleviation Green Bank.

We launched Smart Loan for Enriching Farmers. We signed a total of 288 contracts with agricultural fund stores, and granted RMB24.5082 million loans, benefiting 5,097 households. The effectiveness of "One County and One Product" has improved. "Ju Shi Dai", "Cheng Xiang Dai" and "Zhengbang Agricultural Loan" received well response. In 2018, the aggregate number of loan customers were 491, the loan disbursement amounted to RMB105 million.

9.4 Financial Market Business

In 2018, the Bank adhered to the principle of market orientation, actively adjusted the financial market business structure, continuously expanded business qualification and pursued a larger room for development. As of 31 December 2018, the Bank recognised a financial market business operating income of RMB2,172 million, accounting for 27.62% of the total operating income, increasing by 45.55% year-on-year.

During the reporting period, the Bank obtained the business qualification of interbank bonds market trial market makers and captured the vacuum of bonds business scope. Furthermore, in February 2019, the Bank obtained the Class-B lead underwriter qualification for debt financing instruments issued by non-financial enterprises.

Money market transactions

In 2018, the balance of deposits and placements with banks and other financial institutions, financial assets held under resale agreements amounted to RMB18,407 million, the balance of placements and deposits from banks and other financial institutions, financial assets sold under repurchase agreements amounted to RMB22,749 million.

Investments business

On 31 December 2018, our investments in Standard Investment Products, Non-Standard Credit and equity investments amounted to RMB121,427 million, accounting for 38.97% of our asset aggregate of the same day, increasing by RMB16,932 million, or 16.20% over that at the end of last year.

According to the statistics of the local currency trade system of China Foreign Exchange Trading System, the Bank completed the delivery volume of local currency bond of RMB10.39 trillion in total in 2018, ranked among the “Top 100 Traders in the Inter-Bank Local Currency Market” four years in a row. The Bank won the “2018 Inter-Bank Local Currency Market Core Dealer” awarded by China Foreign Exchange Trading System & National Interbank Funding Center, the “Excellent Dealer” and “Excellent Issuer” award of 2018 issued by China Central Depository & Clearing Co., Ltd. (中央國債登記結算有限責任公司), the “Excellent Award for Net Bond Sole Settlement” of 2018 issued by Shanghai Clearing House. The Bank underwrote 1,233 debt financing instruments of non-financial enterprises, ranked among the top in the underwriting institutions of the banks in the country.

In 2018, our investments in trust plans, asset management plans and wealth management products issued by other PRC commercial banks amounted to RMB67,070 million and RMB715 million, realizing an investment interest income of RMB456,300 million, increasing by RMB272 million, or 6.4% year-on-year.

Wealth Management for Customers

As of the end of the reporting period, the existing wealth management products balance amounted to RMB36,384 million, increasing by RMB2,098 million year-on-year. For the year ended 2018, we made 621 issues of wealth management products in total, raising RMB109,258 million, decreasing by RMB5,317 million year-on-year, with a scale of each issue raising RMB176 million. The decline in the scale of the issuance was mainly due to the fact that the Bank actively adjusted the term structure of wealth management products and strengthened the issuance scale of mid and long term wealth management products in order to meet the regulatory requirements of the PRC’s domestic new asset management regulations.

9.7 Automobile Finance

The Bank reinforced efforts on development of “Shang Dai Tong” (商貸通), innovated for and optimized processes of products. As of 31 December 2018, 356 car dealers of automobile manufacturers were admitted to the “Shang Dai Tong” tripartite financing arrangement. Our total credit line extended to, and total loan balance with, these car dealers were RMB1,856 million and RMB965 million, respectively.

Management Discussion and Analysis

9.6 Subsidiaries Business

9.6.1 Approval and opening of newly established county banks

In 2018, two county banks funded by the Bank had gained approval on starting business from regulatory department. The Bank actively carried out the following work in strict accordance with the approval opinions:

Hukou Jiuyin County Bank Co., Ltd.

Hukou Jiuyin County Bank Co., Ltd., which was initiated by the Bank, received the “Reply on approving opening of Hukou Jiuyin County Bank Co., Ltd.” (Xun Yin Jian Fu [2018] No. 2) issued by Jiujiang Branch of CBIRC on 1 February 2018, and obtained the Financial Business Operation Permit (Organization code: S0070H336040001) from Jiujiang Branch of CBIRC on 2 February 2018. On 2 February 2018, Hukou Jiuyin County Bank Co., Ltd. obtained the business license (Unified social credit code: 91360400MA37PXD676), and the registered address is No. 29, Sanli Avenue, Shuangzhong Town, Hukou County, Jiujiang, Jiangxi Province. The legal representative is Tian Lingling. The registered capital is RMB50 million, with the bank holding 50% of the shares. The business scope covers taking public deposits, offering short-term/long-term loans, domestic settlement, bill acceptance and discounting etc.

Duchang Jiuyin County Bank Co., Ltd.

Duchang Jiuyin County Bank Co., Ltd., which was initiated by the Bank, received the “Reply on approving opening of Duchang Jiuyin County Bank Co., Ltd.” (Xun Yin Jian Fu [2018] No. 3) issued by Jiujiang Branch of CBIRC on 1 February 2018, and obtained the Financial Business Operation Permit (Organization code: S0071H336040001) from Jiujiang Branch of CBIRC on 2 February 2018. Duchang Jiuyin County Bank Co., Ltd. obtained the business license on 2 February 2018 (Unified social credit code: 91360400MA37PXJN4R) and the registered address is No. 99, Dongfeng Avenue, Duchang County, Jiujiang, Jiangxi Province. The legal representative is Ji Hongjin. The registered capital is RMB50 million, with the Bank holding 50% of the shares. The business scope covers taking public deposits, offering short-term/long-term loans, domestic settlement, bill acceptance and discounting etc.

9.6.2 Businesses of Controlling Subsidiaries

As of 31 December 2018, we controlled 18 county banks, including 15 in Jiangxi Province and 3 in Beijing, Shandong Province and Jiangsu Province. The total assets of 18 county banks amounted to RMB11,750 million. The total loans amounted to RMB5,576 million, increased by 6.34% year-on-year. The deposits balance amounted to RMB9,787 million, decreased by 1.4% year-on-year. In 2018, 18 controlled county banks registered a net profit of RMB88 million.

9.6.3 Companies in which the Bank has shareholdings

As of 31 December 2018, there were 2 county banks in which the Bank has shareholdings, which were Zhongshan Xiaolan County Bank Co., Ltd. and Guixi Jiuyin County Bank Co., Ltd., respectively. The total assets of 2 county banks in which the Bank has shareholdings amounted to RMB4,952 million. The total loan amounted to RMB2,727 million, increased by 16.54% year-on-year. The deposits balance amounted to RMB4,151 million, increased by 10.72% year-on-year. In 2018, we registered a net profit of RMB46 million.

Management Discussion and Analysis

10 Development Strategy

2019 marks the 70th anniversary of the establishment of new China, it is a critical year in building a moderately prosperous society in all respects and realizing the first hundred years goal. It is also the first year for Jiuyin being grown up and listed successfully, there are opportunities, pressure as well as various challenges lying ahead.

In 2019, under the guidance of Chairman Xi Jinping's socialist ideology with Chinese characteristics in the new era, the Bank upheld the "four awarenesses", determined on "four self confidence" and adhered to "two preservation". The Bank fully implements the spirit of the 19th Party Congress, the spirit of Central Economic Work Conference and Provincial and Municipal Economic and Financial Work Conference, so as to adhere to the new development concept, serve the real economy closely, prevent and control financial risks, deepen the three tasks of financial reform, implement the regulatory requirements earnestly and drive the high quality development of Bank of Jiujiang. Meanwhile, the Bank further develops inclusive finance, actively participates in social welfare and consistently creates value for the society with its own power.

The first strategy is to operate comply with stability and characteristic. In 2019, the Bank not only has to innovate in the traditional banking business, but also gains breakthrough in distinctive business such as inclusive finance, green finance and automobile finance. **The second strategy is to improve wisdom and enhance efficiency, with emphasis on fast and flexible as well as service.** The coming year must be the year of rapid development for the Bank. The Bank will continue to strengthen party building leadership, improve corporate governance, rectify compliance, deeply promote the construction of a comprehensive risk management system and strengthen the role of audit supervision. Meanwhile, the Bank will further implement the strategy of intelligent efficiency improvement, so as to make the credit management faster and more flexible, financial management becomes more forward-looking, process operation becomes more efficient, technology support becomes more agile and to further enhance the human empowerment. **The third strategy is to exert the utmost effort, with striving and responsibility.** In new year, the Bank must carry forward the sense of responsibility of Jiuyin people as "loyal, clean and responsible" with structure, bottom line and collective in the heart. The Bank will work hard and keep up with the times as well as promote the high quality development, so as to establish an international first-class commercial bank with distinctive characteristics, adequate capital, strict internal control, safe operation, excellent service and efficiency.

11. Risk management

11.1 Comprehensive risk management

Comprehensive risk management refers to setting up and improving the comprehensive risk management system covering various risk types according to our Bank's development strategies and risk preferences, so as to implement risk management in an all-round and effective manner and ensure that development strategies and operation goals can be realised.

Our Bank has set up a comprehensive risk management organizational structure composed of the Board of Directors and the Risk Management Committee under it, the Senior Management and the Credit Review Committee, the Risk Classification Committee, and the Implementation level under it. The Board of Directors is our bank's highest decision-making body regarding risk management and takes the ultimate responsibility for our Bank's comprehensive risk management. The Senior Management is fully liable for the implementation of comprehensive risk management, including setting up an operational management structure adapted to comprehensive risk management, with the roles and responsibilities of functional departments and business departments for risk management specified. A risk management operation mechanism featuring mutual coordination and effective cooperation has been established among various departments based on their roles and responsibilities.

During the reporting period, our Bank's Risk Management Committee under the Board of Directors performed its duty in a proactive manner, and considered on proposals and reports including the 2018 Risk Preference Declaration of Bank of Jiujiang Co., Ltd., the Comprehensive Risk Management Report and various special risk management reports, and internal control evaluations, which have further improved our risk management mechanisms and implemented risk control and management responsibilities.

Management Discussion and Analysis

During the reporting period, our Bank continued to improve on the comprehensive risk management, and set up a risk management system that gradually met regulatory provisions and business demands increasingly well. First, we revised and issued risk-related policies and regulations. In 2018, we revised and issued 33 regulations including the Basic Policies of Comprehensive Risk Management of Bank of Jiujiang, the Management Measures for Credit Assets Risk Classification of Bank of Jiujiang and the Management Measures for Large Exposures Risks of Bank of Jiujiang as part of our effort of constantly improving risk management policies and regulations and optimizing risk management mechanisms. Second, we enhanced risk management-related information system development. In 2018, we initiated the development of risk management information system including the construction of internal rating system for non-retail customers, the risk limit management, and the intelligent retail risk control platform to make efforts to elevate our measurement and control and management capabilities against risks. Third, we launched compliance inspections in an all-round manner. In 2018, we carried out compliance inspections on loans, investment, trade financing, bills, operation, information technology and various business lines to ensure the conducting of business is in compliance with laws and regulations and that there will be no material operational risks. Fourth, we launched information technology outsourcing risk inspections and remote disaster preparation switching drills, which have further enhanced our information technology risk management capabilities and validated the feasibility of the disaster preparation pattern of the three centers in two locations. Fifth, our Audit Department launched internal capital adequacy assessment and special audits targeting operational risks, and kept improving and optimizing our risk management work basing on audit opinions.

During the reporting period, our Bank experienced no material risk incidents.

11.2 Credit risk management

Credit risk refers to the risk that incurs loss because of default of the debtor or counterparty, or reduction in their credit rating or performance capabilities. Primary sources of credit risks for our Bank are loans, investments, guarantees, commitments and other on-balance sheet and off-balance sheet credit businesses.

Our Bank has set up a credit risk management organizational structure featuring a three-level risk management departments and positions in Head Office level, banch level and sub-branch level, and a three-line defense including foreground, middleground and background, composed of the Board of Directors and the Risk Management Committee under it, the Senior Management and the Credit Review Committee, the Investment Review Committee and the Risk Classification Committee under it. We also formed and suggested specific contents for credit risk management tailored to our Bank's management regulations and business processes.

During the reporting period, the Board of Directors of the Bank and the Risk Management Committee under it considered proposals and reports including the 2018 Goals for Non-performing Loan Balance and Ratio Control of Bank of Jiujiang Co., Ltd. and the Management Measures for Large Exposures Risks of Bank of Jiujiang Co., Ltd., setting forth constructive guiding opinions on our Bank's credit risk management policies, mechanisms and risk tolerance capacity.

During the reporting period, our Bank managed credit risks through the following measures. First, we strengthened our risk examination efforts. In accordance with the requirements of regulatory documents and internal systems, our Bank launched on-site inspections and off-site monitoring on various business lines as well as risk investigation work, which have eliminated latent risks effectively. Second, we launched two projects, the internal rating of non-retail customers, and the risk limit management, in order to offer quantitative and systematic support to credit business risk measuring. Third, we drafted and implemented the Interim Management Measures for Large Exposures Risks of Bank of Jiujiang, and, in accordance with the requirements of the measures, performed regular statistical analysis and continuous monitoring on our bank-wide credit business, investment business, and off-balance sheet business, which have effectively put the concentration risk under control. Fourth, we followed the requirements of the new standards of financial instruments and changed the accounting of allowances for impairment of credit businesses from combined accounting to case-by-case accounting to measure the allowance requirements of each debt more precisely.

11.3 Market risk management

Market risk refers to the risk that incurs losses to a bank's on-balance sheet and off-balance sheet businesses due to adverse changes in interest rates, exchange rates and other market prices. Primary sources of market risks for our Bank are interest rate risks and exchange rate risks.

Our Bank has set up a market risk governance organizational structure composed of the Board of Directors and the Risk Management Committee under it, the Senior Management and the Implementation level. The Board of Directors is the highest decision-making body regarding market risk management and takes the ultimate responsibility for market risk management. The Senior Management is responsible for formulating and overseeing the execution of market risk management policies, and identifying market risk levels and management statuses in a timely manner, so as to identify, measure, monitor and control the market risks undertaken by various businesses in an effective manner. The Risk Management Department leads our Bank's market risk management, with the Financial Market Management Headquarters and the Trading and Financial Department supporting it in collaboration.

Management Discussion and Analysis

11.3.1 Interest rate risk

Interest rate risk refers to the risk exposure of our Bank's financial conditions to adverse changes in interest rates. Interest rate risk of our banking book primarily lies in the mismatch of maturity dates or the re-pricing dates of our interest rate-sensitive on- and off-balance sheet assets and liabilities. Maturity or re-pricing date mismatches may result in changes in net interest income and economic value which is affected by fluctuations of the prevailing interest rates. Our Bank is exposed to interest rate risk in our day-to-day lending and deposit-taking activities and our financial market businesses.

Our Bank manages our interest rate risk primarily through the adjustment of our asset and our liability structure. Our Bank is committed to adjusting our asset and liability structure by adjusting the interest rate maturity and pricing of our products, adjusting the transfer pricing of internal capital, developing new products and securitizing assets. Our Bank conducts maturity analysis upon the bond instruments in our investment portfolios and evaluates their potential price fluctuations through analysis of the sensitivity of the bonds' price against interest rate fluctuations. Our Bank primarily uses re-pricing gap analysis, revenue curve analysis, duration analysis, interest rate sensitivity analysis and stress testing to measure our Bank's risk exposure to potential interest rate changes.

11.3.2 Exchange rate risk

Exchange rate risk refers to the risk caused by the adverse impact on our Bank's foreign currency position and cash flow as a result of exchange rate fluctuations in our primary foreign currency. Our Bank's primary principle for controlling our exchange rate risk is to match assets with liabilities denominated in each currency and monitor our foreign currency exposure on a daily basis. Based on the relevant regulatory requirements and the management's decisions on the current situation, we seek to control our exposure to exchange rate risk by reasonably arranging our sources and use of funds denominated in foreign currencies to minimize the mismatches of assets and liabilities in different currencies. We also prevent currency exchange loss arising from exchange rate fluctuation through settlement and sales of foreign exchange in a timely manner under our prudent transaction strategy. In addition, our Bank imposes an exchange rate lock on the large transactions in foreign currencies and conducts regular re-evaluation on exchange rate translation for collaterals, and reduces losses from exchange rate risk through advance repayment or supplementary guarantee in a timely manner in the event of collateral devalue.

11.4 Operational risk management

Operational risk refers to risks caused by imperfect or problematic internal procedures, employees or information technology systems, as well as external incidents. Our Bank may be primarily exposed to the following categories of operational risks: internal fraud, external fraud, workplace safety incidents and information technology system incidents.

Our Bank has set up an operational risk governance organizational structure composed of the Board of Directors and the Risk Management Committee under it, the Senior Management and the implementation level. The Board of Directors is our Bank's highest decision-making body regarding operational risk management. The Senior Management is responsible for executing operational risk management strategies, overall policies and systems approved by the Board of Directors. The Risks Management Department leads our Bank's operational risk management, with the Operation Management Department and other departments supporting it in collaboration.

During the reporting period, our Bank primarily adopted the following measures to enhance operational risk management. First, we launched special inspections to conduct compliance work and reinforce the rectification and inspection of banking market disorder for all businesses and business lines in an all-round manner. We carried out immediate rectification for any gaps and omissions discovered in inspections to improve employees' compliance awareness. Second, we organized case-by-case risk examination, self-examination of employees' behavior, learning, training and examinations to strengthen supervision and examination of employees' behavior, and set up a whistle-blowing, investigation and punishing examination system with regard to employees' abnormal behavior in order to regulate employees' behavior and improve the professional ethics of our employees. Third, we built an accounting archive management, accounting supervision system and a corporate account management system, and an e-system for centralized treasury payment to effectively reduce operational risks through systematization and electronization.

11.5 Liquidity risk management

Liquidity risk refers to the risk of failure of commercial banks to acquire sufficient funds in a timely manner at a reasonable cost to pay off debts due or meet liquidity demands in line with expansion of business operations. Our Bank is exposed to liquidity risks primarily in the funding of our lending, trading and investment activities, as well as in the management of our liquidity positions.

Management Discussion and Analysis

Our Bank's liquidity risk management organizational structure is composed of four levels, namely the Board of Directors and the Risk Management Committee under it, the Senior Management and the Asset and Liability Committee under it, as well as functional departments of the Head Office and business and operation departments. The Board of Directors is our Bank's highest decision-making body regarding liquidity risk management and takes the ultimate responsibility for liquidity risk management. The Senior Management is responsible for executing our Bank's liquidity risk management, formulating liquidity risk management policies and setting up internal control mechanisms. The Planning and Finance Department leads our Bank's liquidity risk management, with the Financial Market Management Headquarters and the Trading and Financial Department supporting it in collaboration. The Audit Department performs independent audit and supervision on our Bank's liquidity risk management activities.

During the reporting period, our Bank managed liquidity risks primarily through the following measures: First, we improved related policies and basic standard and optimized organizational structures and procedures, and updated and revised the Liquidity Risk Contingency Plan of Bank of Jiujiang (2018 revision); second, we measured liquidity risks by enhancing position management on a day-to-day basis, supervision indicators as well as liquidity gap projection and limit management during special periods to ensure an outstanding performance in various indicators over regulatory requirements; third, we launched quarterly pressure tests which showed that the shortest lifespan of our Bank is more than 30 days in a pressurized scenario, which indicated our pressure tolerance capacity is maintained at a favorable level; fourth, we monitored the maturities of assets and liabilities and continued to optimize the maturity structure of assets and liabilities; fifth, we kept the total amounts and structures of assets and liabilities under control through the asset and liability management system to enhance our active management over liquidity risks and push for integration of risk management, profitability and resource allocation. Meanwhile, we adopted measures including setting up dedicated capital planning positions, a lead management department, execution and operation department and a liquidity risk contingency team to keep improving our liquidity risk management organizational structure and enhance effectiveness of liquidity risk management.

11.6 Compliance risk management

Compliance risk refers to the risk that may lead to legal sanctions, regulatory punishments, substantial financial and reputational losses because of a commercial bank's non-compliance with the laws, regulations and criteria.

Our Bank has set up a compliance risk governance organizational structure including a three-level compliance management departments and positions and a three-line defense including foreground, middleground and background, composed of the Board of Directors, the Senior Management as well as the Head Office and branches. We also established a compliance risk management organizational structure tailored to our Bank's asset scale, institution setting, business structure and operational objectives.

During the reporting period, the Board of Directors of our Bank considered the proposals and reports including Proposal on the Revision of Basic System for Internal Control of Bank of Jiujiang Co., Ltd., the 2017 Compliance Management Report of Bank of Jiujiang, and the 2018 Compliance Management Quarterly Report of Bank of Jiujiang, setting forth constructive guiding opinions on our Bank's compliance risk management policies, goals, mechanisms and means.

During the reporting period, our Bank managed compliance risks through the following measures: First, we perfected the structure and improved the compliance system. Adhering to the "grand compliance" work ideology and the "all-round compliance, all-in compliance and full-process compliance" management goal. Our Bank kept making efforts in developing the compliance system. We set up compliance departments and designated dedicated compliance managers in branches and part-time compliance managers in departments of the Head Office and sub-branches under it to build up a compliance team composed of both full-time and part-time positions in both the Head Office and branches. Second, we established mechanisms and laid a solid compliance foundation. To further improve the standard abilities scientificity and meticulousness of our compliance risk control and management, we set up long-acting mechanisms for compliance risk monitoring, compliance risk alerting, regular tracking and rectification centering around the basic thinking of "lay stress on prevention, process and durable effectiveness" to precisely identify, timely forewarn and effectively handle compliance risks in business operation and development. Third, we tightened up measures to improve compliance efficiency. To further manifest the value of compliance and play a facilitating role in compliance risk management to business operation and development, we remediated market disorders in depth, streamlined systems prudently, improved compliance evaluations continuously, moved all compliance checkpoints forward, and pushed for faster application of compliance management results to foster stable operating results through multiple measures.

Management Discussion and Analysis

11.7 Money laundering risk management

Our Bank strictly abides by laws and regulations such as the Anti-Money Laundering Act of the People's Republic of China, the Anti-Money Laundering Regulation for Financial Institutions, and the Management Measures on Reporting Large Transactions and Suspicious Transactions for Financial Institutions, and earnestly performed our anti-money laundering obligations while carrying out anti-money laundering campaigns in a solid and effective manner.

During the reporting period, our Bank managed money laundering risks primarily through the following measures: First, we improved our internal anti-money laundering control system, specified job responsibilities and standardized the work procedures; second, we established an anti-money laundering mechanism featuring “Head Office-branch direct communications and foreground-background interconnections”, as well as dedicated, case-by-case, and professional operation; third, we adhered to the “risk-oriented” philosophy, based on the “reasonable doubt”, and stuck to “autonomous monitoring” and defined monitoring and analysis model tailored to the characteristics of local corporate bodies and regional business features, improved and optimized our anti-money laundering monitoring and reporting system; fourth, we enhanced the anti-money laundering inspection mechanism and combined on-site and off-site inspections to strengthen supervision and inspection and implemented the specific requirements for the anti-money laundering work; fifth, we step up our efforts in organizing characterized training activities both inside and outside of the industry adhering to the “go global and attract talents” training ideology to cultivate anti-money laundering talents; sixth, we stepped up our publicity efforts, utilized a wider range of publicity means, enriched forms of publicity to fulfill our social responsibilities and carry out our anti-money laundering publicity works decently.

11.8 Information technology risk management

Information technology risk refers to the operational, legal and reputational risks caused by natural and artificial factors, technical vulnerabilities and management defects during the application of information technology by the Bank.

Our Bank has set up an information technology risk management organizational structure composed of the Board of Directors, the Senior Management and the Information Technology Management Committee under it, and the Implementation level. Under the leadership of the Board of Directors and the Senior Management, our Bank's information technology risk management framework is built upon three lines of defense: the Information Technology Department is responsible for the management of information and technology risks; the Risk Management Department has assigned information technology risk monitoring officers to station and work on-site in the Information Technology Department; the Audit Department has set up an information technology audit team to audit information technology-related matters. The pre-event, during-event and post-event risks have been effectively ameliorated.

During the reporting period, our Company improved information technology risk management primarily by adopting the following measures: First, we established and maintained a management system. During the reporting period, we formulated the Production Incident Reporting Mechanism of Bank of Jiujiang centering around our information technology development strategy objectives, amended various important businesses and system contingency plans and passed the Uptime M&O (Operation and Management) and ISO27000 certification. Second, we evaluated and handled the risks for launching important information systems. For important information systems, we convened online and offline meetings to evaluate and manage the risks in different links of the project before the system launch throughout the process including project establishment, request and technology review, risk evaluation of the version for production, business impact analysis and ranking, maintenance of disaster preparation resource support for operation and production. We also made all-round risk evaluation for establishing new core systems, credit systems, retail line projects and other importance information systems. Third, we carried out information technology security management. Our Bank stuck to the defense-in-depth principle for information safety-related work. We reinforced layer-by-layer the periphery structure of information facilities to set up effective protection shields and safeguard our Bank's information security. Fourth, we managed information technology outsourcing activities including managing on-site human resources and outsourcing personnel of projects, accounts, change of personnel level, vendor management, and outsourcing risk management. Fifth, we launched risk education and training. We invited personnel from regulatory authorities and external technical experts to give lectures on site, interpret regulatory policies regarding information technology risks, explain new types of development models, exchange big data analysis technologies and consider the existing problems and network security aspect arising during our Bank's day-to-day information technology system development. These measures effectively raised the employees' information technology risk awareness after making sufficient communications.

Management Discussion and Analysis

11.9 Reputational risk management

Reputational risk refers to the risk of negative comments from relevant interested parties resulting from our Bank's operation, management, and other activities or external events. Our Bank's reputational risk management enhances the ability of prevention and resilience of public opinions and reputational risk management so as to further improve our reputational risk management system. Classification standards, subjects of accountability and management principles concerning reputational risk have been defined. Prevention, monitoring, reporting and handling of reputational risks have been improved so as to minimize at a maximum the loss and negative impact on us caused by the reputational risk-related events and promote our sustainable and stable operation. During the reporting period, our Bank further step up its efforts in monitoring public opinions, managing and handling related events. No significant public opinion events happened throughout 2018.

11.10 Strategic risk management

Strategic risk refers to the risk caused by improper operation policies of a commercial bank or changes in the external operation environment. Our Bank's strategic risk management goals is to set up and improve the strategic risk management system to systematically identify and evaluate potential risks in our Bank's existing strategic plans and adopt scientific decision-making approaches and risk management measures to minimize or avoid substantial losses at a maximum level.

Our Bank has established a well-rounded strategic risk management organizational structure composed of the Board of Directors and the Strategy Committee under it, the Senior Management, strategy management functional departments of the Head Office and other related functional departments. During the reporting period, our Bank executed the Management Measures for Strategy and Operation Planning of Bank of Jiujiang strictly, and proactively launched strategic risk management to identify strategic management risks. Risk identification includes identifying whether the strategic plan is scientific and reasonable, whether the plan has taken external business environment changes into consideration, whether the plan has covered the readiness and equipment of enough resources (including manpower, capital, management and IT resources) to support the execution of strategic decisions, whether an effective control mechanism over the strategy implementation process is in place, and whether any significant emergencies that affects the implementation of the strategy occurred, so as to ensure the consistency of the strategic plan with our Bank's development prospect and with our Bank's scale, risk preferences and portfolio complexity.

During the reporting period, our Bank's strategic risk level remained stable and under control overall, indicating our effective management over strategic risks. Next, our Bank plans to set up and improve our strategic risk evaluation system step-by-step and adopt reasonable methods to evaluate the likelihood and the extend of impact of strategic risk occurrences. We will also evaluate the strategic risks on a bank-wide regular basis which covers the following risk factors: the changes in the external environment, formulation of strategic plans, execution and control of strategic plans, resource allocation and emergencies.

Changes in Share Capital and Information on Shareholders

1 Changes in Share Capital

To further complement the Bank's capital strength, on 10 July 2018, the Bank became listed on the Main Board of the Hong Kong Stock Exchange and completed the initial public offering of H shares. A total of 360,000,000 H shares were issued with a face value of RMB1 and the issue price was HK\$10.60. In addition, the Over-allotment Option stated in the prospectus of the Bank has been partially exercised, involving 47,367,200 H Shares in total. The involved shares were listed on the Main Board of the Hong Kong Stock Exchange on 9 August 2018. The total amount of funds raised in the issuance is HK\$4,318 million.

As at 31 December 2018, the Bank's total number of issued shares is 2,407,367,200, including 2,000,000,000 Domestic Shares and 407,367,200 H Shares.

	31 December 2017		Changes in shares during the reporting period	31 December 2018	
	Number of shares	Proportions (%)		Number of shares	Proportions (%)
Domestic state-owned shares	366,020,000	18.30	0	366,020,000	15.20
Domestic state-owned legal person shares	451,721,736	22.59	0	451,721,736	18.76
Domestic social legal person shares	1,155,945,670	57.80	0	1,155,945,670	48.03
Domestic natural person shares	26,312,594	1.31	0	26,312,594	1.09
Overseas listed shares (H Shares)	–	–	407,367,200	407,367,200	16.92
Total number of ordinary shares	2,000,000,000	100.00	407,367,200	2,407,367,200	100.00

2 Information on Shareholders

2.1 Total number of shareholders during the reporting period

As at 31 December 2018, the Bank had 691 domestic shareholders in total, including 1 state-owned shareholder, 5 state-owned legal person shareholders, 59 social legal person shareholders and 626 natural person shareholders.

2.2 Top 10 Shareholders of Non-overseas Listed Domestic Shares

As at 31 December 2018, the shareholdings of the top 10 Shareholders who directly held non-overseas listed Domestic Shares are as follows:

Name of shareholder	Class of shares	Number of shares held (unit: share)	Approximate percentage of total issued share capital of the Bank by the end of the reporting period (%)
Jiujiang Finance Bureau	Domestic Shares	366,020,000	15.20
Beijing Automotive Group Co., Ltd.	Domestic Shares	366,020,000	15.20
Industrial Bank Co., Ltd.	Domestic Shares	294,400,000	12.23
Dasheng (Fujian) Agriculture Co., Ltd.	Domestic Shares	136,077,498	5.65
Foshan Gaoming Jindun Hengye Computer Special Printing Co., Ltd.	Domestic Shares	135,840,000	5.64
Jiangxi Baoshen Industrial Co., Ltd.	Domestic Shares	86,920,000	3.61
Junhe (Xiamen) Holdings Co., Ltd.	Domestic Shares	86,653,080	3.60
Tellhow Group Limited	Domestic Shares	57,040,000	2.37
Jiujiang Hehui Import & Export Co., Ltd.	Domestic Shares	56,392,500	2.34
Jiujiang State-owned Assets Management Co., Ltd.	Domestic Shares	43,454,831	1.81
Total		1,628,817,909	67.66 ⁽¹⁾

Note:

(1) The inconsistency between the sum of the numbers in this table and the total figures is due to rounding.

Changes in Share Capital and Information on Shareholders

2.3 Interests and short positions of substantial shareholders in shares and underlying shares

As at 31 December 2018, so far as is known to the Bank and the Directors, substantial shareholders of the Bank and other persons (other than Directors, Supervisors and chief executive officers of the Bank) who had interests and short positions in the Shares and underlying Shares of the Bank which were required to be notified to the Bank or the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Bank under Section 336 of the SFO were as follows:

Name of shareholder	Class of shares	Number of shares	Nature of interest	Approximate percentage of shareholding in the relevant class of share (%)	Approximate percentage of total share capital of the Bank (%)
Jiujiang Finance Bureau ⁽³⁾	Domestic Shares	366,020,000(L) ⁽¹⁾	Beneficial Owner	18.30	15.20
Beijing Automotive Group Co., Ltd. ⁽⁴⁾	Domestic Shares	366,020,000(L) ⁽¹⁾	Beneficial Owner	18.30	15.20
Industrial Bank Co., Ltd. ⁽⁵⁾	Domestic Shares	294,400,000(L) ⁽¹⁾	Beneficial Owner	14.72	12.23
Dasheng (Fujian) Agriculture Co., Ltd. ⁽⁶⁾	Domestic Shares	136,077,498(L) ⁽¹⁾	Beneficial Owner	6.80	5.65
Foshan Gaoming Jindun Hengye Computer Special Printing Co., Ltd. ⁽⁷⁾	Domestic Shares	135,840,000(L) ⁽¹⁾	Beneficial Owner	6.79	5.64
Qian Hai Life Insurance Co., Ltd.	H Shares	104,666,400(L) ⁽¹⁾	Beneficial Owner	25.69	4.35
Taiping Assets Management (HK) Company Limited	H Shares	104,666,400(L) ⁽¹⁾	Investment Manager	25.69	4.35
EasternGate SPC	H Shares	66,037,600(L) ⁽¹⁾	Beneficial Owner	16.21	2.74
Fairshore Asset Management Company Pte. Ltd.	H Shares	66,037,600(L) ⁽¹⁾	Investment Manager	16.21	2.74
Guangzhou Jinxiu Dadi Property Development Company Limited (廣州錦繡大地房地產發展有限公司)	H Shares	34,824,000(L) ⁽¹⁾	Interest of Controlled Corporation	8.55	1.45
Guangzhou Jinxiu Investment Company Limited (廣州錦繡投資有限公司)	H Shares	34,824,000(L) ⁽¹⁾	Interest of Controlled Corporation	8.55	1.45
Zhaoqing Tiancheng Property Co., Ltd. (肇慶市天城置業有限公司)	H Shares	34,824,000(L) ⁽¹⁾	Interest of Controlled Corporation	8.55	1.45

Name of shareholder	Class of shares	Number of shares	Nature of interest	Approximate percentage of shareholding in the relevant class of share (%)	Approximate percentage of total share capital of the Bank (%)
Faithful Edge Limited	H Shares	34,824,000(L) ⁽¹⁾	Interest of Controlled Corporation	8.55	1.45
Success Cypress Limited ⁽⁸⁾	H Shares	34,824,200(L) ⁽¹⁾	Beneficial Owner	8.55	1.45
Rong De Investment Limited ⁽⁹⁾	H Shares	33,308,200(L) ⁽¹⁾	Beneficial Owner	8.18	1.38
Hong Kong KaiLi Furniture Company Limited ⁽¹⁰⁾	H Shares	33,018,800(L) ⁽¹⁾	Beneficial Owner	8.11	1.37
AVICT Global Holdings Limited ⁽¹¹⁾	H Shares	33,018,800(S) ⁽²⁾ 33,018,800(L) ⁽¹⁾	Beneficial Owner	8.11	1.37
China International Capital Corporation (Hong Kong) Limited	H Shares	31,517,200(L) ⁽¹⁾	Interest of Controlled Corporation	7.74	1.31
China International Capital Corporation Hong Kong Securities Limited	H Shares	31,517,200(L) ⁽¹⁾	Interest of Controlled Corporation	7.74	1.31
China International Capital Corporation Limited	H Shares	31,517,200(L) ⁽¹⁾	Beneficial Owner	7.74	1.31
East System Investments Limited (盈盛投資有限公司)	H Shares	27,370,800(L) ⁽¹⁾	Beneficial Owner	6.72	1.14
Venfi Group Limited ⁽¹²⁾	H Shares	22,205,400(L) ⁽¹⁾	Beneficial Owner	5.45	0.92
Guangzhou R&F Properties Co., Ltd.	H Shares	21,909,400(L) ⁽¹⁾	Beneficial Owner	5.38	0.91
R&F Properties (HK) Co., Ltd. ⁽¹³⁾	H Shares	21,909,400(L) ⁽¹⁾	Beneficial Owner	5.38	0.91
COAST TOWN LIMITED	H Shares	20,418,800(L) ⁽¹⁾	Beneficial Owner	5.01	0.85

Note:

(1) The letter "L" denotes the person's long position in the shares.

(2) The letter "S" denotes the person's short position in the shares.

(3) Jiujiang Finance Bureau, an official organ as legal person, holds 366.02 million domestic shares of the Bank, accounting for 15.2% of the Bank's total issued share capital as at the end of the reporting period. The bureau's legal representative is Wu Zexun.

Jiujiang Finance Bureau and Jiujiang State-owned Assets Management Co., Ltd. have acted in concert since 1 January 2016 and controlled an aggregate of 17.01% of the interest of the total issued share capital of the Bank.

(4) Beijing Automotive Group Co., Ltd. ("BAIC Group") holds 366.02 million domestic shares of the Bank, accounting for 15.2% of the Bank's total issued share capital as at the end of the reporting period. The company's legal representative is Xu Heyi. Founded in 1958, BAIC Group is headquartered in Beijing and is one of leading automotive groups in China and a Fortune 500 Company.

Changes in Share Capital and Information on Shareholders

- (5) Industrial Bank Co., Ltd. ("Industrial Bank") holds 294.40 million domestic shares of the Bank, accounting for 12.23% of the Bank's total issued share capital as at the end of the reporting period. The company's legal representative is Gao Jianping. Founded in August 1988 and headquartered in Fuzhou City, Fujian province, Industrial Bank is one of the first joint-stock commercial banks approved by the State Council and the central bank. Industrial Bank was officially listed in Shanghai Stock Exchange on 5 February 2007 (stock code: 601166) and ranks among the Top 50 banks in the world.
- (6) Dasheng (Fujian) Agriculture Co., Ltd. ("Dasheng Agriculture") holds 136.08 million domestic shares of the Bank, accounting for 5.65% of the Bank's total issued share capital as at the end of the reporting period. Founded on 18 May 2006, Dasheng Agriculture, with Lu Tingfu as its legal representative, is situated in Fuzhou city, Fujian province and is wholly owned by Shenzhen D.S Agriculture. It was consecutively shortlisted as one of the Top 500 Chinese private enterprises from 2015 to 2017.
- (7) Foshan Gaoming Jindun Hengye Computer Special Printing Co., Ltd. ("Foshan Gaoming") holds 135.84 million domestic shares of the Bank, accounting for 5.64% of the Bank's total issued share capital as at the end of the reporting period. Foshan Gaoming with Luo Hanmin as its legal representative, was established in 2000 and is located in Foshan city, Guangdong province. The company is engaged in deposit receipt and deposit books printing, R&D and sales, and is the earliest manufacturer in China to apply hot stamping to magnetic stripes of deposit books. It is also a member of "China Trade Association for Anti-counterfeiting", one of the "Top 100 Printing Enterprises in Guangdong Province", and a "Garden-like Unit in Foshan City".
- (8) Success Cypress Limited is a company incorporated in the British Virgin Islands and is ultimately held by Tan Huichuan, Tan Mei, Tan Haocheng and Tan Yuehua as to 43%, 7%, 25% and 25%, respectively. It is principally engaged in investment holding business.
- (9) Rong De Investments Limited is a company incorporated in the British Virgin Islands and is owned as to 36%, 34.06% and 29.94% by Liao Tengjia, Zhu Qingsong and Zhu Muzhi, respectively. It is principally engaged in investment holding business.
- (10) Hong Kong KaiLi Furniture Company Limited is a company incorporated in Hong Kong and is wholly owned by Che Jianxing. It is principally engaged in home furniture, trade and investment.
- (11) AVICT Global Holdings Limited is a company incorporated in the British Virgin Islands and is under effective control of Shenzhen Putai Investment Development Limited. It is principally engaged in equity investments.
- (12) Venfi Group Limited is a company incorporated in Hong Kong and is wholly owned by Liu Yang. It is principally engaged in investment holding.
- (13) R&F Properties (HK) Co., Ltd. is a company incorporated in Hong Kong and a wholly-owned subsidiary of Guangzhou R&F Properties Co., Ltd. (stock code: 2777). It is principally engaged in investment holding business.

2.4 The controlling shareholders of the Bank

As of the end of the reporting period, the Bank had no controlling shareholders.

2.5 Shareholders holding 5% (inclusive) or more of the Bank's shares

Jiujiang Finance Bureau

Jiujiang Finance Bureau holds 366.02 million domestic shares of the Bank, which are state-owned shares, accounting for 15.20% of the Bank's total issued share capital as of the end of the reporting period. Jiujiang Finance Bureau is an official organ as legal person, the bureau's legal representative is Wu Zexun and the ultimate beneficial owner is Jiujiang Finance Bureau.

Jiujiang Finance Bureau and Jiujiang State-owned Assets Management Co., Ltd have acted in concert since 1 January 2016 and controlled an aggregate of 17.01% of the interest of the total issued share capital of the Bank. As of the end of the reporting period, both Jiujiang Finance Bureau and its concert parties did not pledge the equity of the Bank.

Beijing Automotive Group Co., Ltd.

Beijing Automotive Group Co., Ltd. holds 366.02 million domestic shares of the Bank, which are state-owned legal person shares, accounting for 15.20% of the Bank's total issued share capital as of the end of the reporting period. As of the end of the reporting period, Beijing Automotive Group Co., Ltd. did not pledge the equity of the Bank.

Founded in 1958, Beijing Automotive Group Co., Ltd. is headquartered in Beijing and is one of leading automotive groups in China and a Fortune 500 Company. The company's legal representative is Xu Heyi and its controlling shareholder is Beijing State-owned Capital Operation and Management Center. The actual controller and ultimate beneficial owner are the State-owned Assets Supervision and Administration Commission of Beijing Municipality. Beijing Automotive Group Co., Ltd. with no concert parties.

Industrial Bank Co., Ltd.

Industrial Bank holds 294.40 million domestic shares of the Bank, which are social legal person shares, accounting for 12.23% of the Bank's total share capital as of the end of the reporting period. As of the end of the reporting period, Industrial Bank did not pledge the equity of the Bank.

Founded in August 1988 and headquartered in Fuzhou City, Fujian province, Industrial Bank is one of the first joint-stock commercial banks approved by the State Council and the central bank. The company's legal representative is Gao Jianping. It has no controlling shareholder, concert parties and actual controller. The ultimate beneficial owner is Industrial Bank. Industrial Bank was officially listed in Shanghai Stock Exchange on 5 February 2007 (stock code: 601166) and ranks among the Top 50 banks in the world.

Changes in Share Capital and Information on Shareholders

Dasheng (Fujian) Agriculture Co., Ltd.

Dasheng Agriculture holds 136.077498 million domestic shares of the Bank, which are social legal person shares, accounting for 5.65% of the Bank's total share capital as of the end of the reporting period. As of the end of the reporting period, Dasheng Agriculture pledged a total of 136.07 million shares of the Bank.

Founded on 18 May 2006, Dasheng Agriculture, with Lu Tingfu as its legal representative, is situated in Fuzhou city, Fujian province and is wholly owned by Shenzhen D.S Agriculture. It has been consecutively shortlisted as one of the Top 500 Chinese private enterprises from 2015 to 2017. The actual controller and the ultimate beneficial owner are Lan Huasheng. The company has no concert parties.

Foshan Gaoming Jindun Hengye Computer Special Printing Co., Ltd.

Foshan Gaoming holds 135.84 million domestic shares of the Bank, which are social legal person shares, accounting for 5.64% of the Bank's total issued share capital as of the end of the reporting period. As of the end of the reporting period, Foshan Gaoming did not pledge the equity of the Bank.

Foshan Gaoming, with Luo Hanmin as its legal representative, was established in 2000 and is located in Foshan city, Guangdong province. The controlling shareholder is Lin Xin, the actual controller and the ultimate beneficial owner are Lin Xin. Foshan Gaoming has no concert parties. The company is engaged in deposit receipt and deposit books printing, R&D and sales, and is the earliest in China to apply hot stamping to magnetic stripes of deposit books. It is also a member of "China Trade Association for Anti-counterfeiting", one of the "Top 500 Printing Enterprises in Guangdong Province", and a "Garden-like Unit in Foshan City".

2.6 Purchase, sale or redemption of listed securities of the Bank

The Bank or any of its subsidiaries has not purchased, sold or redeemed any listed securities of the Bank during the reporting period.

Information on Directors, Supervisors, Senior Management, Staff and Institution

1 Current Directors, Supervisors and Senior Management

Directors

Name	Former name or alias	Gender	Age	Position	Terms of appointment	Number of shares held on 31 December 2018	Classes of shares	Nominating shareholder
LIU Xianting		Male	57	Chairman of the Board of Directors and Executive Director	May 2017 - May 2020	500,000	Domestic shares	
PAN Ming		Male	44	Vice Chairman of the Board of Directors, Executive Director, President and Chief Customer Manager	May 2017 - May 2020	224,910	Domestic shares	
CAI Liping	CAI Liping (蔡麗萍)	Female	55	Executive Director and Vice President	May 2017 - May 2020	500,000	Domestic shares	
ZENG Huasheng		Male	54	Non-executive Director	May 2017 - May 2020	Nil		Jiujiang Finance Bureau
ZHANG Jianyong		Male	42	Non-executive Director	August 2017 - May 2020	Nil		BAIC Group
LI Jianbao		Male	45	Non-executive Director	August 2017 - May 2020	Nil		Industrial Bank
YI Zhiqiang		Male	59	Non-executive Director	May 2017 - May 2020	Nil		Foshan Gaoming
CHUA Alvin Cheng-Hock		Male	60	Independent Non-executive Director	August 2017 - May 2020	Nil		
GAO Yuhui		Female	69	Independent Non-executive Director	August 2017 - May 2020	Nil		
QUAN Ze		Male	47	Independent Non-executive Director	August 2017 - May 2020	Nil		
YANG Tao		Male	45	Independent Non-executive Director	August 2017 - May 2020	Nil		

Information on Directors, Supervisors, Senior Management, Staff and Institution

Supervisors

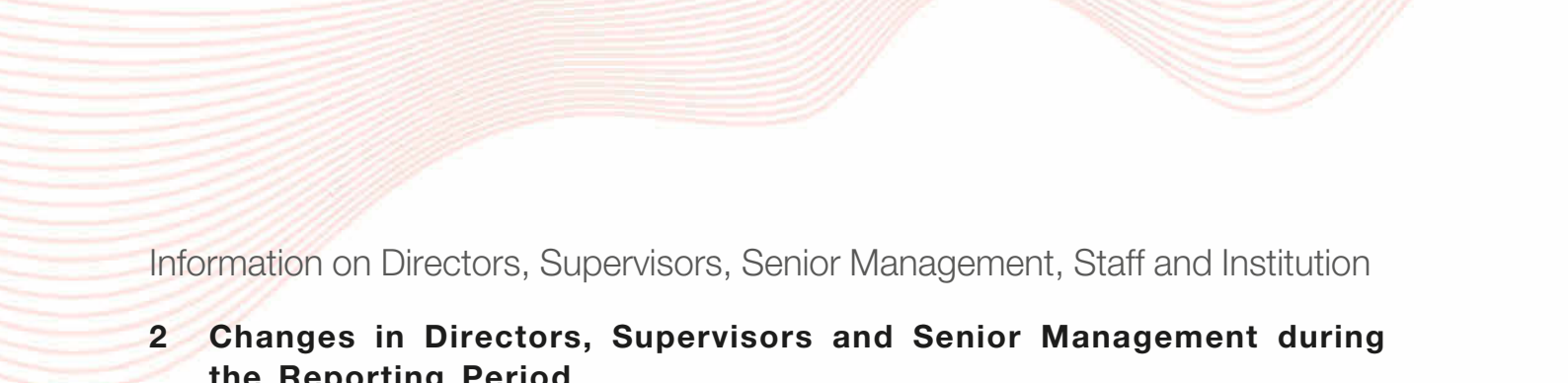
Name	Former name or alias	Gender	Age	Position	Terms of appointment	Number of shares held on 31 December 2018	Classes of shares	Nominating shareholder
LUO Xinhua		Male	59	Chairman of the Board of Supervisors	May 2017 – May 2020	411,600	Domestic shares	
QIU Jian ⁽¹⁾		Female	39	Shareholder Supervisor	May 2017 – May 2020	Nil		Dasheng Agriculture
GUO Jiequn		Male	48	External Supervisor	May 2017 – May 2020	Nil		
CHEN Chunxia		Female	55	External Supervisor	May 2017 – May 2020	Nil		
LIAO Jingwen		Female	33	Shareholder Supervisor	May 2017 – May 2020	14,000	Domestic shares	Jiujiang Hehui Import & Export Co., Ltd
DAI Wenjing		Female	46	Supervisor of Employees and Vice General Manager of the Audit Department	May 2017 – May 2020	55,125	Domestic shares	

Note:

- (1) Ms. Qiu Jian resigned as Shareholder Supervisor of the Bank in March 2019 due to work rearrangement, and will this take effect upon the conclusion of the 2018 annual general meeting of the Bank. Accordingly, Ms. Qiu Jian will continue to perform her duties as Shareholder Supervisor of the Bank before a new Shareholder Supervisor is elected at the 2018 Annual General Meeting of the Bank.

Senior Management

Name	Former names or alias	Gender	Age	Position	Number of shares held on 31 December 2018		Classes of shares
PAN Ming	CAI Liping (蔡麗萍)	Male	44	Vice Chairman of the Board of Directors, Executive Director, President and Chief Customer Manager	224,910		Domestic shares
CAI Liping		Female	55	Executive Director and Vice President	500,000		Domestic shares
TONG Faping		Male	46	Vice President and Board Secretary	379,291		Domestic shares
WANG Kun		Male	42	Vice President	434,588		Domestic shares
XIAO Jing		Male	42	Vice President and Chief Information Officer	55,566		Domestic shares
HUANG Chaoyang		Male	49	Assistant to President	500,000		Domestic shares
QI Yongwen		Male	48	Director of Retail Banking	249,900		Domestic shares
CHEN Luping		Male	52	Director of Small-enterprise Credit	331,100		Domestic shares
XU Cao		Male	51	Assistant to President and President of Fuzhou Branch	217,560		Domestic shares
WANG Yuanxin		Male	51	Assistant to the President, Chairman and President of Beijing Daxing Jiuyin County Bank	220,500		Domestic shares
CAI Jianhong		Male	50	Assistant to President and Director and President of Guixi Jiuyin County Bank	16,170		Domestic shares
WANG Li		Female	55	Assistant to President	Nil		



Information on Directors, Supervisors, Senior Management, Staff and Institution

2 Changes in Directors, Supervisors and Senior Management during the Reporting Period

Mr. XIAO Wenfa had reached the retirement age and retired as the Vice President of Bank of Jiujiang on 24 August 2018 which was considered and approved at the 7th meeting of the 5th session of the Board held on 24 August 2018.

The appointment of Mr. XIAO Jing as the Vice President and Chief Information Officer of Bank of Jiujiang (effective since 19 December 2018) was considered and approved at the 7th meeting of the 5th session of the Board held on 24 August 2018 and further approved by the CBIRC Jiangxi Bureau (Gan Yin Bao Jian Fu (2018) No. 6) on 19 December 2018.

From the end of the reporting period to the issuance date of this report, Ms. Qiu Jian resigned as Shareholder Supervisor of the Bank in March 2019 due to work rearrangement, and this will take effect upon the conclusion of the 2018 Annual General Meeting of the Bank. Accordingly, Ms. Qiu Jian will continue to perform her duties as Shareholder Supervisor of the Bank before a new Shareholder Supervisor is elected at the 2018 Annual General Meeting of the Bank.

Upon the consideration and approval at the 10th Meeting of the 5th session of the Board of Supervisors convened on 29 March 2019, Mr. Lu Tingfu was nominated as the Shareholder Supervisor by the 5th session of the Board of Supervisors of the Bank. The term of office will take effect upon the consideration and approval by the 2018 Annual General Meeting of the Bank.

Except for the above-mentioned, there was no change of the other directors, supervisors or senior management of the Bank.

3 Biographies of Directors, Supervisors and Senior Management

3.1 Directors

Mr. LIU Xianting (劉羨庭), aged 57, is an executive director and the chairman of the Board of Directors of the Bank.

Mr. LIU worked for the Lianhua County Sub-branch of PBOC from January 1981 to November 1984 and was responsible for accounting and cashier works, statistical planning and industrial and commercial credit. He joined the Ji'an Regional Branch of PBOC from November 1984 to February 1987 and was responsible for fund management and integrated management at the fund planning division. He served as the deputy head and subsequently head of the fund planning division of Ji'an Regional Branch of PBOC from February 1987 to May 1990 and from May 1990 to September 1991, respectively. He became the president of Ji'an Municipal Sub-branch of PBOC from September 1991 to September 1998. He served as the standing deputy head and director of the office of the leading preparatory team of Jiujiang City Commercial Bank (九江市商業銀行) from September 1998 to January 2001; and deputy Party leadership group secretary, vice chairman and president of Jiujiang City Commercial Bank from January 2000 to October 2004. He served as the Party committee secretary, chairman and president of Jiujiang City Commercial Bank from October 2004 to October 2008, and Party committee secretary, chairman and president of the Bank from October 2008 to August 2013. Mr. LIU has been the Party committee secretary and chairman of the Board of Directors of the Bank since August 2013.

Mr. LIU is a senior economist. He graduated from Shaanxi Institute of Finance and Economics (陝西財經學院) in July 1997, majoring in finance, and was conferred a bachelor's degree in economics by the same institute in June 1998. He obtained an EMBA degree from Huazhong University of Science and Technology (華科技大學) in December 2006.

Information on Directors, Supervisors, Senior Management, Staff and Institution

Mr. PAN Ming (潘明), aged 44, is an executive director, vice chairman, president and chief customer manager of the Bank.

Mr. PAN served as a teller and credit officer of the Jiujiang Baishuihu Urban Credit Cooperative (九江市白水湖城市信用社) from July 1997 to March 1999; head of the credit department under the preparatory office of Jiujiang City Commercial Bank from February 1999 to January 2000; vice president of the Baishuihu Governing Branch (in preparation) of Jiujiang City Commercial Bank from January 2000 to December 2002; and vice president (person-in-charge) of the Baishuihu Governing Branch of Jiujiang City Commercial Bank from December 2002 to January 2004. He served as the president of Sanli Street Sub-branch of Jiujiang City Commercial Bank from January 2004 to February 2006; and assistant to the president of Jiujiang City Commercial Bank and president of the Sanli Street Sub-branch from February 2006 to January 2008. He served as an assistant to the president of Jiujiang City Commercial Bank from January 2008 to August 2008; Party committee member and assistant to the president of the Bank from August 2008 to January 2009; and Party committee member and assistant to the president of the Bank and president of the Ji'an Branch from January 2009 to April 2009. He served as a Party committee member and vice president of the Bank and president of the Ji'an Branch from April 2009 to February 2010; Party committee member and vice president of the Bank from February 2010 to April 2013 as well as president of Guangzhou Branch from March 2011 to April 2013; and deputy Party committee secretary and vice president of the Bank from April 2013 to August 2013. Mr. PAN has been the deputy Party committee secretary, vice chairman, president and head customer manager of the Bank since August 2013.

Mr. PAN is a senior economist. He graduated from the Investment and Finance Faculty of Jiangxi University of Finance and Economics (江西財經大學), majoring in monetary banking and was conferred a bachelor's degree in economics by the same university in July 1997. He graduated from the MBA School of Jiangxi University of Finance and Economics in September 2007 and obtained an MBA degree from Jiangxi University of Finance and Economics in December 2009. He also obtained an EMBA degree from Tsinghua University (清華大學) in January 2017.

Ms. CAI Liping (蔡麗平, former name: 蔡麗萍), aged 55, is an executive director and vice-president of the Bank.

Ms. CAI served as staff of Jiujiang Dazhong Road Urban Credit Cooperative (九江市大中路城市信用社) from April 1990 to September 1994; deputy head of Jiujiang Dazhong Road Urban Credit Cooperative from September 1994 to April 2000; and became the person-in-charge of the Baishuihu Sub-branch (in preparation) of Jiujiang City Commercial Bank from April 2000 to February 2001; and assistant to the president of Jiujiang City Commercial Bank from February 2001 to May 2003. Ms. CAI has been a Party committee member and the vice president of the Bank since May 2003.

Ms. CAI is a senior economist. She graduated from Hubei University of Technology (湖北工學院) in July 2003, majoring in law, and obtained an EMBA degree from Huazhong University of Science and Technology (華科技大學) in December 2006.

Mr. ZENG Huasheng (曾華生), aged 54, is a non-executive director of the Bank.

Mr. ZENG served as the deputy director of the Finance Bureau of Yongxiu County from January 1990 to December 1992; deputy director of the State-owned Assets Administrative Bureau of Jiujiang from June 1994 to October 1996; and became the director of the office and head of the extra-budgetary fund management division of Jiujiang Finance Bureau from November 1996 to July 2004. Mr. ZENG has served as the deputy director of the Jiujiang Finance Bureau since August 2004.

Mr. ZENG graduated from the Correspondence College of the Party School of the Central Committee of C.P.C. (中共中央黨校函授學院), majoring in economic management, in December 1996.

Mr. ZHANG Jianyong (張建勇), aged 42, is a non-executive director of the Bank.

Mr. ZHANG served as the chief accountant of the finance and asset department of the China Electric Power Research Institute from July 2001 to December 2003; assistant to the manager, deputy manager and manager of the asset and finance department of Beijing Automotive Industry Holding Co., Ltd. successively from December 2003 to December 2010; and as head of the finance department and deputy chief financial officer of Beijing Automotive Group Co., Ltd. from December 2010 to June 2015. Mr. ZHANG has been the vice general manager of Beijing Automotive Group Co., Ltd. since January 2015. Mr. ZHANG served as a director of Shandong Binzhou Bohai Piston Co., Ltd. (listed on Shanghai Stock Exchange, stock code: 600960), from November 2015 to December 2016. Since March 2016, Mr. ZHANG has served as the Party committee secretary and chairman of BAIC Group Finance Co., Ltd.

Information on Directors, Supervisors, Senior Management, Staff and Institution

Mr. ZHANG is a senior accountant and a PRC lawyer. He graduated from Zhongnan University of Finance and Economics (中南財經大學) in June 1998, majoring in business administration, and was conferred a bachelor's degree in business administration by the same university at the same time. He obtained his doctoral degree in management from Beijing Institute of Technology (北京理工大學) in March 2015.

Mr. LI Jianbao (李堅寶), aged 45, is a non-executive director of the Bank.

Mr. LI served as a member of the Jin'an Sub-branch of the Fuzhou Branch of Industrial Bank from August 1996 to February 1997; officer of the planning and fund department under the head office of Industrial Bank from February 1997 to June 2001; and senior deputy manager of the interbank business department under the head office of Industrial Bank from June 2001 to November 2003. He served as a senior deputy manager of the fund operations center under the head office of Industrial Bank from November 2003 to October 2007; senior manager of the fund operations center under the head office of Industrial Bank from October 2007 to May 2011; and as head of the interbank cooperation services center under the head office of Industrial Bank from May 2011 to March 2015. Mr. LI has been the general manager of the interbank cooperation services center under the head office of Industrial Bank since March 2015.

Mr. LI graduated from the Department of Finance of Shaanxi Institute of Finance and Economics (陝西財經學院) in July 1996, majoring in finance, and was conferred a bachelor's degree in economics by the same institute at the same time. He obtained an MBA degree from China Europe International Business School (中歐國際工商學院) in October 2011.

Mr. YI Zhiqiang (易志強), aged 59, is a non-executive director of the Bank.

Mr. YI served as a clerk of Foshan Labor Services Company (佛山市勞動服務公司) from November 1981 to July 1982; officer of the publicity department of the Party Committee of Foshan from August 1982 to August 1984; an officer of Foshan Bureau of Radio and Television from September 1984 to July 1987; and an officer of Nanhai Foreign Economic Working Committee (南海對外經濟工作委員會) from August 1987 to July 1993. Mr. YI has been the deputy general manager of Foshan Gaoming since October 2000.

Mr. YI graduated from the Academy of Executive Management Leadership of South China Normal University (華南師範大學行政管理幹部學院) by completing a two-year program in Chinese studies in July 1986.

Mr. CHUA Alvin Cheng-Hock (蔡清福), aged 60, is an independent non-executive director of the Bank.

Mr. CHUA has been an independent non-executive director of China Guangfa Bank since April 2014, and managing director and global head of the sales sector, trading and research of securities and fixed-income products of BOC International Holdings Limited (Hong Kong) since June 2014. He has been a part-time professor of Lingnan (University) College, Sun Yat-sen University (中山大學嶺南(大學)學院) since April 2014.

Mr. CHUA obtained a bachelor's degree in business administration from The University of Texas at Austin in May 1981, and obtained an MBA degree from The University of Chicago in June 1987.

Ms. GAO Yuhui (高玉輝), aged 69, is an independent non-executive director of the Bank.

Ms. GAO was the chief risk officer and general manager of the risk management department of Bank of Beijing Co., Ltd. (listed on Shanghai Stock Exchange, stock code: 601169) from July 2006 to June 2010, and served concurrently as a director of Bank of Beijing Co., Ltd. from June 2004 to August 2010.

Ms. GAO is an intermediate economist. She graduated from the evening class of Beijing Vocational College of Finance and Commerce (北京財貿學院夜大學) in January 1984, majoring in finance.

Mr. QUAN Ze (全澤), aged 47, is an independent non-executive director of the Bank.

Mr. QUAN served as a senior manager of the investment banking department of Shenyin & Wanguo Securities Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 000166) from January 1998 to January 2001, and as a vice president of China Dragon Securities Co., Ltd. from May 2001 to May 2012. He served as the vice chairman of Shanghai Committee of China National Democratic Construction Association and a member of Shanghai Xuhui District Committee of the Chinese People's Political Consultative Conference from December 2011 to December 2016. Mr. QUAN has been the general manager of Shanghai Difeng Investment Co., Ltd. since May 2012. Mr. QUAN has been serving, and currently still serves, as an independent director of Zhejiang Lonsen Group Co., Ltd. (listed on Shanghai Stock Exchange, stock code: 600352) since April 2013; an independent director of Guangdong Taientang Pharmaceutical Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 002433) since May 2013; an independent director of Zhejiang Juhua Co., Ltd. (listed on Shanghai Stock Exchange, stock code: 600160) since October 2013; an independent director of Shanghai Worth Garden Products Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 300483) since February 2015; and an independent director of Xinjiang Tianye Co., Ltd. (listed on Shanghai Stock Exchange, stock code: 600075) since September 2016.

Information on Directors, Supervisors, Senior Management, Staff and Institution

Mr. QUAN is a Certified Public Accountant. He graduated from Tongji University (同濟大學) in July 1995 majoring in polymer materials, and was conferred a bachelor's degree in engineering by the same university at the same time. He graduated as a doctoral student in accounting from Shanghai University of Finance and Economics (上海財經大學) in January 2007, and was conferred a doctoral degree in management by the same university at the same time.

Mr. YANG Tao (楊濤), aged 45, is an independent non-executive director of the Bank.

Mr. YANG was engaged in post-doctoral research in the business administration department of Chinese Academy of Social Sciences (中國社會科學院) from October 2004 to January 2007. Mr. YANG has been a researcher at the Institute of Finance of Chinese Academy of Social Sciences since September 2003.

Mr. YANG is a non-practising member of the Beijing Institute of Certified Public Accountants and is qualified to practice law in the PRC. He graduated from the Faculty of Economic Management of Nanjing University of Science and Technology (南京理工大學) in June 1995 with a major in industrial trading. He was a master student at the graduate school of the Research Institute of the Ministry of Finance (財政部科研所研究生部) from September 1997 to July 2000 and a doctoral student of the Finance and Trade Department of the Graduate School of Chinese Academy of Social Sciences from September 2000 to July 2003. Mr. YANG graduated as a doctoral student in finance and politics from the Graduate School of Chinese Academy of Social Sciences in June 2003, and obtained a doctoral degree in economics from the same Academy in June 2003.

3.2 Supervisors

Mr. LUO Xinhua (羅新華), aged 59, is the chairman of the board of supervisors of the Bank.

Mr. LUO served as a communication officer of Jiujiang Finance Bureau from October 1978 to April 1982, teacher at the Jiujiang Correspondence School (九江函授站) of Jiangxi Institute of Finance and Economics (江西財經學院) from May 1982 to December 1990 and became the person-in-charge of the academic registry, head of the academic registry and vice principal of Jiujiang Vocational School of Finance and Accounting (九江市財會職業中專) successively from January 1991 to October 1997. He served as the deputy head of the preparatory office of Jiujiang City Commercial Bank from November 1997 to January 2000; and as head of the discipline inspection department, Party group member and chairman of the board of supervisors of Jiujiang City Commercial Bank from January 2000 to October 2003. Mr. LUO has been a Party committee member of the Bank, secretary of the Commission for Discipline Inspection, and chairman of the Board of Supervisors since November 2003.

Mr. LUO graduated from Hubei Province Economic Management Cadre Institute (湖北省經濟管理幹部學院) in July 2004, majoring in accounting, and obtained an EMBA degree from Huazhong University of Science and Technology (華科技大學) in December 2006.

Ms. QIU Jian (邱建), aged 39, is a supervisor of the Bank.

Ms. QIU served as the general manager of the corporate business department of the Shangbu Sub-branch of the Shenzhen Branch of ICBC from July 2001 to May 2006; and manager of the treasury department of EH Supply Chain Management Group (深圳市亦禾供應鏈管理有限公司) from May 2006 to June 2007. She served as the vice general manager of the group financial center of Shenzhen Oriental Ginza Group Company Limited (深圳市東方銀座集團有限公司) from October 2012 to February 2016; and as financial director of the financial management center of Flying Financial Service Holdings Limited (listed on Hong Kong Stock Exchange, stock code: 8030) from February 2016 to October 2016. Ms. QIU has been the chief director of the financial cooperation department of Dasheng Group from November 2016 to October 2018.

Ms. QIU is a registered tax advisor and has the qualification of specialty and technology in economics at intermediate level. She graduated from Shenzhen University (深圳大學) in June 2001 majoring in international trade with a bachelor's degree in economics. She obtained a master's degree in finance from Peking University (北京大學) in January 2009.

Mr. GUO Jiequn (郭傑群), aged 48, is a supervisor of the Bank.

Mr. GUO has been a post-doctoral expert of Shanghai Futures Exchange since December 2011 and deputy director of XIN Real Estate FinTech Research Center under the National Institute of Financial Research of Tsinghua University (清華大學國家金融研究院鑫苑房地產金融科技研究中心) since 2017.

Mr. GUO graduated from the Department of Mathematics of Beijing Normal University (北京師範大學) in July 1992 and was conferred a bachelor's degree in science by the same university at the same time. He was conferred a Ph.D. in philosophy by Indiana University in the United States in May 2001.

Ms. CHEN Chunxia (陳春霞), aged 55, is a supervisor of the Bank.

Ms. CHEN has been a professor of the School of Finance of Jiangxi University of Finance and Economics (江西財經大學金融學院) since October 2002, and currently teaches monetary banking policy and theory and corporate financial theory and policy. Ms. CHEN was accredited as a "young and middle-aged backbone teacher of Jiangxi Province" (江西省中青年骨幹教師) in 2004, a "young and middle-aged pioneer of higher education institutions of Jiangxi Province for 2006-2009" (2006-2009年江西省高等學校中青年帶頭人) in 2006 and a member of the "seventh batch of young and middle-aged pioneers of Jiangxi Province" (江西省第七批中青年帶頭人) in 2011.

Information on Directors, Supervisors, Senior Management, Staff and Institution

Ms. CHEN graduated from Jiangxi Institute of Finance and Economics (江西財經學院) in July 1985 and was conferred a bachelor's degree in economics by the same university at the same time. She obtained a doctoral degree in economics from Jiangxi University of Finance and Economics (江西財經大學) in June 2004.

Ms. LIAO Jingwen (廖靜文), aged 33, is a supervisor of the Bank.

Ms. LIAO served as a teller at the banking business department of the Bank from August 2006 to September 2006; human resources commissioner of the human resources department of the Bank from September 2006 to February 2010; and as an assistant to the general manager of the human resources department of the Bank from February 2010 to April 2016. Ms. LIAO has been the deputy general manager of the county bank management headquarters and general manager of the human resources department under the county bank management headquarters of the Bank since April 2016.

Ms. LIAO is a level-one human resources manager, and an IPMA-CP. She graduated from Zhongnan University of Economics and Law (中南財經政法大學) in June 2006, majoring in labor and social security.

Ms. DAI Wenjing (戴文靜), aged 46, is a supervisor and vice general manager of the audit department of the Bank.

Ms. DAI served successively as chief accountant of the De'an County Branch of China Construction Bank in Jiangxi Province and accountant of the Jiujiang County Branch of China Construction Bank in Jiangxi Province from August 1993 to October 2000; auditing commissioner of the Jiujiang audit office of China Construction Bank in Jiangxi Province from November 2000 to June 2005; auditor (grade 6) of the Yichun audit office under the audit department of China Construction Bank in Jiangxi Province from June 2005 to May 2007. She served as an auditor (grade 6) of the second on-site audit office under the audit department of China Construction Bank in Jiangxi Province from June 2007 to June 2011; and successively as auditing commissioner of the audit department and assistant to general manager of the Bank during the period from July 2011 to August 2012. Ms. DAI serves as the Vice General Manager of the Audit Department of the Bank since August 2012.

Ms. DAI is an intermediate economist. She graduated from Jiangxi Normal University (江西師範大學) in December 1998, majoring in English.

3.3 Senior Management

See “3 Biographies of Directors, Supervisors and Senior Management – 3.1 Directors” of the Chapter for the biographical details of Mr. PAN Ming and Ms. CAI Liping.

Mr. TONG Faping (童發平), aged 46, is the vice president and board secretary of the Bank.

Mr. TONG served as a teller of Jiujiang Binxing Urban Credit Cooperative (九江市濱興城市信用社) from July 1997 to August 1998; chief accountant of Jiujiang Dazhong Road Urban Credit Cooperative (九江市大中路城市信用社) from August 1998 to April 1999; general manager of the planning and finance department of Jiujiang City Commercial Bank from April 1999 to March 2003; and general manager of the credit approval department of the Bank from March 2003 to January 2006. He became an assistant to the president of the Bank from January 2006 to August 2008; party committee member and assistant to the president of the Bank from August 2008 to April 2009; and party committee member and vice president of the Bank from April 2009 to May 2016. Mr. TONG has been a party committee member, vice president and secretary to the Board of the Bank since May 2016.

Mr. TONG is an intermediate accountant and a senior economist. He graduated from Vocational Technology Normal College under Jiangxi Agricultural University (江西農業大學職業技術師範學院), majoring in accounting education in July 1997, and obtained an MBA degree from Zhongnan University of Economics and Law (中南財經政法大學) in June 2007.

Mr. WANG Kun (王琨), aged 42, is the vice president of the Bank.

Mr. WANG served as a teller of Jiujiang Dazhong Road Urban Credit Cooperative (九江市大中路城市信用社) from September 1995 to July 1998; customer manager of the preparatory office of Jiujiang City Commercial Bank from August 1998 to January 2000; deputy head of the business department of Jiujiang City Commercial Bank from January 2000 to February 2003; vice president of Gongyuan Governing Branch of Jiujiang City Commercial Bank from February 2003 to January 2004; and president of the Changhong Sub-branch of Jiujiang City Commercial Bank from January 2004 to March 2008. He became an assistant to the president of the Bank and president of the Changhong Sub-branch from March 2008 to March 2009; assistant to the president and general manager of key customer center of the Bank from March 2009 to October 2009; assistant to the president of the Bank and president of Nanchang Branch from October 2009 to August 2010; party committee member and assistant to the president of the Bank and president of the Nanchang Branch from August 2010 to December 2010; and Party committee member, vice president of the Bank and president of Nanchang Branch from December 2010 to March 2014. Mr. WANG has been a Party committee member and vice president of the Bank since March 2014.

Information on Directors, Supervisors, Senior Management, Staff and Institution

Mr. WANG is an intermediate economist. He graduated from Tsinghua University (清華大學) in July 2003 with a major in law, and obtained an MBA degree from Jiangxi University of Finance and Economics (江西財經大學) in December 2008. He graduated from the EMBA (finance) program of Cheung Kong Graduate School of Business (長江商學院) in September 2016 and was conferred an EMBA degree by the school.

Mr. XIAO Jing (肖璟), aged 42, is the vice president and chief information officer of the Bank.

Mr. XIAO served as a programmer of the back-office project team under the development department of ICBC from September 1999 to May 2002; the deputy manager and then manager of the second division of the system department of ICBC from May 2002 to September 2006 and from September 2006 to August 2009, respectively. He served as a senior technical manager of the Hangzhou first development division under the software development center of ICBC from August 2009 to August 2010; deputy general manager and then general manager of the Guangzhou first development division under the software development center of ICBC from September 2010 to February 2012 and from March 2012 to April 2014, respectively. He joined the Bank in April 2014, and has served as the chief information officer of the Bank from July 2014 to August 2018 and has been a Party committee member as well as chief information officer of the Bank from August 2018 to December 2018. Mr. XIAO has been a Party committee member, vice president and chief information officer of the Bank since December 2018.

Mr. XIAO is a senior engineer and is qualified as an internal auditor. He was also accredited as a Financial Risk Manager by the Global Association of Risk Professionals. He graduated from Zhongnan University of Finance and Economics (中南財經大學), majoring in management information systems, and was conferred a bachelor's degree in engineering by the same university in June 1999. He obtained an MBA degree from Sun Yat-sen University (中山大學) in June 2007.

Mr. HUANG Chaoyang (黃朝陽), aged 49, is an assistant to the president of the Bank.

Mr. HUANG served as a clerk and deputy section head of the De'an County Sub-branch of PBOC from August 1991 to June 2001; general manager of the planning and finance department of the Bank from June 2001 to April 2009; and board secretary of the Bank from April 2009 to January 2011. He served as the board secretary of the Bank and president of the Hefei Branch from February 2011 to February 2012; board secretary of the Bank from March 2012 to June 2014 and compliance director of the Bank from June 2014 to September 2016. Mr. HUANG has served as an assistant to the president of the Bank since September 2016.

Mr. HUANG is a senior economist and a Certified Public Accountant in China. He graduated from the Faculty of Chemistry and Chemical Engineering of Wuxi Institute of Light Industry (無錫輕工業學院), majoring in refined chemical engineering, and was conferred a bachelor's degree in engineering by that institute in June 1991. He obtained an MBA degree from Zhongnan University of Economics and Law (中南財經政法大學) in December 2007.

Mr. QI Yongwen (齊永文), aged 48, is the director of retail banking of the Bank.

Mr. QI served as a software engineer of the computer department of the Jiujiang Branch of China Construction Bank from January 1994 to January 2001; and deputy general manager of the technology department of Jiujiang City Commercial Bank from January 2001 to January 2006. He served as the general manager of the information technology department of the Bank from February 2006 to February 2011; information director (chief information officer) of the Bank from February 2011 to April 2013; information director (chief information officer) of the Bank and president of Guangzhou Branch from April 2013 to June 2013; assistant to the president of the Bank and president of the Guangzhou Branch from June 2013 to January 2016, and assistant to the president of the Bank from January 2016 to September 2016. Mr. QI has been the director of retail banking of the Bank since September 2016. Mr. QI graduated from the School of Computer Science of Shandong University (山東大學計算機科學系), majoring in computer and application, and was conferred a bachelor's degree of science by that university in July 1992. He obtained an MBA degree from Zhongnan University of Economics and Law (中南財經政法大學) in December 2008.

Mr. CHEN Luping (陳廬平), aged 52, is the director of small-enterprise credit of the Bank.

Mr. CHEN served as a credit officer of the Daqiao office of Jiujiang Branch of Agricultural Bank of China from July 1989 to April 1990; section head of the life insurance section of Lushan Sub-branch of Jiujiang Branch of Agricultural Bank of China from April 1990 to October 2000; and president of Lushan Sub-branch of the Bank from October 2000 to January 2006. He served as an independent credit approval officer (grade 1) of the credit approval department of the Bank from January 2006 to March 2007; general manager of the loan center for small-and-micro enterprises of the Bank from March 2007 to July 2010; and general manager of the small-enterprise credit center of the Bank from July 2010 to December 2014. Mr. CHEN has served as the director of small-enterprise credit of the Bank since December 2014.

Mr. CHEN is a senior economist. He graduated from Anhui Institute of Finance and Economics (安徽財貿學院), majoring in accounting in July 2004.

Information on Directors, Supervisors, Senior Management, Staff and Institution

Mr. XU Cao (許操), aged 51, is an assistant to the president of the Bank and president of the Fuzhou Branch of the Bank.

Mr. XU served as the general office secretary of the Bank from August 2000 to February 2003; deputy general manager (person-in-charge) of the office of the Bank from February 2003 to July 2004; president of the Ruichang Sub-branch of the Bank from July 2004 to December 2008; and chairman of the board of directors and president of Zhongshan Xiaolan County Bank (中山小欖村鎮銀行) from December 2008 to January 2012. He served as the general manager of the risk management department of the Bank from February 2012 to January 2015, and has concurrently served as the general manager of the legal and compliance department of the Bank since February 2012. He was the principal person-in-charge of Fuzhou Branch of the Bank, and then president of Fuzhou Branch of Jiujiang Bank from January 2015 to March 2015 and from April 2015 to August 2015, respectively. Mr. XU has served as an assistant to the president of the Bank and president of the Fuzhou Branch since August 2015.

Mr. XU is a senior economist. He graduated from Tsinghua University (清華大學) with a major in economics (finance and insurance) in September 2006.

Mr. WANG Yuanxin (王遠昕), aged 51, is an assistant to the president of the Bank, and chairman and president of Beijing Daxing Jiuyin County Bank (北京大興九銀村鎮銀行).

Mr. WANG served as a credit officer of the suburb office of Jiujiang Branch of Agricultural Bank from July 1987 to August 1993; director of the Guizhixiang savings section of the suburb office of Jiujiang Branch of Agricultural Bank from September 1993 to April 1995; and director of the Yifangtian Sub-office of the suburb office of Jiujiang Branch of Agricultural Bank from May 1995 to June 1996. He served as the deputy director of the Maotoushan Sub-office of the suburb office of Jiujiang Branch of Agricultural Bank from July 1996 to January 2000; deputy director of the suburb office of Jiujiang Branch of Agricultural Bank from January 2000 to February 2001; manager of the suburb office of Jiujiang Branch of Agricultural Bank from February 2001 to January 2002; and manager of the Baliyu Sub-branch of Jiujiang Branch of Agricultural Bank from January 2002 to September 2004. He became the deputy general manager of the credit approval department of Jiujiang Commercial Bank from October 2004 to January 2005; general manager of the business department of the Bank from January 2005 to January 2012; chairman and president of Zhongshan Xiaolan County Bank from February 2012 to January 2016; and principal person-in-charge of Beijing Daxing Jiuyin County Bank from February 2016 to October 2016. Mr. WANG has served as the chairman and president of Beijing Daxing Jiuyin County Bank since October 2016, and has concurrently served as an assistant to the president of the Bank since November 2016.

Mr. WANG is an intermediate economist. He graduated from China Central Radio and TV University (中央廣播電視大學), majoring in finance, in May 2005.

Mr. CAI Jianhong (蔡劍洪), aged 50, is an assistant to the president of the Bank, and chairman and president of Guixi Jiuyin County Bank (貴溪九銀村鎮銀行).

Mr. CAI served as a statistician and investigator of the planning section of Jiujiang County Sub-branch of PBOC from February 1986 to March 1994; auditor of the audit section of Jiujiang County Sub-branch of PBOC from March 1994 to August 1994; head of the administrative secretariat section of Jiujiang County Sub-branch of PBOC from August 1994 to March 2000; and personal secretary of head of office of the Jiujiang Central Sub-branch of PBOC from March 2000 to February 2001. He served as the head of the discipline inspection division of Jiujiang County Sub-branch of PBOC from March 2001 to December 2003; director of the Jiujiang Regulatory Office of the CBRC Jiujiang Branch Office (currently CBIRC Jiujiang Branch Office) from December 2003 to August 2012; head of the regulatory third division of the CBRC Jiujiang Branch Office (currently CBIRC Jiujiang Branch Office) from August 2012 to February 2016; and principal person-in-charge of Guixi Jiuyin County Bank from March 2016 to November 2016. Mr. CAI has served as an assistant to the president of the Bank, and as the chairman and president of Guixi Jiuyin County Bank since November 2016.

Mr. CAI is an intermediate financial economist. He graduated from the Party School of the Central Committee of C.P.C (中共中央黨校), majoring in economic management, in December 1998.

Ms. WANG Li (王琍), aged 55, is an assistant to the president of the Bank.

Ms. WANG served as an officer and head of the planning department of the Jiangxi Branch of the PBOC from July 1986 to December 1998; head of the cooperative division under the Nanchang supervision office of the Wuhan Branch of the PBOC from January 1999 to February 2001; deputy head of the Corporate Banking Supervision Division under the Nanchang supervision office of the Wuhan Branch of the PBOC from February 2001 to September 2003; and deputy head of the Rural Banking Supervision Division of the CBRC Jiangxi Bureau (currently CBIRC Jiangxi Bureau) from October 2003 to October 2006. She served as the deputy head of the second state-owned banking department of the CBRC Jiangxi Bureau (currently CBIRC Jiangxi Bureau) from November 2006 to August 2009; deputy director of the cooperative division of the CBRC Jiangxi Bureau (currently CBIRC Jiangxi Bureau) from September 2009 to October 2011; director of the Stock Division of the CBRC Jiangxi Bureau (currently CBIRC Jiangxi Bureau) from November 2011 to March 2016; and head of the postal office of the CBRC Jiangxi Bureau (currently CBIRC Jiangxi Bureau) from April 2016 to March 2017. Ms. WANG has served as an assistant to the president of the Bank since March 2017.

Information on Directors, Supervisors, Senior Management, Staff and Institution

Ms. WANG is a senior economist. She graduated from the quantitative statistics department of Jiangxi Institute of Finance and Economics (江西財經學院), majoring in national economic plans in July 1987, and was conferred a bachelor's degree in economics by the same institute at the same time. Ms. WANG obtained an MBA degree from the University of South Australia in March 2009.

4 Remuneration Policy and Annual Remuneration of Directors, Supervisors and Senior Management

4.1 Remuneration Policy

The Bank provided remuneration to executive directors, chairman of the board of supervisors and senior management in accordance with the Remuneration Management System of Senior Management Personnel of the Bank of Jiujiang Co., Ltd.. The Bank provided remuneration to independent non-executive directors and external supervisors in accordance with the Allowance System of the Bank of Jiujiang Co., Ltd. Independent Director and External Supervisor. The remuneration standard of other supervisors and directors was implemented in accordance with relevant measures of the Bank.

4.2 Remuneration Policy of Directors and Supervisors

For remuneration details of directors, supervisors and five highest paid individuals of the Bank, please refer to Note 16 of the financial statements of this annual report of the Bank.

4.3 Remuneration Policy of Senior Management

The following table sets forth, for the year ended 31 December 2018, the remuneration of the Bank's senior management personnel (excluding directors) by remuneration range:

Remuneration range	Number of staff
RMB0 to RMB500,000	0
RMB500,001 to RMB1,000,000	11

Note:

- (1) As of 31 December 2018, two of the Bank's senior management were directors at the same time, they were Mr. PAN Ming and Ms. CAI Liping respectively. For the remuneration details of Mr. PAN Ming and Ms. CAI Liping, please refer to Note 16 of the financial statements of this annual report.
- (2) It includes the remuneration of the term of office of Mr. Xiao Wenfa for the year ended 31 December 2018.

5 Confirmation of Independence of Independent Non-executive Directors

The Bank has received an annual confirmation letter from each of the independent non-executive directors regarding their independence in accordance with the requirements of the Listing Rules. It considers that all independent non-executive directors are in compliance with the relevant guidelines set out in Rule 3.13 of the Listing Rules, and that they are independent persons.

Independent non-executive directors do not have business and financial interests, nor do they hold any management positions in the Bank. All current non-executive directors and independent non-executive directors are selected through election for a term of 3 years. They are eligible for re-election at the expiry of the 3-year term.

6 Interests and Short Positions of Directors, Supervisors and Chief Executive in Shares, Underlying Shares and Debentures

As at the end of the reporting period, the directors, supervisors or chief executive of the Bank who had interests and short positions in the Shares, underlying shares and debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Bank under Section 352 of the SFO, or which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code were as follows:

Information on Directors, Supervisors, Senior Management, Staff and Institution
Interests in the Shares of the Bank (Long Positions)

Name	Duties	Class of shares	Nature of interest	Number of shares	Approximate percentage of the total issued share capital of the relevant class of the Bank (%)	Approximate percentage of total issued share capital of the Bank (%)
LIU Xianting	Chairman of the Board of Directors and Executive Director	Domestic Shares	Beneficial Owner	500,000	0.03	0.02
PAN Ming	Vice Chairman of the Board of Directors, Executive Director, President and Chief Customer Manager	Domestic Shares	Beneficial Owner	224,910	0.01	0.01
CAI Liping	Executive Director and Vice President	Domestic Shares	Beneficial Owner	500,000	0.03	0.02
LUO Xinhua	Chairman of the Board of Supervisors	Domestic Shares	Beneficial Owner	411,600	0.02	0.02
DAI Wenjing	Supervisor and Vice General Manager of the Audit Department	Domestic Shares	Beneficial Owner	55,125	0.00	0.00
LIAO Jingwen	Supervisor	Domestic Shares	Beneficial Owner	14,000	0.00	0.00

Interests in Associated Corporation (Long Positions)

Name	Duties	Associated corporation	Nature of interest	Number of shares	Approximate percentage of share capital (%)
LIU Xianting	Chairman of the Board of Directors and Executive Director	Pengze Jiuyin County Bank Co., Ltd. (彭澤九銀村鎮銀行股份有限公司) ⁽¹⁾	Beneficial Owner	125,000	0.25
		Ruichang Jiuyin County Bank Co., Ltd. (瑞昌九銀村鎮銀行股份有限公司) ⁽²⁾	Beneficial Owner	125,000	0.25
		Zixi Jiuyin County Bank Co., Ltd. (資溪九銀村鎮銀行股份有限公司) ⁽³⁾	Beneficial Owner	100,000	0.50
		Chongren Jiuyin County Bank Co., Ltd. (崇仁九銀村鎮銀行股份有限公司) ⁽⁴⁾	Beneficial Owner	200,000	0.50
		Fenyi Jiuyin County Bank Co., Ltd. (分宜九銀村鎮銀行股份有限公司) ⁽⁵⁾	Beneficial Owner	250,000	0.50
PAN Ming	Vice Chairman of the Board of Directors, Executive Director, President and Chief Customer Manager	Pengze Jiuyin County Bank Co., Ltd. (彭澤九銀村鎮銀行股份有限公司) ⁽¹⁾	Beneficial Owner	125,000	0.25
		Ruichang Jiuyin County Bank Co., Ltd. (瑞昌九銀村鎮銀行股份有限公司) ⁽²⁾	Beneficial Owner	125,000	0.25
		Zixi Jiuyin County Bank Co., Ltd. (資溪九銀村鎮銀行股份有限公司) ⁽³⁾	Beneficial Owner	100,000	0.50
		Chongren Jiuyin County Bank Co., Ltd. (崇仁九銀村鎮銀行股份有限公司) ⁽⁴⁾	Beneficial Owner	200,000	0.50
		Fenyi Jiuyin County Bank Co., Ltd. (分宜九銀村鎮銀行股份有限公司) ⁽⁵⁾	Beneficial Owner	250,000	0.50
CAI Liping	Executive Director and Vice President	Pengze Jiuyin County Bank Co., Ltd. (彭澤九銀村鎮銀行股份有限公司) ⁽¹⁾	Beneficial Owner	100,000	0.20
		Ruichang Jiuyin County Bank Co., Ltd. (瑞昌九銀村鎮銀行股份有限公司) ⁽²⁾	Beneficial Owner	100,000	0.20
		Zixi Jiuyin County Bank Co., Ltd. (資溪九銀村鎮銀行股份有限公司) ⁽³⁾	Beneficial Owner	80,000	0.40
		Chongren Jiuyin County Bank Co., Ltd. (崇仁九銀村鎮銀行股份有限公司) ⁽⁴⁾	Beneficial Owner	160,000	0.40
		Fenyi Jiuyin County Bank Co., Ltd. (分宜九銀村鎮銀行股份有限公司) ⁽⁵⁾	Beneficial Owner	200,000	0.40

Information on Directors, Supervisors, Senior Management, Staff and Institution

Name	Duties	Associated corporation	Nature of interest	Number of shares	Approximate percentage of share capital (%)
LUO Xinhua	Chairman of the Board of Supervisors	Pengze Jiuyin County Bank Co., Ltd. (彭澤九銀村鎮銀行股份有限公司) ⁽¹⁾	Beneficial Owner	100,000	0.20
		Ruichang Jiuyin County Bank Co., Ltd. (瑞昌九銀村鎮銀行股份有限公司) ⁽²⁾	Beneficial Owner	100,000	0.20
		Zixi Jiuyin County Bank Co., Ltd. (資溪九銀村鎮銀行股份有限公司) ⁽³⁾	Beneficial Owner	80,000	0.40
		Chongren Jiuyin County Bank Co., Ltd. (崇仁九銀村鎮銀行股份有限公司) ⁽⁴⁾	Beneficial Owner	160,000	0.40
		Fenyi Jiuyin County Bank Co., Ltd. (分宜九銀村鎮銀行股份有限公司) ⁽⁵⁾	Beneficial Owner	200,000	0.40
DAI Wenjing	Supervisor and Vice General Manager of the Audit Department	Pengze Jiuyin County Bank Co., Ltd. (彭澤九銀村鎮銀行股份有限公司) ⁽¹⁾	Beneficial Owner	50,000	0.10
		Ruichang Jiuyin County Bank Co., Ltd. (瑞昌九銀村鎮銀行股份有限公司) ⁽²⁾	Beneficial Owner	50,000	0.10
		Zixi Jiuyin County Bank Co., Ltd. (資溪九銀村鎮銀行股份有限公司) ⁽³⁾	Beneficial Owner	30,000	0.15
		Chongren Jiuyin County Bank Co., Ltd. (崇仁九銀村鎮銀行股份有限公司) ⁽⁴⁾	Beneficial Owner	60,000	0.15
		Fenyi Jiuyin County Bank Co., Ltd. (分宜九銀村鎮銀行股份有限公司) ⁽⁵⁾	Beneficial Owner	75,000	0.15
LIAO Jingwen	Supervisor	Ruichang Jiuyin County Bank Co., Ltd. (瑞昌九銀村鎮銀行股份有限公司) ⁽²⁾	Beneficial Owner	50,000	0.10
		Zixi Jiuyin County Bank Co., Ltd. (資溪九銀村鎮銀行股份有限公司) ⁽³⁾	Beneficial Owner	20,000	0.10
		Chongren Jiuyin County Bank Co., Ltd. (崇仁九銀村鎮銀行股份有限公司) ⁽⁴⁾	Beneficial Owner	40,000	0.10
		Fenyi Jiuyin County Bank Co., Ltd. (分宜九銀村鎮銀行股份有限公司) ⁽⁵⁾	Beneficial Owner	50,000	0.10

Note:

- (1) The Bank holds 35.0% of equity and 53.9% of voting rights of Pengze Jiuyin County Bank Co., Ltd. (彭澤九銀村鎮銀行股份有限公司), a subsidiary of the Bank.
- (2) The Bank holds 35.0% of equity and 54.0% of voting rights of Ruichang Jiuyin County Bank Co., Ltd. (瑞昌九銀村鎮銀行股份有限公司), a subsidiary of the Bank.
- (3) The Bank holds 35.0% of equity and 54.2% of voting rights of Zixi Jiuyin County Bank Co., Ltd. (資溪九銀村鎮銀行股份有限公司), a subsidiary of the Bank.
- (4) The Bank holds 35.0% of equity and 54.8% of voting rights of Chongren Jiuyin County Bank Co., Ltd. (崇仁九銀村鎮銀行股份有限公司), a subsidiary of the Bank.
- (5) The Bank holds 35.0% of equity and 54.8% of voting rights of Fenyi Jiuyin County Bank Co., Ltd. (分宜九銀村鎮銀行股份有限公司), a subsidiary of the Bank.

7 Positions Held by Directors, Supervisors and Senior Management in County Bank

Supervisor Ms. LIAO Jingwen serves as the chairperson of the board of supervisors of Xiushui Jiuyin County Bank, chairperson of the board of supervisors of Guixi Jiuyin County Bank, director of Jingdezhen Changjiang Jiuyin County Bank, director of Lushan Jiuyin Yishu County Bank and the director of Hukou Jiuyin County Bank.

Assistant to President of the Bank Mr. HUANG Chaoyang serves as the director of Beijing Daxing Jiuyin County Bank.

Assistant to President of the Bank Mr. WANG Yuanxin serves as the chairman of the board of directors of Beijing Daxing Jiuyin County Bank.

Information on Directors, Supervisors, Senior Management, Staff and Institution

8 Information on Employees

8.1 Composition of personnel

By department/function

	As at 31 December 2018	
	Number of staff	% of total (%)
Corporate banking	482	13.39
Retail banking	783	21.75
Inclusive financial	46	1.28
Financial market	33	0.92
Finance and accounting	282	7.83
Risk management, credit, audit and discipline inspection	159	4.42
Legal and compliance, human resources, information technology and general secretary	221	6.14
Management	88	2.44
Business operation	906	25.17
Jiuyin county bank	560	15.64
Others	37	1.02
Total	3,597	100

By age

	As at 31 December 2018	
	Number of staff	% of total (%)
Aged below 30	2,611	72.59
Aged 31 – 40	791	21.99
Aged 41 – 50	173	4.81
Aged over 50	22	0.61
Total	3,597	100

By education level

	As at 31 December 2018	
	Number of staff	% of total (%)
Master's degree and above	321	8.92
Undergraduate and junior college	3,262	90.69
Others	14	0.39
Total	3,597	100

8.2 Staff training plan

In order to continue to develop as a learning organization and to help our employees to become professional, resourceful and career-oriented managers, the Bank implemented the concepts of “self-training, self-enhancing, self-criticizing and self-improving”, ability to self-taught through works and duties, fully integrating its business development needs, formulating reasonable training plans and developing more comprehensive training systems such as new employee training sessions, on-the-job employee training sessions and lectures on special topics.

The staff of the Bank sees learning as a habit of life, starting with new staff training session at the beginning of their employment, learning basic vocational skills, understanding the Bank’s corporate cultures, various regulations and systems, marketing and product concepts and so on. After becoming part of Jiujiang, they are submerged in a competitive atmosphere of knowledge pursuit, leading each of our members to take full advantage of our online and offline learning environment and fully utilize spare time from work to learn new policies and new concepts each week. Our staffs also take regular business training sessions for skill improvement and continuously learning to increase professionalism and overall staff quality. Furthermore, we also promote staffs to have inspirational ideas for discussions. The Bank adheres to holding the “Monthly Session for Experts and Leaders of the Bank” learning sessions, which link course theories to practical cases. The lecturers talk about the development and improvement in combination with the Bank, especially their own supervisory work.

During the reporting period, the Bank organized 8 sessions of new employee training sessions in total, with 622 people. The on-the-job employees participated in the internal learning sessions regularly every week. A total of 86 business training sessions across all business lines, 28 off-the-job training sessions and 12 lectures were held by the Bank and a total of 13,085 employees had received training.

During the reporting period, each country bank organised 3 sessions of new employee training sessions in total, with 100 people. The on-the-job employees participated in the organisation’s internal learning regularly every week. A total of 59 business training sessions across all business lines, 8 off-the-job training sessions and 12 lectures were held by each country bank and a total of 6,780 employees had received training.

Information on Directors, Supervisors, Senior Management, Staff and Institution

8.3 Staff remuneration policies

In order to implement the guiding ideology of “flexible Income” and the incentive direction of “maintaining our fighting spirit” better, the Bank established a scientific incentive and restraint mechanism; at the same time, we amended and improved the remuneration management system and welfare policy in 2018, in order to better promote our local culture, “bank with human touch”, for enhancing our competitive strengths. Our remuneration policy adhered to the principle of efficiency, fairness, flexibility and business-orientation. We established a remuneration system connecting job ranking with score and connecting the job title with performance. Remuneration are fully used for the purpose of incentivisation, restrictiveness, and protection, fostering the organic unification of value creation, evaluation and allocation. Meanwhile, a salary deferred payment system linking the performance salary of employees in key positions with the business risk exposure, was strictly implemented. The deferred payment remuneration adopted a corresponding recourse and deduction system in accordance with the risk exposure during the practice period. At the same time, in order to take care of our employees’ well-being, establish a corresponding welfare security system and better stimulate the enthusiasm and cohesiveness of employees, the Bank established an impeccable welfare system under the principle of full staff coverage, business inclination, professional orientation and hierarchical management.

9 Basic Information of Institutions under the Bank

As at 31 December 2018, we operated our business through our operation department of head office in Jiujiang, 13 branches and 251 sub-branches which consisted of 147 traditional sub-branches, 93 community sub-branches and 11 small and micro enterprises sub-branches. The branch network of the Bank is primarily located in Jiangxi Province, and also covers Guangzhou, Guangdong Province and Hefei, Anhui Province. We plan to steadily expand our distribution network to all major cities in Jiangxi Province. In addition, we controlled and consolidated 18 Jiuyin County Banks as at 31 December 2018.

Status of the branches of the Bank as of 31 December 2018 is set out below:

District	Name of institution	Operating address	Note	Number
Jiangxi Province	Head Office	Bank of Jiujiang Mansion, No.619 Changhong Avenue, Jiujiang, Jiangxi Province	1 operation department of head office, 39 traditional sub-branches, 16 community sub-branches	56
	Nanchang Branch	No.1398 Hongguzhong Avenue, Donghu District, Nanchang, Jiangxi Province	1 branch, 11 traditional sub-branches, 19 community sub-branches, 1 small and micro enterprises sub-branch	32
	Ganjiang River New Area Branch	528 Shuanggang W St, Economic and Technological Development Zone, Nanchang, Jiangxi Province	1 branch	1
	Ji'an Branch	New 196 Jinggangshan Avenue, Jizhou District, Ji'an, Jiangxi Province	1 branch, 14 traditional sub-branches, 6 community sub-branches, 3 small and micro enterprises sub-branches	24
	Ganzhou Branch	Building 5, Shenghui City Center, Ganxian Rd, Zhanggong District, Ganzhou, Jiangxi Province	1 branch, 13 traditional sub-branches, 10 community sub-branches, 2 small and micro enterprises sub-branches	26
	Fuzhou Branch	1250 Gandong Avenue, Fuzhou, Jiangxi Province	1 branch, 11 traditional sub-branches, 9 community sub-branches	21

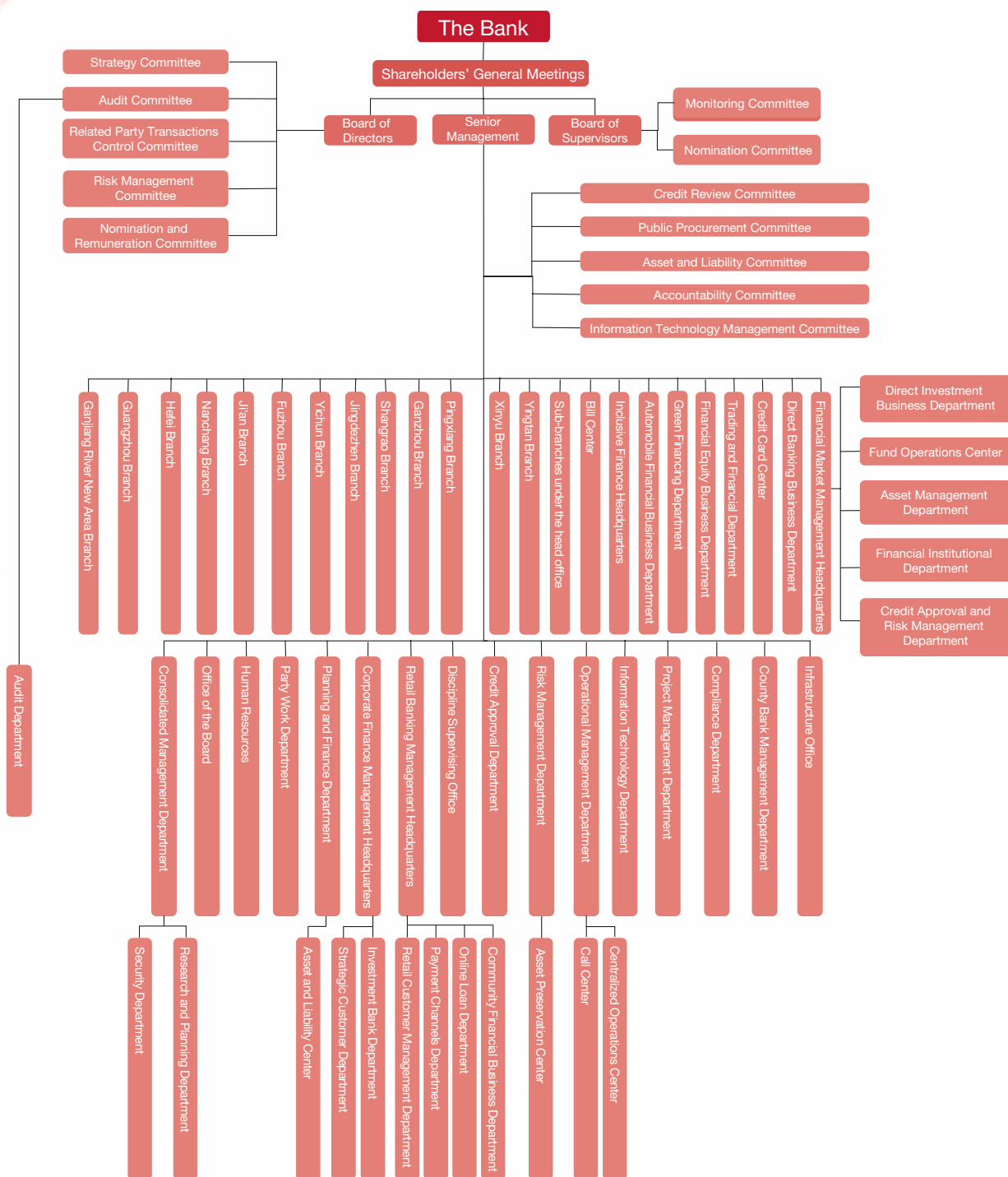
Information on Directors, Supervisors, Senior Management, Staff and Institution

District	Name of institution	Operating address	Note	Number
	Yichun Branch	587 Luzhou N Rd, Yichun, Jiangxi Province	1 branch, 12 traditional sub-branches, 3 community sub-branches, 3 small and micro enterprises sub-branches	19
	Shangrao Branch	1-1, 2-1, 3-1, 4-1, 5-1, 87 Wusan Avenue, Xinzhou District, Shangrao, Jiangxi Province	1 branch, 11 traditional sub-branches, 6 community sub-branches	18
	Jingdezhen Branch	197 Licun Garden, Zhunshan District, Jingdezhen, Jiangxi Province	1 branch, 6 traditional sub-branches, 5 community sub-branches	12
	Pingxiang Branch	121 Yuejin N Rd, Pingxiang, Jiangxi Province	1 branch, 5 traditional sub-branches, 2 community sub-branches	8
	Xinyu Branch	720 Xianlai E Ave, Xinyu, Jiangxi Province	1 branch, 2 traditional sub-branches, 3 community sub-branches, 1 small and micro enterprises sub-branch	7
	Yingtian Branch	Bank of Jiujiang Mansion, south of Wei Wu Rd and north of Binjiang Rd, Xinjiang New Area, Yingtian, Jiangxi Province	1 branch, 3 traditional sub-branches, 1 community sub-branch, 1 small and micro enterprises sub-branch	6

District	Name of institution	Operating address	Note	Number
Guangdong Province	Guangzhou Branch	Rms 106, 107 and 108, 108, Huangpu W Ave, Tianhe District, Guangzhou, Guangdong Province	1 branch, 9 traditional sub-branches, 7 community sub-branches	17
	Nansha Sub-branch in Guangdong Pilot Free-Trade Zone	Rms 105, 401, 402, 403, 404, 405, 406 and 407, 106 (Self-named floor 1) Fengze E Rd, Nansha District, Guangzhou City, Guangdong Province	1 sub-branch	1
Anhui Province	Hefei Branch	2-shops 101, 202, Block B, Jinding Square, 287 Suixi Rd, Luyang District, Hefei, Anhui Province	1 branch, 10 traditional sub-branches, 6 community sub-branches	17
Total				265

Corporate Governance Report

1 Organizational Chart of the Bank



2 Overview of Corporate Governance

The Bank is committed to improving corporate governance in accordance with domestic and overseas laws and regulations and setting up a corporate governance framework with coordination.

During the reporting period, the Bank, on the basis of institutional construction, clarified the orientation of the construction of the governance system consisting of the Shareholders' general meeting, the Board of Directors, the Board of Supervisors and the management, set up a complete corporate governance system and adopted relevant rules including the Articles of Association of the Bank, Rules of Procedures for the Shareholders' General Meeting of Bank of Jiujiang Co., Ltd., Rules of Procedures for the Board of Directors of Bank of Jiujiang Co., Ltd., Rules of Procedure for the Board of Supervisors of Bank of Jiujiang Co., Ltd., and Terms of Reference for Special Committees of Bank of Jiujiang Co., Ltd., with effort to constantly improve the decision-making system centering around the Board of Directors, the executive system centering around senior management and the supervision system centering around the Board of Supervisors. The Bank kept laying a solid foundation of the "four-in-one" job fulfillment structure of directors and supervisors, namely meetings, opinions, trainings and surveys, and organized "monthly classes" for independent directors, enriched the job fulfillment forms among directors and supervisors, sorted out job fulfillment appraisal procedures for directors and supervisors, and combine self-appraisals and external appraisals of directors and supervisors in a bid and optimized job fulfillment appraisal profiles. Using special committees as an entry point, the Bank also set up Committee Offices and departments with well-defined departmental responsibilities to ensure the scientificness of decision-making and the effectiveness of execution by the boards of directors and supervisors with special committees as the link. The Bank adopts the Corporate Governance Code as our corporate governance code.

During the reporting period, the Bank convened Shareholders' General Meeting, in accordance with the law. The Board of Directors and Board of Supervisors fully performed their functions of strategic decision-making and supervision. Meanwhile, directors and supervisors performed their duties in an earnest manner, and the management actively implemented the decisions made at Shareholders' General Meeting and by Board of Directors and Board of Supervisors. The Bank achieved steady progress in various undertakings, effectively safeguarding the interests of all shareholders and stakeholders.

During the reporting period, the Bank strictly complied with the provisions in the Corporate Governance Code in Appendix 14 of the Listing Rules and, where appropriate, adopted the proposed best practices. To the knowledge of our directors, there is no information showing that the Bank failed to comply with the provisions contained in the Corporate Governance Code during the reporting period.

Corporate Governance Report

3 Shareholders' General Meeting

During the reporting period, the Bank held a total of one Shareholders' General Meeting. Details are set out as follows:

On 22 June 2018, the Bank held the 2017 Annual Shareholders' General Meeting, and deliberated on 18 proposals, including Proposal on Deliberating on the 2017 Annual Board of Directors Report of Bank of Jiujiang Co., Ltd., Proposal on Deliberating on the 2017 Annual Board of Supervisors' Report of Bank of Jiujiang Co., Ltd., Proposal on Deliberating on the 2017 Annual Evaluation Report of Directors and Senior Executives from the Board of Directors of Bank of Jiujiang Co., Ltd., Proposal on Deliberating on the 2017 Annual Evaluation Report of Directors, Supervisors and Senior Executives by Board of Supervisors of Bank of Jiujiang Co., Ltd., and Proposal on Deliberating on the 2017 Annual Report of Bank of Jiujiang Co., Ltd.

The summoning, notifying, convening and voting procedures concerning the above Shareholders' General Meeting all comply with relevant laws and regulations as well as the relevant provisions of the Articles of Association of the Bank.

4 Board of Directors

4.1 Operation of Board of Directors

The Board meetings of the Bank can be divided into regular meetings and interim meetings. The Board meetings may take the form of on-site meetings and written countersignature. Meetings such as conference calls and video conferences that feature real-time discussions and full exchanges are deemed as on-site meetings. The Board of Directors holds at least one regular meeting every quarter and at least four regular meetings every year as convened by the chairman of the Board. Before listing on the Main Board of Hong Kong Stock Exchange, notices of regular meetings were sent to directors 10 days before the meeting. After listing, in accordance with the Bank's newly-amended Articles of Association, the Bank would notify all directors and supervisors in writing 14 days before the meeting. For interim Board meetings, the Bank would notify all directors and supervisors 5 days before the meeting. All directors will maintain communications with the office of the Board to ensure compliance with the procedures for the Board of Directors and all applicable rules and regulations, and to ensure that all directors have the opportunity to contribute topics for discussion to the agenda of regular Board meetings.

A sound communication and reporting mechanism has been set up between directors and the senior management. The senior management is responsible for providing sufficient, complete and reliable data in a timely manner to the Board of Directors and each special committee. All directors have the right to access the documents and relevant data regarding the Board of Directors. Directors can seek independent professional advice where appropriate based on reasonable requests at the expense of the Bank. At Board meetings, all directors are free to voice their opinions and important decisions shall be made after in-depth discussions. If a director has a material interest in proposed matters for discussion by the Board of Directors, he or she shall abstain from voting on the relevant proposal(s), and such director will not be counted in the quorum of voting for such proposal(s).

Detailed minutes are kept for Board meetings, and provided to all participating directors for review after the conclusion of meetings. Participating directors can propose revisions after receiving the minutes. Finalized meeting minutes will be sent to all directors in the soonest possible manner. Minutes of Board meetings were kept in accordance with the Bank's regulations on record management for directors' access at any time.

An office of the Board is set up under the Board of Directors for handling day-to-day affairs, which is responsible for the preparation for Shareholders' General Meeting, Board meetings, special committee meetings of the Board of Directors, information disclosure as well as other daily matters of the Board of Directors and its special committees.

The Board of Directors is also responsible for formulating corporate governance policies of the Bank, and performing its duties in accordance with Code D.3.1 of the Corporate Governance Code, formulating and reviewing the Bank's policies and corporate governance practices, reviewing and monitoring training and continuous professional development of directors, supervisors and the senior management, reviewing and monitoring the Bank's compliance with the policies and practices as stipulated in laws and regulatory provisions, and reviewing the Bank's compliance with the Code and disclosures within the Corporate Governance Report.

4.2 Members of Board of Directors

As at the end of the reporting period, the Board of Directors consisted of 11 directors, including 3 executive directors, namely Mr. LIU Xianting (chairman), Mr. PAN Ming (deputy chairman and president) and Ms. CAI Liping, 4 non-executive directors, namely Mr. ZENG Huasheng, Mr. ZHANG Jianyong, Mr. LI Jianbao and Mr. YI Zhiqiang, as well as 4 independent non-executive directors, namely Mr. CHUA Alvin Cheng-Hock, Ms. GAO Yuhui, Mr. YANG Tao and Mr. QUAN Ze.

Corporate Governance Report

Directors of the Bank (including non-executive directors) are elected for a three-year term and can be re-elected upon expiry of term. Independent non-executive directors are elected for a three-year term and appointed in accordance with the opinions of regulatory authorities upon expiry of the three-year term. Independent directors can serve for a term of not more than six years on an accumulative basis in the same commercial bank.

For the changes and remuneration of directors, please see “Chapter 7 Information on Directors, Supervisors, Senior Management, Staff and Institution – 4 Remuneration Policy and Annual Remuneration of Directors, Supervisors and Senior Management” of this annual report. The number and composition of the Board of Directors comply with the requirements of laws and regulations.

4.3 Diversity Policy of the Board of Directors

The Bank believes that the diversity of Board members can positively bolster the Bank's performance. The Bank treats the increasing diversity at the Board of Directors level as a key contributor to sustainable development and fulfillment of our strategic goals as well as maintaining a sound corporate governance level.

The Bank seeks diversity of members from multiple perspectives during establishment of the Board of Directors, including but not limited to gender, location, expertise, skill, knowledge and education background. We put equal stress on integrity and ability for all appointments by the Board of Directors and fully take into account the benefits of member diversity during candidate selection under objective conditions. Selecting the members of the Board of Directors is based on a diversity of criteria, including but not limited to gender, location, expertise, skill, knowledge and education background.

The Nomination and Remuneration Committee of the Bank will review this policy when appropriate to ensure its effectiveness. The Nomination and Remuneration Committee will discuss any required revisions and then put forward the opinions on revisions to the Board of Directors for approval.

4.4 Duties and Powers of the Board of Directors

As the Bank's decision-making body, the Board of Directors is accountable to the Shareholders' General Meetings and shall perform the following duties and powers:

- (1) to convene Shareholders' General Meetings and to report on its duty performance to shareholders at the shareholders' general meetings;
- (2) to implement the resolutions of the Shareholders' General Meetings;
- (3) to review and consider the work reports of our president;

- (4) to decide on our operational plans and investment plans;
- (5) to formulate our annual financial budgets, final accounts, profit distribution plans and plans for recovery of losses;
- (6) to formulate plans for merger, separation, dissolution, liquidation or change in corporate structure;
- (7) to formulate proposals on increases or reductions of our registered capital, proposals on issuance of bonds or other securities, listing plans as well as investment plan for funds raised, and to supervise the implementation thereof;
- (8) to decide on the establishment of our internal management departments;
- (9) to appoint or remove the Bank's president and Board of Directors secretaries and determine their remuneration, appoint or remove senior executives, such as the vice presidents and finance chief based on the nominations by the president and decide on matters relating to their remuneration, rewards and imposition of any disciplinary measures;
- (10) to establish our basic management system;
- (11) to consider and approve our compliance policies and supervise their implementation, and take ultimate responsibility for the compliance of our operating activities;
- (12) to formulate measures for increasing our capital adequacy ratio when it is lower than the statutory standard;
- (13) to decide on matters such as external investment, purchase and disposal of assets, pledge of assets, external guarantees, entrusted wealth management and related party transactions within the scope of authorization granted by the Shareholders' General Meetings;
- (14) to disclose information of the Bank and take ultimate responsibility for the completeness and accuracy of our systems of accounting and financial reporting, and formulate relevant procedures and systems to ensure our statistics continue to conform with the regulatory requirements;
- (15) to propose to the Shareholders' General Meetings the appointment or change of appointment of the accounting firms auditing the Bank, and to give an explanation to the Shareholders' General Meetings on the non-standard audit opinions of certified public accountant on our financial report; and

Corporate Governance Report

(16) to exercise any other power and duties prescribed by the applicable laws, administrative requirements, regulations and rules governing securities of the place where the shares of the Bank are listed and our Articles of Association as well as any other power and duties conferred by our Shareholders' General Meetings.

4.5 Responsibilities of Directors

During the reporting period, all directors were able to attend relevant meetings in a prudent, conscientious and diligent manner in accordance with relevant laws and regulations and the Articles of Association, and effectively exercise their powers in accordance with the prescribed operation procedures for the Board of Directors and in respect of various proposals of the Board. They made careful deliberation and voting, and actively voiced opinions and tabled proposals, which has promoted the healthy, stable and sustainable development of the Bank, successfully accomplishing the tasks and objectives of the Board of Directors. Meanwhile, they also fulfilled the obligations as directors, fully protecting the rights of shareholders. Independent non-executive directors and other non-executive directors made positive contributions to the Bank in terms of strategy and policy formulation by offering independent and well-founded advice.

Directors have confirmed that they are responsible for the Bank's financial statements for the year ended 31 December 2018. Directors are responsible for overseeing the financial reports for each accounting period so that the financial reports truly and fairly reflect the Bank's operation conditions. In preparing the financial statements for the year ended 31 December 2018, directors have selected the applicable accounting policies and applied them consistently, and have made prudent and reasonable judgments. With the assistance of accounting and finance personnel, directors ensure that the Bank prepares financial statements in accordance with statutory requirements and applicable financial reporting standards.

4.6 Board Meetings and Attendance of Directors

During the reporting period, the Bank held a total of 6 Board meetings which considered and approved 87 resolutions.

Convening of Board meetings

Meeting	Date	Form
The 3rd Meeting of the 5th session of the Board	5 January 2018	Correspondence meeting
The 4th Meeting of the 5th session of the Board	16 March 2018	Conference call
The 5th Meeting of the 5th session of the Board	16 April 2018	On-site meeting
The 6th Meeting of the 5th session of the Board	15 June 2018	Conference call
The 7th Meeting of the 5th session of the Board	24 August 2018	On-site meeting
The 8th Meeting of the 5th session of the Board	28 December 2018	Correspondence meeting

Attendance of directors

Director	Board of Directors	Related Party Transactions		Risk Management	Nomination and Remuneration Committee	Strategy Committee
		Audit Committee	Control Committee	Committee	Committee	
		Actual Attendance/Expected Attendance				
LIU Xianting	6/6		4/4			
PAN Ming	6/6				3/3	5/5
CAI Liping	6/6			3/3		
ZENG Huasheng	6/6					5/5
ZHANG Jianyong	4/6 ¹					3/5 ¹
LI Jianbao	4/6 ¹	2/4 ¹				
YI Zhiqiang	5/6 ¹					
CHUA Alvin Cheng-Hock	6/6	4/4		3/3		
GAO Yuhui	6/6	4/4		3/3		
QUAN Ze	5/6 ¹		3/4 ¹		3/3	
YANG Tao	6/6		4/4		3/3	

Note:

1. In the case where the actual attendance is less than the expected attendance, it means that the director did not attend the meeting in person but entrusted another director to attend on his/her behalf.

4.7 Attendance at Shareholders' General Meetings during the Reporting Period

During the reporting period, the Bank held a total of one annual Shareholders' General Meeting. Our chairman, Mr. LIU Xianting, and non-executive director, Mr. LI Jianbao, attended the meeting.

Corporate Governance Report

4.8 Performance of Independent Non-executive Directors

The Board of Directors currently has four independent non-executive directors, and the qualification, number and proportion of independent non-executive directors comply with the relevant provisions set forth by the CBIRC and the CSRC and the Listing Rules. None of our independent non-executive directors are involved in any circumstances incurring questionable independence as stipulated in Rule 3.13 of the Listing Rules. The Bank has received the annual letters of confirmation from each independent non-executive director with regard to their independence as stipulated in Rule 3.13 of the Listing Rules. Therefore, the Bank considered that all independent non-executive directors are in compliance with the independence requirements as set out in the Listing Rules. Independent non-executive directors are dominant in number and act as chairpersons in the Audit Committee, Risk Management Committee, Related Party Transactions Control Committee and Nomination and Remuneration Committee under the Board of Directors of the Bank.

During the reporting period, all independent non-executive directors maintained communication with the Bank through joining meetings and trainings or in other forms and took part in meetings of the Board of Directors and various special committees in an earnest manner. They gave full play to their roles by putting forward opinions and paying attention to safeguarding the rights and interests of depositors and medium and small shareholders.

During the reporting period, independent non-executive directors voiced their independent opinions with regard to the Bank's appointment and dismissal of senior management personnel, remuneration of directors and senior management personnel, legality and fairness of substantial related transactions, profit distribution plans, appointment of external auditors and other major issues, with no objections against the proposals of the Board of Directors and other non-Board proposals during the reporting period.

5 Special Committees under the Board of Directors

During the reporting period, there were five special committees under the Board of Directors of the Bank, namely Audit Committee, Related Party Transactions Control Committee, Risk Management Committee, Nomination and Remuneration Committee and Strategy Committee. Each special committee shall be accountable to the Board of Directors. They played the roles to conduct specialized discussions and effectively support and improve the level of scientific, well-founded decision-making by the Board of Directors. Each special committee has full access to the sufficient resources provided by the Bank for duty performance purposes. Detailed minutes were kept for each special committee meeting and were provided to all participating members for review after the conclusion of meetings. Participating members can propose revisions to meeting minutes upon receipt. Finalized meeting minutes were sent to all members in the soonest possible manner. Minutes of each special committee meeting were kept in accordance with our Bank's regulations on archives administration for members' access at any time.

5.1 Audit Committee

During the reporting period, the Audit Committee under the Board of Directors of the Bank was composed of one non-executive director and two independent non-executive directors, namely Mr. LI Jianbao as the non-executive director and Mr. CHUA Alvin Cheng-Hock and Ms. GAO Yuhui as the independent non-executive directors. The independent non-executive director Mr. CHUA Alvin Cheng-Hock acted as the chairman. The independent non-executive directors of the Bank possess appropriate professional qualification or appropriate accounting or related financial management expertise, meeting the requirements of Rule 3.10(2) of the Listing Rules.

The primary responsibilities of the Audit Committee include:

- (1) to review the accounting policy, financial position and financial reporting procedures of the Bank;
- (2) to examine the risks and compliance of the Bank, to review the policy and its implementation in respect of the assessment of capital adequacy of the Bank, the implementation of the capital plan, implementation of capital replenishment plan, audit reports on liquidity risk management, market risk management, operational risk management and technology risk management at least once a year, and to produce a report of the same;
- (3) to supervise the internal audit of the Bank and to produce quarterly audit reports to the Board;
- (4) to be responsible for the annual audit of the Bank and to produce a conclusive report on the truthfulness, completeness and accuracy of information on the audited financial report to the Board for review;
- (5) to inspect the internal control systems and to audit the major related party transactions of the Bank;
- (6) to review the special audit report on the formulation and implementation of the remuneration mechanism and report the same to the Board;
- (7) to review the audit of projects in a timely manner and report to the Board in a timely manner;
- (8) to review special audit of ongoing operational management of the Bank and report to the Board;

Corporate Governance Report

- (9) to deal with all matters in relation to external auditors:
- (i) to comment on the appointment, reappointment and removal of external auditors to the Board of Directors, approve the remuneration and terms of appointment for external auditors, and handle any issues pertaining to the resignation or dismissal of the auditor;
 - (ii) The Audit Committee shall discuss with auditors the nature and scope of auditing and related responsibilities for declaration prior to the commencement of auditing, as well as review and monitor the independence and objectivity of external auditors and the effectiveness of auditing procedures in accordance with applicable standards;
 - (iii) to formulate and implement policies with regard to external auditors' provision of non-auditing services. For the purpose of such provisions, "external auditors" include any organization under the same control, ownership or administration rights as the company in charge of auditing, or any organization that enables any third party with reasonable access to all related information to conclude, under reasonable circumstances, that the organization is a part of the company in charge of auditing, either in the local or international business. The Audit Committee shall report any issues requiring actions or improvements to the Board of Directors and table proposals; and
 - (iv) to act as the chief representative between the Bank and external auditors and be responsible for supervising the relationship between the two;
- (10) to supervise the completeness of the financial statements, annual reports and accounts, interim reports and (if issued) quarterly reports, and to review the key opinions on financial reporting contained therein. The Audit Committee shall review the following items prior to submitting related statements and reports to the Board of Directors:
- (i) any modifications to the accounting policies and practices;
 - (ii) any information involving important judgments;
 - (iii) major adjustments arising from auditing;
 - (iv) assumptions and any qualified opinions on corporate continuing operations;
 - (v) compliance with accounting principles; and

- (vi) compliance with listing rules, laws and regulations in relation to financial reporting;

The Audit Committee shall consider the major issues or irregularities which are reflected or need to be reflected in such reports and financial statements and the matters raised by staff responsible for accounting and financial reporting, supervisors and auditors of the Bank;

- (11) to review the financial control of the Bank and to review the risk management and internal controls of the Bank, including:

- (i) to exchange ideas with the management with regard to risk management and internal control system to ensure that the management has fulfilled their duties in setting up an effective system. Such exchanges should cover the resources available for accounting and financial reporting of the Bank, the competence of employees in terms of qualification and experience, and the sufficiency of training courses received by employees and related budget;
- (ii) to initiate or as appointed by the Board of Directors to conduct research on the key findings in relation to the risk management and internal control matters as well as the management's response to the findings;
- (iii) to ensure the coordination between internal and external auditors if the Bank has an internal auditing process in place, as well as the resources availability for and the appropriateness of the internal auditing process, and review and supervise its effectiveness;
- (iv) to review the financial and accounting policies and practices of the Bank;
- (v) to examine the Auditing Description Letter submitted by external auditors to the management, and auditors' responses to any significant doubts raised by the management regarding accounting records, financial accounts or control system;
- (vi) to ensure the Board of Directors timely respond to the issues highlighted in the Auditing Description Letter submitted by external auditors to the management;
- (vii) to report to the Board of Directors; and
- (viii) to review the following arrangements set by the Bank: the employees of the Bank can secretly raise concerns regarding possible misconduct in financial reporting, internal control or other aspects. The Audit Committee shall make appropriate arrangements to allow the Bank to conduct independent and fair investigations on such issues and take proper actions; and

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(12) to deal with other matters authorized by the Board.

During the reporting period, the Audit Committee convened a total of four meetings and deliberated on and adopted the “Proposal on Deliberating on 2017 Internal Auditing Work Report and 2018 Internal Auditing Work Plan of Bank of Jiujiang Co., Ltd.”, “Proposal on Deliberating on 2018 Interim Results and Interim Report of Bank of Jiujiang Co., Ltd.” and the others. In addition, the Audit Committee organized two meetings with auditors of our Bank to discuss audit issues.

5.2 Related Party Transactions Control Committee

During the reporting period, the Related Party Transactions Control Committee under the Board of Directors was composed of one executive director and two independent non-executive directors, namely Mr. LIU Xianting as the executive director, and Mr. QUAN Ze and Mr. YANG Tao as the independent non-executive directors. The independent non-executive director Mr. YANG Tao acted as the chairman.

The primary responsibilities of the Related Party Transactions Control Committee include but not limited to:

- (1) to review and approve the related party transactions within the authority of the Board;
- (2) to review major related party transactions required to be submitted to the Board and Shareholders’ General Meetings and to report the same to the Board of Supervisors and China Banking Regulatory Commission;
- (3) to collect information about and compile a list of the Bank’s related parties and report the same to the Board and Board of Supervisors, and to inform relevant staffs of the information of related parties identified by them;
- (4) to investigate and to supervise the control of related party transactions of the Bank and the execution of the related party transaction control system by Directors, senior officers and related parties of the Bank, and to report the same to the Board;
- (5) to formulate the related party transaction control system of the Bank;
- (6) to conclude a general review of all related party transactions of the Bank for the year following the year end and report the same to the Board; and
- (7) to deal with other matters authorized by the Board.

During the reporting period, the Related Party Transactions Control Committee convened a total of four meetings, and deliberated on and adopted the “Proposal on Extending the Basic Credit Facilities to County Banks in 2018”, “Proposal on Deliberating on the 2017 Related Party Transaction Special Report of Bank of Jiujiang Co., Ltd.” and the others.

5.3 Risk Management Committee

During the reporting period, the Risk Management Committee under the Board of Directors was composed of one executive director and two independent non-executive directors, namely Ms. CAI Liping as the executive director, and Mr. CHUA Alvin Cheng-Hock and Ms. GAO Yuhui as the independent non-executive directors. The independent non-executive director Ms. GAO Yuhui acted as the chairlady.

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

- (1) to review and approve bank-wide risk management policies based on our overall strategies, and to supervise and evaluate the control of, and implementation of measures against capital and credit risk, liquidity risk, market risk, operational risk, compliance risk, technology risk, reputational risk, country risk and other risks, so as to ensure the effective execution of the risk management system and procedures. The results shall be reported to the Board, which shall specifically contain the strategy of information technology risk management proved to be effective in identifying such risk;
- (2) to review our risk reports, to conduct regular assessment on our risk policies, management and risk tolerance and to give advice on the improvement of risk management and internal control;
- (3) to review the examination and assessment results for the system, procedures and implementation of credit assets classification at least once a year;
- (4) to determine the overall risk management strategy and overall risk limit;
- (5) to supervise and to evaluate the structure, organization, working procedures and efficiency of the risk management department, and to provide suggestions for improvement;
- (6) to review the compliance of the country risk limit identified on a monthly basis;
- (7) to review the annual report on information systems risk management;

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- (8) to review and approve the general policy for the prevention of incidents, to issue the general requirements for case prevention, to review the working report on case prevention and to promote the establishment of incident prevention systems;
- (9) to specify the duties and scope of authorization of senior management regarding incident prevention, so as to ensure that senior management has adopted necessary measures for the effective monitoring, alert and handling of crises;
- (10) to assess the effectiveness of our incident prevention, and to ensure the effective review and supervision of incident prevention by the internal audit functions; and
- (11) to deal with other matters authorized by the Board.

During the reporting period, the Risk Management Committee convened a total of three meetings, and deliberated on and adopted the “Proposal of Deliberating on the 2017 Risk Management Report of Bank of Jiujiang Co., Ltd.”, “Proposal of Deliberating on the 2018 Risk Preference Declaration of Bank of Jiujiang Co., Ltd.” and the others.

5.4 Nomination and Remuneration Committee

During the reporting period, the Nomination and Remuneration Committee under the Board of Directors of our Bank was composed of one executive director and two independent non-executive directors, namely Mr. PAN Ming as the executive director, and Mr. QUAN Ze and Mr. YANG Tao as the independent non-executive directors. The independent non-executive director Mr. QUAN Ze acted as the chairman.

The primary responsibilities of the Nomination and Remuneration Committee include:

- (1) to determine the procedures and standards for selection of Directors and senior management;
- (2) to conduct a preliminary assessment of the qualifications of Directors and senior management, and to make recommendations thereon to the Board;
- (3) to review the general remuneration management system and policies of the Bank;
- (4) to formulate remuneration plans for Directors and the senior management, and to provide suggestions to the Board on remuneration plans;
- (5) to supervise the implementation of remuneration plans, and to review the performance appraisal system and indicator system formulated and revised by the relevant departments once each year;

- (6) to review the structure, size and composition (including education background, skills, knowledge and experience) of the Board at least once each year, and to make recommendations on any proposed changes to the Board to complement the corporate strategy of the issuer;
- (7) to identify qualified candidates for Directors and to propose the appointment of such candidates as Directors, or to make recommendations thereon to the Board;
- (8) to assess the independence of independent non-executive Directors;
- (9) to make recommendations to the Board on the appointment and reappointment of Directors and the succession plans for Directors, in particular the chairman and the chief executive officer;
- (10) to study and determine the standards and procedures for selecting members of Board committees and to make recommendations to the Board;
- (11) to review and approve the management's remuneration proposals with reference to the corporate objectives determined by the Board;
- (12) to review the salaries paid by comparable companies, and the time commitment and responsibilities and employment conditions elsewhere in the Group;
- (13) to review and approve the compensation payable to executive Directors and the senior management on loss or termination of office or appointment in order to ensure that such compensation is consistent with their contractual terms or are otherwise fair, reasonable and not excessive;
- (14) to review and approve the compensation package for the dismissal or removal of Directors due to misconduct in order to ensure that the packages are consistent with the contractual terms, or are otherwise reasonable and appropriate;
- (15) to ensure that no Directors or any of their associates are involved in the determination of their own remuneration; and
- (16) to deal with other matters authorized by the Board.

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During the reporting period, the Nomination and Remuneration Committee convened a total of three meetings, and deliberated on and adopted the “Proposal of Deliberating on the Remuneration Management Measures for Independent Directors and External Supervisors of Bank of Jiujiang Co., Ltd.” as well as the proposals on appointing and removing senior executives. The Nomination and Remuneration Committee shall, as required, seek professional advice for duty performance purposes at the expense of our Bank.

The appointment and election of Directors and Supervisors of the Bank shall follow the ways and procedures below:

- (1) Candidates for Directors and Supervisors who are not staff representatives shall be nominated by the Nomination and Remuneration Committee of the Board of Directors or Nomination Committee of the Board of Supervisors respectively, and the number of such persons to be elected shall be within the number of persons of the Board of Directors and the Board of Supervisors stipulated in these Articles. Shareholders individually or in aggregate holding 3% or more of the Bank’s total voting shares may propose candidates for Directors to the Board of Directors or candidates for Supervisors to the Board of Supervisors; The same shareholder and his/her/its associates shall not nominate a candidate for a Director and another candidate for a Supervisor at the shareholders’ general meeting; if the candidate for a Director (or Supervisor) nominated by such shareholder and his/her/its associates is appointed as a Director (or Supervisor), the shareholder shall not nominate any candidate for Supervisor (or Director) prior to the expiry of the term of office or change of such person. The number of Directors (or Supervisors) nominated by any same shareholder and his/her/its associates in principle shall not exceed one third of the total number of the members of the Board of Directors (or Board of Supervisors). Such shareholder and his/her/its associates shall only nominate one candidate for Independent Director or External Supervisor, and shall not nominate candidates for both Independent Director and External Supervisor.
- (2) The Nomination and Remuneration Committee of the Board of Directors shall conduct preliminary assessment of the qualifications and conditions of the candidates for directors and supervisors respectively and/or propose the candidates passing such assessment to the Board of Directors, Board of Supervisors for consideration respectively; and propose them to the shareholders’ general meeting by way of written resolutions after they are considered and approved by the Board of Directors and/or Board of Supervisors.

- (3) The candidates for Directors and Supervisors shall, before the convening of the shareholders' general meeting, make written undertakings, express their consent to their nomination, confirm the truthfulness and completeness of their publicly disclosed information and undertake that they will duly perform their duties upon election.
- (4) The Board of Directors shall disclose the details of the director candidates to the shareholders in accordance with the laws, administrative regulations and the Articles of Association before the shareholders' general meeting to ensure that shareholders will have adequate understanding of the candidates when they cast their votes.
- (5) Voting on each candidate for Directors and Supervisors shall be carried out at the shareholders' general meeting separately.
- (6) When an additional Director or Supervisor is temporarily nominated, the Nomination and Remuneration Committee of the Board of Directors or the Board of Supervisors or the shareholders satisfying the conditions for making such nomination may propose a candidate to the Board of Directors or the Board of Supervisors for consideration, and to the shareholders' general meeting for election or replacement.

Procedures for selection of directors and senior management of the Bank:

- (1) the Human Resources Department shall submit to the Nomination and Remuneration Committee related information for studying the Bank's demand for new directors and senior management and form written materials;
- (2) collect information concerning primary candidates' occupations, education background, titles, detailed working experience and part-time jobs and form written materials;
- (3) consider the nominees as candidates for directors and senior management upon their consent;
- (4) conduct qualification review on the primary candidates in accordance with qualifications for directors and senior management;
- (5) make recommendations and provide related materials to the Board of Directors within ten (10) working days prior to formal nomination of new directors and engagement of new senior management;
- (6) carry out other follow-up work based on resolutions and feedbacks of the Board of Directors.

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The Nomination and Remuneration Committee of the Bank shall consider the impact on the composition of the board and the diversity of members for the nomination of Directors, including but not limited to the candidates' gender, age, cultural and education background, region, professional experience, skills, knowledge and terms of office. Advice in relation to the succession plan for Directors shall be provided to the Board.

The ultimate responsibility of the selection and appointment of Directors shall be taken by all Directors. The Nomination and Remuneration Committee of the Bank is responsible for monitoring the implementation of the nomination policy and reviewing this policy as appropriate, discussing any required amendments to be proposed to the Board, and implementing the policy upon approval from the Board.

5.5 Strategy Committee

During the reporting period, the Strategy Committee under the Board of Directors was composed of one executive director and two non-executive directors, namely Mr. PAN Ming as the executive director, and Mr. ZENG Huasheng and Mr. ZHANG Jianyong as the non-executive directors. The executive director Mr. PAN Ming acted as the chairman.

The primary responsibilities of the Strategy Committee include:

- (1) to determine the objectives and long-term development strategies of the Bank and its listing plan;
- (2) to supervise and review the implementation of our annual business plans and investment plans;
- (3) to conduct research and to provide suggestions on major capital activities and asset management projects which are subject to the approval of the Board;
- (4) to review the strategic development of human resources and to provide suggestions to the Board;
- (5) to review the annual financial budgets and final accounts, and to provide advice to the Board;
- (6) to review major corporate restructuring and adjustment plans and to provide advice to the Board;

- (7) to review scientific information technology development and other special strategic development plans, and to provide advice to the Board;
- (8) to review and assess the effectiveness of the corporate governance structure in order to ensure that the financial reporting, risk management and internal controls comply with our corporate governance standards;
- (9) to review the strategies, policies and objectives of the protection of consumer rights and interests, and to supervise their implementation on a regular basis;
- (10) to conduct research and to provide suggestions on other major matters significant to our development; and
- (11) to deal with other matters authorized by the Board.

During the reporting period, the Strategy Committee convened a total of five meetings, and deliberated on and adopted the “Proposal of Deliberating on the 2017 President’s Work Report of Bank of Jiujiang Co., Ltd.”, “Proposal of Deliberating on the 2017 Financial Statement Report and 2018 Financial Budget Plan of Bank of Jiujiang Co., Ltd.” and the others.

6 Board of Supervisors

As the supervisory authority of the Bank, the Board of Supervisors of the Bank is accountable to the Shareholders’ General Meetings, overseeing the legality of our Bank’s financial activities as well as the duty performance of Directors, presidents and other senior management personnel to safeguard the legitimate rights and interests of our Bank and Shareholders.

6.1 Composition of the Board of Supervisors

The Board of Supervisors was composed of six Supervisors, including two employee representatives Supervisors, namely Mr. LUO Xinhua (chairman of the Board of Supervisors) and Ms. DAI Wenjing, two external Supervisors, namely Mr. GUO Jiequn and Ms. CHEN Chunxia, as well as two Shareholder representative Supervisors, namely Ms. QIU Jian and Ms. LIAO Jingwen. The structure of the members of the Board of Supervisors is reasonable, with sufficient expertise and independence, which is able to ensure that the Board of Supervisors exert the supervisory functions effectively.

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Supervisors of our Bank are elected for a three-year term and can be re-elected upon expiry of the said term. External Supervisors are elected for a three-year term and can serve as an external Supervisor of the Bank for consecutive terms, but not more than six years on an accumulative basis.

During the reporting period, the Board of Supervisors performed duties in an earnest manner, oversaw the conduct of our Directors and senior management in performing their duties, reviewed and supervised our financial activities, risk management and internal control, and investigated unusual business circumstances.

6.2 Duties and Powers of the Board of Supervisors

The Board of Supervisors shall perform the following duties and powers:

- (1) to carry out review and give written review opinions on the regular reports on our Bank prepared by the Board;
- (2) to oversee the conduct of our Directors and senior management in performing their duties and propose removal of our Directors and senior management in the event of their non-compliance with the laws, administrative regulations, our Articles of Association or resolutions passed by the Shareholders' General Meetings;
- (3) to be responsible for the supervision of comprehensive risk management; supervise and review the performance of duties of the Board and senior management in respect of risk management and urge for rectification; and include supervision and inspection results in the work report of the Board of Supervisors;
- (4) to be responsible for supervision of internal control and management; supervise the efforts of the Board and senior management in improving the internal control mechanism; supervise the performance of internal control duties by the Board and the senior management;
- (5) to order rectification of the conducts of the Directors and the senior management which are prejudicial to the interests of our Bank;
- (6) to propose the convening of extraordinary Shareholders' General Meetings and to convene and preside over Shareholders' General Meetings when the board fails to perform the duty of convening and presiding over shareholders' general meetings under the Company Law;
- (7) to submit proposals to the Shareholders' General Meetings;

- (8) to file legal proceeding against our Directors and senior management in accordance with the regulation of the Article 151 of the Company Law;
- (9) to verify financial information including financial reports, operation reports and profit distribution plans to be proposed by the Board to the Shareholders' General Meetings, and engage certified accountants or practicing auditors to assist in the re-examination in the name of our Bank if problems are identified;
- (10) to perform off-office audit of our Directors and senior management, and give guidance to our internal audit department;
- (11) to review and supervise our financial activities;
- (12) to make enquiries to our Directors, chairman of the Board and senior management; and
- (13) to exercise other powers stipulated by applicable laws, administrative requirements, regulations and rules governing securities of the place where the shares of our Bank are listed or our Articles of Association.

6.3 Operation of the Board of Supervisors

Through various means such as convening meetings of the Board of Supervisors and the Special Committees to consider and approve resolutions and listen to reports, conducting regular business investigation and research and proposing suggestions, attending general meetings, and being present at Board meetings and important meetings of the Bank, the Board of Supervisors supervised and appraised the discharge of duties by the Board and senior management and its members, oversaw the financial activities, risk management and internal controls of the Bank, gave their recommendations after supervising and continuously monitored the implementation of the various recommendations by the Bank.

During the reporting period, the Board of Supervisors arranged and implemented the 2017 duty performance appraisal for the Board of Directors, directors, senior management and its members, and supervisors, and provided feedback to the Board of Directors and the senior management.

6.4 Meetings of Board of Supervisors and Attendance of Supervisors

During the reporting period, our Bank held a total of 6 meetings of Board of Supervisors at which 80 proposals were deliberated on and approved.

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Convening of Board of Supervisors meetings

Meeting	Date	Form
The 3rd Meeting of the 5th session of the Board of Supervisors	5 January 2018	Correspondence meeting
The 4th Meeting of the 5th session of the Board of Supervisors	16 March 2018	Correspondence meeting
The 5th Meeting of the 5th session of the Board of Supervisors	16 April 2018	On-site meeting
The 6th Meeting of the 5th session of the Board of Supervisors	15 June 2018	Correspondence meeting
The 7th Meeting of the 5th session of the Board of Supervisors	24 August 2018	On-site meeting
The 8th Meeting of the 5th session of the Board of Supervisors	28 December 2018	Correspondence meeting

Attendance of supervisors

Attendance of the 5th Session of the Board of Supervisors and Its Committees					
Members of the Board of Supervisors	Expected Attendance	Attendance in Person	Attendance by Proxy	Rate of Attendance in Person	Rate of Attendance
LUO Xinhua	6	6	0	100%	100%
QIU Jian	6	6	0	100%	100%
GUO Jiequn	6	6	0	100%	100%
CHEN Chunxia	6	6	0	100%	100%
LIAO Jingwen	6	6	0	100%	100%
DAI Wenjing	6	6	0	100%	100%

6.5 Attendance at Shareholders' General Meetings during the Reporting Period

During the reporting period, our Bank held a total of one annual Shareholders' General Meeting. The Board of Supervisors designated representatives to attend the meeting who oversaw on the spot the compliance and legality of the reviewed proposals, meeting procedures and voting process.

6.6 Attendance at the Board Meetings and Senior Management Meetings during the Reporting Period

During the reporting period, the Board of Supervisors designated representatives to be present at on-site meetings of the Board held by the Bank, and supervised the legality and compliance of procedures of convening the Board meeting and voting, as well as the attendance, speech and voting of Directors. The Board of Supervisors also sent representatives to be present at related senior management meetings and oversaw senior management's execution of resolutions by the Board of Directors and the launch of operational management activities.

7 Special Committees under the Board of Supervisors

The Board of Supervisors has established a Nomination Committee and a Supervisory Committee. The composition of these committees is as follows:

Special Committees under the Board of Supervisors			
No.		Chairperson	Member
1	Nomination Committee	CHEN Chunxia	QIU Jian, DAI Wenjing
2	Supervisory Committee	GUO Jiequn	LIAO Jingwen, DAI Wenjing

7.1 Nomination Committee

The primary responsibilities of the Nomination Committee include:

- (1) to study the selection standards and procedures of supervisors;
- (2) to conduct preliminary reviews on qualification of supervisors;
- (3) to draw up the size and composition of the Board of Supervisors;
- (4) to nominate and recommend members for the special committees under the Board of Supervisors;
- (5) to examine the duty performance of supervisors; and
- (6) to deal with other matters authorized by the Board of Supervisors.

During the reporting period, the Nomination Committee convened a total of three meetings, and deliberated on and adopted the “Proposal of Deliberating on Replacing Joint Company Secretaries”, “Proposal of Deliberating on the Remuneration Management Measures for Independent Directors and External Supervisors of Bank of Jiujiang Co., Ltd.” and the others.

7.2 Supervisory Committee

The primary responsibilities of the Supervisory Committee include:

- (1) to draw up supervisory plans for our financial activities;
- (2) to launch relevant inspections and oversee implementation of supervisory plans;
- (3) to examine and discuss our operation philosophies, value criteria and development strategies, and raise relevant opinions through the Board of Supervisors;

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- (4) to supervise our Board of Directors to establish steady business philosophies, value criteria and to formulate development strategies in line with the actual situations of the Bank;
- (5) to supervise and examine the operation strategy, risk management and internal control of the Bank; and
- (6) to deal with other matters authorized by the Board of Supervisors.

During the reporting period, the Supervisory Committee convened a total of five meetings, and deliberated on and adopted the “Proposal of Deliberating on the 2017 Internal Control Self-Appraisal Report of Bank of Jiujiang Co., Ltd.”, “Proposal of Deliberating on 2017 Risk Management Report of Bank of Jiujiang Co., Ltd.” and the others.

8 Training and Studies Undertaken by Directors and Supervisors during the Reporting Period

During the reporting period, all directors of the Bank participated in the training regarding new financial instruments criteria organized by auditors, in order to develop more understanding of our financial data under the new financial instruments criteria. Chairman Liu Xianting, Vice Chairman and President Pan Ming, Executive Director Cai Liping and some of the supervisors attended the lecture on Belt and Road opportunity by independent non-executive director CHUA Alvin Cheng-Hock, the lecture on risk management of commercial banks by independent non-executive director Gao Yuhui, the lecture on financial reform and development after the 19th National Congress by independent non-executive director Yang Tao and the lecture on the analysis of urban commercial banks by independent non-executive director Quan Ze. All directors participated in the online training of the Stock Exchange, and learned professional knowledge such as corporate governance, law, finance and the Hong Kong Listing Rules, and studied related books to ensure their full understanding regarding our Bank’s operation, business and related laws, regulations and rules.

During the reporting period, independent non-executive directors Mr. CHUA Alvin Cheng-Hock, Mr. YANG Tao and Mr. QUAN Ze investigated into the standardized service level of our Bank’s business departments. Independent non-executive director Ms. GAO Yuhui investigated into the retail business of our Bank’s sub-branches directly under municipal administration. Meanwhile, various independent non-executive directors also learned about the regulatory framework construction, appraisal mechanisms, information technologies, risk management and control, budget management and business development of various organizations, urging various organizations to improve their operational management levels, enhance risk awareness and risk management and control capabilities and offer independent, objective and professional opinions and suggestions regarding operational management.

The Board of Supervisors initiated the studies on our branches and sub-branches. Some supervisors were involved in the studies, and made in-depth communication and exchanges with the persons-in-charge and staff at such sub-branches.

9 Senior Management

Serving as the executive body of the Bank, the senior management is accountable for the Board of Directors and is subject to the supervision of the Board of Supervisors. Powers and authorities of the senior management and the Board of Directors are divided in strict compliance with the Articles of Association. Our Bank practices a president accountability system under the leadership of the Board of Directors. Our Bank has one president and several vice presidents. Directors can hold concurrent posts as president or vice president. Such appointments shall be made by the Board of Directors after the candidates pass the qualification reviews by the banking regulatory authority under the State Council.

The president of the Bank shall be accountable to the Board and exercise the following powers:

- (1) to be in charge of the operation and management of our Bank, organize and implement the resolutions of the Board and report his/her work to the Board;
- (2) to submit the operation plans and investment proposals to the Board and organize and implement the same upon approval of the Board;
- (3) to draft the plans for the establishment of the internal management departments of our Bank and decide on matters in accordance with the authorization of the Board, other than those which shall be determined by the Shareholders' General Meetings or the Board, in respect of the establishment of internal management departments and branches and sub-branches of our Bank;
- (4) to propose the annual financial budget, final account and profit distribution plan of our Bank;
- (5) to formulate the basic management system of our Bank;
- (6) to formulate the specific management system of our Bank;
- (7) to propose to convene extraordinary Board meetings;
- (8) to recommend to the Board the appointment or dismissal of the vice president, chief financial officer and other senior management of our Bank;

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- (9) to determine the appointment or dismissal of persons in charge of all of our internal functional departments and branches and sub-branches other than those required to be appointed or dismissed by the Board;
- (10) to be responsible for the operation of comprehensive risk management and execute relevant resolutions of the Board; establish operational management system in line with the comprehensive risk management; specify risk management responsibilities among functional departments in charge of comprehensive risk management, business departments and other departments; and establish an operation mechanism that facilitates coordination and maintains balance effectively among departments;
- (11) to establish a system of mechanisms, procedures and methods in accordance with the acceptable risk level determined by the Board and take relevant risk control measures; be responsible for establishing and improving internal organizational structure to ensure that all internal control functions are performed effectively; carry out tests and assessments regarding the adequacy and effectiveness of the internal control mechanism;
- (12) to formulate clear execution and accountability mechanism to ensure full conveyance and effective implementation of risk management strategies, risk preferences and risk limits; formulate risk management policies and procedures and carry out regular assessment and report assessment results of our comprehensive risks and different major risk management conditions to the Board; monitor the non-compliance issues in respect of risk preferences and risk limits as well as violation of risk management policies and procedures and carry out corresponding rectification based on the authorization of the Board;
- (13) to authorize other senior management, different internal functional department and persons in charge of branches and sub-branches to carry out operation and management activities;
- (14) in the event of major emergencies including a run on the Bank, to perform contingency measure and report to the banking regulatory authority of the State Council, the Board of Directors and the Board of Supervisors immediately; and
- (15) to exercise other powers granted by the applicable laws, administrative requirements, regulations and our Articles of Association or the Board.

In addition, the senior management is also responsible for offering full explanations and documents for financial and other materials submitted to the Board of Directors, providing updates to the members of the Board of Directors on a monthly basis, listing fair and eligible assessment on the performance, financial status and prospect of the Bank, with content enough to enable directors to perform their functions and powers as stipulated in Rule 3.08 and Chapter 13 of the Listing Rules.

10 Chairman and President

In line with the recommendations of the Hong Kong Listing Rules, the roles and responsibilities of the Chairman and President of the Bank are taken up by different persons, and their respective responsibilities are clearly defined in the Articles of Association.

Mr. LIU Xianting acts as the chairman of the Bank, in charge of organizing Board meetings to timely review and discuss our major issues, ensuring that all Directors at the Board meetings are properly aware of the current issues; ensuring that all Directors timely receive adequate information which is accurate, clear, complete and authentic; ensuring that the bank formulates sound corporate governance practices and procedures; encouraging Directors to express different ideas and ensuring that the decisions from the Board can fairly represent the consensus of the Board; maintaining effective connections with shareholders and ensuring that shareholders' opinions can reach the entire Board; facilitating the Directors to make effective contribution to the Board and ensuring a constructive relationship between executive Directors and non-executive Directors; ensuring sound operation of the Board and effective execution of its decisions. Mr. LIU Xianting conducted a discussion with non-executive Directors without the presence of executive Directors about the business performance of the Bank in 2018.

Mr. PAN Ming acts as our President, in charge of our operational management in accordance with the laws and regulations as well as the Articles of Association.

11 Securities Transactions by Directors, Supervisors and Relevant Employees

The Bank has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct governing securities transactions by the Directors, supervisors and related employees of the Bank. After having made inquiries to all Directors and Supervisors, they confirmed that they had complied with the above Model Code during the reporting period. The Bank was not aware that any relevant employee had breached the code.

12 Financial, Business and Family Relationships among Directors, Supervisors and Senior Management

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

The Bank has purchased insurance for our Directors, supervisors and senior management against the legal liabilities arising from duty performance, and such insurance policies are governed by PRC laws.

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13 Joint Company Secretaries

During the reporting period, Mr. TONG Faping, our joint company secretary, and Ms. Ng Wing Yan from the SWCS Corporate Services Group (Hong Kong) Limited have received not less than 15 hours of related professional training for the year ended 31 December 2018 in accordance with the requirements in Rule 3.29 of the Listing Rules. The key contact person of Ms. Ng Wing Yan in the Bank is Mr. TONG Faping, one of our joint company secretaries.

14 Communications with Shareholders

14.1 Investor Relations

The Bank values communications and connections with shareholders. We have launched a diversity of activities for shareholders to strengthen contacts with shareholders and enhance mutual understanding and exchanges, as well as actively provide feedback to shareholders' requests. For enquiries to the Board of Directors, shareholders may contact our Office of the Board, the contact information is as follows:

Address: No.619 Changhong Avenue, Jiujiang, Jiangxi Province, China

Tel: +86(0792) 7783000-1101

Fax: +86(0792) 8325019

Email: lushan2@jjccb.com

14.2 Information Disclosure

The Board of Directors and the senior management place great importance on information disclosure. They rely on good corporate governance and internal controls to ensure investors obtain information in a timely, accurate and fair manner.

In accordance with the requirements of the Listing Rules, "Measures for the Information Disclosure of Commercial Banks" and "Measures for the Information Disclosure of Bank of Jiujiang Co., Ltd.", the Bank continuously improved the timeliness, accuracy and completeness of the information to be disclosed. During the reporting period, the Bank published related announcements from time to time on the website of Hong Kong Stock Exchange in accordance with the Listing Rules and provided full version of the relevant reports on our website for review by the investors and stakeholders.

15 Shareholders' Rights

15.1 Convening of Shareholders' General Meetings

In accordance with related laws, regulations and the Articles of Association, shareholders individually or in aggregate holding 10% or more of the Bank's shares shall have the right to request the Board of Directors to convene an extraordinary general meeting or a class shareholders' general meeting, which shall follow the procedures as below:

- (1) Two or more Shareholders holding an aggregate of 10% or more of shares carrying voting rights at such meetings to be convened can sign one or several written requests in the same format and content requesting the Board to convene an EGM or a class shareholders' general meeting, which specify the matters to be discussed at the meeting. Upon receipt of the said written requests, the Board shall convene an EGM or a class shareholders' general meeting as soon as possible. The aforementioned share holdings shall be calculated based on the number of shares held at the close of the date of written requests or on the previous trading day (where the date of written requests is not a trading day).
- (2) Where the Board fails to give the notice to convene the meeting within 30 days upon the receipt of the said written requests, the Shareholders making such requests may convene a meeting within four months upon the receipt of the said requests by the Board. Such meeting shall be convened in the same manner, as nearly as possible, as the meetings convened by the Board.

15.2 Submitting Proposals to the Shareholders' General Meetings

Shareholder(s) holding individually or in aggregate 3% or more of our Bank's voting shares may submit proposals to the Bank. Our Bank shall place on the agenda those matters in the proposed resolutions that are within the scope of functions and powers of the shareholders' general meeting.

Shareholder(s) holding individually or in aggregate 3% or more of our Bank's voting shares may prepare interim proposals in written form to the convener 10 days prior to the Shareholders' General Meetings. The convener shall dispatch a supplementary notice of the shareholders' general meetings to announce the content of interim proposals within two days upon receipt of the proposals.

Corporate Governance Report

16 Profit distribution policies

The profit distribution policy of the Bank shall focus on generating reasonable returns on investment made by investors. Continuity and stability shall be maintained with the profit distribution policy, which is conducive to the long-term development of the Bank. The Bank shall distribute dividends in the profit-making year. The Bank's profit distribution shall neither exceed the range of the accumulated distributable profits nor harm the sustainable operation capability of the Bank. The Board, the Board of Supervisors and the shareholders' general meeting of the Bank shall fully consider the opinions of independent Directors and public investors in the decision-making and demonstration process of the profit distribution policy.

- (1) the Bank distributes dividends in cash or shares, or cash-and-shares, but mainly in cash;
- (2) if the net cash flow from operating activities in the current year is negative, the Bank may pay no cash dividends;
- (3) generally, dividends are paid annually, and the Board of the Bank may also propose interim dividend distribution based on the company's demand for fund;
- (4) if the Bank needs to adjust its profit distribution policy according to its production & operation conditions, investment plans and long-term development needs, it shall seek consent of more than two thirds of all independent Directors and submit such adjustment to the shareholders' general meeting for deliberation after consideration by the Board and the Board of Supervisors of the Bank;
- (5) the Bank shall formulate or adjust the plan of dividend returns to shareholders within the scope of the aforesaid profit distribution policy based on its own actual conditions;
- (6) the profit distribution plan of the Bank shall be submitted to the shareholders' general meeting for deliberation and approval after deliberation by the Board and the Board of Supervisors; the Bank shall listen to the opinion of public investors when deliberating on the proposals for profit distribution policies and profit distribution plans at the shareholders' general meeting.

17 External Auditors and Auditor Emoluments

The Bank held the 2017 annual general meeting of shareholders on 22 June 2018, which approved the reappointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as the domestic and overseas financial report auditors of the Bank respectively in 2018. The Bank did not change the auditing firms in the past three years. For the year ended 31 December 2018, the Bank paid a total of RMB1.68 million for auditing services in relation to the initial public offering of H Shares and the listing on the Main Board of the Hong Kong Stock Exchange of the Bank, RMB3.4 million for annual audit Service and RMB0.35 million for non-audit service (capital verification and debt issue service) to Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu.

The Board of Directors and the Audit Committee under the Board are unanimously in agreement with regard to the selection and appointment of external auditors of the Bank.

18 Risk Management and Internal Control

During the reporting period, we gradually strengthened our risk management and established an integrated and comprehensive risk management system, through which we successfully met increasingly strict regulatory and other relevant requirements, mitigating risks associated with uncertain external economic conditions, and achieved the sustainable development of our business. In our daily operations, we have been continuously improving our risk management standards through various measures, including setting up a risk management structure to ensure integration of efficient management and all-round support. We have been formulating and implementing effective risk management plans, improving our risk management mechanism and the risk identification and control technical competency. With the help of an effective incentive and accountability system, we have improved our assessment and supervision efficiency, while strengthening and refining our risk management methodologies and measures.

The Bank conducts risk identification for the nine major risks under the comprehensive risk management including credit, market, operational and liquidity from three perspectives of the likelihood, financial impacts and non-financial impacts incurred in relation to risk occurrences every year in order to distinguish the principal risks and non-principal risks faced by the Bank. The nine major risks are assessed from the two dimensions of risk status and risk management standards. According to the assessment results, risk vulnerability is improved and management is strengthened, and the risk tolerance capability is enhanced by increasing additional second pillar capital.

Corporate Governance Report

In accordance with the PRC Commercial Banking Law, the Basic Standard for Enterprise Internal Control, Internal Control Guidelines for Commercial Banks and other external laws and regulations and regulatory rules as well as the Basic Internal Control System of Bank of Jiujiang Co., Ltd. and other requirements within the Bank's system, the Bank set up a scientific, complete and reasonable internal control system for the purpose of enhancing the ability of risk management and control, improving customer services and promoting sustainable development, steadily pushing forward internal control assessment as devised in annual work plans. Our internal control covers almost all management and business processes, with an internal control mechanism featuring beforehand risk prevention, in-progress control and post-event supervision and correction in place. The review procedures of the effectiveness of internal control mainly serve the commencement of internal control evaluation. The compliance department of the Head Office leads all branches to conduct self-evaluation on the effectiveness of internal control, and conduct self-evaluation on five aspects including internal environment, risk assessment, control activities, information and communication, and internal supervision. The compliance department of the Head Office conducts spot check and reassessment according to the internal control self-evaluation of each institution, prepares the internal control self-evaluation reports, and reports to the Board.

The Board of Directors of the Bank assumes ultimate responsibilities including the establishment of risk culture and the setting of risk appetite, risk tolerance and risk limit. It also formulates risk management and internal control policies, as well as and reviews the effectiveness of annual risk management and internal control at least once a year. The Board of Directors ensures the establishment and implementation of a fully effective internal control system, which guarantee the Bank operates prudently within the legal and policy framework. It assumes responsibilities regarding the risk management and internal control system of the bank, which aims to manage rather than eliminate the risk of failing to achieve business goals, and can only provide reasonable and not absolute assurance against material misstatements or losses.

The Board of Supervisors is responsible for the supervision of risk management and internal control, supervising and reviewing the performance of duties of the Board and senior management in respect of risk management and urge for rectification; supervising the efforts of the Board and senior management in improving the internal control mechanism; and supervising the performance of internal control duties by the Board and the senior management.

For the year ended 31 December 2018, the Board of Directors completed the annual review and evaluation of the effectiveness of the Bank's internal control and risk management system. The evaluation covers all of the Group's key control matters, including financial monitoring, operational monitoring and compliance monitoring as well as risk management function. The Board also considered that the operations of the Bank's risk management and internal control systems, including resources, staff qualifications and experience, training programs and budgets for accounting, internal audit and financial reporting functions, were adequate and effective on the whole. There were no material matters to be brought to attention during the year.

19 Inside Information Management

The Board is responsible for disclosing information of the Bank, and ensuring the authenticity, accuracy and integrity of the disclosed information in all material respects without misleading statements or material misstatement and bears individual and joint responsibilities for the authenticity, accuracy and integrity of the disclosed information. The Chairman of the Board is the primary person responsible for implementing the management measures for information disclosure. The Secretary of the Board is in charge of the execution of information disclosure of the Bank and the Office of the Board deals with the daily work thereof.

To ensure confidentiality of the inside information, safeguard the fairness in information disclosure and protect the legal rights of investors, the Bank enacted the "Measures for Information Disclosure Management in Bank of Jiujiang Co., Ltd." and "Management Measures on Information Insiders of Bank of Jiujiang Co., Ltd." based on domestic and overseas laws, regulations and other regulatory documents such as the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, Measures for the Information Disclosure of Commercial Banks, and the Listing Rules.

The Bank makes information disclosure and manages inside information in strict compliance with the regulatory requirements and specifies the principles, contents, management and procedures for information disclosure in the "Measures for Information Disclosure Management in Bank of Jiujiang Co., Ltd." and "Management Measures on Information Insiders of Bank of Jiujiang Co., Ltd.", which also provide specific regulations for the coverage, insider limits and the security management of inside information as well as punishment for divulging inside information, etc.

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

Report of the Board of Directors

1 Principal Activities and Business Review

The Bank is principally engaged in banking and related financial services in the PRC, including corporate banking, personal banking, treasury operations and other businesses. During the reporting period, the Bank operated in accordance with law, and the decision-making procedures were in compliance with relevant laws, regulations as well as the Articles of Association.

Further discussion and analysis of the business review required by the Fifth Schedule of the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong) is set out in “Chapter 2 Accounting Data and Financial Highlights” and “Chapter 5 Management Discussion and Analysis” of this annual report. The principle risks faced by the Bank are set out in the “Chapter 5 Management Discussion and Analysis – Risk Management” section. This discussion forms part of the “Report of the Board of Directors”.

2 Annual General Meeting and Dividends

2.1 Annual general meeting

The Bank intends to hold the 2018 annual general meeting of Shareholders on Tuesday, 21 May 2019. To determine the shareholders’ entitlement to attend and vote at the annual general meeting, the register of members will be closed from Sunday, 21 April 2019 to Tuesday, 21 May 2019 (both dates inclusive), during which no transfer of shares will be effected. Shareholders whose names appear on the register of members of the Bank on Tuesday, 21 May 2019 are entitled to attend and vote at the annual general meeting. In order to be eligible to attend and vote at the annual general meeting, all transfer documents together with the relevant share certificates must be returned by Thursday, 18 April 2019, 4:30 p.m. to our Board Office (at Bank of Jiujiang Mansion No. 619, Changhong Avenue, Lianxi District, Jiujiang, Jiangxi Province, China (for shareholders of domestic shares) or H share Registrar of the Bank, Computershare Hong Kong Investor Services Limited (Address: Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong) (for shareholders of H shares) for registration. The Bank will release the notice and circular of the 2018 annual general meeting of the Bank in due course.

2.2 Dividends

The Board of Directors of the Bank recommends a cash dividend of RMB0.8 (tax inclusive) per ten shares for the year ended 31 December 2018, totaling approximately RMB192.59 million (tax inclusive). If the proposal is approved at the 2018 annual general meeting, the dividend will be distributed to the Domestic Shareholders and H Shareholders whose names appear on the register of members of the Bank on Monday, 3 June 2019. The proposed dividends payable are denominated in Renminbi, and will be paid to Domestic Shareholders in Renminbi and H Shareholders 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 People's Bank of China on the five working days preceding the date of declaration of the dividend at the 2018 annual general meeting (inclusive).

3 Withholding Tax on Dividend Income

Withholding of Enterprise Income Tax for Overseas Non-PRC Resident Enterprise

Pursuant to the applicable provisions of the "Enterprise Income Tax Law of the People's Republic of China" and its implementation regulations and the "Circular of the State Administration of Taxation on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares" (Guo Shui Han [2008] No. 897), when the Bank distributes the final dividend to H share non-PRC resident enterprise shareholders (including H shares registered in the name of HKSCC Nominees Limited), it will withhold and pay enterprise income tax at a rate of 10%. If the relevant non-resident enterprise shareholders are the actual beneficial owners who meet the requirements of the tax protocol (arrangement), the Bank will apply on behalf of the beneficial owners for enjoying the relevant treatments of the tax agreement in accordance with the Tax Agreement Announcement. Shareholders who meet the requirements shall submit to the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited, the written entrustment and all the application materials required by the Tax Agreement Announcement in a timely manner. It shall be submitted to the competent tax authority for review by the Bank, and the Bank will then assist in the refund of extra tax withheld upon approval.

Withholding of individual Income tax for overseas non-PRC resident individual shareholders

According to the applicable provisions of the "Individual Income Tax Law of the PRC" and its implementation regulations and the "Announcement of the State Administration of Taxation on the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Agreements (Notice of the State Administration of Taxation ([2015] No. 60) (Tax Agreement Announcement), the Bank will withhold and pay individual income tax for H-share shareholders in accordance with the following arrangements:

Report of the Board of Directors

The Bank will withhold and pay individual income tax at a rate of 10% for H share individual shareholders from Hong Kong or Macau or other countries (regions) with a tax rate of 10% with China as specified by the Tax Agreement when the final dividend is paid;

The Bank will withhold and pay individual income tax at a rate of 10% tentatively for H share individual shareholders from countries (regions) with a tax rate lower than 10% with China as specified by the Tax Agreement. If the relevant H share individual shareholder intends to apply for a refund of the extra withholding tax, the Bank will apply on behalf of the shareholders for enjoying the relevant treatments of the tax agreement in accordance with the Tax Agreement Announcement. Shareholders who meet the requirements shall submit to the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited, the written entrustment and all the application materials required by the Tax Agreement Announcement. It shall be submitted to the competent tax authority for review by the Bank, and the Bank will then assist in the refund of extra tax withheld upon approval.

The Bank will withhold and pay individual income tax at a rate in accordance with the effective tax rate as stipulated in the relevant tax agreement for H share individual shareholders from countries (regions) with a tax rate higher than 10% but lower than 20% with China as specified by the Tax Agreement when the final dividend is paid.

The Bank will withhold and pay individual income tax at a rate of 20% for H share individual shareholders from countries (regions) with a tax rate of 20% or with no tax agreement with China as specified by the Tax Agreement or other circumstances when the final dividend is paid.

The Bank will generally withhold and pay individual income tax for H share shareholders in accordance with the above arrangements. However, the Bank will handle the application in compliance with specific requirements by the taxation authorities.

4 Share Capital

For details of the share capital of the Bank, please see "Chapter 6 Changes in Share Capital and Information on Shareholders - 1 Changes in Share Capital" in this annual report.

5 Substantial Shareholders

For details of the substantial shareholders of the Bank as at the end of the reporting period, please see "Chapter 6 Changes in Share Capital and Information on Shareholders - 2 Information on Shareholders" in this annual report.

6 Commitments made by the Bank or its Shareholders Holding More Than 5% of the Bank's Shares

During the reporting period, there is no commitments made by the Company or its shareholders holding 5% or more of the Company's total issued shares.

7 Use of Proceeds

The net proceeds from the Global Offering received by the Bank amounted to approximately HK\$4,317.47 million, including the net proceeds from the issuance of H Share of HK\$501.91 million upon the partial exercise of the over-allotment option as set forth in the Prospectus. The funds raised from the Global Offering by the Bank were fully applied to supplement our capital after the Capital Verification Report (De Shi Bao (Yan) Zi (18) No. 00399) was issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP on 27 August 2018.

8 Issuance of Bonds

8.1 Bonds issued

Green financial bonds

In accordance with the "Decision of the People's Bank of China on Granting Administrative Permits" (Yin Shi Chang Xu Zhun Yu Zi (2018) No. 5) and "Reply on Issuance of Green Bonds by Bank of Jiujiang" of Jiangxi Branch of CBIRC (Gan Yin Jian Fu (2018) No. 86), the Bank was allowed to issue not more than RMB4,000 million of green financial bonds in the inter-bank bond market in China to support green industry projects.

The Bank issued the 2018 Phase-I and Phase-II green financial bonds in August and November 2018 respectively. The issuing scale was RMB1,000 million and RMB3,000 million, with a face interest rate of 4.25% and 4.13% respectively, all in form of 3-year fixed-rate bonds.

Secondary capital bonds

In accordance with the "Decision of the People's Bank of China on Granting Administrative Permits" (Yin Shi Chang Xu Zhun Yu Zi (2018) No. 235) and "Reply on Issuance of Secondary Capital Bonds by Bank of Jiujiang" of Jiangxi Branch of CBIRC (Gan Yin Jian Fu (2017) No. 203), the Bank issued the 2018 Phase-I and Phase-II secondary capital bonds of Bank of Jiujiang Co., Ltd. in January and July 2018 respectively, with the issuing scale being RMB1,500 million each, both in form of 10-year fixed-rate bonds (conditional issuer redeemable right at the end of the 5th year). The bond has a face interest rate of 5.00% and 6.29% respectively, in order to complement the Bank's secondary capital bonds.

9 Reserves and Distributable Reserves

Details of the changes of the reserves of the Bank for the year ended 31 December 2018 are set out in the consolidated statement of changes in equity within the financial statements of the Bank.

Report of the Board of Directors

10 Property and Equipment

Details of the changes of the property and equipment of the Bank for the year ended 31 December 2018 are set out in the Note 28 of the financial statements of this annual report.

11 Connected Transactions

11.1 Non-Exempt Continuing Connected Transactions

The Group has conducted a number of non-exempt continuing connected transactions during the reporting period. The following table sets forth the status of these continuing connected transactions:

No.	Continuing Connected Transactions	Connected Persons	2018 Annual Caps (RMB million)	Actual Amount for the year ended 2018 (RMB million)
(1)	Provision of investment trust services by CIIT Maximum balance of investment principal of our Bank in trusts managed by CIIT for the year or period	Industrial Bank and its associates	1,868.93	1,868.93
	Investment interest income received by our Bank from CIIT		56.08	23.34
(2)	Provision of Financing to BAIC Group and its associates through an Independent Third Party Trust Company Maximum balance of investments principal of our Bank in trusts managed by an independent third-party trust company for the year or period	BAIC Group and its associates	200.00	200.00
	Investment interest income received by our Bank from an independent third-party trust company		5.74	5.74
(3)	Provision of financing to BAIC Heshun with funds raised from the issue of wealth management products Maximum balance of investment principal of our Bank with funds raised from the issue of wealth management products in trusts managed by an independent third-party trust company in the year or period	BAIC Group and its associates	1,200.00	1,200.00
	Handling fee of wealth management products and handling fee of entrusted loan received by the Bank		4.80	3.49

Note:

In respect of the above non-exempt continuing connected transactions, the Bank has applied pursuant to rule 14A.105 of the Listing Rules, to the Stock Exchange, and the Stock Exchange has granted, waivers from strict compliance with the announcement requirement under rule 14A.35 of the Listing Rules at the time of listing.

Provision of investment trust services by CIIT

Our Bank entered into certain investment trust agreements with CIIT in October 2015, October 2016, February 2017, November 2017 and February 2018, where by CIIT acted as the manager of the investment trusts and we received investment returns from the trusts as investor (“CIIT Investment Trusts Agreements”). Industrial Bank is a substantial shareholder of the Bank, CIIT is a wholly owned subsidiary of Industrial Bank, and is therefore our connected person.

Principal terms

- Our Bank subscribed for certain monetary amounts in the CIIT Investment Trusts Agreements and received investment returns.
- The expected maximum annualized return on investment of certain CIIT Investment Trust Agreements to be received by our Bank ranges from approximately 5.60% to 7.00%. Certain other CIIT Investment Trust Agreements have a floating annualized return.
- The maturity of the investment trusts ranges from 12 months to 36 months.

Hong Kong Listing Rules Implications

The transactions contemplated under the CIIT Investment Trust Agreements are conducted in our ordinary and usual course of business on normal commercial terms or better to us. As the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules for the three years ending 31 December 2018, 2019 and 2020 is expected to be less than 5% while more than 0.1% on an annual basis, it is subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

Brief description of the transaction and its purpose

There are 30 trust companies with which our Bank has approved to conduct business, with 21 of which our Bank has an established business relationship. Pursuant to our operation policy that adopts the open market principle, the Bank has conducted sufficient market inquiries (including comparing the quality and return with other products then available in the market) and due diligence on the products and believes that the return of our investment in the trusts managed by CIIT is sizeable, and with controllable investment risk.

Report of the Board of Directors

Provision of Financing to BAIC Group and its associates through an Independent Third Party Trust Company

The Bank entered into investment trust agreements (“BAIC Related Investment Trust Agreements”) with an independent third-party trust company in March 2017 and August 2017, pursuant to which our Bank provided financing to BAIC Group and its associates (namely BAIC Investment) through such independent third-party trust company.

BAIC Group is a substantial shareholder of the Bank and BAIC Investment is an indirect wholly owned subsidiary of BAIC Group, and is therefore our connected persons.

Principal terms

- Our Bank subscribed for certain monetary amounts in the BAIC Related Investment Trust Agreements and received investment returns.
- The expected maximum annualized return on investment to be received by our Bank is approximately 6.7% and 4.4175%.
- The maturity of the investment trusts is 12 months.
- The independent third-party trust company provides financing to BAIC Group and its associates (namely BAIC Investment) by way of capital injection as limited partners or loan agreement.

Hong Kong Listing Rules Implications

The transactions contemplated under the BAIC Related Investment Trust Agreements are conducted in our ordinary and usual course of business on normal commercial terms or better to us. As the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules for the three years ending 31 December 2018, 2019 and 2020 is expected to be less than 5% while more than 0.1% on an annual basis, it is subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

Brief description of the transaction and its purpose

Our Bank has conducted market research (including comparing the quality and return with those of other products then available in the market) and sufficient due diligence on the products and believes that the return of the BAIC Related Investment Trust Agreements is sizeable, and with controllable investment risk.

Provision of financing to BAIC Heshun with funds raised from the issue of wealth management products

Our Bank entered into an investment trust agreement (“BAIC Heshun Related Investment Trust Agreement”) with an independent third-party trust company in March 2017, pursuant to which our Bank provided financing to BAIC Heshun through such independent third-party trust company with funds raised from the issue of our Bank’s non-principal guaranteed wealth management products. Our Bank received handling fees as a result of the arrangement.

BASIC Group is a substantial shareholder of the Bank and BAIC Heshun is an indirect wholly owned subsidiary of BAIC Group, and is therefore our connected person.

Principal terms

- The Bank subscribed for certain monetary amounts in the BAIC Heshun Related Investment Trust Agreement and received investment returns.
- The independent third party trust company provides financing to BAIC Heshun by way of a shareholder’s loan as a limited partner through an entrusted loan from our Bank.
- The maturity of the investment trusts is 36 months.
- The handling fee charged by our Bank for the wealth management products shall be the difference between the expected net yield as prescribed under the BAIC Heshun Related Investment Trust Agreement and the cost of each of the relevant non-principal guaranteed wealth management products.
- The handling fee charged by our Bank for the entrusted loan is a one-off payment equal to 0.15% of the loan amount.

Hong Kong Listing Rules Implications

The transaction contemplated under the BAIC Heshun Related Investment Trust Agreement is conducted in our ordinary and usual course of business on normal commercial terms or better to us. As the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules for the three years ending 31 December 2018, 2019 and 2020 is expected to be less than 5% while more than 0.1% on an annual basis, it is subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

Brief description of the transaction and its purpose

Our Bank has conducted market research (including comparing the quality and return with those of other products then available in the market) and sufficient due diligence on the products and believes that the return of the BAIC Related Investment Trust Agreements is sizeable, and with controllable investment risk.

Report of the Board of Directors

11.2 Confirmation by Independent Non-executive Directors

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed the transactions:

1. were entered into the ordinary and usual course of business of the Bank;
2. were conducted on normal commercial terms or better; and
3. were conducted in accordance with relevant terms of the transaction agreement with fair and reasonable terms and in the interests of the shareholders of the Bank as a whole.

11.3 Confirmation by Auditor

According to Rule 14A.56 of the Listing Rules, the Board of Directors engaged the overseas auditor of the Bank, Deloitte Touche Tohmatsu to undertake a limited assurance engagement in respect of the above continuing connected transactions, in accordance with the Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The Board confirmed that the auditor has reported to the Board of Directors the results on executing the procedure that:

- a. nothing has come to the auditor’s attention that causes the auditor to believe that those disclosed continuing connected transactions were not approved by the Bank’s Board of Directors;
- b. for transactions involving the provision of services by the Bank, nothing has come to the auditor’s attention that causes the auditor to believe that the transactions have not been conducted in accordance with the Bank’s pricing policy in all material respects;
- c. nothing has come to the auditor’s attention that causes the auditor to believe that the transactions have not been conducted in all material respects in accordance with the relevant agreements governing such transactions; and
- d. for the total amount of the continuing connected transactions, nothing has come to the auditor’s attention that causes the auditor to believe that the amount of these continuing connected transactions exceeds the total annual cap of the continuing connected transactions of 2018 that the Bank has applied for.

Details of material related party transactions entered into by the Bank during the reporting period are set out in Note 43 to financial statements. Except as disclosed in this Connected Transactions section of this annual report, the related party transactions disclosed in Note 43 are not considered to be connected transactions under Chapter 14A of the Listing Rules or exempted from reporting, announcement and shareholders' approval under the Listing Rules. During the reporting period, the Bank complied with all the relevant requirements of Chapter 14A of the Listing Rules.

Except as disclosed in this annual report, during the reporting period, the Bank does not have any other connected transactions or continuing connected transactions that are required to be disclosed in accordance with the disclosure requirements of connected transactions under Chapter 14A of the Hong Kong Listing Rules.

12 Directors, Supervisors and Senior Management

Please refer to the section headed "Chapter 7 Information on Directors, Supervisors, Senior Management, Staff and Institution" of this annual report for biographical details of current Directors, Supervisors and senior management and changes in Directors during the reporting period.

13 Confirmation of Their Independence by Independent Non-executive Directors

The Bank has received the confirmation letters from each of the independent non-executive directors regarding their independence. We consider that all independent non-executive Directors are in compliance with the relevant guidelines set out in Rule 3.13 of the Listing Rules, and that they are independent persons.

14 Interests of Directors' and Supervisors' in Competing Businesses with the Bank

During the reporting period, no Directors, Supervisors and their associates have any competitive interests in any business that competes, or may compete, directly or indirectly, with the business of the Bank.

15 Directors' and Supervisors' Emoluments

Details of the emoluments of Directors and Supervisors are set out in Note 16 to the Financial Statements.

Report of the Board of Directors

16 Retirement Benefits

Details of the retirement benefits provided by the Bank to employees are set out in Note 37 to the Financial Statements.

17 Directors' and Supervisors' Service Contracts

During the reporting period, the Directors and Supervisors did not enter into any service contract with the Bank that cannot be terminated by the Bank within one year without payment of compensation (other than statutory compensation).

18 Permitted Indemnity Provisions

Pursuant to Code Provision A.1.8, the Bank should purchase appropriate insurance covering potential legal proceedings against the Bank's Directors. In order to comply with the code provisions, the Bank has purchased appropriate liability insurance for Directors to provide indemnity for their liability arising in the business in 2018.

Save as disclosed above, at any time during the reporting period and as at the date of this annual report, there was no permitted indemnity provision in favour of Directors or Supervisors (whether by the Bank or by other means) or directors or supervisors from the Bank's associated corporations (if formulated by the Bank) as beneficiaries.

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

There is no financial, business or family relationships between each of the Directors, Supervisors and senior management.

20 Interests and Short Positions of Directors, Supervisors and Chief Executive

As at the end of the reporting period, the Directors, Supervisors and chief executives of the Bank who had interests and short positions in the Shares, underlying Shares and debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Bank under Section 352 of the SFO, or which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code are set out in "Chapter 7 Information on Directors, Supervisors, Senior Management, Staff and Institution – 6 Interests and Short Positions of Directors, Supervisors and Chief Executive in Shares, Underlying Shares and Debentures" of this annual report.

21 Material Interests of Directors and Supervisors in transactions, arrangements or contracts

During the reporting period, the Bank and its subsidiaries did not enter into any transactions, arrangements or material contracts in which the Directors or Supervisors (or their connected entities) directly or indirectly have material interests.

22 Arrangements to Purchase Shares or Debentures

During the reporting period, the Bank did not grant any rights, or exercise any of these rights to enable Directors and Supervisors to obtain benefits in the acquisition of shares or bonds of the Bank or any other body corporate.

23 Management Contract

Except for the service contracts with the Bank's management, the Bank did not enter into any other contract with any individual, company or body corporate to manage or deal with the entire part or any significant part of any business of the Bank.

24 Purchase, Sale or Redemption of Listed Securities of the Bank

During the reporting period, the Bank or any of its subsidiaries did not purchase, sell or redeem any listed securities of the Bank.

25 Pre-emptive Rights and Share Option

There is no relevant laws of mainland China and the provisions in the Articles of Association for granting the Bank's shareholders with the pre-emptive rights and share option. The Articles of Association stipulates that after the resolution of the shareholders' meeting is submitted to the relevant national authorities of the State for approval, the registered capital may be increased by the following means: public issuance of shares; non-public issuance of shares; distribution of bonus shares to its existing shareholders; conversion of funds in the capital reserve to share capital; other means stipulated by law and administrative regulations or by the relevant national authorities.

26 Donation

The Bank made charitable and other donations totaling approximately RMB3.904 million for the year ended 31 December 2018.

Report of the Board of Directors

27 Equity-linked Agreement

During the reporting period, except for the issuance of H shares by the Bank on 10 July 2018 and the partial exercise of the over-allotment option on 9 August 2018, the Bank did not enter into or continue to keep any other equity linked agreement.

28 Major customers

As at the end of the reporting period, the Bank's loan balance to any single borrower did not exceed 10% of the Bank's net capital base. The interest income of the top five largest customers of the Bank accounted for no more than 30% of the Bank's interest income. Directors of the Bank and their close associates or any shareholder who, as far as the Directors know, has more than 5% of the issued shares of the Bank, do not own any equity of the above five major customers.

29 Public Float

When it applied for the listing of its H Shares, the Bank applied to the Hong Kong Stock Exchange, and the Hong Kong Stock Exchange has granted the Bank a waiver that the minimum public float requirement under Rule 8.08(1) of the Hong Kong Listing Rules be reduced and the minimum percentage of the H Shares from time to time held by the public to be the higher of (a) 15.15% of the total issued share capital of the Bank (assuming the over-allotment option is not exercised); or (b) such percentage of H Shares of the Bank to be held by the public after the exercise of the over-allotment option.

Immediately after the partial exercise of the over-allotment option and as of the date of this annual report, the number of H Shares in public hands represents approximately 16.92% 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) of the Hong Kong Listing Rules.

30 Corporate Governance

The Bank is committed to maintaining a high level of corporate governance. Please refer to "Chapter 8 Corporate Governance Report" of this annual report.

31 Auditors

For information about the auditors of the Bank, please refer to "Chapter 8 Corporate Governance Report – External Auditor and its Remuneration" of this annual report. The Bank did not change auditors after listing.

32 Proposed Issuance of Offshore Preference Shares

After the consideration and approval at the Board meeting held by the Bank on 18 January 2019, in order to improve the overall competitiveness of the Bank and to enhance sustainable development of the Bank, the Bank plans to conduct a non-public issuance of offshore preference shares of no more than 100 million shares in total, and the total amount of proceeds does not exceed RMB10,000 million or its equivalent to replenish the Bank's other-tier-one Capital. The Bank's proposal to issue offshore preference shares was reviewed and approved as special resolutions at the first extraordinary general meeting of 2019, the first domestic shareholders class meeting of 2019 and the first H shareholders class meeting of 2019 respectively. It will be implemented after approval or filing by the relevant regulatory authorities.

After the Bank's proposal to issue offshore preference shares is approved or filed by the regulatory authorities, the specific issue quantity, issue currency, and issue price will be determined by the Board with reference to market conditions and according to relevant laws and regulations, relevant exchange listing rules, market practices, and the authorisation granted at general meeting(s). Please refer to the announcements of the Bank dated 11 January 2019 and 18 January 2019 and the circular dated 4 February 2019 for details.

33 Consumer Rights Protection

During the reporting period, the Bank firstly strengthened top level design. The Bank established the Consumer Rights Protection Committee of the Board, formulated the corresponding rules of procedure of meetings and the workflow, further improved the governance structure of the consumer rights protection of the Bank. Secondly, the Bank improved work mechanism. The Bank revised the rules for the evaluation of consumer rights protection and strengthened the construction of the assessment mechanism. We replaced the outlets complaints book and complaint handling flow chart, and sorted out the complaint analysis report path. Thirdly, the Bank strengthened financial education, actively fulfilled social responsibilities, and continuously boosted the effort on financial knowledge education. In 2018, the Bank organised a total of more than 917 various types of centralised publicity activities, distributed more than 110,000 publicity materials, and catered for more than 90,000 audiences, helping financial consumers to improve their financial security understanding and financial risk prevention capabilities.

Report of the Board of Directors

34 Environmental and Social Policy

The Bank actively combined the development of green finance with the social responsibility of the Bank and adopted “Green Financial Bank” as one of the Bank’s market positioning. In December 2017, the Bank established the first green financing department in Jiangxi Province, and successfully issued the first phase of green financial bonds in November 2018. We continued to focus on business direction such as green buildings, green transportation, clean energy, energy conservation and environmental protection. With the central enterprises and their first-level subsidiaries and provincial key state-owned enterprises as the breach, we further increased the support for green credit through the implementation of preferential policies such as green quota protection and green channel approval and the introduction of financial instrument such as green bills. The Bank provided multiple protection to the green finance development in terms of system, appraisal, workflow and role, launched the rules and regulations such as “Green Financial Business Flow”, “Green Credit Policy”, “Green Credit Administrative Measures” and the Green Financial Assessment Proposal, as well as optimized the green credit and review process, established green credit special channel and designated staff in designated positions.

For details of the environmental policy, social policy and the performance of the Bank, please refer to the publication of Environmental, Social and Governance Report of the Bank after the annual report.

35 Significant Assets Pledged

The Bank did not pledged any significant assets during the reporting period.

36 Acquisition and Disposal of Assets and Joint Venture

During the reporting period, the Bank was not involved in any significant acquisition and disposal of assets and joint venture.

37 Material Lawsuits and Arbitration Matters

The Bank was not involved in any material lawsuits and arbitration during the reporting period.

38 Review of annual report

The Audit Committee of the Company has reviewed the Company’s annual results of 2018, and the financial statements for the year ended 31 December 2018 prepared in accordance with International Financial Reporting Standards.

39 Significant Events since the End of the Reporting Period

Amendments to Articles of Association

In accordance with the requirement of the Provisional Measures on the Administration of Commercial Bank Equity under the order of the CBRC (No.1 of 2018), the Bank proposed to make related amendment to the Articles of Association.

The Bank proposed the issuance of Offshore Preference Shares, see Proposed Issuance of Offshore Preference Shares of this Chapter for details. The Bank proposed to make certain amendments to the Articles of Association.

The abovementioned amendment was considered and approved at the meeting of the Board held by the Bank dated 18 January 2019 and the First Extraordinary General Meeting of 2019, the First Domestic Shareholders Class Meeting of 2019 and the First H Shareholders Class Meeting of 2019 held on 7 March 2019.

The Articles of Association of the Bank in relation to the amendments to the Provisional Measures on the Administration of Commercial Bank Equity will become formally effective upon the approval by the China Banking and Insurance Regulatory Authority. The Articles of Association of the Bank in relation to the amendments to the Issuance of Offshore Preference Shares will become formally effective upon the approval by the China Banking and Insurance Regulatory Authority and the successful issuance of the preference shares.

Establishment of Consumer Rights Protection Committee of the Board of Directors

In order to further strengthen the Board's management and decision-making regarding the consumer rights protection of the Bank and to improve the governance structure of the Bank, the Board proposed to establish the Consumer Rights Protection Committee of the Board (hereinafter referred to as "Consumer Rights Protection Committee") pursuant to relevant regulatory requirements, and amended the content related to Consumer Rights Protection Committee in the Articles of Association accordingly.

Proposal of the establishment of the Consumer Rights Protection Committee of the Board was considered and approved at the meeting of the Board held by the Bank dated 18 January 2019 and the First Extraordinary General Meeting of 2019, the First Domestic Shareholders Class Meeting of 2019 and the First H Shareholders Class Meeting of 2019 held on 7 March 2019, and will be formally established upon the approval of the proposed amended Articles of Association of the Bank by the China Banking and Insurance Regulatory Authority.

Report of the Board of Directors

40 Other Matters

As far as the Board of Directors is aware, the Bank has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Bank. At the same time, the Bank is committed to the long-term sustainable development of the environment and community where we operate. The Bank acted in an environmentally responsible manner and tried its best to comply with the laws and regulations concerning environmental protection, and took effective measures to make effective use of resources, save energy and reduce waste.

As at the date of this report, the Bank is not aware of any Shareholders who has waived or agreed to waive any arrangement related to dividends.

As at the date of this report, none of our Directors has waived or agreed to waive arrangement related to remuneration.

The Bank will publish the Environmental, Social and Governance Report during the reporting period in accordance with the related requirement of Appendix 27 Environmental, Social and Governance Reporting Guide of the Listing Rules.

By Order of the Board

LIU Xianting

Chairman

Jiujiang, PRC

29 March 2019

Report of the Board of Supervisors

In 2018, the Board of Supervisors carried out various supervision and management work, and steadily promoted and enhanced the effectiveness and comprehensiveness of the work of the Board of Supervisors, in accordance with the requirements of internal and external rules and regulations such as the Company Law, Guidelines on the Functioning of Supervisory Board of Commercial Banks and the Articles of Association of Bank of Jiujiang Co., Ltd., as well as the principles of legal compliance, independent prudence and effective supervision, with an aim to protect the legitimate rights and interests of the Bank, shareholders, employees, creditors and other stakeholders.

1 Basic Information of the Board of Supervisors

In 2018, the Board of Supervisors of the Bank consists of six Supervisors, of whom two are External Supervisors, two are Shareholder Supervisors and two are Employee Supervisors. The Nomination Committee and the Supervisory Committee are under the Board of Supervisors with the external supervisor as the chairperson. The Board of Supervisors Office is under the Board of Supervisors, with a team of dedicated staff responsible for the routine work of the Board of Supervisors.

The number and composition of the Board of Supervisors of the Bank, the qualifications of the Supervisors and the procedures for selection and appointment are in compliance with the provisions of the Articles of Association of the Bank, and the organisational structure is in compliance with internal and external rules and regulations.

In the year of 2018, the Board of Supervisors of the Bank was able to supervise the performance of duties, financial activities, internal control, risk management, etc. of the Board of Directors as well as senior management and its members in accordance with the provisions of the Articles of Association, in order to further improve the corporate governance mechanism of the Bank and promote the steady and sustainable development of the Bank.

2 Holding of Meetings of Board of Supervisors and Its Special Committees

In 2018, the Board of Supervisors held a total of six meetings, including two on-site meetings and four correspondence meetings. 80 proposals were deliberated and adopted, including the risk management report, internal control assessment report, compliance management report, case prevention work report, information technology risk report and report of performance assessment on the Board of Directors, the Board of Supervisors and Senior Management.

Report of the Board of Supervisors

The Supervisory Committee and the Nomination Committee held a total of eight meetings to reinforce the supervision of risk management and audit work, and deliberated on and adopted 50 proposals.

3 Major Internal Management

3.1 Standardising regulatory mechanism and improving policy system.

In order to improve the standardisation and effectiveness of the work of the Board of Supervisors, the Board of Supervisors of the Bank continued to strengthen the supervision mechanism construction. By collating internal and external regulations and regulatory requirements, improving the working mechanism and working procedures of the Board of Supervisors, laying a solid foundation for their duties, and strengthening the independence, authoritativeness and effectiveness of performance of the Board of Supervisors to ensure the supervisory functions of the Board of Supervisors were effective.

3.2 Formulating work plans reasonably and promoting the work of Board of Supervisors in an orderly manner.

In 2018, the Bank continued to use the various regulatory guidelines and the relevant provisions of the Articles of Association of our Bank to scientifically arrange the annual work plan. In February 2018, the Bank also prepared the “2018 Annual Work Plan of the Board of Supervisors and its Special Committees of Bank of Jiujiang Co., Ltd.”, which allowed us to carry out supervision work in a planned manner, ensuring the steady advancement of the Board of Supervisors.

3.3 Enhancing the performance evaluation and urging relevant parties to perform their duties effectively.

Firstly, we continued to broaden and deepen the supervision and management coverage of the Board of Supervisors, as well as the depth of supervision. Taking the review of proposals as a starting point, we supervised and evaluated the Bank’s corporate governance, development strategy, capital management, remuneration management, internal control, compliance operation and risk management, and effectively implement the supervisory and evaluation function of the Board of Supervisors. Secondly, we enhanced the performance management of the Board of Directors and senior management, conducted supervision and performance evaluation in a fair, objective and comprehensive manner and improved the effectiveness and comprehensiveness of performance evaluation. With the performance evaluation as a means, the Board of Directors and senior management were urged to perform their duties effectively.

3.4 Strengthening the supervision mechanism of Supervisors' opinions.

The Bank improved the opinion communication and feedback mechanism of the Board of Supervisors, treated the opinions and requests put forward by each Supervisor and in each Board of Supervisors meeting seriously, communicated and supervised the implementation of these opinions through the prescribed procedures and timely reported the implementation of the Supervisor's opinions to the Supervisors. At the 7th Meeting of the Board of Supervisors held on 29 August 2018, the Bank submitted the "Feedback of the Implementation of the Opinions and Suggestions of the Supervisors" to the Supervisors, and reported the implementation of their opinions and suggestions. It included contents such as public opinion management, feasibility assessment of new institutions, asset management, the effect of the entrusted loan new regulations on the Bank's business development and countermeasures, credit risk management. All competent business departments were able to actively implement the opinions of Supervisors and have achieved a certain degree of results. In addition, in response to the doubts to proposals raised by the Supervisors in the meetings of the Board of Supervisors, the relevant departments were required to provide detailed explanations, effectively safeguarding the implementation and performance of the supervisory functions of the Board of Supervisors.

3.5 Improving the study and training of Supervisors and effectively enhancing the level of performance.

In 2018, the Board of Supervisors organized and conducted tutorials and trainings for all Supervisors on a quarterly basis. The content covered the common external supervision system and the latest developments of the regulatory authorities, helped Supervisors to familiarise themselves with and comprehend regulatory requirements as well as dynamics, which effectively improved Supervisors' awareness to perform their duties and supervisory ability. For example, in the first quarter, we studied the "Guidelines for Comprehensive Risk Management of Banking Financial Institutions" and "Speech by Li Hu and Wei Gongqi at the 2018 Provincial Commercial Bank Supervision Work Conference". In the second quarter, we organised and studied "Guidelines on Internal Control of Commercial Banks" and "Speech by Wang Zhaoxing and Chen Wenhui at the Promotion Meeting on Deepening the Rehabilitation of the Banking Industry and the Insurance Industry Market". In the third quarter, we organised and studied the "Guidelines for the Due Diligence of Board of Directors of Joint-Stock Commercial Banks" and "Speech by Wei Gongqi at the Seminar on the Development and Supervision of Listed Banks in Jiangxi". In the fourth quarter, we organised and studied the "Guidelines for Commercial Banks' Compliance Risk Management".

Report of the Board of Supervisors

4 Independent Opinions of the Board of Supervisors on Relevant Matters

4.1 Operation in compliance with laws and regulations

During the reporting period, the operation of the Bank was in accordance with the requirements of Company Law, Commercial Banking Law as well as the Articles of Association, while the decision-making procedures were legal and valid. The Directors and senior management of the Bank were diligent in performing their duties and no acts in violation of laws, regulations and the Articles of Association and detrimental to the interests of the Bank and Shareholders were discovered when the Directors and senior management of the Bank performed their duties.

4.2 Actual circumstances of financial report

During the reporting period, the Bank's Supervisors conducted a detailed review of the Bank's 2018 annual report based on the principle of seeking truth from facts and the working attitude of being responsible to shareholders. The Board of Supervisors considered: The procedures for the preparation of the 2018 annual report by the Board of Directors were in compliance with laws, administrative regulations and rules and regulations. The 2018 financial report has been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu, which were hired by the Board of the Bank, and issued an audit report with unqualified opinion. The contents in this report reflect the actual situation of the Bank in a true, accurate and complete manner. It has no false representations, misleading statements or material omissions.

4.3 Related party transactions

During the reporting period, the Board of Supervisors supervised the Bank's related party transaction management and found no violation of the principle of fairness or damage to the Bank's interests.

4.4 Internal control

During the reporting period, the Board of Supervisors considered that the Bank had established a relatively comprehensive corporate governance structure, formulated relatively complete management systems relating to corporate governance and internal control, and was capable of improving the foregoing in accordance with the actual situation of the Bank and regulatory requirements. The internal control system of the Bank was carried out smoothly, in compliance with the relevant standardised requirements of laws and regulations on the management of internal control systems. No major defects were found in the internal control system or its implementation.

4.5 Implementation of the resolutions of the Shareholders' General Meetings

During the reporting period, the Board of Supervisors had no objection to the resolutions submitted by the Board of Directors of the Bank at the Shareholders' General Meetings within 2018 for review, as well as supervised the implementation of the resolutions of the Shareholders' General Meetings, and was of the view that the Board was capable of earnestly implementing the relevant resolutions of the Shareholders' General Meetings, and did not take any action detrimental to the interests of Shareholders.

5 Major Work Arrangement for the Year of 2019

In 2018, the performance of its supervisory functions of the Board of Supervisors of the Bank was satisfactory in general and all Supervisors were able to perform their supervisory duties diligently. In 2019, the Bank will rectify and implement the relevant issues and suggestions put forward by the Jiangxi Regulatory Bureau's "On-site Inspection Opinions", further improve corporate governance, enhance the performance of the Board of Supervisors, the evaluation mechanism, and strengthen the performance of supervision of the Supervisors. At the same time, we will facilitate the communication and feedback with Supervisors, boost the effectiveness and adequacy of Supervisors' performance, and promote the improvement of the Bank's internal control, strengthen the management and enhance sustainable development ability.

Firstly, we will continue to improve internal control management and related internal control systems, processes, and mechanisms etc. At the same time, the Bank will strengthen the meeting system of the Board of Supervisors, hold meetings of the Board of Supervisors and its special committees in accordance with the regulations and promote the adequacy and effectiveness of the performance of the board of Supervisors.

Secondly, we will continue to improve the tracking and supervision of the performance of Supervisors. We will continue to improve the performance profiles, record the details regarding the participation of the Supervisors in the meetings of the Board of Supervisors, the meetings of the Board of Directors, the Shareholders' General Meetings and various supervisory opinions and implementation, training, and speeches in the meetings, comprehensively and truthfully reflecting the performance of the supervisors, as well as track, supervise and comment on the implementation of the opinions of the Board of Supervisors.



Report of the Board of Supervisors

Thirdly, we will continue to combine the latest development trends of domestic and foreign commercial banks, the latest work requirements of the Board of Supervisors and the operation and management of the Bank. The Bank will further strengthen the management of training and study of all Supervisors through regular and non-scheduled trainings and study sessions of Supervisors, so that their awareness in performing their duties and supervisory ability could be effectively improved.

The Board of Supervisors of Bank of Jiujiang Co., Ltd.

29 March 2019

Independent Auditor's Report

TO THE SHAREHOLDERS OF BANK OF JIUJIANG CO., LTD

(Incorporated in the People's Republic of China with Limited Liability)

Opinion

We have audited the consolidated financial statements of Bank of Jiujiang Co., Ltd (the "Bank") and its subsidiaries (collectively referred to as "the Group") set out on pages 164 to 334, which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") 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"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Independent Auditor's Report

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowance of loans and advances to customers and investment securities measured at amortized cost	
We identified expected credit loss (“ECL”) of loans and advances to customers and investment securities measured at amortized cost as a key audit matter due to the materiality of the balances and the subjective judgement applied by management when using the ECL model in the measurement of impairment allowance. As at 31 December 2018, as set out in note 22 to the consolidated financial statements, loans and advances to customers at amortized cost amounted to RMB129,370 million, against which related impairment allowance of RMB4,681 million has been made. While, as set out in note 26 to the consolidated financial statements, investment securities measured at amortized cost amounted to RMB69,471 million, against which related impairment allowance of RMB1,371 million has been made. Significant judgements and estimates are made on probability of default and loss given default that are based on historical data of the Group as adjusted by forward looking information. Significant judgement is also required in determining whether there is significant increase in credit risk (“SICR”) since initial recognition of the financial asset. This would result in whether a 12-month ECL or lifetime ECL should be used for the financial assets. Principal accounting policies, accounting estimates and judgements applied in determining the impairment allowance of loans and advances to customers and investment securities measured at amortized cost are set out in notes 3.9 and 4 to the consolidated financial statements.	Our procedures in relation to the auditing of ECL impairment of financial assets that are measured at amortized cost included: • Understanding and testing the controls relevant to our audit on ECL impairment assessment including approval of model adoption, ongoing monitoring model performance, model validation and the controls over the identification of SICR indicators and impairment evidence; • Understanding the ECL model used by the Group, using internal experts on evaluating the appropriateness of the ECL model; • With assistance of internal experts, we assessed the reasonableness of the critical assumptions and parameters used in the model including assessing stage allocation, probability of default, loss given default, exposure at default and forward-looking information; • Examining on a sample basis, the data that has been used to arrive at ECL; • Selecting samples to perform credit review procedures for loans and advances to customers and investment securities measured at amortized cost. We assessed the reasonableness of stage allocation and future cash flows estimated by the Group, taking into consideration of post-lending investigation reports, debtors’ financial information, the realization of collateral held and other available information.

Independent Auditor's Report

Key Audit Matters (continued)

Key audit matter

How our audit addressed the key audit matter

When made the ECL allowance for financial assets measured at amortized cost, assessments are 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.

Consolidation of structured entities

We identified consolidation of structured entities as an area of key audit matter since significant judgment is applied by management to determine whether the Group has control over structured entities, including the judgement of the Group's power arising from rights, variable returns, and link between power and returns.

Structured entities mainly include wealth management products, mutual funds, trust beneficiary rights and asset management plans as disclosed in note 42 to the consolidated financial statements.

When performing the assessment of whether the Group has control over structured entities, the Group considers several factors including, amongst others, the scope of its decision-making authority over the structured entities, the rights held by other parties, the remunerations to which it is entitled in accordance with the related agreements for the assets management related services and the Group's exposure to variability of returns from interests that it holds in the structured entities.

Our procedures in relation to consolidation of structured entities included assessing and evaluating the design and testing the operating effectiveness of key controls over the management process in determining the consolidation scope for interests in structured entities as well as the purpose for setting up the structured entities.

On a sample basis, by reviewing the terms of the relevant contracts, assessing the variable returns from its involvement with structured entities and the ability of the Group to use its power to affect its return, we evaluated the Group's analysis and conclusions in determining whether the Group has control in the structured entities and the conclusion about whether or not the consolidation criteria are met.

Independent Auditor's Report

Other Information

The directors of the Bank are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors 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 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.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Conclude on the appropriateness of the directors of the Bank's 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.

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 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.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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 the independent auditor's report is Shi Chung Fai.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

March 29, 2019

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended December 31, 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Year ended December 31	
		2018	2017
Interest income	6	12,570,675	11,835,356
Interest expense	6	(7,002,417)	(6,196,097)
Net interest income	6	5,568,258	5,639,259
Fee and commission income	7	466,980	427,864
Fee and commission expense	7	(187,931)	(78,195)
Net fee and commission income	7	279,049	349,669
Net gains/(losses) arising from financial assets	8	1,999,155	(180,164)
Other income, gains or losses	9	19,581	(4,553)
Operating income		7,866,043	5,804,211
Operating expenses	10	(2,267,798)	(1,951,438)
Impairment losses, net of reversal	11	(3,408,645)	(1,588,304)
Share of profit of associates		11,624	10,528
Profit before tax		2,201,224	2,274,997
Income tax expense	12	(414,250)	(513,399)
Profit for the year		1,786,974	1,761,598

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Year ended December 31	
		2018	2017
Profit for the year		1,786,974	1,761,598
Items that may be reclassified subsequently to profit or loss:			
Net changes in investment revaluation reserve for available-for-sale financial assets		–	(894,947)
Income tax		–	223,797
Fair value changes on debt instruments measured at fair value through other comprehensive income, excluding expected credit loss impact		995,117	–
Amount reclassified to loss upon disposal of financial assets measured at fair value through other comprehensive income		64,820	–
Impairment loss recognized on financial assets measured at fair value through other comprehensive income		269,523	–
Income tax		(332,365)	–
Other comprehensive income/(expense) for the year, net of tax	13	997,095	(671,150)
Total comprehensive income for the year		2,784,069	1,090,448
Profit for the year attributable to:			
Shareholders of the Bank		1,757,688	1,766,445
Non-controlling interests		29,286	(4,847)
		1,786,974	1,761,598
Total comprehensive income attributable to:			
Shareholders of the Bank		2,750,835	1,095,295
Non-controlling interests		33,234	(4,847)
Total comprehensive income for the year		2,784,069	1,090,448
Earnings per share (Expressed in RMB Yuan per share)			
– Basic	14	0.80	0.93
– Diluted	14	0.80	N/A

Consolidated Statement of Financial Position

As at December 31, 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

		As at December 31	
	Notes	2018	2017
ASSETS			
Cash and balances with central bank	17	28,436,935	28,750,492
Deposits with banks and other financial institutions	18	1,634,278	1,667,765
Placements with banks and other financial institutions	19	2,818,256	1,480,987
Financial assets held for trading	20	–	910,763
Financial assets held under resale agreements	21	13,954,100	26,506,739
Loans and advances to customers	22	137,148,201	99,528,133
Available-for-sale financial assets	23	–	20,554,576
Held-to-maturity investments	24	–	13,125,507
Investments classified as receivables	25	–	68,904,526
Investment securities	26	120,055,806	–
Interests in associates	27	117,742	111,330
Property and equipment	28	2,514,181	2,412,473
Deferred tax assets	29	1,659,174	1,257,970
Other assets	30	3,283,838	6,042,802
Total assets		311,622,511	271,254,063

Consolidated Statement of Financial Position

As at December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

		As at December 31	
	Notes	2018	2017
LIABILITIES			
Borrowings from central bank		3,167,719	811,940
Deposits from banks and other financial institutions	31	12,772,260	8,268,704
Placements from banks	32	1,774,929	1,116,931
Financial assets sold under repurchase agreements	33	8,202,042	17,405,997
Customers deposits	34	217,934,258	179,636,570
Income tax payable		674,234	352,600
Debt securities issued	35	40,900,044	40,247,839
Provisions	36	333,174	–
Other liabilities	37	2,264,596	5,762,322
Total liabilities		288,023,256	253,602,903
EQUITY			
Share capital	38	2,407,367	2,000,000
Reserves	39	20,655,293	15,143,507
Equity attributable to Shareholders of the Bank		23,062,660	17,143,507
Non-controlling interests		536,595	507,653
Total equity		23,599,255	17,651,160
Total equity and liabilities		311,622,511	271,254,063

The consolidated financial statements on pages 164 to 334 were approved and authorized for issue by the Board of Directors on March 29, 2019 and are signed on its behalf by:

Liu Xianting
EXECUTIVE DIRECTOR

Pan Ming
EXECUTIVE DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended December 31, 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Attributable to equity holders of the Bank							Non-controlling interests	Total
		Share capital	Share premium	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Total		
As at January 1, 2017		1,516,000	2,178,943	(346,431)	2,421,043	2,804,016	4,389,561	12,963,132	533,016	13,496,148
Profit for the year		-	-	-	-	-	1,766,445	1,766,445	(4,847)	1,761,598
Other comprehensive expense for the year		-	-	(671,150)	-	-	-	(671,150)	-	(671,150)
Total comprehensive (expense)/income for the year		-	-	(671,150)	-	-	1,766,445	1,095,295	(4,847)	1,090,448
Shares issue of the bank		484,000	2,841,080	-	-	-	-	3,325,080	-	3,325,080
Capital injection by non-controlling shareholders		-	-	-	-	-	-	-	17,336	17,336
Appropriation to surplus reserve	39(3)	-	-	-	337,003	-	(337,003)	-	-	-
Appropriation to general reserve	39(4)	-	-	-	-	471,342	(471,342)	-	-	-
Dividend distribution	15	-	-	-	-	-	(240,000)	(240,000)	(7,972)	(247,972)
Deemed disposal of a subsidiary		-	-	-	-	-	-	-	(29,880)	(29,880)
As at December 31, 2017		2,000,000	5,020,023	(1,017,581)	2,758,046	3,275,358	5,107,661	17,143,507	507,653	17,651,160
Effect of change in accounting policies for financial instruments	2(1)	-	-	11,832	-	-	(196,619)	(184,787)	(45,326)	(230,113)
As at January 1, 2018 – as adjusted		2,000,000	5,020,023	(1,005,749)	2,758,046	3,275,358	4,911,042	16,958,720	462,327	17,421,047
Profit for the year		-	-	-	-	-	1,757,688	1,757,688	29,286	1,786,974
Other comprehensive expense for the year		-	-	993,147	-	-	-	993,147	3,948	997,095
Total comprehensive (expense)/income for the year		-	-	993,147	-	-	1,757,688	2,750,835	33,234	2,784,069
Shares issued by the bank	38	407,367	3,250,576	-	-	-	-	3,657,943	-	3,657,943
Transaction costs for the share issue	38	-	(104,838)	-	-	-	-	(104,838)	-	(104,838)
Capital injection by non-controlling shareholders		-	-	-	-	-	-	-	50,000	50,000
Appropriation to surplus reserve	39(3)	-	-	-	348,360	-	(348,360)	-	-	-
Appropriation to general reserve	39(4)	-	-	-	-	618,778	(618,778)	-	-	-
Dividend distribution	15	-	-	-	-	-	(200,000)	(200,000)	(8,966)	(208,966)
As at December 31, 2018		2,407,367	8,165,761	(12,602)	3,106,406	3,894,136	5,501,592	23,062,660	536,595	23,599,255

Consolidated Statement of Cash Flows

For the year ended December 31, 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

	Year ended December 31	
	2018	2017
OPERATING ACTIVITIES		
Profit before tax	2,201,224	2,274,997
Adjustments for:		
Depreciation and amortization	247,874	193,381
Impairment losses	3,433,219	1,638,570
Interest income arising from investment securities	(6,110,952)	–
Interest income arising from bonds investment	–	(1,157,620)
Interest income arising from investments classified as receivables	–	(4,290,981)
Interest income arising from impaired financial assets	(37,441)	(47,202)
Interest expense arising from debt securities issued	1,849,259	1,740,440
Net trading unrealized losses	–	45,579
Net losses arising from investment securities	–	121,324
Net gains arising from other financial instruments at fair value through profit or loss	(1,788,487)	–
Net losses arising from financial assets measured at fair value through other comprehensive income	64,820	–
Net gains arising from dividend income from equity investments at fair value through profit or loss	(282,019)	–
Net losses arising from deemed disposal of a subsidiary	–	146
Share of profit of associates	(11,624)	(10,528)
(Gains)/losses on disposal of property and equipment and repossessed assets.	(23,735)	12,261
Unrealized exchange (gains)/losses	(12,617)	12,178
Operating cash flows before movements in working capital	(470,479)	532,545

Consolidated Statement of Cash Flows

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

	Year ended December 31	
	2018	2017
Decrease/(increase) in balances with central bank and deposits with banks and other financial institutions	810,438	(5,604,984)
Decrease/(increase) in placements with banks and other financial institutions	964,864	(996,042)
Decrease in financial assets held under resale agreements	12,553,104	30,821
Decrease in bonds investment measured at fair value through profit or loss	836,999	814,658
Increase in loans and advances to customers	(39,972,910)	(25,240,658)
Increase/(decrease) in borrowings from central bank	2,354,060	(2,337,060)
Increase/(decrease) in deposits from banks and other financial institutions	4,368,301	(4,392,979)
Increase in placements from banks	648,634	1,109,624
(Decrease)/increase in financial assets sold under repurchase agreements	(9,208,825)	935,247
Increase in customer deposits	35,908,224	34,020,461
(Increase)/decrease in other operating assets	(779,621)	5,509
(Decrease)/increase in other operating liabilities	(661,577)	2,762,136
Cash generated by operating activities	7,351,212	1,639,278
Income tax paid	(749,481)	(644,595)
Net cash generated from operating activities	6,601,731	994,683

Consolidated Statement of Cash Flows

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

		Year ended December 31	
	Notes	2018	2017
INVESTING ACTIVITIES			
Cash received from disposal and redemption of investment securities		105,267,127	204,231,546
Cash received from disposal of property and equipment and other assets		1,131,140	1,543
Dividends received from an associate		5,000	3,750
Dividends received from equity investment		282,019	12,014
Interest received		5,907,808	5,265,437
Net cash outflow on deemed disposal of a subsidiary		–	(275,267)
Cash paid for purchase of investment securities		(118,226,232)	(220,044,121)
Cash paid for purchase of property and equipment and other assets		(404,155)	(371,537)
Net cash used in investing activities		(6,037,293)	(11,176,635)
FINANCING ACTIVITIES			
Gross proceeds from shares issued		3,657,943	–
Capital contribution from non-controlling shareholders		50,000	17,336
Cash received from debt securities issued	41	54,540,000	93,923,000
Repayment of debt securities issued	41	(54,507,597)	(82,022,500)
Payments for the costs of debt securities issued	41	(4,600)	(2,472)
Interest expenses paid for debt securities issued	41	(1,224,857)	(803,237)
Dividends paid	41	(210,508)	(253,625)
Issue costs paid	41	(93,578)	(11,260)
Net cash generated from financing activities		2,206,803	10,847,242
Net increase in cash and cash equivalents		2,771,241	665,290
Cash and cash equivalents at beginning of the year		5,666,525	5,013,413
Effect of foreign exchange rate changes		12,617	(12,178)
Cash and cash equivalents at end of the year	40	8,450,383	5,666,525
Net cash generated by operating activities include:			
Interest received		8,099,925	6,254,484
Interest paid		4,508,155	3,993,120
Net interest received from operating activities		3,591,770	2,261,364

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

1. General Information

Bank of Jiujiang Co., Ltd. (hereinafter referred to as the “Bank”) is formerly known as Jiujiang Commercial Bank, a joint-stock commercial bank established on the basis of Jiujiang Urban Credit Cooperatives as approved by the People’s Bank of China Wuhan Branch (Wuyinfu [1999] No. 300). The Bank changed its name to Bank of Jiujiang Co., Ltd. in September 2008.

The Bank is licensed as a financial institution by the former China Banking Regulatory Commission (the “CBRC”, currently the China Banking and Insurance Regulatory Commission, the “CBIRC”) Jiangxi Province Bureau (No. B0348H236040001) and is registered as a business enterprise with the approval of Jiujiang Administration of Industry and Commerce of the People’s Republic of China (the “PRC”) (No. 9136040070552834XQ). On July 10, 2018, the Bank was listed on The Stock Exchange of Hong Kong Limited with the stock code of 06190.

As at December 31, 2018, the share capital of the Bank was RMB2.41 billion.

The Bank is headquartered in Jiujiang, Jiangxi Province, the PRC. It has 13 tier-one branches and 251 sub-branches, which consists of 147 traditional sub-branches, 93 community sub-branches and 11 small and micro enterprises sub-branches.

The principal activities of the Bank and its subsidiaries (collectively, the “Group”) comprise deposit taking, granting short-term, medium-term and long-term loans; domestic and overseas settlements; bill acceptance and discounting; issuing financial bonds; acting as agent to issue, settle and underwrite government bonds; trading of government bonds and financial bonds; inter-bank placement; providing letters of credit services and guarantee; acting as agent on inward and outward payments, acting as insurance agent; safe-box service and other businesses approved by the CBIRC.

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

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

2. Application of new and Amendments to International Financial Reporting Standards (“IFRSs”)

2.1 New and Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) for the first time in the current year:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

In addition, the Group has early applied Amendments to IFRS 9 *Prepayment Features with Negative Compensation* which will be mandatorily effective for the Group for the financial year beginning on January 1, 2019.

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

2. Application of new and Amendments to International Financial Reporting Standards (“IFRSs”) (continued)

2.1 New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

2.1.1 Impacts and changes in accounting policies on application of IFRS 15 *Revenue from Contracts with Customers*

The Group has applied IFRS 15 for the first time in the current period. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application, January 1, 2018. Any difference at the date of initial application is recognized in the opening retained earnings and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at January 1, 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 *Revenue*.

The Group's revenue mainly includes interest income and fee and commission income, among which fee and commission income is within the scope of IFRS 15, while interest income is within the scope of IFRS 9 for the annual periods beginning on or after January 1, 2018.

Accounting policies resulting from application of IFRS 15 are disclosed in Note 3.

The directors of the Bank consider that the adoption of IFRS 15 does not have any significant impact on the amount of equity attributable to the owners of the Bank as at January 1, 2018 as well as on the Group's consolidated statements of financial position as at December 31, 2018 and its consolidated statement of profit or loss and other comprehensive income for the current year.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

2. Application of new and Amendments to International Financial Reporting Standards (“IFRSs”) (continued)

2.1 New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

2.1.2 Impacts and changes in accounting policies on application of IFRS 9 *Financial Instruments* and the related amendments

In the current year, the Group has applied IFRS 9 *Financial Instruments*, amendments to IFRS 9 *Prepayment Features with Negative Compensation* and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and other items such as financial guarantee contracts and credit commitments, and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that had not been derecognized as at January 1, 2018 (date of initial application) and has not applied the requirements to instruments that had already been derecognized as at January 1, 2018. The difference between the carrying amounts as at December 31, 2017 and the carrying amounts as at January 1, 2018 are recognized in the opening retained earnings and other components of equity, without restating the comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of IFRS 9 are disclosed in Note 3.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

2. Application of new and Amendments to International Financial Reporting Standards (“IFRSs”) (continued)

2.1 New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

2.1.2 Impacts and changes in accounting policies on application of IFRS 9 *Financial Instruments* and the related amendments (continued)

(1) Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, January 1, 2018.

As at December 31, 2017 -									
IAS 39									
	Available- for-sale investment and other assets	Held-to- maturity	Financial assets at FVTPL required by IAS39/ IFRS9	Debt instruments at FVTOCI	Amortized cost/previously classified as loans and receivables	Provision for credit commitments and financial guarantees	Deferred tax assets/ liabilities	Investment revaluation reserve	Non-controlling earnings interests
	21,266,323	13,125,507	910,763	-	227,933,847	-	1,257,970	(1,017,581)	5,107,661
	(21,266,323)	(13,125,507)	29,809,985	16,681,029	(12,184,470)	(221,531)	76,704	11,832	(196,619)
Effect arising from initial application of IFRS 9									
Reclassification									
From available-for-sale	(a) (21,266,323)	-	4,585,294	16,681,029	-	-	-	(13,580)	13,580
From held-to-maturity	(b) -	(13,125,507)	-	-	13,125,507	-	-	-	-
From loans and receivables	(c) -	-	24,983,266	-	(24,983,266)	-	-	-	-
Remeasurement									
Impairment under ECL model	(d) -	-	-	-	(326,711)	(221,531)	137,060	25,412	(391,268)
From cost less impairment to fair value	(a) -	-	14,717	-	-	-	(3,679)	-	11,038
From amortized cost to fair value	(c) -	-	226,708	-	-	-	(56,677)	-	170,031
As at January 1, 2018									
IFRS 9	-	-	30,720,748	16,681,029	215,749,377	(221,531)	1,334,674	(1,005,749)	4,911,042
									462,327

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

2. Application of new and Amendments to International Financial Reporting Standards (“IFRSs”) (continued)

2.1 New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

2.1.2 Impacts and changes in accounting policies on application of IFRS 9 *Financial Instruments* and the related amendments (continued)

(1) *Summary of effects arising from initial application of IFRS 9* (continued)

(a) *Available-for-sale (“AFS”) investments*

From AFS equity investments to fair value through profit or loss (“FVTPL”)

At the date of initial application of IFRS 9, the Group’s equity investments, funds and other assets of RMB4,570,454 thousand were reclassified from available-for-sale investments and other assets to financial assets at FVTPL. The fair value gains of RMB13,580 thousand relating to those investments previously carried at fair value were transferred from investment revaluation reserve to retained earnings. The related fair value gain of RMB14,717 thousand arising from remeasurement of equity investments that were previously measured at cost less impairment was adjusted to financial assets at FVTPL and retained earnings as at January 1, 2018.

From AFS debt investments to FVTPL

Bonds with a fair value of RMB14,840 thousand were reclassified from available-for-sale investments to financial assets at FVTPL. This is because even though the Group’s business model is to hold financial assets in order to collect contractual cash flows, the cash flows of these investments do not meet the IFRS 9 criteria as solely payments of principal and interest on the principal amount outstanding. Any related fair value change was transferred from the investment revaluation reserve to retained earnings as at January 1, 2018.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

2. Application of new and Amendments to International Financial Reporting Standards (“IFRSs”) (continued)

2.1 New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

2.1.2 Impacts and changes in accounting policies on application of IFRS 9 *Financial Instruments* and the related amendments (continued)

(1) *Summary of effects arising from initial application of IFRS 9* (continued)

(a) *Available-for-sale (“AFS”) investments* (continued)

From AFS debt investments to FVTOCI

Bonds with a fair value of RMB16,681,029 thousand were reclassified from available-for-sale investments to debt instruments at FVTOCI, as these investments were held within a business model whose objective was achieved by both collecting contractual cash flows and selling of these assets and the contractual cash flows of these investments were solely payments of principal and interest on the principal amount outstanding. Related fair value changes continued to accumulate in the investment revaluation reserve as at January 1, 2018.

(b) *Held-to-maturity investments*

Bonds previously classified as held-to-maturity investments were reclassified and measured at amortized cost upon application of IFRS 9. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. Held-to-maturity investments with carrying amount of RMB13,125,507 thousand continue to be accounted for at amortized cost, with additional impairment of RMB24,028 thousand recognized as at January 1, 2018.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

2. Application of new and Amendments to International Financial Reporting Standards (“IFRSs”) (continued)

2.1 New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

2.1.2 Impacts and changes in accounting policies on application of IFRS 9 *Financial Instruments* and the related amendments (continued)

(1) *Summary of effects arising from initial application of IFRS 9* (continued)

(c) *Loans and receivables*

Amounts of RMB1,982,250 thousand of loans and advances to customers and RMB23,001,016 thousand of investments classified as receivables were reclassified to FVTPL upon the application of IFRS 9 because their cash flows do not represent solely payments of principal and interest on the principal amount outstanding. The rest of the loans and investments continued to be measured at amortized cost. In accordance with the investment agreement, a detailed analysis of the particular facts and circumstances at the date of origination of the loans and investments led to the conclusion that the contractual cash flows of them did not represent purely a return on time value of money and credit risk. The related fair value gains of RMB226,708 thousand for loans and advances to customers and RMB170,031 thousand for investments classified as receivables were adjusted to financial assets at FVTPL and retained earnings respectively as at January 1, 2018.

(d) *Impairment under ECL model*

As at January 1, 2018, additional credit loss allowance before tax of RMB548,242 thousand was recognized against retained earnings. The additional loss allowance is charged against the respective asset or provision for financial guarantee contracts and credit commitments, except for the debt instruments which is measured at FVTOCI, the loss allowance for which is recognized against the investment revaluation reserve.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

2. Application of new and Amendments to International Financial Reporting Standards (“IFRSs”) (continued)

2.1 New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

2.1.2 Impacts and changes in accounting policies on application of IFRS 9 *Financial Instruments* and the related amendments (continued)

(1) Summary of effects arising from initial application of IFRS 9 (continued)

(d) Impairment under ECL model (continued)

All loss allowances for financial assets including loans and advances to customers, other financial assets at amortized cost, financial guarantee contracts and credit commitments, and debt instruments at FVTOCI as at December 31, 2017 reconciled to the opening loss allowance as at January 1, 2018 is as follows:

	Loans and advances to customers	Investments classified as receivables	Other financial assets at amortized cost	Financial guarantees and credit commitments	Debt instruments at FVTOCI
At December 31, 2017					
- IAS 39	3,197,047	999,619	18,379	-	-
Reversal of allowance arising from reclassification	(42,031)	(370,249)	-	-	-
Amounts remeasured through opening retained earnings/investment revaluation reserve	244,595	730	81,386	221,531	33,883
As January 1, 2018 - IFRS 9	3,399,611	630,100	99,765	221,531	33,883

Other financial assets at amortized cost include deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, held-to-maturity investments under IAS 39 and other receivables.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

2. Application of new and Amendments to International Financial Reporting Standards (“IFRSs”) (continued)

2.1 New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

2.1.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards, amendments and interpretations

As a result of the changes in accounting policies mentioned above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognized for each individual line item.

	December 31, 2017 (Audited)	IFRS 9 Adjustments	January 1, 2018 (Restated)
ASSETS			
Cash and balances with central bank	28,750,492	–	28,750,492
Deposits with banks and other financial institutions	1,667,765	(80)	1,667,685
Placements with banks and other financial institutions	1,480,987	(663)	1,480,324
Financial assets held for trading	910,763	(910,763)	–
Financial assets held under resale agreements	26,506,739	(22,732)	26,484,007
Loans and advances to customers at amortized cost	99,528,133	(2,226,844)	97,301,289
Loans and advances to customers at FVTPL	–	2,025,322	2,025,322
Available-for-sale financial assets	20,554,576	(20,554,576)	–
Held-to-maturity investments	13,125,507	(13,125,507)	–
Investments classified as receivables	68,904,526	(68,904,526)	–
Investment securities measured at FVTPL	–	28,695,426	28,695,426
Investment securities measured at amortized cost	–	58,970,375	58,970,375
Investment securities measured at FVTOCI	–	16,681,029	16,681,029
Interests in associates	111,330	–	111,330
Property and equipment	2,412,473	–	2,412,473
Deferred tax assets	1,257,970	76,704	1,334,674
Other assets	6,042,802	(711,747)	5,331,055
Total assets	271,254,063	(8,582)	271,245,481

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

2. Application of new and Amendments to International Financial Reporting Standards (“IFRSs”) (continued)

2.1 New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

2.1.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards, amendments and interpretations (continued)

	December 31, 2017 (Audited)	IFRS 9 Adjustments	January 1, 2018 (Restated)
LIABILITIES			
Borrowings from central bank	811,940	-	811,940
Deposits from banks and other financial institutions	8,268,704	-	8,268,704
Placements from banks	1,116,931	-	1,116,931
Financial assets sold under repurchase agreements	17,405,997	-	17,405,997
Customer deposits	179,636,570	-	179,636,570
Income tax payable	352,600	-	352,600
Debt securities issued	40,247,839	-	40,247,839
Provisions	-	221,531	221,531
Other liabilities	5,762,322	-	5,762,322
Total liabilities	253,602,903	221,531	253,824,434
EQUITY			
Share capital	2,000,000	-	2,000,000
Capital reserve	5,020,023	-	5,020,023
Investment revaluation reserve	(1,017,581)	11,832	(1,005,749)
Surplus reserve	2,758,046	-	2,758,046
General reserve	3,275,358	-	3,275,358
Retained earnings	5,107,661	(196,619)	4,911,042
Equity attributable to			
Shareholders of the Bank	17,143,507	(184,787)	16,958,720
Non-controlling interests	507,653	(45,326)	462,327
Total equity	17,651,160	(230,113)	17,421,047
Total equity and liabilities	271,254,063	(8,582)	271,245,481

Except as described above, the application of other amendments to IFRSs in the current year has had no material effect on the amounts reported and/or disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

2. Application of new and Amendments to International Financial Reporting Standards (“IFRSs”) (continued)

2.2 New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 16	Leases ¹
IFRS 17	Insurance Contracts ³
IFRIC 23	Uncertainty over Income Tax Treatments ¹
Amendments to IFRS 3	Definition of a Business ⁴
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint venture ²
Amendments to IAS 1 and IAS 8	Definition of Material ⁵
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to IFRSs	Annual Improvements to IFRS 2015-2017 Cycle ¹

1 Effective for annual periods beginning on or after January 1 2019

2 Effective for annual periods beginning on or after a date to be determined

3 Effective for annual periods beginning on or after January 1 2021

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 January 1 2020

5 Effective for annual periods beginning on or after January 1 2020

Except for the new and amendments to IFRSs mentioned below, the directors of the Bank anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

2. Application of new and Amendments to International Financial Reporting Standards (“IFRSs”) (continued)

2.2 New and amendments to IFRSs in issue but not yet effective (continued)

2.2.1 IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases and leases of low value assets.

The Standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

2. Application of new and Amendments to International Financial Reporting Standards (“IFRSs”) (continued)

2.2 New and amendments to IFRSs in issue but not yet effective (continued)

2.2.1 IFRS 16 *Leases* (continued)

Under IAS 17, the Group has already recognized prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at December 31, 2018, the Group has non-cancellable operating lease commitments of RMB406.90 million as disclosed in note 44. A preliminary assessment indicates that these arrangements will meet the definition of a lease, and hence the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16.

In addition, the Group currently considers refundable rental deposits paid of RMB4.91 million as rights under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortized cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

2. Application of new and Amendments to International Financial Reporting Standards (“IFRSs”) (continued)

2.2 New and amendments to IFRSs in issue but not yet effective (continued)

2.2.1 IFRS 16 *Leases* (continued)

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this Standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application.

In addition, the Group also elected to use the following practical expedients when applying this Standard retrospectively in accordance with IFRS 16 to leases previously classified as operating leases applying IAS 17:

- Recognizing profit and loss for those leases which the lease term ends within 12 months from the date of initial application in the same way as short-term lease;
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Using hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

Furthermore, the Group selected the modified retrospective approach for the application of IFRS 16 as lessee and would recognize the cumulative effect of initial application to opening retained earnings without restating the comparative information.

3. Significant Accounting Policies

3.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRSs and its interpretations promulgated by the IASB, and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

3. Significant Accounting Policies (continued)

3.2 Basis of preparation and presentation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Intra-group balances and transactions are eliminated in full in preparing consolidated financial statements. All subsidiaries of the Bank have adopted December 31 as their financial year end date.

Historical cost is generally based on the fair value of the consideration given in exchange for goods or 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 at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, 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. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described below:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

3. Significant Accounting Policies (continued)

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and of the subsidiaries controlled by the Bank. Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its 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.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

3. Significant Accounting Policies (continued)

3.3 Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or losses and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the shareholders of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the shareholders of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in 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 relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

3. Significant Accounting Policies (continued)

3.3 Basis of consolidation (continued)

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the Bank.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests are derecognized. A gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the shareholders of the Bank. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted 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/IAS 39, when applicable, the cost on initial recognition of an investment in an associate.

3.4 Interests 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 over those policies.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

3. Significant Accounting Policies (continued)

3.4 Interests in associates (continued)

The results and assets and liabilities of the associate are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of the associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in an associate are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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 in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within 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 the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 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 recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

3. Significant Accounting Policies (continued)

3.4 Interests in associates (continued)

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS9/IAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss when the equity method is discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

3. Significant Accounting Policies (continued)

3.5 Revenue from contracts with customers

Under IFRS 15, the Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the 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.

Control is transferred over time and revenue is recognized 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 and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

3. Significant Accounting Policies (continued)

3.5 Revenue from contracts with customers (continued)

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

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.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or 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 goods or services to the customer.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

3. Significant Accounting Policies (continued)

3.5 Revenue from contracts with customers (continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The objective when measuring progress is to depict an entity's performance in transferring control of goods or services promised to a customer (i.e. the satisfaction of an entity's performance obligation). IFRS 15 requires a single method of measuring progress for each performance obligation satisfied overtime and the method should be applied consistently to similar performance obligations in similar circumstances.

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognize revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

3.6 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current 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 because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

3. Significant Accounting Policies (continued)

3.6 Taxation (continued)

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and the associate, 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 recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize 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.

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 realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

3. Significant Accounting Policies (continued)

3.6 Taxation (continued)

Deferred tax (continued)

The measurement of deferred tax assets and liabilities 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.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

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 and the Group intends to settle its current tax assets and liabilities on a net basis.

3.7 Employee benefits

In the reporting period in which an employee has rendered services, the Group recognizes the employee benefits expenses for those services in profit or loss.

Short-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for the service.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

3. Significant Accounting Policies (continued)

3.7 Employee benefits (continued)

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 recognized 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 during the year.

Annuity plan

Regarding the Bank's annuity plan, the scope of beneficiary has covered all staff under current employment of the Bank. It is a defined contribution plan where the Bank contributes certain percentage of the gross employee salaries, and the contributions are recognized to profit or loss immediately as "Operating expenses" when they occur. Besides the fixed amount contributed to the pension plan, even if the pension plan is not sufficient to pay the employees' future retirement benefits, the Group has no further obligation to contribute to the plan.

3.8 Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

3. Significant Accounting Policies (continued)

3.8 Government grants (continued)

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes 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 recognized 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 recognized in profit or loss in the period in which they become receivable.

3.9 Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized 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 market place.

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 since January 1, 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities 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 recognized immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

3. Significant Accounting Policies (continued)

3.9 Financial instruments (continued)

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in Note 2.1)

Financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal ("SPPI") amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

3. Significant Accounting Policies (continued)

3.9 Financial instruments (continued)

Financial assets (continued)

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset, the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income (“OCI”) if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost and investment securities subsequently measured at FVTOCI. 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 recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

3. Significant Accounting Policies (continued)

3.9 Financial instruments (continued)

Financial assets (continued)

(ii) Investment securities classified as at FVTOCI

Subsequent changes in the carrying amounts for investment securities classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognized in profit or loss. All other changes in the carrying amount of these investment securities are recognized in OCI and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognized in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these investment securities. The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these investment securities had been measured at amortized cost. When these investment securities are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI are measured 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 recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the “other income, gains and losses” line item.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

3. Significant Accounting Policies (continued)

3.9 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of IFRS 9 Financial Instruments and the related amendments)

The Group recognizes a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including loan and advances to customers, investment securities at amortized cost, investment securities measured at FVTOCI, other receivables, loan commitments and financial guarantee contracts). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

The Group always recognizes lifetime ECL for trade receivables and lease receivables. The ECL on these assets are assessed individually for debtors with significant balances or collectively using a provision matrix with appropriate groupings.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. 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. 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

3. Significant Accounting Policies (continued)

3.9 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of IFRS 9 Financial Instruments and the related amendments) (continued)

The Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Stage of financial instruments

The three stages are defined as follows:

- Stage 1: A financial instrument of which the credit risk has not significantly increase since initial recognition. The amount equal to 12-month ECL is recognized as loss allowance.
- Stage 2: A financial instrument with a significant increase in credit risk since initial recognition but is not considered to be credit-impaired, indicators usually include loan principles or interest overdue more than 30 days but less than 90 days. The amount equal to lifetime ECL is recognized as loss allowance.
- Stage 3: A financial instrument is considered to be credit-impaired as at statement of financial position date, indicators usually include loan principles or interest overdue more than 90 days. The amount equal to lifetime ECL is recognized as loss allowance.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

3. Significant Accounting Policies (continued)

3.9 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of IFRS 9 Financial Instruments and the related amendments) (continued)

(ii) 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.

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;
- an actual or expected significant deterioration in the operating results of the 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

3. Significant Accounting Policies (continued)

3.9 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of IFRS 9 Financial Instruments and the related amendments) (continued)

(ii) Significant increase in credit risk (continued)

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 loan 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.

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

3. Significant Accounting Policies (continued)

3.9 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of IFRS 9 Financial Instruments and the related amendments) (continued)

(iii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when 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).

Irrespective of the above, 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.

(iv) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default 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 reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

3. Significant Accounting Policies (continued)

3.9 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of IFRS 9 Financial Instruments and the related amendments) (continued)

(v) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, 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. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

(vi) 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. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 Leases.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

3. Significant Accounting Policies (continued)

3.9 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of IFRS 9 Financial Instruments and the related amendments) (continued)

(vi) Measurement and recognition of ECL – continued

For a financial guarantee contract, 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. Accordingly, the ECL is the present value of 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.

For undrawn loan 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 loan 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 loan 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

3. Significant Accounting Policies (continued)

3.9 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of IFRS 9 Financial Instruments and the related amendments) (continued)

(vi) Measurement and recognition of ECL – continued

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's loan and advances to customers, investment securities at amortized cost, investment securities measured at FVOCI, other receivables, finance and other receivables are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortized cost of the financial asset.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

3. Significant Accounting Policies (continued)

3.9 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of IFRS 9 Financial Instruments and the related amendments) (continued)

(vi) Measurement and recognition of ECL (continued)

Except for investments securities that are measured at FVTOCI, loan commitments and financial guarantee contracts, the Group recognizes an impairment reversal or loss in profit or loss for all financial instruments by adjusting their carrying amount. For loan commitments and financial guarantee contracts, loss allowance is recognized in provision account. For investments securities that are measured at FVTOCI, the loss allowance is recognized in OCI and accumulated in the investment revaluation reserve without reducing the carrying amount of these investment securities.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements 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 the Bank are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method.

The Group's financial liabilities including borrowings from central bank, deposits from banks and other financial institutions, placements from banks, financial assets sold under repurchase agreements, customer deposits, debt securities issued, interests payable and others, are subsequently measured at amortized cost, using the effective interest method.

Interest expense is recognized on an effective interest basis.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

3. Significant Accounting Policies (continued)

3.9 Financial instruments (continued)

Derecognition

The Group derecognizes a financial asset 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 recognizes 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 recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

3.10 Financial guarantee contracts

A financial guarantee contract is a contract 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. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of: (i) the amount of the loss allowance determined in accordance with IFRS9 (ii) the amount initially recognized less, where appropriate, cumulative amortization recognized over the guarantee period.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

3. Significant Accounting Policies (continued)

3.11 Repurchase agreements and agreements to resale

Financial assets sold subject to repurchase agreements continue to be recognized, and are recorded as “Investment securities” or “loans and advances to customers” as appropriate. The corresponding liability is included in “financial assets sold under repurchase agreements”. Financial assets held under agreements to resell at a specific future date at a fixed price are recorded as “financial assets held under resale agreements”.

The difference between purchase and sale price is recognized as interest expense or income in profit or loss over the life of the agreements using the effective interest method.

3.12 Property and equipment

Property and equipment including buildings held for use in the supply of services, or for administrative purposes (other than construction in progress as described below) are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of property and equipment, 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 method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

3. Significant Accounting Policies (continued)

3.12 Property and equipment (continued)

The estimated residual value rates and useful lives of each class of property and equipment, other than construction in progress, are as follows:

Classes	Useful lives	Estimated residual value rates	Annual depreciation rates
Buildings	20-30 years	3%	3.23%-4.85%
Electronic equipment	3 years	3%	32.33%
Motor vehicles	4 years	3%	24.25%
Furniture and fixtures	5 years	3%	19.40%
Leasehold improvements	5 years	0%	20.00%

Properties and equipment in the course of construction for supply of services or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and other directly attributable costs. Such properties and equipment are classified to the appropriate category of property and equipment when completed and ready for their 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 derecognized 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 of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

When buildings are in the course of development for production or for administrative purposes, the amortization of land use right provided during the construction period is included as part of the costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

3. Significant Accounting Policies (continued)

3.13 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognized so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognized.

3.14 Land use rights

Land use rights are included in other assets and amortized on a straight-line basis over the lease term.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

3. Significant Accounting Policies (continued)

3.15 Repossessed assets

Repossessed assets are initially recognized at fair value and subsequently measured at the lower of carrying amount and fair value less costs to sell at the end of the reporting period. When the fair value less costs to sell is lower than the repossessed asset's carrying amount, an impairment loss is recognized in profit or loss.

Any gain or loss arising from disposal of the repossessed asset is included in profit or loss in the year in which the item is disposed of.

A repossessed asset used by the Group is transferred to property and equipment at carrying amount.

3.16 Cash and cash equivalents

Cash and cash equivalents refer to short term highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

3.17 Leases

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

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

3. Significant Accounting Policies (continued)

3.17 Leases (continued)

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized 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 recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as land use right in the consolidated statement of financial position and is amortized over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

3. Significant Accounting Policies (continued)

3.18 Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. An intangible asset is derecognized on disposal, or when no future economic benefits are expected from its use.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period when the asset is derecognized.

3.19 Impairment on tangible and intangible 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.

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

3. Significant Accounting Policies (continued)

3.19 Impairment on tangible and intangible assets (continued)

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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset 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 recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

3. Significant Accounting Policies (continued)

3.20 Provisions

Provisions are recognized 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 the obligation, and a reliable estimate can be made on the amount of the obligation.

The amount recognized as a provision is 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 (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.21 Foreign currencies

In preparing the consolidated financial statements of the Group, transactions in currencies other than the functional currency of the Group (foreign currencies) are recorded at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the year in which they arise.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

3. Significant Accounting Policies (continued)

3.22 Fiduciary Activities

The Group acts in fiduciary activities as a manager, custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding (the “entrusted funds”) to the Group, and the Group grants loans to third parties (the “entrusted loans”) under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No provision for impairment loss is made for entrusted loans.

3.23 Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group’s internal organization, management requirements and internal reporting system, whose operating results are regularly reviewed by the Group’s Chief Operating Decision Makers to make decisions about resources to be allocated to the segment and assess its performance. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of services, the type or class of customers, the methods used to provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated as “others” segment if they share a majority of these criteria.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

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 carrying amounts of assets and liabilities that are not readily apparent from other sources. 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 recognized 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.

4.1 Critical judgements in applying accounting policies

The followings 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 recognized in the consolidated financial statements.

Classification of financial assets

Classification and measurement of financial assets depends on the results of the SPPI test and the business model test. The Group determines the business model at a level that reflects how groups of these financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of these assets is evaluated and their performance measured, the risks that affect the performance of these assets and how these are managed and how the managers of these assets are compensated. The Group monitors financial assets measured at amortized cost or FVTOCI that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

4.1 Critical judgements in applying accounting policies (continued)

Control over structured entities

Where the Bank acts as asset manager of structured entities, the Bank makes judgment on whether it is the principal or an agent to assess whether the Bank controls the structured entities and should consolidate them. When performing this assessment, the Bank considers several factors including, among other things, the scope of its decision-making authority over the structured entities, the rights held by other parties, the remuneration to which it is entitled in accordance with the related agreements for the assets management services, the Bank's exposure to variability of returns from other interests (e.g. direct investment) that it holds in the structured entities. The Bank performs reassessment periodically. Details of the structured entities are included in Note 42.

4.2 Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

4.2 Key sources of estimation uncertainty (continued)

Fair value of financial instruments at Level 3 hierarchy

The directors of the Bank use valuation techniques to determine the fair value of certain financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis or other valuation methods as appropriate. To the extent practical, models use only observable data. However areas such as credit risk of the Bank and counterparties, volatilities and correlations may not be observable are require the directors of the Bank to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments. Details of the fair value of financial instruments are included in Note 48.

Income taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the year during which such a determination is made. Details of the tax expenses are included in Note 12.

Recoverable amount of repossessed assets

At the end of each reporting period, the Group recognized repossessed assets at the lower of the carrying amount and net realizable amount, and made provisions when the net realizable amount is lower than its carrying amount. In the assessment of net realizable amount of repossessed assets, the Group is required to make judgements on key parameters, assumptions and comparable data used in the assessment. Any change in those factors will lead to impact on the carrying amount of repossessed assets. Details of the repossessed assets as at the end of the reporting period are included in Note 30.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

4.2 Key sources of estimation uncertainty (continued)

Impairment under ECL model

Significant increase of credit risk: ECL are measured as an allowance equal to 12m ECL, for stage 1 financial assets or lifetime ECL for stage 2 or stage 3 financial assets. The allowance of a financial asset would be equal to lifetime ECL when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Details of the characteristics considered in this judgement are included in Note 47. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Assets move from 12-month to lifetime ECLs when there is a significant increase in credit risk, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Models and assumptions used: The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

Forward-looking information: When measuring ECL, the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

4.2 Key sources of estimation uncertainty (continued)

Impairment under ECL model (continued)

Probability of Default (“PD”): PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Loss Given Default (“LGD”): LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Details of impairment under ECL model are included in Note 47.

5. Segment Analysis

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors and relevant management committees (Chief Operating Decision Makers) for the purposes of allocating resources to segments and assessing their performance. The Group’s chief operating decision makers review consolidated financial statements mainly based on operating segments for the purpose of allocating resources and performance assessment.

Measurement of segment assets and liabilities and segment income and results is based on the Group’s accounting policies. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements as disclosed in Note 3.

Internal charges and transfer pricing are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense arising from internal charges and transfer pricing adjustments are referred to as “inter-segment interest income/expense”. Interest income and expense earned from/incurred with third parties are referred to as “external interest income/expense”.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

5. Segment Analysis (continued)

Segment revenue, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group provides a diversified range of banking and related financial services. The products and services offered to customers are organized into the following operating segments:

Corporate banking

The corporate banking segment provides financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit takings and other types of corporate intermediary services.

Personal banking

The personal banking segment provides financial products and services to individual customers. The products and services include personal loans, deposit products, card business, personal wealth management services and other types of personal intermediary services.

Treasury operations

The Group's treasury operations conduct money market or repurchase transactions, and debt instruments investment for its own accounts or on behalf of customers.

Segment result represents the profit earned by each segment without allocation of certain other income, gains or losses, share of profit of associates, income tax expense and results from subsidiaries of the Group. Segment assets/liabilities are allocated to each segment, excluding investment properties, interests in associates and assets/liabilities of the subsidiaries of the Group. This is the measure reported to the Chief Operating Decision Makers for the purposes of resource allocation and performance assessment

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

5. Segment Analysis (continued)

	Corporate banking	Personal banking	Treasury operations	Unallocated	Total
Year ended December 31, 2018					
External interest income	4,471,568	2,064,545	5,579,073	455,489	12,570,675
External interest expense	(2,401,603)	(1,558,187)	(2,871,376)	(171,251)	(7,002,417)
Net inter-segment interest income/(expense)	1,657,612	842,102	(2,614,941)	115,227	–
Net interest income	3,727,577	1,348,460	92,756	399,465	5,568,258
Fee and commission income	239,973	77,998	142,278	6,731	466,980
Fee and commission expense	(80,847)	(37,271)	(65,782)	(4,031)	(187,931)
Net fee and commission income	159,126	40,727	76,496	2,700	279,049
Net gains/(losses) arising from financial assets	–	–	2,000,670	(1,515)	1,999,155
Other income, gains or losses	(18,899)	(5,676)	2,312	41,844	19,581
Operating income	3,867,804	1,383,511	2,172,234	442,494	7,866,043
Operating expenses	(873,894)	(439,778)	(712,689)	(241,437)	(2,267,798)
Impairment losses, net of reversal	(1,912,928)	(574,480)	(859,130)	(62,107)	(3,408,645)
Share of profit of associates	–	–	–	11,624	11,624
Profit before tax	1,080,982	369,253	600,415	150,574	2,201,224
Income tax expense					(414,250)
Profit for the year					1,786,974
Depreciation and amortization	96,905	45,578	80,443	24,948	247,874
Purchase of non-current assets	174,153	81,910	144,567	3,525	404,155
As at December 31, 2018					
Segment assets	97,592,970	37,369,288	166,068,668	10,591,585	311,622,511
– Interest in associates	–	–	–	117,742	117,742
Segment liabilities	143,325,919	66,946,049	68,772,995	8,978,293	288,023,256
Supplementary information					
– Credit commitments	38,019,284	2,016,899	–	–	40,036,183

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

5. Segment Analysis (continued)

	Corporate banking	Personal banking	Treasury operations	Unallocated	Total
Year ended December 31, 2017					
External interest income	3,017,784	1,486,007	6,924,460	407,105	11,835,356
External interest expense	(1,913,595)	(1,151,009)	(3,076,237)	(55,256)	(6,196,097)
Net inter-segment interest income/(expense)	1,516,496	697,237	(2,316,417)	102,684	–
Net interest income	2,620,685	1,032,235	1,531,806	454,533	5,639,259
Fee and commission income	223,524	51,549	145,621	7,170	427,864
Fee and commission expense	(54,473)	(7,851)	(11,755)	(4,116)	(78,195)
Net fee and commission income	169,051	43,698	133,866	3,054	349,669
Net gains/(losses) arising from financial assets	–	–	(180,164)	–	(180,164)
Other income, gains or losses	(34,981)	(15,285)	6,954	38,759	(4,553)
Operating income	2,754,755	1,060,648	1,492,462	496,346	5,804,211
Operating expenses	(821,150)	(355,239)	(518,441)	(256,608)	(1,951,438)
Impairment losses, net of reversal	(845,893)	(315,752)	(309,179)	(117,480)	(1,588,304)
Share of profit of associates	–	–	–	10,528	10,528
Profit before tax	1,087,712	389,657	664,842	132,786	2,274,997
Income tax expense					(513,399)
Profit for the year					1,761,598
Depreciation and amortization	85,232	32,478	48,628	27,043	193,381
Purchase of non-current assets	186,203	70,953	106,236	8,145	371,537
As at December 31, 2017					
Segment assets	66,140,203	33,987,658	160,704,336	10,421,866	271,254,063
– Interest in associates	–	–	–	111,330	111,330
Segment liabilities	124,130,389	50,197,499	70,154,314	9,120,701	253,602,903
Supplementary information					
– Credit commitments	34,199,062	463,413	–	–	34,662,475

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

5. Segment Analysis (continued)

Geographical information

The Group's revenue from external customers is derived solely from its operations and services rendered in the PRC, and non-current assets of the Group are located in the PRC.

Information about major customers

During the years ended December 31, 2018 and 2017, there were no revenue from transactions with a single external customer amounting to 10% or more of the Group's total revenue.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

6. Net Interest Income

	Year ended December 31	
	2018	2017
Interest income:		
Balances with central bank	400,498	344,943
Deposits with banks and other financial institutions	103,499	84,835
Placements with banks and other financial institutions	41,552	55,519
Financial assets held under resale agreements	822,901	1,045,085
Loans and advances to customers at amortized cost, including:		
Corporate loans and advances	4,417,580	3,031,668
Personal loans and advances	2,329,770	1,721,313
Forfeiting	–	551
Discounted bills	–	48,604
Loans and advances to customers at FVTOCI, including:		
Forfeiting	3,451	–
Discounted bills	128,959	–
Investment including:		
Bonds investment	–	1,211,857
Other investments classified as receivables	–	4,290,981
Investment securities measured at amortized cost	3,547,865	–
Investment securities measured at FVTOCI	774,600	–
Subtotal	12,570,675	11,835,356
Interest expense:		
Borrowing from central bank	(22,194)	(7,373)
Deposits from banks and other financial institutions	(627,756)	(575,494)
Placements from banks	(37,564)	(8,475)
Financial assets sold under repurchase agreements	(341,382)	(673,756)
Customer deposits	(4,124,262)	(3,190,559)
Debt securities issued	(1,849,259)	(1,740,440)
Subtotal	(7,002,417)	(6,196,097)
Net interest income	5,568,258	5,639,259
Including: Interest income on impaired financial assets	37,441	47,202

Upon the adoption of IFRS 9 on January 1, 2018, the interest income and expense arising from financial assets and financial liabilities that are at fair value through profit or loss are not included in net interest income.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

7. Net Fee and Commission Income

	Year ended December 31	
	2018	2017
Fee and commission income		
Agency service fees	173,303	191,737
Wealth management fees	130,306	128,004
Bank card fees	65,758	15,231
Credit commitments and financial guarantee fees	51,076	32,389
Settlement and clearing fees	25,266	27,200
Transaction and consultancy fees	21,271	33,303
Subtotal	466,980	427,864
Fee and commission expense	(187,931)	(78,195)
Total	279,049	349,669

Note: Most contracts with customers have original expected duration of less than one year and therefore information about their remaining performance obligations is not disclosed.

8. Net Gains/(Losses) Arising from Financial Assets

	Year ended December 31,	
	2018	2017
Fair value changes on		
– financial instruments held for trading	–	(45,579)
– financial instruments measured at FVTPL	(56,680)	–
Realized gains/(losses) on investments		
– financial instruments held for trading	–	(13,261)
– financial instruments measured at FVTPL	1,840,635	–
– available-for-sale financial assets	–	(138,602)
– disposal of debt instruments at FVTOCI	(64,820)	–
– disposal of debt instruments at FVTPL	(1,999)	–
Dividend income from equity investments at FVTPL	282,019	17,278
Total	1,999,155	(180,164)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

9. Other Income, Gains or Losses

	Year ended December 31	
	2018	2017
Rental income	14,067	10,375
Government subsidies (1)	23,871	9,448
Exchange gains	2,312	6,954
Tax refund	5,237	6,129
Depreciation of investment properties	(876)	(817)
Donation	(3,904)	(1,899)
Reversal of business tax payable	–	56,198
Losses on disposal of property and equipment	(40)	(490)
Gains/(losses) on disposal of repossessed assets	23,775	(11,771)
Impairment losses on repossessed assets	(24,574)	(50,266)
Others	(20,287)	(28,414)
Total	19,581	(4,553)

(1) Government subsidies mainly represent incentive subsidies received from local government to encourage the expansion of agriculture-related loan portfolios and bonus for the Group's contribution to the local economic development.

10. Operating Expenses

	Year ended December 31	
	2018	2017
Staff costs (1)	1,062,722	983,360
General and administrative expenses (2)	748,561	595,041
Tax and surcharges	76,261	48,925
Minimum rental expenses	92,437	96,322
Property management expenses	11,189	7,142
Depreciation (excluding investment properties)	159,021	124,144
Amortization	87,977	68,420
Others	29,630	28,084
Total	2,267,798	1,951,438

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

10. Operating Expenses (continued)

(1) Staff costs

	Year ended December 31	
	2018	2017
Salaries, bonuses and allowances	830,627	788,941
Staff welfare	45,951	43,194
Social insurance	144,700	113,826
Including: defined contribution plans	126,619	97,255
Housing funds	27,198	24,538
Labor union fees and staff education expenses	14,246	12,861
Total	1,062,722	983,360

(2) Included in the general and administrative expenses, there were auditor's remunerations for the years ended December 31, 2018 and 2017 amounting to RMB3.40 million and RMB1.04 million respectively.

11. Impairment Losses, net of Reversal

	Year ended December 31	
	2018	2017
Loans and advances to customers	–	1,272,572
Loans and advances to customers at amortized cost	2,319,909	–
Loans and advances to customers at FVTOCI	117,962	–
Investments classified as receivables	–	309,179
Investment securities measured at amortized cost	716,653	–
Investment securities measured at FVTOCI	151,561	–
Placements with banks and other financial institutions	1,070	–
Deposits with banks and other financial institutions	613	–
Financial assets held under resale agreements	(10,767)	–
Financial guarantees and credit commitments	111,644	–
Other assets	–	6,553
Total	3,408,645	1,588,304

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

12. Income Tax Expense

	Year ended December 31	
	2018	2017
Income tax expense comprises:		
Current income tax	1,049,429	745,372
Under/(over) provision of tax for prior years	21,686	(1,393)
Deferred tax (note 29)	(656,865)	(230,580)
Total	414,250	513,399

The Group carries out its operation in mainland China and all group entities are subject to the PRC Enterprise Income Tax. It is calculated at 25% of the estimated assessable profit for the year.

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

	Year ended December 31	
	2018	2017
Profit before tax	2,201,224	2,274,997
Tax calculated at applicable statutory tax rate of 25%	550,306	568,749
Adjustments for prior years	21,686	(1,393)
Effect of expenses not deductible for tax purpose	5,509	7,301
Effect of tax-free income (1)	(143,827)	(73,580)
Effect of unused tax losses and deductible temporary difference not recognized as deferred tax assets	2,125	12,322
Utilization of tax losses previously not recognized	(21,549)	–
Total	414,250	513,399

(1) The income not taxable for tax purpose mainly represents interest income arising from government bonds, dividends distributed from mutual fund investment, share of profit of associates, which is income tax free in accordance with the PRC tax regulations.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

12. Income Tax Expense (continued)

Due to the uncertainty of having adequate taxable income in future, certain subsidiaries did not recognize the deferred tax assets for their deductible losses as follows:

	Year ended December 31	
	2018	2017
Deductible losses	8,501	49,288

The deductible losses of unrecognized deferred tax assets will expire by the year below:

	As at December 31	
	2018	2017
Year 2020	–	10,488
Year 2021	4,871	45,996
Year 2022	14,707	49,288
Year 2023	8,501	–

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

13. Other Comprehensive Income (Expense)

Income tax effect relating to other comprehensive income

	Year ended December 31, 2018		
	Before-tax amount	Tax expense	Net of income tax amount
Items that may be reclassified subsequently to profit or loss:			
Debt instruments measured at FVTOCI	1,188,468	(297,117)	891,351
Discount bills and forfaiting measured at FVTOCI	140,992	(35,248)	105,744
Total	1,329,460	(332,365)	997,095

	Year ended December 31, 2017		
	Before-tax amount	Tax benefit	Net of income tax amount
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets	(894,947)	223,797	(671,150)
Total	(894,947)	223,797	(671,150)

14. Earnings Per Share

The calculation of basic earnings per share for the years 2018 and 2017 is based on the net profit attributable to Shareholders of the Bank and the weighted average number of shares in issue. There is no diluted earnings per share in 2017 as there were no potential ordinary shares outstanding during the year of 2017.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

14. Earnings Per Share (continued)

The calculation of basic and diluted earnings per share is as follows:

	Year ended December 31	
	2018	2017
Earnings:		
Earnings for the purpose of basic and diluted earnings per share	1,757,688	1,766,445
Numbers of shares (in thousands):		
Weighted average number of ordinary shares for the purpose of basic earnings per share in issue	2,192,977	1,891,266
Effect of dilutive potential ordinary shares:		
Over-allotment option	1	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,192,978	1,891,266
Basic earnings per share (RMB Yuan)	0.80	0.93
Diluted earnings per share (RMB Yuan)	0.80	N/A

Note: The computation of diluted earnings per share for the year ended December 31, 2018 has taken into account the effect of the over-allotment option which was granted on July 10, 2018.

15. Dividends

	Notes	Year ended December 31	
		2018	2017
2016 Final Dividend	(1)	–	240,000
2017 Final Dividend	(2)	200,000	–

Notes:

- (1) *A final dividend of RMB12 cents per share (tax inclusive) in respect of the year ended December 31, 2016 amounting in a total of RMB240 million was proposed by the board of directors of the Bank and approved by the 2016 annual general meeting of the Bank on May 8, 2017.*
- (2) *A final dividend of RMB10 cents per share (tax inclusive) in respect of the year ended December 31, 2017 amounting in a total of RMB200 million was proposed by the board of directors of the Bank and approved by the 2017 annual general meeting of the Bank on June 22, 2018.*
- (3) *A final dividend of RMB8 cents per share (tax inclusive) in respect of the year ended December 31, 2018 amounting in a total of around RMB193 million was proposed by the board of directors of the Bank and is subject to the approval of the forthcoming annual general meeting of the Bank.*

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

16. Emoluments of Directors, Supervisors and Five Highest Paid Individuals

(I) Directors' and supervisors' remunerations

Year ended December 31, 2018

Name	Fees	Basic salaries, bonuses, allowances and other benefits	Contribution to pension schemes	Total
Executive directors				
Liu Xianting	–	1,274	156	1,430
Pan Ming (i)	–	936	156	1,092
Cai Liping	–	814	144	958
Non-executive directors				
Zeng Huasheng	–	–	–	–
Zhang Jianyong	–	–	–	–
Li Jianbao	–	–	–	–
Yi Zhiqiang	–	–	–	–
Independent non-executive directors				
Cai Qingfu	199	–	–	199
Gao Yuhui	199	–	–	199
Yang Tao	192	–	–	192
Quan Ze	195	–	–	195
Supervisors				
Luo Xinhua	–	814	144	958
Qiu Jian	–	–	–	–
Dai Wenjing	–	471	90	561
Guo Jiequn	–	175	–	175
Chen Chunxia	–	175	–	175
Liao Jingwen	–	230	94	324
Total	785	4,889	784	6,458

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

16. Emoluments of Directors, Supervisors and Five Highest Paid Individuals (continued)

(I) Directors' and supervisors' remunerations (continued)

Year ended December 31, 2017

Name	Fees	Basic salaries, bonuses, allowances and other benefits	Contribution to pension schemes	Total
Executive directors				
Liu Xianting	–	1,367	148	1,515
Pan Ming (i)	–	1,009	148	1,157
Cai Liping	–	878	137	1,015
Non-executive directors				
Zeng Huasheng	–	–	–	–
Chen Shiyong (ii)	–	–	–	–
Yi Zhiqiang	–	–	–	–
Zhang Hengying (iv)	–	–	–	–
Li Jianbao	–	–	–	–
Zhang Jianyong	–	–	–	–
Independent non-executive directors				
Luo Xinning (iv)	–	–	–	–
Guo Yongqing (iv)	15	–	–	15
Li Qiang (iv)	15	–	–	15
Cai Qingfu	–	–	–	–
Gao Yuhui	–	–	–	–
Yang Tao	–	–	–	–
Quan Ze	–	–	–	–
Cai Zituan (iii)	15	–	–	15
Supervisors				
Luo Xinhua	–	878	137	1,015
Qiu Jian (vi)	–	–	–	–
Guo Jiequn (vi)	–	–	–	–
Wan Haobo (v)	–	–	–	–
Zou Wenbin (v)	–	–	–	–
Chen Chunxia (vi)	–	–	–	–
Liao Jingwen (vi)	–	254	89	343
Dai Wenjing	–	511	83	594
Guo Haiyan (v)	–	77	42	119
Total	45	4,974	784	5,803

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

16. Emoluments of Directors, Supervisors and Five Highest Paid Individuals (continued)

(I) Directors' and supervisors' remunerations (continued)

Notes:

- (i) *Pan Ming was the Chief Executive of the Bank for the years ended December 31, 2018 and 2017. His remunerations disclosed above cover his role as the Chief Executive of the Bank.*
- (ii) *Chen Shiyong was appointed as non-executive director of the Bank in January 2015 and resigned in May 2017.*
- (iii) *Cai Zituan was appointed as independent non-executive director of the Bank in January 2015 and resigned in May 2017.*
- (iv) *Zhang Hengying, Li Qiang, Luo Xinning and Guo Yongqing resigned in May 2017.*
- (v) *Guo Haiyan, Wan Haobo and Zou Wenbin resigned as supervisor of the Bank in May 2017.*
- (vi) *Liao Jingwen, Chen Chunxia, Guo Jiequn and Qiu Jian were appointed as supervisor of the Bank in May 2017.*

The executive directors' remunerations shown above were for their services in connection with the management of the affairs of the Bank and the Group.

Non-executive directors did not receive any remunerations for their services as directors of the Bank.

The independent non-executive directors' remunerations shown above were for their services as directors of the Bank.

The supervisors' remunerations shown above were for their services as supervisors of the Bank.

The bonuses are discretionary and are determined by reference to the Group's and the individuals' performance.

For the years ended December 31, 2018 and 2017, no directors or supervisors of the Bank waived any remunerations and no remunerations were paid by the Bank to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

16. Emoluments of Directors, Supervisors and Five Highest Paid Individuals (continued)

(II) Five highest paid individuals

Among the five highest paid individuals, none and 2 of them are directors of the Bank and none of them are supervisors of the Bank whose remunerations are disclosed above for the years ended December 31, 2018 and 2017.

The total remunerations payable to the five individuals whose remunerations were the highest in the Group during the years of 2018 and 2017 are as follows:

	Year ended December 31	
	2018	2017
Basic salaries and allowances	7,335	5,791
Discretionary bonuses	15	15
Contribution to pension schemes	215	222
Total	7,565	6,028

Remunerations of the five highest paid individuals were within the following bands:

	Year ended December 31	
	2018	2017
HK\$1,000,001 – HK\$1,500,000	–	2
HK\$1,500,001 – HK\$2,000,000	5	3
Total	5	5

During the years ended December 31, 2018 and 2017, no remuneration was paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

17. Cash and Balances with Central Bank

	As at December 31	
	2018	2017
Cash	517,789	481,398
Mandatory reserve deposits (1)	23,180,080	23,589,230
Surplus reserve deposits (2)	4,381,801	4,652,105
Other deposits (3)	357,265	27,759
Total	28,436,935	28,750,492

Notes:

- (1) The Group places mandatory reserve deposits with the People's Bank of China (the "PBOC"). This includes RMB reserve deposits and foreign currency reserve deposits. These mandatory reserve funds are not available for the Group's daily operations.

As at December 31, 2018 and 2017, mandatory reserve deposits with the PBOC were calculated at 11% and 13.5% of eligible RMB deposits for the Bank; and at 9% and 9% of those for the subsidiaries respectively and at 5% of foreign currency deposits for the Bank and its subsidiaries. The foreign currency reserve deposits placed with the PBOC are non-interest bearing.

- (2) The surplus reserve deposits are maintained with the PBOC mainly for the purpose of clearing.

- (3) Other deposits mainly represent the required fiscal deposits placed with the PBOC, which are non-interest bearing.

18. Deposits with Banks and other Financial Institutions

	As at December 31	
	2018	2017
Deposits with:		
Banks and other financial institutions in mainland China	1,350,670	1,446,314
Banks outside mainland China	284,301	221,451
Less: Impairment loss allowance	(693)	–
Total	1,634,278	1,667,765

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

19. Placements with Banks and other Financial Institutions

	As at December 31	
	2018	2017
Placements with:		
Banks in mainland China	115,380	1,316,042
Other financial institutions in mainland China	2,704,608	80,000
Banks outside mainland China	–	84,945
Less: Impairment loss allowance	(1,732)	–
Total	2,818,256	1,480,987

20. Financial Assets Held for Trading

	As at December 31 2017
Debt securities listed outside Hong Kong (1)	910,763
Analyzed by debt securities issuers:	
Government	146,529
Financial institutions – Policy banks	764,234
Total (2)	910,763

(1) All held-for-trading financial assets are traded on the China Interbank Market and are included in listed outside Hong Kong.

(2) Upon the adoption of IFRS 9 on January 1, 2018, all held-for-trading financial assets were mandatorily reclassified as financial assets at FVTPL.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

21. Financial Assets Held Under Resale Agreements

Analyzed by counterparties:

	As at December 31	
	2018	2017
Banks in mainland China	10,534,728	22,610,528
Other financial institutions in mainland China	3,431,337	3,896,211
Less: Impairment loss allowance	(11,965)	–
Total	13,954,100	26,506,739

Analyzed by collateral type:

	As at December 31	
	2018	2017
Bills	4,241,127	6,688,245
Bonds	9,724,938	19,818,494
Less: Impairment loss allowance	(11,965)	–
Total	13,954,100	26,506,739

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

22. Loans and Advances to Customers

- (1) Distributions of loans and advances to customers by corporate and retail banking customers are set out as follows:

	As at December 31	
	2018	2017
Loans and advances to customers at amortized cost		
Corporate loans and advances		
– Loans	88,146,895	60,998,613
– Discounted bills	–	4,571,087
Subtotal	88,146,895	65,569,700
Retail loans and advances		
– Residential mortgage loans	20,289,939	19,162,283
– Personal loans for consumption	10,115,961	8,113,025
– Personal loans for business purposes	9,264,379	9,246,760
– Credit card	1,552,962	633,412
Subtotal	41,223,241	37,155,480
Gross loans and advances to customers at amortized cost	129,370,136	102,725,180
Allowance for impairment losses		
– stage 1	(2,765,371)	–
– stage 2	(356,972)	–
– stage 3	(1,558,963)	–
– Individually assessed	–	(690,507)
– Collectively assessed	–	(2,506,540)
Subtotal	(4,681,306)	(3,197,047)
Loans and advances to customers at amortized cost, net	124,688,830	99,528,133
Loans and advances to customers at FVTOCI (i)		
– Discounted bills and forfaiting	12,459,371	–
Total loans and advances to customers	137,148,201	99,528,133

- (i) As at December 31, 2018, the Group's allowance for impairment losses on loans and advances to customers measured at FVTOCI was RMB117,962 thousand, as detailed in Note 22 (3)(b).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

22. Loans and Advances to Customers (continued)

- (2) Analysis of expected impairment losses on loans and advances to customers as at December 31, 2018 are as follows:

	As at December 31, 2018			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers at amortized cost	124,597,715	1,944,205	2,828,216	129,370,136
Less: Impairment losses allowance	(2,765,371)	(356,972)	(1,558,963)	(4,681,306)
Loans and advances to customers at amortized cost, net	121,832,344	1,587,233	1,269,253	124,688,830
Loans and advances to customers at FVTOCI	12,459,371	–	–	12,459,371
Balance at December 31, 2018	134,291,715	1,587,233	1,269,253	137,148,201

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

22. Loans and Advances to Customers (continued)

- (3) Analysis of movements of the allowance for impairment losses on loans and advances to customers for the year ended December 31, 2018 are as follows:

(a) Loans and advances to customers at amortized cost

	Year ended December 31, 2018			
	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2018	2,175,585	318,946	905,080	3,399,611
Transfer:				
To 12-month ECL	159,263	(128,672)	(30,591)	–
To lifetime ECL – (not credit-impaired)	(80,398)	80,623	(225)	–
To lifetime ECL – (credit-impaired)	–	(144,684)	144,684	–
Provided for the year	510,921	230,759	1,578,229	2,319,909
Write-offs	–	–	(1,113,069)	(1,113,069)
Recoveries	–	–	74,855	74,855
Balance at December 31, 2018	2,765,371	356,972	1,558,963	4,681,306

(b) Loans and advances to customers at FVTOCI

	Year ended December 31, 2018			
	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2018	–	–	–	–
Provided for the year	117,962	–	–	117,962
Balance at December 31, 2018	117,962	–	–	117,962

Allowance for impairment losses on loans and advances to customers measured at fair value through other comprehensive income is recognized in other comprehensive income without decreasing the carrying amount of loans and advances presented in the consolidated statement of financial position, and any impairment loss or reversal is recognized in the profit or loss.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

22. Loans and Advances to Customers (continued)

- (4) Analysis of movements of the allowance for impairment losses on loans and advances to customers for the year ended December 31, 2017 are as follows:

	Loans and advances for which allowance is collectively assessed (i)	Identified impaired loans and advances (ii)				Identified impaired loans and advances as a % of gross loans and advances
		For which allowance is collectively assessed	For which allowance is individually assessed	Subtotal	Total	
As at December 31, 2017						
Gross loans and advances	101,060,012	551,224	1,113,944	1,665,168	102,725,180	1.62%
Allowance for impairment losses	(2,130,984)	(375,556)	(690,507)	(1,066,063)	(3,197,047)	
Loans and advances to customers, net	98,929,028	175,668	423,437	599,105	99,528,133	

Note:

- (i) Loans and advances for which allowance is collectively assessed consist of loans and advances which have not been specifically identified as impaired.
- (ii) Identified impaired loans and advances include loans for which objective evidence of impairment exists and which have been identified as bearing an impairment loss and are assessed either individually or collectively.

Movements of allowance on loans and advances to customers are as follows:

	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1, 2017	557,761	2,040,029	2,597,790
Provided for the year	1,220,873	694,410	1,915,283
Reversal for the year	(586,617)	(56,094)	(642,711)
Write-offs	(467,867)	(178,825)	(646,692)
Recoveries	2,210	18,369	20,579
Unwinding of discount on allowance	(35,853)	(11,349)	(47,202)
As at December 31, 2017	690,507	2,506,540	3,197,047

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

23. Available-For-Sale Financial Assets

	As at December 31 2017
Debt instruments	
Debt securities	16,681,029
Asset-backed securities	14,840
Subtotal (1)	16,695,869
Unlisted equity investments (2)	15,100
Fund investments	3,843,607
Total (3)	20,554,576
Listed outside Hong Kong	19,816,408
Unlisted	738,168
Analyzed by debt securities issuers:	
Government	3,388,212
Financial institutions	
– Policy banks	9,887,172
– Commercial banks and other financial institutions	138,888
Corporations	3,281,597
Total	16,695,869

(1) All debt instruments are traded on the China Interbank Market and are included in listed outside Hong Kong.

(2) The unlisted equity investments are measured at cost because their fair values cannot be reliably measured.

(3) Upon the adoption of IFRS 9 on January 1, 2018, all available-for-sale financial assets were classified as financial assets at FVTPL or at FVTOCI.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

24. Held-To-Maturity Investments

	As at December 31 2017
Debt securities	13,113,168
Asset-backed securities	12,339
Total, listed outside Hong Kong (1)	13,125,507
Analyzed by debt securities issuers:	
Government	5,336,238
Financial institutions	
– Policy banks	4,269,653
– Commercial banks and other financial institutions	12,339
Corporations	3,507,277
Total (2)	13,125,507

(1) All held-to-maturity investments are traded on the China Interbank Market and are included in listed outside Hong Kong.

(2) Upon the adoption of IFRS 9 on January 1, 2018, all held-to-maturity investments were reclassified as investments measured at amortized cost.

25. Investments Classified as Receivables

	As at December 31 2017
Trust beneficiary rights (1)	49,291,388
Asset management plans (2)	19,734,891
Wealth management products (3)	877,866
Subtotal	69,904,145
Allowance for impairment losses	(999,619)
Total, unlisted	68,904,526

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

25. Investments Classified as Receivables (continued)

- (1) Trust beneficial rights are beneficial rights of trusts that mainly invest in loans.
- (2) Asset management plans are mainly operated by asset management companies or securities companies.
- (3) Wealth management products are issued by other commercial banks with finite terms.

Movements of allowance on investments classified as receivable are as follows:

As at January 1, 2017	690,440
Provided for the year	309,179
As at December 31, 2017	999,619

Upon the adoption of IFRS 9 on January 1, 2018, all investments classified as receivables were classified as financial assets at FVTPL or at amortized cost.

26. Investment Securities

	As at December 31 2018
Investment securities measured at FVTPL (1)	36,994,938
Investment securities measured at FVTOCI (2)	14,960,845
Investment securities measured at amortized cost (3)	68,100,023
Total	120,055,806

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

26. Investment Securities (continued)

(1) Investment securities measured at FVTPL

	As at December 31 2018
Debt securities issued by:	
Policy banks	52,555
Commercial banks and other financial institutions	48,550
Corporations	80,009
Subtotal	181,114
Equity investments	530,940
Funds and other investments:	
Funds investments held for trading	8,486,055
Trust beneficiary rights and asset management plans	24,118,297
Wealth management products	715,267
Others	2,963,265
Subtotal	36,282,884
Total	36,994,938
Listed outside Hong Kong	8,667,169
Unlisted	28,327,769
Total	36,994,938

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

26. Investment Securities (continued)

(2) Investment securities measured at FVTOCI

	As at December 31 2018
Debt securities issued by:	
Government and central bank	2,513,177
Policy banks	7,594,422
Commercial banks and other financial institutions	810,627
Corporations	4,042,619
Total	14,960,845
Listed outside Hong Kong	13,403,654
Listed in Hong Kong	1,557,191
Total	14,960,845

Movements of the allowance for impairment losses on financial investments measured at fair value through other comprehensive income are as follows:

	Year ended December 31, 2018			
	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2018	33,883	–	–	33,883
Provided for the year	5,940	–	145,621	151,561
Balance at December 31, 2018	39,823	–	145,621	185,444

Allowance for impairment losses on financial investments measured at fair value through other comprehensive income is recognized in other comprehensive income without decreasing the carrying amount of financial investments presented in the consolidated of financial position, and any impairment loss or reversal is recognized in the profit or loss.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

26. Investment Securities (continued)

(3) Investment securities measured at amortized cost

	As at December 31 2018
Debt securities issued by:	
Government and central bank	7,056,437
Policy banks	8,926,321
Corporations	10,536,238
Subtotal	26,518,996
Other investments	
Trust beneficiary rights and asset management plans	42,951,809
Subtotal	42,951,809
Less: Allowance for impairment losses	(1,370,782)
Total	68,100,023
Listed outside Hong Kong	26,216,386
Unlisted	41,883,637
Total	68,100,023

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

26. Investment Securities (continued)

(3) Investment securities measured at amortized cost (continued)

Movements of the allowance for impairment losses on financial investments measured at amortized cost are as follows:

	As at December 31, 2018			
	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2018	645,223	–	8,906	654,129
Transfer:				
To 12-month ECL	–	–	–	–
To lifetime ECL				
– (not credit-impaired)	(4,461)	4,461	–	–
To lifetime ECL				
– (credit-impaired)	–	(1,434)	1,434	–
Charge for the year	410,890	15,232	290,531	716,653
Balance at December 31, 2018	1,051,652	18,259	300,871	1,370,782

27. Interests in Associates

	As at December 31	
	2018	2017
Cost of unlisted investments in associates	83,187	83,187
Share of post-acquisition profits and other comprehensive income, net of dividends received	34,555	28,143
Total	117,742	111,330

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For the year ended December 31, 2018 (continued)

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27. Interests in Associates (continued)

Details of the Bank's associates as at December 31, 2018 and 2017 are set out below:

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorized/paid-in capital as at December 31, 2018 (RMB'000)	Proportion of ownership held by the Group		Proportion of voting rights held by the Group	
				As at December 31, 2017 %	As at December 31, 2018 %	As at December 31, 2017 %	As at December 31, 2018 %
Zhongshan Xiaolan County Bank Co, Ltd. (Note 1)	Guangdong, PRC	December 2008	250,000	25.00%	25.00%	25.00%	25.00%
Guixi Jiuyin County Bank Co., Ltd. (Note 2)	Jiangxi, PRC	December 2011	99,500	20.64%	20.64%	25.62%	25.62%

Note 1: The Group initiated and established Zhongshan Xiaolan County Bank Co, Ltd. in December 4, 2008, with an investment of RMB62.5 million, holding 25% equity interest of the associate. The Group has significant influence over the associate which is accounted for using equity method.

Note 2: The Group initiated and established Guixi Jiuyin County Bank Co, Ltd. in December, 2011, with an investment of RMB20.54 million, holding 41.08% equity interest of the entity. Guixi Jiuyin issued 49.5 million shares on December 29, 2017, and the Group's shareholding percentage was diluted to 20.64%. The Group lost control over Guixi Jiuyin County Bank Co, Ltd. and recognized the interests in it at the fair value of the deemed disposal date as interests in associate, which is subsequently accounted for by using equity method as the Group continued to have significant influence over it after the deemed disposal.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

27. Interests in Associates (continued)

Zhongshan Xiaolan County Bank Co, Ltd.:

	As at December 31	
	2018	2017
Total assets	4,968,864	4,510,483
Total liabilities	4,601,976	4,170,440
Net assets	366,888	340,043

	Year ended December 31	
	2018	2017
Operating income	132,681	122,377
Profit for the year	47,619	42,114
Dividends received from the associate during the year	5,000	3,750

Reconciliations of the above summarized financial information to the carrying amount of the interest in associate recognized in the consolidated financial statements are as follows:

	As at December 31	
	2018	2017
Net assets	366,888	340,043
Proportion of the Group's ownership interest	25.00%	25.00%
The Group's share of net assets	91,722	85,011
Others	5,632	5,632
Carrying amount of the Group's interest	97,354	90,643

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

27. Interests in Associates (continued)

Guixi Jiuyin County Bank Co, Ltd.:

	As at December 31	
	2018	2017
Total assets	625,955	958,164
Total liabilities	527,190	857,951
Net assets	98,765	100,213

	Year ended December 31	
	2018	2017
Operating income	24,602	21,456
Loss for the year	(1,448)	(7,536)
Dividends received from the associate during the year	–	–

Reconciliations of the above summarized financial information to the carrying amount of the interest in associate recognized in the consolidated financial statements are as follows:

	As at December 31	
	2018	2017
Net assets	98,765	100,213
Proportion of the Group's ownership interest	20.64%	20.64%
The Group's share of net assets	20,388	20,687
Carrying amount of the Group's interest	20,388	20,687

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

28. Property and Equipment

	Leasehold land and buildings	Electronic equipment	Motor vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
COST							
As at January 1, 2017	1,157,404	167,082	16,260	93,109	258,995	838,101	2,530,951
Additions	18,802	38,012	3,543	17,535	36,333	425,062	539,287
Transfers	125,222	26,592	–	24,679	23,689	(200,182)	–
Transfers to other assets	–	–	–	–	–	(17,931)	(17,931)
Disposals	–	(5,466)	(2,059)	(2,303)	(7,856)	–	(17,684)
As at December 31, 2017	1,301,428	226,220	17,744	133,020	311,161	1,045,050	3,034,623
Additions	73,296	27,328	2,005	16,523	52,974	223,851	395,977
Transfers	871,014	34,517	–	327	14,408	(920,266)	–
Transfers to other assets	–	–	–	–	–	(62,409)	(62,409)
Disposals	–	(4,424)	(813)	(521)	(915)	–	(6,673)
As at December 31, 2018	2,245,738	283,641	18,936	149,349	377,628	286,226	3,361,518
ACCUMULATED DEPRECIATION							
As at January 1, 2017	(215,109)	(92,323)	(9,865)	(36,774)	(97,616)	–	(451,687)
Provided for the year	(60,327)	(44,910)	(2,170)	(17,554)	(59,925)	–	(184,886)
Disposals	–	4,084	2,008	1,703	6,628	–	14,423
As at December 31, 2017	(275,436)	(133,149)	(10,027)	(52,625)	(150,913)	–	(622,150)
Provided for the year	(74,922)	(59,469)	(2,626)	(22,880)	(71,117)	–	(231,014)
Disposals	–	3,870	799	521	637	–	5,827
As at December 31, 2018	(350,358)	(188,748)	(11,854)	(74,984)	(221,393)	–	(847,337)
NET BOOK VALUE							
As at December 31, 2017	1,025,992	93,071	7,717	80,395	160,248	1,045,050	2,412,473
As at December 31, 2018	1,895,380	94,893	7,082	74,365	156,235	286,226	2,514,181

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For the year ended December 31, 2018 (continued)

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28. Property and Equipment (continued)

The carrying amount of buildings of the Group with incomplete title deeds as at December 31, 2018 and 2017 amounted RMB33.02 million and RMB119.23 million, respectively. The Group are still in the process of applying for the outstanding title deeds of these buildings. The directors of the Bank are of the opinion that these incomplete title deeds would not cause any significant impact on the Group's operations.

As at December 31, 2018 and 2017, leasehold land and buildings of the Group with net book value amounting to RMB13.07 million and RMB9.54 million were rented out to third parties as investment properties.

The net book value of investment properties are analyzed by the remaining terms of the land leases as follows:

	As at December 31	
	2018	2017
Held in mainland China		
10-50 years	13,074	9,536
Total	13,074	9,536

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For the year ended December 31, 2018 (continued)

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29. Deferred Tax Assets

The followings are the major deferred tax asset items and liabilities recognized and movements thereon:

	Allowance for impairment losses	Accrued salaries, bonuses and allowances	Fair value changes of available-for-sale financial assets/ investment securities measured at FVTOCI	Fair value changes of financial assets held for trading/ investment securities measured at FVTPL	Others	Total
As at December 31, 2017	766,754	101,694	339,242	13,303	36,977	1,257,970
Effect of adoption of IFRS9	43,023	–	(3,944)	37,625	–	76,704
As at January 1, 2018	809,777	101,694	335,298	50,928	36,977	1,334,674
Credit to profit or loss	535,429	26,276	–	17,041	78,119	656,865
Charge to other comprehensive income	(67,381)	–	(264,984)	–	–	(332,365)
As at December 31, 2018	1,277,825	127,970	70,314	67,969	115,096	1,659,174

	Allowance for impairment losses	Accrued salaries, bonuses and allowances	Fair value changes of available-for-sale financial assets	Fair value changes of financial assets held for trading	Others	Total
As at January 1, 2017	595,680	54,040	115,445	1,908	36,520	803,593
Credit to profit or loss	171,074	47,654	–	11,395	457	230,580
Credit to other comprehensive income	–	–	223,797	–	–	223,797
As at December 31, 2017.	766,754	101,694	339,242	13,303	36,977	1,257,970

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For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

30. Other Assets

	As at December 31	
	2018	2017
Interest receivable (1)	–	1,444,352
Prepayment and other receivables	286,507	132,251
Reposessed assets (2)	2,650,672	4,254,042
Intangible assets	82,547	31,673
Land use rights	6,150	6,426
Precious metals	1,662	2,304
Deferred issue costs	–	20,976
Others	256,300	150,778
Total	3,283,838	6,042,802

(1) As at December 31, 2018, the interests accrued on debt instruments of the Group were included in the carrying amounts of the corresponding financial assets.

(2) Reposessed assets:

	As at December 31	
	2018	2017
Analyzed as:		
Property and equipment	2,513,033	3,122,784
Land use rights	211,977	460,221
Others	502	721,303
Gross reposessed assets	2,725,512	4,304,308
Allowance for impairment losses	(74,840)	(50,266)
Reposessed assets, net	2,650,672	4,254,042

Note: As at December 31, 2017, others mainly included the unlisted shares held by the Bank as reposessed assets of defaulted loans. The Bank did not have control or significant influence on those entities, therefore these shares were measured at cost under IAS 39. As at December 31, 2018, the fair value of RMB530.94 million was recognized as investment securities at FVTPL in Note 26 (1) under IFRS9.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

31. Deposits From Banks and other Financial Institutions

	As at December 31	
	2018	2017
Banks in mainland China	11,732,951	6,734,954
Other financial institutions in mainland China	1,039,309	1,533,750
Total	12,772,260	8,268,704

32. Placements from Banks

	As at December 31	
	2018	2017
Banks in mainland China	1,040,290	1,031,986
Banks outside mainland China	734,639	84,945
Total	1,774,929	1,116,931

33. Financial Assets Sold Under Repurchase Agreements

Analyzed by counterparties:

	As at December 31	
	2018	2017
Banks in mainland China	8,005,943	17,297,997
Other financial institutions in mainland China	100,060	108,000
Banks outside mainland China	96,039	–
Total	8,202,042	17,405,997

Analyzed by collateral type:

	As at December 31	
	2018	2017
Bonds	6,524,346	17,088,550
Bills	1,677,696	317,447
Total	8,202,042	17,405,997

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

34. Customers Deposits

	As at December 31	
	2018	2017
Demand deposits		
Corporate customers	84,274,124	73,453,973
Individual customers	15,521,265	11,996,411
Time deposits		
Corporate customers	39,507,732	31,406,862
Individual customers	54,130,195	40,087,057
Pledged deposits (1)	24,314,814	22,420,436
Others	186,128	271,831
Total	217,934,258	179,636,570

(1) Pledged deposits analyzed by products for which deposit is required:

	As at December 31	
	2018	2017
Bank acceptances	19,297,565	17,208,618
Guarantees and letters of guarantee	720,413	414,780
Letters of credit	2,093,660	1,955,048
Others	2,203,176	2,841,990
Total	24,314,814	22,420,436

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

35. Debt Securities Issued

Analysis of the debt securities issued by remaining maturities

The tables below summarize the maturity analysis of the debt securities issued by remaining contractual maturities at the end of each reporting period.

	As at December 31, 2018				
	Less than 1 year (1 year inclusive)	1 to 2 years (2 years inclusive)	2 to 5 years (5 years inclusive)	over 5 years	Total
15 Jiujiang Bank bonds (1)	–	–	–	2,001,058	2,001,058
18 Jiujiang Bank bonds (2)	–	–	4,034,810	3,110,555	7,145,365
Interbank negotiable certificates of deposit (3)	30,946,621	–	–	–	30,946,621
Asset-backed securities (4)	702,506	104,494	–	–	807,000
Total	31,649,127	104,494	4,034,810	5,111,613	40,900,044

	As at December 31, 2017				
	Less than 1 year (1 year inclusive)	1 to 2 years (2 years inclusive)	2 to 5 years (5 years inclusive)	over 5 years	Total
15 Jiujiang Bank bonds (1)	–	–	–	2,000,000	2,000,000
Interbank negotiable certificates of deposit (3)	36,752,839	–	–	–	36,752,839
Asset-backed securities (4)	618,000	757,000	120,000	–	1,495,000
Total	37,370,839	757,000	120,000	2,000,000	40,247,839

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

35. Debt Securities Issued (continued)

- (1) On December 25, 2015, the Bank issued a fixed-rate tier-two capital bond with nominal value of RMB2 billion. Pursuant to the agreement, the bond has a term of 10 years, expiring on December 24, 2025, bearing an interest rate of 4.9% per annum. The issuer has the right to redeem the bond in full at nominal value at the end of the fifth year. No adjustment is made on the bond interest rate after five years of issue, if the bond is not redeemed in the fifth year.
- (2) On January 28 and July 17, 2018, the Bank issued two fixed-rate subordinated bonds with nominal value of RMB1.5 billion respectively. Pursuant to the agreement, the two bonds both have a term of 10 years, expiring on January 27, 2028 and July 16, 2028, bearing an interest rate at 5.00% per annum. The Bank has the right to redeem the bonds in full at nominal value at the end of the fifth year. No adjustment is made to the bond interest rate after five years of issue, if the bonds are not redeemed in the fifth year. On August 15 and November 1, 2018, the Bank issued two Green Financial Bonds with nominal value of RMB1 billion and RMB3 billion respectively. Pursuant to the agreement, the two bonds have a term of 3 years, expiring on August 14, 2021 and October 31, 2021 respectively, bearing an interest at 4.13% per annum.
- (3) As at December 31, 2018, the Bank had 61 outstanding interbank negotiable certificates of deposit with total notional amount of RMB31.42 billion. As at December 31, 2017, the Bank had 86 outstanding interbank negotiable certificates of deposit with total notional amount of RMB37.47 billion. All of these certificates were due within 1 year at the time of issuance. Such certificates were issued at a discount of which interests will be paid in lump sum at the maturity date.
- (4) On May 21, 2016, the Bank authorized Tebon Securities Co., Ltd. to issue asset-backed securities, named the "De Xun No.1 Special Asset Management Plan" with initial size of RMB3,528 million, expiring on December 28, 2022. As at December 31, 2018 and December 31, 2017, outstanding amount of the asset-backed securities issued were RMB807 million and RMB1,495 million respectively. The interest rates range from 4.75% to 9.00%. The full amount of the consideration received for the issuance of the asset-backed securities was recognized as debt securities issued as the Bank retained substantially all the risks and rewards associated with financial assets transferred. Further details of the arrangement are disclosed in Note 46.

36. Provisions

	As at December 31	
	2018	2017
Expected credit loss provision	333,174	–

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

37. Other Liabilities

	As at December 31	
	2018	2017
Interest payable (1)	–	1,895,669
Other payables	704,651	2,616,901
Settlement payable	301,398	244,854
Salaries payable	792,896	697,767
Business and other tax payables	397,306	249,058
Dividends payable	12,595	14,137
Accruals for issue costs and listing expenses	–	9,716
Accrued liabilities	55,750	34,220
Total	2,264,596	5,762,322

(1) As at December 31, 2018, the interest accrued on debt of the Group was included in the carrying amounts of the corresponding financial liabilities.

38. Share Capital

	As at December 31	
	2018	2017
Ordinary shares of RMB1.00 yuan each		
Authorized		
At beginning of the year	2,000,000	1,516,000
Increase during the year	407,367	484,000
At end of the year	2,407,367	2,000,000
Issued and fully paid		
At beginning of the year	2,000,000	1,516,000
Issuance of shares	407,367	484,000
At end of the year	2,407,367	2,000,000

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For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

38. Share Capital (continued)

As approved in the shareholder meeting on December 22, 2016 and by the then China Banking Regulatory Commission on March 24, 2017, the Bank issued a total of 484 million shares to Industrial Bank Co., Ltd, Jiujiang City Bureau of Finance and Beijing Automotive Group Co., Ltd. in a private placement at a consideration of RMB6.87 per share, amounting to RMB3,325.08 million in total, including a share premium of RMB2,841.08 million. The additional capital had been verified by Ruihua CPAs Limited Company with the related capital verification report (Ruihua Yanzi [2017] No.36010001).

On July 10, 2018, the Bank was listed on The Stock Exchange of Hong Kong Limited with initial public offering of 360,000,000 H shares at HK\$10.60 per share.

The over-allotment options were partially exercised on July 28, 2018, in respect of an aggregate of 47,367,200 H Shares at HK\$10.60 per share. After the exercise of the over-allotment option, the total number of shares issued by the Bank increased to 2,407,367,200.

Through the initial public offering and the exercise of the over-allotment option, the Bank has raised a gross proceed of HKD4,317.47 million (equivalent to a net proceed of approximately RMB3,553.11 million after deducting the relevant expenses), of which RMB3,145.74 million credited to the share premium account.

39. Reserves

	As at December 31	
	2018	2017
Share premium (1)	8,165,761	5,020,023
Investment revaluation reserve (2)	(12,602)	(1,017,581)
Surplus reserve (3)	3,106,406	2,758,046
General reserve (4)	3,894,136	3,275,358
Retained earnings	5,501,592	5,107,661
Total reserves	20,655,293	15,143,507

(1) Share premium

The Bank issued shares at a premium. The difference between the consideration received and the nominal value of shares issued is recognized in share premium account. For the year ended December 31, 2017, the share premium increased to RMB5,020 million resulting from the additional capital injection. For the year ended December 31, 2018, the share premium increased to RMB8,166 million resulting from the public offering on The Stock Exchange of Hong Kong Limited.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

39. Reserves (continued)

(2) Investment revaluation reserve

	Gross amount	Tax effect	Net amount
As at January 1, 2017	(461,876)	115,445	(346,431)
Fair value changes in available-for-sale financial assets	(1,033,070)	258,328	(774,742)
Amount reclassified to profit or loss upon disposal of available-for-sale financial assets	138,123	(34,531)	103,592
As at December 31, 2017	(1,356,823)	339,242	(1,017,581)
Effect of change in accounting policies for financial instruments	15,776	(3,944)	11,832
As at January 1, 2018	(1,341,047)	335,298	(1,005,749)
Fair value changes in investment securities measured at FVTOCI	995,165	(248,791)	746,374
Amount reclassified to profit or loss upon disposal of investment securities measured at FVTOCI	64,820	(16,205)	48,615
Impairment loss recognized on financial assets measured at FVTOCI	264,211	(66,053)	198,158
As at December 31, 2018	(16,851)	4,249	(12,602)

(3) Surplus reserve

Pursuant to the Company Law of PRC, corporation is required to transfer 10% of its net profit, determined under the relevant accounting rules in the PRC, to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of such reserve has reached 50% of the share capital.

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

39. Reserves (continued)

(3) Surplus reserve (continued)

	Statutory surplus reserve	Discretionary surplus reserve	Total
As at January 1, 2017	1,080,669	1,340,374	2,421,043
Appropriation during the year	177,248	159,755	337,003
As at December 31, 2017	1,257,917	1,500,129	2,758,046
Appropriation during the year	171,112	177,248	348,360
As at December 31, 2018	1,429,029	1,677,377	3,106,406

(4) General reserve

Pursuant to the Administrative Measures for the Provision of Reserves of Financial Enterprises (Cai Jin [2012]No. 20) issued by the Ministry of Finance of the PRC, in addition to the individual and collective allowances for impairment losses, financial enterprise is required to establish and maintain a general reserve within equity to address potential unidentified impairment losses. The general reserve should not be less than 1.5% of the aggregate amount of risk assets as defined by the above measures.

	As at December 31	
	2018	2017
At beginning of the year	3,275,358	2,804,016
Appropriations during the year	618,778	471,342
At end of the year	3,894,136	3,275,358

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

40. Cash and Cash Equivalents

Cash and cash equivalents include the following balances with an original maturity equal to or less than three months:

	As at December 31	
	2018	2017
Cash	517,789	481,398
Balances with central bank	4,381,346	3,432,417
Deposits with banks and other financial institutions	1,117,137	1,667,765
Placements with banks and other financial institutions	2,384,129	84,945
Investment securities measured at FVTPL	49,982	–
Total	8,450,383	5,666,525

Note: As at December 31, 2018 and 2017, due from central bank included suspense receipts amounting to RMB nil and RMB1,219.69 million respectively that are restrictive for its usage.

41. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financial liabilities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Non-cash changes				
	As at January 1, 2018	Financing cash flows	Effective interest rate adjustments	Interest accrued/ dividend declared/ expense accrued	As at December 31, 2018
Bonds	2,000,000	6,902,000	244,423	–	9,146,423
Interbank negotiable certificates of deposit	36,752,839	(7,411,054)	1,604,836	–	30,946,621
Asset-backed securities	1,495,000	(688,000)	–	–	807,000
Dividends payable	14,137	(210,508)	–	208,966	12,595
Issue costs accrued	9,716	(93,578)	–	83,862	–
Total	40,271,692	(1,501,140)	1,849,259	292,828	40,912,639

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

41. Reconciliation of Liabilities Arising from Financing Activities (continued)

	As at January 1, 2017	Financing cash flows	Non-cash changes		As at December 31, 2017
			Effective interest rate adjustments	Interest accrued/ dividend declared/ expense accrued	
Bonds	2,997,264	(1,000,000)	2,736	-	2,000,000
Interbank negotiable certificates of deposit	21,923,844	13,860,528	968,467	-	36,752,839
Asset-backed securities	2,457,500	(962,500)	-	-	1,495,000
Interest payable for debt securities issued	34,000	(803,237)	-	769,237	-
Dividends payable	19,790	(253,625)	-	247,972	14,137
Receipt in advance	3,325,080	-	-	(3,325,080)	-
Issue costs accrued	-	(11,260)	-	20,976	9,716
Total	30,757,478	10,829,906	971,203	(2,286,895)	40,271,692

42. Structured Entities

42.1 Consolidated structured entities

The consolidated structured entities of the Group mainly included non-principal-guaranteed wealth management products issued by the Bank that were invested by its subsidiaries and principal-guaranteed wealth management products sponsored by the Bank. As at December 31, 2018 and 2017, the scale of the consolidated structured entities amounted to RMB925 million and RMB124 million respectively.

As the initiator and manager of the wealth management products, the Group considers it has control over such structured entities and those structured entities should be consolidated by the Group.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

42. Structured Entities (continued)

42.2 Unconsolidated structured entities

(1) Structured entities managed by third party institutions in which the Group holds an interest

The Group holds interests in these structured entities managed by third party institutions through investments in the beneficial rights or plans issued relating to these structured entities. The Group does not consolidate these structured entities. Such structured entities include wealth management products issued by financial institutions, asset management plans, trust beneficiary rights and asset-backed securities.

The following tables set out an analysis of the gross carrying amounts of interests held by the Group as at December 31, 2018 and 2017 in the structured entities sponsored and managed by third party institutions.

	As at December 31, 2018				
	Investment securities at FVTPL	Investment securities at FVTOCI	Investment securities as amortized cost	Total	Maximum risk exposure (Note)
Wealth management products	715,267	–	–	715,267	715,267
Funds	8,486,055	–	–	8,486,055	8,486,055
Trust beneficiary rights	18,377,223	–	35,749,810	54,127,033	53,272,726
Asset management plans	5,741,074	–	7,201,999	12,943,073	12,729,208
Total	33,319,619	–	42,951,809	76,271,428	75,203,256

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

42. Structured Entities (continued)

42.2 Unconsolidated structured entities (continued)

(1) Structured entities managed by third party institutions in which the Group holds an interest (continued)

	As at December 31, 2017				
	Available- for-sale financial assets	Held-to-maturity investments	Investments classified as receivables	Total	Maximum risk exposure (Note)
Wealth management products	-	-	877,866	877,866	877,866
Fund	3,843,607	-	-	3,843,607	3,843,607
Trust beneficiary rights	-	-	49,291,388	49,291,388	48,597,051
Asset management plans	-	-	19,734,891	19,734,891	19,429,609
Assets backed securities	14,840	12,339	-	27,179	27,179
Total	3,858,447	12,339	69,904,145	73,774,931	72,775,312

Note: The maximum exposures to loss in the above investment products are the carrying amounts of the assets held by the Group at the end of each reporting period.

(2) Unconsolidated structured entities managed by the Group

The types of unconsolidated structured entities managed by the Bank mainly include non-principal-guaranteed wealth management products. The purpose of managing these structured entities is to generate fees from managing assets on behalf of investors. Interest held by the Bank includes fees charged by providing management services to these structured entities.

As at December 31, 2018 and 2017, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products managed by the Bank amounting to RMB36,384 million and RMB34,021 million respectively. The Group did not hold any investment in the wealth management products and management fee earned from these products for the year ended December 31, 2018 and 2017 amounted to RMB130,306 thousands and RMB128,004 thousands respectively.

The Group did not provide any financial or other support to these unconsolidated structured entities during both years.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

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43. Related Party Transactions

(1) Major shareholders and entities under their control

Following major shareholders held more than 5% interest of the Bank and are considered as related parties of the Group:

	Percentage of shares held as at December 31	
	2018	2017
Name of shareholders		
Jiujiang Finance Bureau	15.20%	18.30%
Beijing Automotive Group Co., Ltd.	15.20%	18.30%
Industrial Bank Co., Ltd.	12.23%	14.72%
Foshan Gaomin Jindun Hengye Computer Special Printing Co., Ltd.	5.64%	6.79%
Dasheng (Fujian) Agricultural Co., Ltd.	5.65%	6.80%

Note: The shareholders with less than 5% interest are not considered as related parties.

Balances and transactions between the Group and the major shareholders and entities under their control are as follows:

During the the years ended December 31, 2018 and 2017, the Group had the following material balances and entered into the following material transactions with major shareholders and entities under their control. These transactions were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

43. Related Party Transactions (continued)

(1) Major shareholders and entities under their control (continued)

	As at December 31	
	2018	2017
Balances at end of the year:		
Assets		
Interest receivable	–	29,591
Deposits with banks and other financial institutions	186,822	113,801
Loans and advances to customers	214,281	708,000
Investments securities at amortized cost	248,500	–
Investments classified as receivables (Note 1)	–	2,093,857
Total	649,603	2,945,249
Liabilities		
Customer deposits	4,524,981	6,809,754
Deposits from banks and other financial institutions	56,948	12,502
Interest payable	–	49,886
Total	4,581,929	6,872,142
Non-principal-guaranteed wealth management products (Note 2)	1,200,000	1,200,000

Note 1: It represented the trust products purchased by the Group, which was issued by a subsidiary of Industrial Bank and the asset management plan purchased by the Group of which the underlying borrower is a related party of the Group.

Note 2: It represented the non-principal-guaranteed wealth management product issued by the Group where the underlying asset is a loan, and the borrower is a related party of the Group.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

43. Related Party Transactions (continued)

(1) Major shareholders and entities under their control (continued)

	Year ended December 31	
	2018	2017
Transactions during the year:		
Interest income	135,662	183,036
Interest expense	16,609	95,680
Fee and commission income	3,494	3,372

(2) Associates of the Bank

Details of the associates of the Bank are set out in Note 27.

	As at December 31	
	2018	2017
Liabilities		
Deposits from banks and other financial institutions	1,314,425	868,712
Interest payable	–	3,702
Total	1,314,425	872,414

	Year ended December 31	
	2018	2017
Transactions during the year:		
Interest expense	20,094	33,777

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

43. Related Party Transactions (continued)

(3) 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. 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.

Balances and transactions between the Group and other related parties are as follows:

	As at December 31	
	2018	2017
Balances at the end of the year:		
Assets		
Interest receivable	–	29
Loans and advances to customers	16,205	19,164
Total	16,205	19,193
Liabilities		
Customer deposits	42,372	8,968
Interest payable	–	67
Total	42,372	9,035

	Year ended December 31	
	2018	2017
Transactions during the year:		
Interest income	600	340
Interest expense	8	68

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

43. Related Party Transactions (continued)

(4) Key management personnel

Key management personnel are those persons in the Group who have the authority and responsibility to plan, direct and control the activities of the Group.

The remuneration of directors and other members of key management during the reporting period were as follows:

Transactions between the Group and key management personnel

	Year ended December 31	
	2018	2017
Fees	785	45
Basic salaries, bonuses and allowances	14,298	14,822
Contribution to pension schemes	2,575	2,360
Total	17,658	17,227

44. Contingent Liabilities and Commitments

Legal proceedings

The Bank and its subsidiaries, are involved as defendants in certain lawsuits arising from their normal business operations. As at December 31, 2018 and 2017, in light of court decisions or advice from legal counsels, the Group considered that sufficient provision has been provided for any potential losses from these claims.

Capital commitments

	As at December 31	
	2018	2017
Contracted but not provided for	200,441	221,764

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

44. Contingent Liabilities and Commitments (continued)

Operating lease commitments

At the end of each reporting period, the Group has the following non-cancellable operating lease commitments as lessee with fixed lease term and lease payment:

	As at December 31	
	2018	2017
Within 1 year	78,687	70,863
1 to 5 years	227,527	217,614
Over 5 years	100,690	114,420
Total	406,904	402,897

During the year of 2018 and 2017, the Group has no material operating lease commitments as a lessor.

Credit commitments

	As at December 31	
	2018	2017
Credit card commitment	2,016,899	463,413
Letters of credit	3,205,178	3,268,750
Letters of guarantee	3,976,248	3,018,059
Bank acceptances	30,837,858	27,912,253
Total	40,036,183	34,662,475

Credit commitments represent general facility limits granted to customers. These credit facilities may be drawn in the form of loans and advances or through the issuance of letters of credit, acceptances or letters of guarantee.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

44. Contingent Liabilities and Commitments (continued)

Credit risk weighted amounts for credit commitments

	As at December 31	
	2018	2017
Credit commitments	14,431,467	12,089,578

The credit risk weighted amounts are the amounts calculated in accordance with the guidelines issued by the CBIRC and are dependent on, among other factors, the creditworthiness of the counterparty and the maturity characteristics. The risk weightings used range from 0% to 100%.

Collateral

Assets pledged

The carrying amounts of assets pledged as collateral under repurchase agreements by the Group are as follows:

	As at December 31	
	2018	2017
Bonds	6,772,167	17,433,941
Bills	1,676,700	317,447
Total	8,448,867	17,751,388

As at December 31, 2018 and 2017, the carrying amounts of financial assets sold under repurchase agreements for the Group amounted to RMB8,202 million and RMB17,406 million, respectively.

All repurchase agreements were due within twelve months from inception.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

45. Fiduciary Activities

The Group commonly acts as asset manager or in other fiduciary capacities that results in its holding or managing assets on behalf of individuals or corporations. These assets and any gains or losses arising thereon are not included in the consolidated financial statements of the Group as they are not the Group's assets.

As at December 31, 2018 and 2017, the entrusted loans balance of the Group amounted to RMB24,727 million and RMB47,042 million respectively.

As at December 31, 2018 and 2017, the balance of the non-principal-guaranteed wealth management products issued and managed by the Group amounted to RMB36,384 million and RMB34,021 million respectively.

46. Transfer of Financial Assets

Repurchase agreement

The Group entered into repurchase agreements with certain counterparties to sell bonds or bills with carrying amount of RMB8,449 million and RMB17,751 million respectively as at December 31, 2018 and 2017, which are subject to the simultaneous agreements with commitments to repurchase at specified future dates and prices. The proceeds from selling such bonds or bills totalling RMB8,202 million and RMB17,406 million are presented as “financial assets sold under repurchase agreements” (Note 33) as at the end of the respective reporting period.

As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these bonds or bills to the counterparties during the covered period. However, the Group is not allowed to sell or repledge these securities during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group has determined that it retains substantially all the risks and rewards of these bonds and bills and therefore has not derecognized them from the consolidated financial statements but regarded them as “collateral” for the secured lending from the counterparties. The counterparty's recourse is not limited to the transferred assets.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

46. Transfer of Financial Assets (continued)

Asset-backed securities

The Group enters into securitization transactions in the normal course of business by which it transfers financial assets to structured entities which issue asset-backed securities to investors. As the Group has transferred the financial assets and substantially all the risks and rewards associated with the transferred assets, such financial assets were derecognized. For the years ended December 31, 2018 and 2017, the financial assets with carrying amount of nil and RMB9,046 million respectively have been securitized and derecognized by the Group.

In addition to the above asset-backed securities, the Group has also transferred beneficiary rights of certain financial assets to a special purpose trust, but retained substantially all the risks and rewards associated with the assets. Therefore, the full amount of such financial assets were not derecognized and the consideration received was recognized as debt securities issued. In 2016, beneficiary rights of financial assets with carrying amount of RMB3,528 million were transferred to a special purpose trust. As at December 31, 2018 and 2017, the outstanding carrying amount of these financial assets of which the beneficiary rights have been transferred to the special purpose trust but not derecognized amounted to RMB937 million and RMB1,637 million respectively and the carrying amount of the corresponding debt securities issued were RMB807 million and RMB1,495 million respectively.

47. Financial Risk Management

Overview

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, analyze, 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

Overview (continued)

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, currency risk and other price risk). The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The policies on how to mitigate these risks for current year are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended December 31, 2017, except that credit risk management has been changed after the adoption of IFRS 9.

Risk management framework

The Group has designed its organization framework, risk management policies and processes with an objective to identify, evaluate and manage its risk effectively. The Board of Directors is mainly responsible for the review and approval of risk management policies and plans, and the determination of the risk appetite of the Group. Risk Management Committee, Strategy Committee, Connected Transaction Control Committee and Audit Committee set up and appointed by the Board of Directors are responsible for supervising and evaluating the set-up, organizational structure, work process and effectiveness of various risk management functions.

The Group's main functional departments responsible for risk management include Risk Management Department (the department to guide and organize other related departments), Credit Approval Department, Planning and Finance Department, Corporate Finance Department, Financial Market Department, International Business Center, Small-sized Enterprise Credit Center, Retail Bank Headquarters, Operation Management Department, Information Technology Department, etc., which are obligated to implement various policies and systems regarding risk management in practice. The Group's internal audit department is responsible for the independent review of the Group's risk management and control environment.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.1 Credit risk

After the adoption of IFRS 9, in addition to the credit risk management in prior years, the Group monitors all financial assets that are subject to impairment test 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 than 12-month ECL. The primary credit risk of the Group comes from loans and advances to customers, investment securities, interbank businesses, commitment and other on-balance and off-balance sheet credit risk exposures.

Credit risk management

The Group exercises standardized credit management procedures, including credit investigation and proposal, credit limit review, loan granting, post lending monitoring, and non-performing loans management. The Group enhances its credit risk management by complying with its credit management procedures; strengthening customer investigation, lending approval and post lending monitoring; enhancing risk mitigation effect of loans through collateral; accelerating disposal process of non-performing loans.

The Group has been working on the enhancement of credit business in accordance with the policies and regulations, and aligning the credit management with the trends of industry development and national macro-economic policies so as to optimize the loan exposure structure. The Group's customer managers are responsible for post lending monitoring regularly or as necessary. The approaches adopted by the Group to reduce its loss from non-performing loans include (1) collecting debts; (2) restructuring; (3) executing collaterals or reclaim from guarantor; (4) litigations or lawsuits; and (5) transferring.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.1 Credit risk (continued)

Credit risk management (continued)

For the non-standard investments, the Group has made great efforts to restrict such business conducted by the branches through terminating new business and gradually unwinding the existing investments on maturity. Such business has to be authorized by the Financial Market Department of the head office to integrate resource allocation and monitor the Group's overall exposure. Besides, business beyond the department authorization requires approval by Investment Committee. Furthermore, in order to refine inter-banking credit granting, standardize the access and exit mechanism, as well as introduce high-quality counterparties, the Group has released the Management Measures for Bulk Credit Limit Authorization for Inter-banking Businesses of Bank of Jiujiang(<九江銀行同業批量授信管理辦法>), which stipulates the principles of inter-banking credit business as "strict access, choosing better quality customers, dynamic monitoring and timely termination".

Impairment Assessment

Measurement of Expected Credit Loss (ECL)

In accordance with IFRS9, the Group classifies financial instruments into three stages and makes provisions for expected credit losses accordingly, depending on whether credit risk on that financial instrument has increased significantly since initial recognition. Detailed definition of stages are included in Note 3.

In order to minimise credit risk, the Group has tasked its credit management committee to develop and maintain the Group's credit risk grading to categorize exposures according to their degree of risk of default. The Group's credit risk grading framework comprises ten categories. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of borrower 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

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.1 Credit risk (continued)

Impairment Assessment (continued)

Significant increase in credit risk

The Group takes into consideration all reasonable and supportable information (including forward-looking information) that reflects significant change in credit risk for the purposes of classifying financial instruments. The main considerations are regulatory and industry environment, internal and external credit risk gradings, operational and financial situation, contractual terms, and historical repayment records etc. The Group compares the risk of default of a single financial instrument or a portfolio of financial instruments with similar credit risk characteristics as at the statement of financial position date and its risk of default at the date of initial recognition to determine changes in the risk of default during the lifetime of a financial instrument or a portfolio of financial instruments. In determining whether credit risk of a financial instrument has increased significantly since initial recognition, the Group considers factors indicating whether significant changes with an adverse effect have taken place in the borrower's business, financial and economic status, whether less value of the collaterals (for the collateral loans and pledged loans only) have been identified, whether early indicators of problems of cash flow/liquidity have been identified, such as late payment of accounts payable/repayment of loans, whether the financial instrument has been past due for more than 30 days or whether the market price has been falling to indicate deterioration in asset quality.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.1 Credit risk (continued)

Definition of default

The Group defines a borrower as in default when it meets any of the following criteria:

- (i) The principal or interest of loan is past due for more than 90 days;
- (ii) The corporate borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as liquidation against collateral; or
- (iii) The corporate borrower has the above matters in other financial institutions

Generally, a financial asset is considered to be credit-impaired if:

- It has been overdue for more than 90 days;
- In light of economic, legal or other factors, the Group has made concessions to a borrower in financial difficulties, which would otherwise have been impossible under normal circumstances;
- The borrower is probable to be insolvent or carry out other financial restructurings;
- Due to serious financial difficulties, the financial asset cannot continue to be traded in an active market;
- There are other objective evidences that the financial asset is impaired.
- 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.
- Borrowers cannot repay principal and interest in full and significant losses will need to be recognized even when collateral or guarantees are invoked.
- Only a small portion or none of the principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.1 Credit risk (continued)

Description of parameters, assumptions, and estimation techniques

ECL is measured at an amount equal to 12-month ECL or lifetime ECL depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL is the product of the Probability of Default ("PD"), Loss Given Default ("LGD"), and Exposure at Default ("EAD"), considering the time value of money. Related definitions are as follows:

- probability of default (PD): is an estimate of the likelihood of default over 12 months or lifetime horizon.
- loss given default (LGD): is the proportion of the loss arising on default to the exposure at default;
- exposure at default (EAD): is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

The assumptions underlying the ECL calculation, such as how the PDs and LGDs of different maturity profiles change are periodically monitored and reviewed by the Group. These figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

Forward-looking information contained in ECL

According to the different risk characteristics of assets, the Group divides assets into different asset groups, identifies macro indicators related to credit risks, and establishes regression models. The Group uses forward-looking information that is available without undue cost or effort, and predict the macro-economic assumptions. External information includes macro-economic data, forecast information issued by government or regulatory agencies, for example, GDP, fixed asset investment, total social consumption, etc. The Group assigns different scenarios to different possibilities.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.1 Credit risk (continued)

Collateral and other credit enhancements

The amount and type of collateral required depend on the assessment of the credit risk of the counterparty. Guidelines are in place specifying the types of collateral and valuation parameters which can be accepted.

Reverse repurchase business is mainly collateralized by bills or bonds. As part of the reverse repurchase agreements, the Group has received securities that it is allowed to sell or repledge in the absence of default by their owners.

Corporate loans and discounted bills are mainly collateralized/pledged by properties or other assets. As at December 31, 2018, the carrying value (before reduction of allowance for impairment loss) of corporate loans and discounted bills amounted to RMB100,606 million (December 31, 2017: RMB65,570 million), of which credit exposure covered by collateral/pledge amounted to RMB57,702 million (December 31, 2017: RMB39,334 million).

Retail loans are mainly collateralised by residential properties. As at December 31 2018, the carrying value (before reduction of allowance for impairment loss) of retail loans amounted to RMB41,223 million (December 31 2017: RMB37,115 million), of which credit exposure covered by collateral amounted to RMB28,491 million (December 31, 2017: RMB27,215 million).

Management monitors the market value of collateral periodically and requests additional collateral in accordance with the underlying agreement when it is considered necessary.

It is the Group's policy to dispose of repossessed assets in an orderly manner. In general, the Group does not occupy repossessed assets for business use.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.1 Credit risk (continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements is set out below:

	As at December 31	
	2018	2017
Balances with central bank	27,919,146	28,269,094
Deposits with banks and other financial institutions	1,634,278	1,667,765
Placements with banks and other financial institutions	2,818,256	1,480,987
Financial assets held for trading	–	910,763
Financial assets held under resale agreements	13,954,100	26,506,739
Loans and advances to customers	137,148,201	99,528,133
Available-for-sale financial assets	–	16,710,969
Held-to-maturity investments	–	13,125,507
Investment securities	111,038,811	–
Investments classified as receivables	–	68,904,526
Other financial assets	286,507	1,576,603
Subtotal	294,799,299	258,681,086
Off-balance sheet credit commitments	40,036,183	34,662,475
Total	334,835,482	293,343,561

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.1 Credit risk (continued)

As at December 31, 2018, the Group's credit risk stages of financial instruments are as follows:

(i) Financial assets measured at amortized cost

	As at December 31, 2018							
	Gross carrying amount				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances with central bank	27,919,146	-	-	27,919,146	-	-	-	-
Deposits with banks and other financial institutions	1,634,971	-	-	1,634,971	(693)	-	-	(693)
Placements with banks and other financial institutions	2,819,988	-	-	2,819,988	(1,732)	-	-	(1,732)
Financial assets held under resale agreements	13,966,065	-	-	13,966,065	(11,965)	-	-	(11,965)
Investment securities	68,441,277	161,763	867,765	69,470,805	(1,051,652)	(18,259)	(300,871)	(1,370,782)
Loans and advances to customers	124,597,715	1,944,205	2,828,216	129,370,136	(2,765,371)	(356,972)	(1,558,963)	(4,681,306)
Total	239,379,162	2,105,968	3,695,981	245,181,111	(3,831,413)	(375,231)	(1,859,834)	(6,066,478)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.1 Credit risk (continued)

(ii) Financial assets measured at FVTOCI

As at December 31, 2018								
Gross carrying amount				Provision for expected credit losses				
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Investment securities	14,644,278	-	316,567	14,960,845	(39,823)	-	(145,621)	(185,444)
Loans and advances to customers	12,459,371	-	-	12,459,371	(117,962)	-	-	(117,962)
Total	27,103,649	-	316,567	27,420,216	(157,785)	-	(145,621)	(303,406)

(iii) Credit commitments

As at December 31, 2018							
	Gross carrying amount			Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Credit commitments	39,686,223	349,960	-	40,036,183	(302,190)	(30,984)	-
							(333,174)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.1 Credit risk (continued)

Loans and advances to customers

(1) The composition of the contractual amount of loans and advances to customers by industry is analyzed as follows:

	As at December 31					
	2018			2017		
	Amount	% of total	Amount secured by collateral/pledges	Amount	% of total	Amount secured by collateral/pledges
Corporate loans and advances						
K – Real estate	24,584,127	17.33	19,563,961	19,338,516	18.83	16,306,603
L – Leasing and commercial services	21,188,898	14.94	7,400,397	6,813,998	6.63	2,507,925
N – Water, environment and public utilities management	11,959,037	8.43	4,406,197	6,074,957	5.91	1,552,770
F – Retail and wholesale	9,247,799	6.52	5,447,658	8,380,782	8.16	5,497,038
E – Construction	7,230,357	5.10	3,159,092	7,433,229	7.24	2,446,273
C – Manufacturing	6,808,405	4.80	2,872,530	4,888,789	4.76	2,061,673
D – Production and supply of electricity, gas and water	940,725	0.66	388,129	1,232,299	1.20	916,488
P – Education	1,356,843	0.96	582,435	977,417	0.95	446,700
H – Accommodation and food services	1,197,802	0.84	1,003,947	853,576	0.83	641,269
A – Farming, forestry, animal husbandry and fishery	512,231	0.36	245,238	748,047	0.73	507,683
G – Transportation, logistics and postal services	665,328	0.47	180,267	531,959	0.52	118,572
Others	4,150,930	2.93	1,688,562	3,725,044	3.63	1,760,324
Discounted bills	10,763,784	7.59	10,763,784	4,571,087	4.44	4,571,087
Subtotal	100,606,266	70.93	57,702,197	65,569,700	63.83	39,334,405
Retail loans and advances	41,223,241	29.07	28,491,124	37,155,480	36.17	27,214,886
Gross amount of loans and advances to customers	141,829,507	100.00	86,193,321	102,725,180	100.00	66,549,291

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.1 Credit risk (continued)

Loans and advances to customers (continued)

(1) The composition of the contractual amount of loans and advances to customers by industry is analyzed as follows: (continued)

Details of credit-impaired loans in respect of industry sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

	As at December 31, 2018					
	Gross amount	Credit-impaired loans	Overdue loans	Allowance		Provision charged for the year
				12 months ECL	lifetime ECL	
Real estate	24,584,127	1,026,321	983,629	764,775	834,238	1,101,964
Leasing and commercial services	21,188,898	14,127	14,127	501,335	12,473	368,021
						91,613
						56,999

	As at December 31, 2017					
	Gross amount	Impaired loans	Overdue loans	Allowance		Provision charged for the year
				Individually assessed	Collectively assessed	
Real estate	19,338,516	255,151	344,963	123,984	464,678	225,019
						6,561

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.1 Credit risk (continued)

Loans and advances to customers (continued)

(2) The composition of the contractual amount of loans and advances to customers and the credit-impaired loans amount by region is analyzed as follows:

As at December 31, 2018							
	Gross amount of loans and advances to customers	Credit-impaired loan			Past due loan balance	Allowance	
		%	Balance	Ratio		12 Months ECL	Lifetime ECL
Jiujiang	43,299,585	30.53	439,250	1.01%	629,209	755,793	454,446
Nanchang	19,752,476	13.93	1,575,164	7.97%	1,478,552	350,857	756,526
Guangzhou	12,312,393	8.68	120,887	0.98%	71,514	236,791	100,837
Hefei	9,370,732	6.61	29,902	0.32%	52,469	180,022	22,595
Others	57,094,321	40.25	663,013	1.16%	910,180	1,241,908	581,531
Total	141,829,507	100.00	2,828,216	1.99%	3,141,924	2,765,371	1,915,935

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For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.1 Credit risk (continued)

Loans and advances to customers (continued)

(2) The composition of the contractual amount of loans and advances to customers and the credit-impaired loans amount by region is analyzed as follows: (continued)

As at December 31, 2017

	Gross amount of loans and advances to customers	%	Impaired loan		Ratio	Past due loan balance	Allowance	
			Balance				Individually assessed	Collectively assessed
Jiujiang	28,872,524	28.11	499,463		1.73%	562,654	193,190	763,324
Nanchang	15,252,851	14.85	197,762		1.30%	240,801	93,183	383,373
Guangzhou	10,051,884	9.79	63,319		0.63%	329,989	25,477	225,926
Hefei	6,881,648	6.70	88,372		1.28%	105,182	53,951	145,538
Others	41,666,273	40.55	816,252		1.96%	986,630	324,706	988,379
Total	102,725,180	100.00	1,665,168		1.62%	2,225,256	690,507	2,506,540

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.1 Credit risk (continued)

Loans and advances to customers (continued)

(3) The composition of the contractual amount of loans and advances to customers by contractual maturity and collateral type is analyzed as follows:

	As at December 31, 2018			
	Less than 1 year (1 year inclusive)	1 to 5 years (5 years inclusive)	More than 5 years	Total
Unsecured loans	10,547,369	10,158,158	2,329,696	23,035,223
Guaranteed loans	11,406,934	18,960,907	2,223,493	32,591,334
Collateralized loans	13,182,669	26,916,620	23,447,874	63,547,163
Pledged loans	16,663,989	5,840,905	150,893	22,655,787
Total	51,800,961	61,876,590	28,151,956	141,829,507

	As at December 31, 2017			
	Less than 1 year (1 year inclusive)	1 to 5 years (5 years inclusive)	More than 5 years	Total
Unsecured loans	6,919,928	7,102,057	1,929,297	15,951,282
Guaranteed loans	8,236,976	10,184,728	1,802,903	20,224,607
Collateralized loans	12,557,624	18,625,227	22,007,260	53,190,111
Pledged loans	6,934,216	6,217,651	207,313	13,359,180
Total	34,648,744	42,129,663	25,946,773	102,725,180

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For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.1 Credit risk (continued)

Loans and advances to customers (continued)

(4) Past due loans at contractual amount

	As at December 31, 2018				
	Up to 90 days (90 days inclusive)	90 days to 1 year (1 year inclusive)	1 year to 3 years (3 years inclusive)	Over 3 years	Total
Unsecured loans	261,052	73,606	16,833	9,000	360,491
Guaranteed loans	214,252	87,725	123,555	20,201	445,733
Collateralized loans	1,405,571	217,376	398,997	134,217	2,156,161
Pledged loans	103,042	–	76,497	–	179,539
Total	1,983,917	378,707	615,882	163,418	3,141,924

	As at December 31, 2017				
	Up to 90 days (90 days inclusive)	90 days to 1 year (1 year inclusive)	1 year to 3 years (3 years inclusive)	Over 3 years	Total
Unsecured loans	59,732	22,384	10,284	–	92,400
Guaranteed loans	171,630	152,366	67,225	6,735	397,956
Collateralized loans	582,353	234,208	694,395	146,997	1,657,953
Pledged loans	11,947	65,000	–	–	76,947
Total	825,662	473,958	771,904	153,732	2,225,256

Note: Loans and advances with a specific repayment date are considered as past due when either the principal or interest is overdue.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.1 Credit risk (continued)

Loans and advances to customers (continued)

(5) Credit quality of loans and advances to customers at contractual amount

	Notes	As at December 31 2017
Neither past due nor impaired		100,238,600
Past due but not impaired	(i)	821,412
Impaired	(ii)	1,665,168
Subtotal		102,725,180
Allowances for impairment		(3,197,047)
Loans and advances to customers, net		99,528,133

(i) Loans and advances past due but not impaired

	As at December 31, 2017					
	Up to 30 days (30 days inclusive)	31 to 60 days (60 days inclusive)	61 to 90 days (90 days inclusive)	More than 90 days	Total	Fair value of collateral
Corporate loans and advances	340,165	158,945	729	38,564	538,403	554,554
Personal loans and advances	205,328	30,814	12,640	34,227	283,009	459,347
Total	545,493	189,759	13,369	72,791	821,412	1,013,901

(ii) Impaired loans and advances

	As at December 31 2017
Assessed and impaired	1,665,168
Assessed impaired %	1.62%
Fair value of collateral	1,931,268

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.1 Credit risk (continued)

Loans and advances to customers (continued)

(6) Rescheduled loans and advances

Rescheduled loans and advances arise from rescheduling or deferring the repayment terms mainly representing offering lower interest rate or extending payment schedule. Rescheduled loans and advances are under continuous monitoring by the Group.

Contractual amount of rescheduled loans and advances for the Group as at December 31, 2018 and 2017 amounted to RMB4,949 million and RMB2,998 million respectively, among which loans and advances overdue for more than 90 days amounted to RMB192 million and RMB171 million respectively.

Amounts due from banks and other financial institutions

The Group executes regular review and management of credit risk related to individual financial institutions, and set credit lines for individual banks and other financial institutions that it conducts business with. The balances due from banks and other financial institutions are as follows:

	As at December 31 2017
Neither past due nor impaired	
Deposits with banks and other financial institutions	1,667,765
Placements with banks and other financial institutions	1,480,987
Financial assets held under resale agreements	26,506,739
Subtotal	29,655,491
Less: Allowance for impairment losses	–
Net carrying amount	29,655,491

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For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.1 Credit risk (continued)

Investment classified as receivables

	Note	As at December 31 2017
Neither past due nor impaired		69,744,737
Past due but not impaired		–
Impaired	(i)	159,408
Subtotal		69,904,145
Allowances for impairment losses		(999,619)
Net carrying amount		68,904,526

(i) Impaired investment classified as receivables

	As at December 31 2017
Assessed and impaired	159,408
Assessed impaired %	0.23%
Fair value of collateral	111,585

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.1 Credit risk (continued)

Debt instruments

Debt instruments are referenced to ratings from major rating agencies where the issuers of the securities are located.

Debt instruments are analyzed by credit rating as follows:

	As at December 31, 2018			
	Investment securities at FVTPL	Investment securities at FVTOCI	Investment securities at amortized cost	Total
AAA	–	2,859,856	6,284,951	9,144,807
AA+- AA–	–	1,465,428	1,931,467	3,396,895
A+- A–	–	89,777	–	89,777
D	–	–	168,325	168,325
Unrated (Note)	181,114	10,545,784	17,831,643	28,558,541
Total	181,114	14,960,845	26,216,386	41,358,345

	As at December 31, 2017			
	Financial assets held for trading	Available-for-sale financial assets	Held-to-maturity investments	Total
AAA	–	4,231,300	3,020,041	7,251,341
AA+- AA–	–	4,833,735	1,710,537	6,544,272
A+- A–	–	74,904	–	74,904
Unrated (Note)	910,763	7,555,930	8,394,929	16,861,622
Total	910,763	16,695,869	13,125,507	30,732,139

Note: The unrated debt securities mainly consist of investment and trading securities issued by the Ministry of Finance, PBOC, policy banks and other financial institutions which are creditworthy issuers in the market, but are not rated by independent rating agencies.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.2 Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flow or maturity mis-matches of assets and liabilities.

Risk Management Department manages the Group's liquidity risk via:

- Setting target ratio on assets and liabilities structure in accordance with the regulatory requirements and business plan;
- Maintaining stability of deposit base; and
- Making advanced projection on future cash flows and evaluating the appropriate current assets position.

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For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.2 Liquidity risk (continued)

Analysis of the remaining maturity of assets and liabilities

The tables below summarize the maturity analysis of assets and liabilities by remaining contractual maturities at the end of each reporting period.

	As at December 31, 2018							
	Past due/ indefinite	On demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
Cash and balances with central bank	23,537,345	4,899,590	-	-	-	-	-	28,436,935
Deposits with banks and other financial institutions	-	1,116,830	-	314,194	203,254	-	-	1,634,278
Placements with banks and other financial institutions	-	-	2,283,952	101,522	404,941	27,841	-	2,818,256
Investment securities measured at FVTPL	630,796	8,486,055	686,029	979,280	2,640,744	20,413,826	3,158,208	36,994,938
Financial assets held under resale agreements	-	-	11,163,386	-	2,790,714	-	-	13,954,100
Loans and advances to customers	1,597,442	-	6,988,505	11,465,384	56,581,536	44,957,004	15,578,330	137,148,201
Investment securities measured at FVTOCI	316,568	-	224,967	269,552	1,964,136	3,659,510	8,526,112	14,960,845
Investment securities measured at amortized cost	361,784	-	885,202	2,908,542	17,123,357	31,133,931	15,687,207	68,100,023
Other assets	7,288,428	286,507	-	-	-	-	-	7,574,935
Total assets	33,732,363	14,788,982	22,212,041	16,038,474	81,708,682	100,192,112	42,949,857	311,622,511

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For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.2 Liquidity risk (continued)

Analysis of the remaining maturity of assets and liabilities (continued)

	As at December 31, 2018							
	Past due/ indefinite	On demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
Borrowings from central bank	-	-	-	50,027	3,117,692	-	-	3,167,719
Deposits from banks and other financial institutions	-	1,589,795	2,525,747	1,491,692	6,860,501	304,525	-	12,772,260
Placements from banks	-	-	876,225	348,716	209,495	340,493	-	1,774,929
Financial assets sold under repurchase agreements	-	-	7,105,077	283,533	813,432	-	-	8,202,042
Customer deposits	-	111,382,619	9,063,620	21,229,211	46,214,876	30,043,932	-	217,934,258
Debt securities issued	-	-	301,443	10,118,108	21,280,713	4,088,167	5,111,613	40,900,044
Other liabilities	2,197,610	1,074,394	-	-	-	-	-	3,272,004
Total financial liabilities	2,197,610	114,046,808	19,872,112	33,521,287	78,496,709	34,777,117	5,111,613	288,023,256
Net position	31,534,753	(99,257,826)	2,339,929	(17,482,813)	3,211,973	65,414,995	37,838,244	23,599,255

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.2 Liquidity risk (continued)

Analysis of the remaining maturity of assets and liabilities (continued)

	As at December 31, 2017						
	Past due/ indefinite	On demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	over 5 years
Cash and balances with central bank	23,589,230	5,161,262	-	-	-	-	-
Deposits with banks and other financial institutions	-	722,765	135,000	810,000	-	-	-
Placements with banks and other financial institutions	-	-	-	84,945	1,393,542	2,500	-
Financial assets held for trading	-	-	-	-	-	394,458	516,305
Financial assets held under resale agreements	-	-	21,351,184	1,553,717	3,601,838	-	-
Loans and advances to customers	1,188,906	-	3,877,768	5,791,782	33,984,325	38,048,049	16,637,303
Available-for-sale financial assets	15,100	2,665,990	100,034	400,095	1,092,229	5,958,900	10,322,228
Held-to-maturity investments	-	-	112,339	590,465	1,098,413	6,015,013	5,309,277
Investments classified as receivables	47,718	-	1,650,821	2,037,810	15,206,926	42,087,959	7,873,292
Other assets	8,247,972	1,576,603	-	-	-	-	-
Total assets	33,088,926	10,126,620	27,227,146	11,268,814	56,377,273	92,506,879	40,658,405
							271,254,063

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For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.2 Liquidity risk (continued)

Analysis of the remaining maturity of assets and liabilities (continued)

	As at December 31, 2017					
	Past due/ indefinite	On demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years
Borrowings from central bank	-	-	-	60,000	751,940	-
Deposits from banks and other financial institutions	-	1,254,205	1,230,000	1,838,499	3,917,000	-
Placements from banks	-	-	-	117,616	999,315	-
Financial assets sold under repurchase agreements	-	-	17,197,930	91,313	116,754	-
Customer deposits	-	93,458,582	6,247,236	18,775,420	49,375,273	11,780,059
Debt securities issued	-	-	3,435,587	11,357,026	23,025,470	429,756
Other liabilities	1,333,645	4,781,277	-	-	-	-
Total liabilities	1,333,645	99,494,064	28,110,753	32,239,874	78,185,752	2,000,000
Net position	31,755,281	(89,367,444)	(883,607)	(20,971,060)	(21,808,479)	38,658,405
						17,651,160

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.2 Liquidity risk (continued)

Analysis of the undiscounted contractual cash flows

The tables below present the cash flows of non-derivatives financial assets and financial liabilities by remaining contractual maturities at the end of reporting period. The amounts disclosed in the tables are the undiscounted contractual cash flows.

	As at December 31, 2018							
	Past due/ indefinite	On demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
Cash and balances with central bank	24,089,100	5,274,823	-	-	-	-	-	29,363,923
Deposits with banks and other financial institutions	-	1,117,316	-	319,363	205,002	-	-	1,641,681
Placements with banks and other financial institutions	-	-	2,285,806	106,402	417,074	29,379	-	2,838,661
Investment securities measured at FVTPL	636,649	8,486,055	695,847	1,171,729	3,962,195	23,941,832	4,124,543	43,018,850
Financial assets held under resale agreements	-	-	11,173,394	-	2,823,929	-	-	13,997,323
Loans and advances to customers	3,125,297	-	7,840,687	12,853,190	61,300,302	51,405,281	21,257,531	157,782,288
Investment securities measured at FVTOCI	316,644	-	278,598	311,680	2,221,872	5,353,194	10,011,373	18,493,361
Investment securities measured at amortized cost	657,022	-	903,399	3,467,620	19,448,220	37,560,436	17,554,332	79,591,029
Other assets	-	286,507	-	-	-	-	-	286,507
Total financial assets	28,824,712	15,164,701	23,177,731	18,229,984	90,378,594	118,290,122	52,947,779	347,013,623

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For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.2 Liquidity risk (continued)

Analysis of the undiscounted contractual cash flows (continued)

	As at December 31, 2018					
	Past due/ indefinite	On demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years
						over 5 years
						Total
Borrowings from central bank	-	-	-	70,331	3,168,069	-
Deposits from banks and other financial institutions	-	1,573,276	2,560,884	1,530,990	7,018,937	-
Placements from banks	-	-	878,736	348,927	265,542	-
Financial assets sold under repurchase agreements	-	-	7,108,919	285,454	821,225	-
Customer deposits	-	111,627,089	9,209,391	21,654,840	47,279,848	-
Debt securities issued	-	-	308,784	10,202,518	21,686,053	5,164,792
Other liabilities	-	1,074,394	-	-	-	-
Total financial liabilities	-	114,274,759	20,066,714	34,093,060	80,239,674	5,164,792
Net position	28,824,712	(99,110,058)	3,111,017	(15,863,076)	10,138,920	47,782,987
						56,540,520

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.2 Liquidity risk (continued)

Analysis of the undiscounted contractual cash flows (continued)

	As at December 31, 2017							
	Past due/ indefinite	On demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
Cash and balances with central bank	23,600,853	5,161,927	-	-	-	-	-	28,762,780
Deposits with banks and other financial institutions	-	722,857	135,530	819,589	-	-	-	1,677,976
Placements with banks and other financial institutions	-	-	-	86,493	1,423,946	2,674	-	1,513,113
Financial assets held for trading	-	-	-	7,201	29,267	557,644	571,809	1,165,921
Financial assets held under resale agreements	-	-	21,372,546	1,580,628	3,711,182	-	-	26,664,356
Loans and advances to customers	1,301,893	-	4,263,807	6,531,997	36,790,337	44,189,291	22,587,488	115,664,813
Available-for-sale financial assets	15,100	2,665,990	201,333	676,643	1,470,013	8,530,031	13,386,110	26,945,220
Held-to-maturity investments	-	-	158,197	747,823	1,441,656	7,605,376	6,007,126	15,960,178
Investments classified as receivables	54,547	-	1,946,246	2,553,804	18,193,142	47,703,520	8,986,156	79,437,415
Other financial assets	711,747	132,251	-	-	-	-	-	843,998
Total financial assets	25,684,140	8,683,025	28,077,659	13,004,178	63,059,543	108,588,536	51,538,689	298,635,770

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For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.2 Liquidity risk (continued)

Analysis of the undiscounted contractual cash flows (continued)

	As at December 31, 2017							
	Past due/ indefinite	On demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
Borrowings from central bank	-	-	-	64,679	762,466	-	-	827,145
Deposits from banks and other financial institutions	-	1,277,842	1,245,696	1,887,644	4,091,123	30,558	-	8,532,863
Placements from banks	-	-	-	118,403	1,026,384	-	-	1,144,787
Financial assets sold under repurchase agreements	-	-	17,212,364	92,000	118,060	-	-	17,422,424
Customer deposits	-	93,498,078	6,354,153	19,149,024	50,672,117	13,048,559	-	182,721,931
Debt securities issued	-	-	3,451,179	11,452,359	23,856,954	1,185,919	2,359,986	42,306,397
Other financial liabilities	-	2,919,828	-	-	-	-	-	2,919,828
Total financial liabilities	-	97,695,748	28,263,392	32,764,109	80,527,104	14,265,036	2,359,986	255,875,375
Net position	25,684,140	(89,012,723)	(185,733)	(19,759,931)	(17,467,561)	94,323,500	49,178,703	42,760,395

Assets available to meet all of the liabilities include cash, balances with central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, and investment securities. In the normal course of business, the majority of customer deposits repayable on demand are expected to be revolved.

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For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.2 Liquidity risk (continued)

Analysis of off-balance sheet items

Off-balance sheet items of the Group mainly include credit commitments. The tables below set forth the amounts of the off-balance sheet credit commitments by remaining maturity.

	As at December 31, 2018			
	Less than 1 year	1 to 5 years	Over 5 years	Total
Credit card commitments	2,016,899	–	–	2,016,899
Letters of credit	3,205,178	–	–	3,205,178
Letters of guarantee	1,820,413	1,855,835	300,000	3,976,248
Bank acceptances	30,837,858	–	–	30,837,858
Total	37,880,348	1,855,835	300,000	40,036,183

	As at December 31, 2017			
	Less than 1 year	1 to 5 years	Over 5 years	Total
Credit card commitments	463,413	–	–	463,413
Letters of credit	3,268,750	–	–	3,268,750
Letters of guarantee	1,243,370	1,774,689	–	3,018,059
Bank acceptances	27,513,059	399,194	–	27,912,253
Total	32,488,592	2,173,883	–	34,662,475

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For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.3 Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including foreign exchange rates, interest rates and stock prices.

The Group considers the market risk arising from equity price movements in respect of its trading and investment portfolios as immaterial.

The Group's foreign currency risk is the risk of loss in respect of its foreign currency exposures, arising from transactions taken on foreign currency denominated assets and liabilities, which results from movements in foreign currency exchange rates.

The Group is primarily exposed to interest rate risk arising from corporate and personal banking business and treasury business. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the re-pricing dates of interest-generating assets and those of interest-bearing liabilities.

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For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.3 Market risk (continued)

Foreign currency risk

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD and, to a lesser extent other currencies. Transactions in foreign currencies mainly arise from the Group's treasury exposures.

	As at December 31, 2018				
	RMB	USD	HKD	Others	Total
	(RMB equivalent)	(RMB equivalent)	(RMB equivalent)	(RMB equivalent)	
Cash and balances with central bank	28,379,397	57,459	79	-	28,436,935
Deposits with banks and other financial institutions	1,144,620	422,254	59,468	7,936	1,634,278
Placements with banks and other financial institutions	2,730,765	13,726	-	73,765	2,818,256
Investment securities measured at FVTPL	36,994,938	-	-	-	36,994,938
Financial assets held under resale agreements	13,954,100	-	-	-	13,954,100
Loans and advances to customers	135,787,999	837,388	-	522,814	137,148,201
Investment securities measured at FVTOCI	13,403,654	902,958	654,233	-	14,960,845
Investment securities measured at amortized cost	68,100,023	-	-	-	68,100,023
Other financial assets	286,507	-	-	-	286,507
Total financial assets	300,782,003	2,233,785	713,780	604,515	304,334,083
Borrowings from central bank	3,167,719	-	-	-	3,167,719
Deposits from banks and other financial institutions	12,772,260	-	-	-	12,772,260
Placements from banks	649,364	1,125,565	-	-	1,774,929
Financial assets sold under repurchase agreements	8,202,042	-	-	-	8,202,042
Customer deposits	216,816,740	518,281	1,580	597,657	217,934,258
Debt securities issued	40,900,044	-	-	-	40,900,044
Other financial liabilities	1,072,803	1,591	-	-	1,074,394
Total financial liabilities	283,580,972	1,645,437	1,580	597,657	285,825,646
Net exposure	17,201,031	588,348	712,200	6,858	18,508,437

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For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.3 Market risk (continued)

Foreign currency risk (continued)

	As at December 31, 2017				Total
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
Cash and balances with central bank	28,640,843	109,624	25	–	28,750,492
Deposits with banks and other financial institutions	1,415,020	248,489	3,533	723	1,667,765
Placements with banks and other financial institutions	82,500	1,058,541	–	339,946	1,480,987
Financial assets held for trading	910,763	–	–	–	910,763
Financial assets held under resale agreements	26,506,739	–	–	–	26,506,739
Loans and advances to customers	98,599,533	905,679	–	22,921	99,528,133
Available-for-sale financial assets	20,554,576	–	–	–	20,554,576
Held-to-maturity investments	13,125,507	–	–	–	13,125,507
Investments classified as receivables	68,904,526	–	–	–	68,904,526
Other financial assets	2,288,350	–	–	–	2,288,350
Total financial assets	261,028,357	2,322,333	3,558	363,590	263,717,838
Borrowings from central bank	811,940	–	–	–	811,940
Deposits from banks and other financial institutions	8,268,704	–	–	–	8,268,704
Placements from banks	540,000	569,129	–	7,802	1,116,931
Financial assets sold under repurchase agreements	17,405,997	–	–	–	17,405,997
Customer deposits	177,340,811	1,937,313	2,699	355,747	179,636,570
Debt securities issued	40,247,839	–	–	–	40,247,839
Other financial liabilities	4,790,060	25,437	–	–	4,815,497
Total financial liabilities	249,405,351	2,531,879	2,699	363,549	252,303,478
Net exposure	11,623,006	(209,546)	859	41	11,414,360

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For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.3 Market risk (continued)

Foreign currency risk (continued)

The table below indicates the potential effect of a 10% appreciation or depreciation of RMB spot and forward exchange rates against all other currencies on net profit.

	As at December 31	
	2018 (Decrease)/ increase in Net Profit	2017 (Decrease)/ increase in Net Profit
10% appreciation	(98,055)	15,648
10% depreciation	98,055	(15,648)

The impact on net profit arises from the effects of movement in RMB exchange rate on the net positions of foreign currency monetary assets and monetary liabilities. Changes in foreign currency exchange rate will affect other comprehensive income.

The effect on net profit is calculated based on the assumption that the Group's net foreign currency exposure at the end of each reporting period remains unchanged. The Group mitigates its foreign currency risk through active management of its foreign currency exposures, based on the management expectation of future foreign currency movements, and therefore the above sensitivity analysis may differ from the actual situation.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.3 Market risk (continued)

Interest rate risk

The interest rate risk of the Group arises from the mis-matches between contractual maturities or re-pricing of interest-generating assets and interest-bearing liabilities. The interest-generating assets and interest-bearing liabilities of the Group are mainly denominated in RMB. The PBOC establishes RMB benchmark interest rates which serve as references for commercial banks.

The Group manages its interest rate risk by:

- Regularly monitoring the macro-economic factors that may impact the PBOC benchmark interest rates;
- Minimizing the mis-matches between contractual maturities or re-pricing of interest-generating assets and interest-bearing liabilities; and
- Enhancing the interest rate margin between the interest-generating assets and interest-bearing liabilities with reference to the prevailing PBOC benchmark interest rates.

The tables below summarize the contractual maturity or re-pricing date, whichever is earlier, of the Group's financial assets and financial liabilities.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.3 Market risk (continued)

Interest rate risk (continued)

	As at December 31, 2018						Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	
Cash and balances with central bank	27,866,494	-	-	-	-	570,441	28,436,935
Deposits with banks and other financial institutions	990,764	300,000	200,000	-	-	143,514	1,634,278
Placements with banks and other financial institutions	2,287,078	100,000	403,362	27,816	-	-	2,818,256
Investment securities measured at FVTPL	785,885	979,280	2,640,744	20,413,826	3,158,208	9,016,995	36,994,938
Financial assets held under resale agreements	11,163,386	-	2,790,714	-	-	-	13,954,100
Loans and advances to customers	33,973,243	30,919,316	55,478,722	14,582,454	2,194,466	-	137,148,201
Investment securities measured at FVTOCI	1,027,566	436,763	1,309,085	3,661,319	8,526,112	-	14,960,845
Investment securities measured at amortized cost	1,246,986	2,908,542	17,123,357	31,133,931	15,687,207	-	68,100,023
Other financial assets	-	-	-	-	-	286,507	286,507
Total financial assets	79,341,402	35,643,901	79,945,984	69,819,346	29,565,993	10,017,457	304,334,083
Borrowings from central bank	1,719	50,000	3,116,000	-	-	-	3,167,719
Deposits from banks and other financial institutions	4,207,214	1,475,896	6,787,850	301,300	-	-	12,772,260
Placements from banks	880,990	348,043	205,896	340,000	-	-	1,774,929
Financial assets sold under repurchase agreements	7,105,077	283,533	813,432	-	-	-	8,202,042
Customer deposits	120,289,413	21,299,319	46,299,785	30,045,741	-	-	217,934,258
Debt securities issued	-	9,705,926	21,240,695	4,841,810	5,111,613	-	40,900,044
Other financial liabilities	-	-	-	-	-	1,074,394	1,074,394
Total financial liabilities	132,484,413	33,162,717	78,463,658	35,528,851	5,111,613	1,074,394	285,825,646
Total interest sensitivity gap	(53,143,011)	2,481,184	1,482,326	34,290,495	24,454,380	8,943,063	18,508,437

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.3 Market risk (continued)

Interest rate risk (continued)

	As at December 31, 2017						Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	
Cash and balances with central bank	28,159,445	-	-	-	-	591,047	28,750,492
Deposits with banks and other financial institutions	638,784	810,000	-	-	-	218,981	1,667,765
Placements with banks and other financial institutions	-	84,945	1,393,542	2,500	-	-	1,480,987
Financial assets held for trading	-	-	-	394,458	516,305	-	910,763
Financial assets held under resale agreements	21,351,184	1,553,717	3,601,838	-	-	-	26,506,739
Loans and advances to customers	65,901,734	3,548,011	12,717,695	14,350,692	3,010,001	-	99,528,133
Available-for-sale financial assets	100,034	400,095	779,160	5,344,352	10,072,228	3,858,707	20,554,576
Held-to-maturity investments	112,339	590,465	1,098,413	6,015,013	5,309,277	-	13,125,507
Investments classified as receivables	1,672,381	1,930,131	15,346,550	43,119,839	6,835,625	-	68,904,526
Other financial assets	-	-	-	-	-	2,288,350	2,288,350
Total financial assets	117,935,901	8,917,364	34,937,198	69,226,854	25,743,436	6,957,085	263,717,838
Borrowings from central bank	-	60,000	751,940	-	-	-	811,940
Deposits from banks and other financial institutions	2,484,205	1,838,499	3,917,000	29,000	-	-	8,268,704
Placements from banks	-	117,616	999,315	-	-	-	1,116,931
Financial assets sold under repurchase agreements	17,197,930	91,313	116,754	-	-	-	17,405,997
Customer deposits	99,557,949	18,775,131	49,520,888	11,782,602	-	-	179,636,570
Debt securities issued	3,379,236	11,244,762	22,658,841	965,000	2,000,000	-	40,247,839
Other financial liabilities	-	-	-	-	-	4,815,497	4,815,497
Total financial liabilities	122,619,320	32,127,321	77,964,738	12,776,602	2,000,000	4,815,497	252,303,478
Total interest sensitivity gap	(4,683,419)	(23,209,957)	(43,027,540)	56,450,252	23,743,436	2,141,588	11,414,360

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.3 Market risk (continued)

Interest rate risk (continued)

The following table illustrates the potential impact of a parallel upward or downward shift of 100 basis points in RMB's yield curve on the net interest income and other comprehensive income, based on the Group's position of interest-generating assets and interest-bearing liabilities excluding current deposits at the end of each reporting period.

	2018		2017	
	Net interest income	Other comprehensive income	Net interest income	Other comprehensive income
+100 basis points	346,449	(664,661)	314,254	(968,409)
-100 basis points	(346,449)	725,636	(314,254)	1,058,952

The sensitivity analysis on net interest income is carried out based on reasonably possible changes in interest rates in the coming year with the assumption that the structure of financial assets and financial liabilities (except current deposits) held at the end of the reporting period remain unchanged.

The sensitivity analysis on other comprehensive income is the effect on changes of fixed rate investment securities measured at FVTOCI or available-for-sale financial assets at the end of each reporting period after adjusting for reasonably possible changes in interest rates.

47.4 Capital management

The Group's objectives on capital management are to:

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

47. Financial Risk Management (continued)

47.4 Capital management (continued)

The Group calculates its capital adequacy ratios in accordance with Regulation Governing the Capital of Commercial Banks (Provisional) (「商業銀行資本管理辦法(試行)」) (“the Capital Regulation”) promulgated by the CBIRC and other relevant regulations promulgated by the CBIRC.

For non-systematically important banks, CBIRC requires corresponding minimum core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of 7.5%, 8.50% and 10.50%, respectively. The CBIRC requires commercial banks to meet these requirements by the end of 2018 in accordance with the Capital Regulation.

The Group’s capital management focuses on the capital adequacy ratio management, which reflects the Group’s capability of operations and risk resistance. By the end of year 2018, the Group has complied with the capital requirement set by the regulators.

47.5 Operational risk

Operational risk refers to the risk arising from inadequate or failed internal control procedures, personnel and information technology systems, or external events. The primary operational risks the Group faces include internal and external frauds, worksite safety failures, business interruptions and failure in the information technology system.

The Board of Directors is ultimately responsible for the Group’s operational risk management. The Group’s senior management leads the group-wide operational risk management on a day-to-day basis. The Group has established “three lines of defenses” to manage operational risk on an end-to-end basis. The business lines and functions are the first line of defense against operational risks, taking direct responsibilities for operational risk management. The legal and compliance department is the second line of defense against operational risks, responsible for the establishment of operational risk management policies and procedures and the coordination, support and supervision of operational risk management. The internal audit department is the third line of defense against operational risk, responsible for evaluating the adequacy and effectiveness of operational risk management policies and procedures and assessing the Group’s internal control system and compliance.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

48. Fair Value of Financial Instruments

Certain financial assets and financial liabilities of the Group are measured at fair value at the end of each reporting period. Fair value measurements are categorized into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements is observable and the significance of the inputs to the fair value measurement in its entirety. The following tables give the information about how the fair values of these financial assets and financial liabilities are categorized and determined, in particular, the valuation technique(s) and input(s) used.

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

	As at December 31, 2018			
	Level 1	Level 2	Level 3	Total
Investment securities measured at FVTPL				
– Debt instruments investment	–	181,114	–	181,114
– Fund investments	–	8,486,055	–	8,486,055
– Equity investments	–	–	530,940	530,940
– Trust beneficiary rights and asset management plans	–	–	24,118,297	24,118,297
– Wealth management products	–	715,267	–	715,267
– Other investments measured at FVTPL	–	–	2,963,265	2,963,265
Investment securities measured at FVTOCI				
– Debt instruments investment	–	14,960,845	–	14,960,845
Loans and advances to customers measured at FVTOCI	–	12,459,371	–	12,459,371
Total	–	36,802,652	27,612,502	64,415,154

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For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

48. Fair Value of Financial Instruments (continued)

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

	As at December 31, 2017			Total
	Level 1	Level 2	Level 3	
Financial assets held for trading				
– Debt instruments investment	–	910,763	–	910,763
Available-for-sale financial assets				
– Debt instruments investment	–	16,695,869	–	16,695,869
– Fund investments	–	3,843,607	–	3,843,607
Total	–	21,450,239	–	21,450,239

There were no significant transfers between Level 1 and Level 2 during the years ended December 31, 2018 and 2017.

Financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instruments are stated at fair value by reference to the quoted market prices when available.

If quoted market prices are not available, fair values are estimated on the basis of discounted cash flows or other pricing models. For debt securities, the fair values of bonds are determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data. For wealth management products, the fair value is measured by discounted cash flow model with main inputs as interest rates, credit spread which are substantively based on observable market data and/or obtainable from active open market.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

48. Fair Value of Financial Instruments (continued)

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

For the investment funds, the fair value is measured based on the observable quoted price of the underlying investment portfolio in active market.

The fair value of loans and advances to customers at FVTOCI in Mainland China are categorized as Level 2. Based on the different credit risk, the Group uses the transaction interest rate of rediscounted bills announced by the Shanghai Commercial Paper Exchange as the basis for calculating the fair value of discounted bills.

For Level 3 financial assets, the Group adopts the discounted cash flow method or other valuation methods to determine the fair value. The fair value of debt securities type of financial assets are measured by the expected discounted cash flows with unobservable input of discount rate reflecting the credit risk of debtors, and the fair value of equity securities type of financial assets are measured by market comparison approach with unobservable input of discount for lack of marketability.

Reconciliation of Level 3 fair value measurements of financial assets is as follows:

	Investment securities measured at FVTPL
At December 31, 2017	–
Adjustments upon application of IFRS 9	22,893,518
At January 1, 2018	22,893,518
Profit or loss	
– In profit or loss	1,735,852
Purchases	15,394,845
Disposals and settlement on maturity	(12,411,713)
At December 31, 2018	27,612,502
Total unrealized gains and losses included in the consolidated statement of profit or loss for assets held at the end of the reporting period	(8,252)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

48. Fair Value of Financial Instruments (continued)

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (continued)

	As at December 31, 2018		As at December 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and advances to customers measured at amortized cost	124,668,830	124,769,878	99,528,133	99,640,300
Investment securities measured at amortized cost	68,100,023	69,983,657	–	–
Held-to-maturity investments	–	–	13,125,507	12,739,490
Investments classified as receivables	–	–	68,904,526	68,988,740
Total	192,768,853	194,753,535	181,558,166	181,368,530
Financial liabilities				
Customer deposits	217,934,258	218,360,849	179,636,570	181,716,931
Debt securities issued	40,900,044	40,831,268	40,247,839	39,452,828
Total	258,834,302	259,192,117	219,884,409	221,169,759

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

48. Fair Value of Financial Instruments (continued)

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (continued)

The following table gives the information about how the fair values of these financial assets and financial liabilities are determined, in particular, the valuation technique(s) and input(s) used.

Financial assets/ financial liabilities	Fair value as at December 31,		Fair value hierarchy	Valuation technique(s) and key input(s)
	2018	2017		
Loans and advances to customers	124,769,878	99,640,300	Level 3	Discounted cash flows. Future cash flows are estimated based on expected contractual amount and discounted using the yield curve with reference to the PBOC benchmark interest rates and credit spread for specific borrowers.
Held-to-maturity investments	–	12,739,490	Level 2	See note 1.
Investment securities measured at amortized cost – Debt	26,659,853	–	Level 2	See note 1.
Investments classified as receivables	–	68,988,740	Level 3	Discounted cash flows. Future cash flows are estimated based on expected contractual amounts, discounted at rates that reflect the credit risk of various counterparties.
Investment securities measured at amortized cost – Other investments	43,323,804	–	Level 3	Discounted cash flows. Future cash flows are estimated based on expected contractual amounts, discounted at rates that reflect the credit risk of various counterparties.

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For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

48. Fair Value of Financial Instruments (continued)

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (continued)

Financial assets/ financial liabilities	Fair value as at December 31,		Fair value hierarchy	Valuation technique(s) and key input(s)
	2018	2017		
Customer deposits	218,360,849	181,716,931	Level 2	Discounted cash flows. Future cash flows are estimated based on contractual amounts and discounted at rate with reference to the PBOC benchmark interest rates for deposits of similar remaining maturities.
Debt securities issued	40,024,268	37,957,828	Level 2	See note 2.
Debt securities issued	807,000	1,495,000	Level 3	See note 2.

Note 1: Debt instruments traded on China Interbank Market are classified into Level 2. Their fair values are provided by China Central Depository & Clearing Co., Ltd. and determined by using discounted cash flow method.

Note 2: Except for the debt securities issued with carrying amounts of RMB807 million and RMB1,495 million as at December 31, 2018 and 2017 respectively, of which the fair values are determined by discounted cash flows with discount rate reflecting the credit risk of the Group and they are classified into Level 3, other debt instruments traded on China Interbank Market are classified into Level 2. Their fair values are provided by China Central Depository & Clearing Co., Ltd. and determined by using discounted cash flow method.

Other financial assets and financial liabilities including balances with central bank, deposits and placements with banks and other financial institutions, financial assets held under resale agreements, borrowing from central bank, deposits and placements from banks and financial assets sold under repurchase agreements mostly have terms within one year. Their carrying values approximate their fair values.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

49. Particulars of Principal Subsidiaries

Details of the Bank's principal subsidiaries as at December 31, 2018 and 2017 are set out below:

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorized/ paid-in capital as at December 31, 2018	Proportion of ownership held by the Group		Proportion of voting rights held by the Group		Principal activities
				As at December 31, 2018 %	As at December 31, 2017 %	As at December 31, 2018 %	As at December 31, 2017 %	
Xiushui Jiuyin County Bank LLC.	Jiangxi, PRC	February 2007	40,000	51.00	51.00	51.00	51.00	Commercial bank
Beijing Daxing Jiuyin County Bank Co., Ltd. (i)	Beijing, PRC	May 2010	120,000	45.00	45.00	53.00	53.00	Commercial bank
Jinggangshan Jiuyin County Bank LLC. (i)	Jiangxi, PRC	March 2010	60,000	41.00	41.00	55.00	55.00	Commercial bank
Rizhao Jiuyin County Bank Co., Ltd.	Shandong, PRC	November 2011	50,000	51.00	51.00	51.00	51.00	Commercial bank
Nanjing Liuhe Jiuyin County Bank Co., Ltd.	Jiangsu, PRC	December 2011	100,000	51.00	51.00	56.00	56.00	Commercial bank
Nanchang Changdong Jiuyin County Bank Co., Ltd.	Jiangxi, PRC	October 2012	50,000	51.00	51.00	51.00	51.00	Commercial bank
Pengze Jiuyin County Bank Co., Ltd. (i)	Jiangxi, PRC	December 2015	50,000	35.00	35.00	53.90	53.90	Commercial bank
Ruichang Jiuyin County Bank Co., Ltd. (i)	Jiangxi, PRC	December 2015	50,000	35.00	35.00	54.00	54.00	Commercial bank
Zixi Jiuyin County Bank Co., Ltd. (i)	Jiangxi, PRC	April 2016	20,000	35.00	35.00	54.20	54.20	Commercial bank

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For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

49. Particulars of Principal Subsidiaries (continued)

Details of the Bank's principal subsidiaries as at December 31, 2018 and 2017 are set out below: (continued)

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorized/ paid-in capital as at December 31, 2018	Proportion of ownership held by the Group		Proportion of voting rights held by the Group		Principal activities
				As at December 31, 2018 %	As at December 31, 2017 %	As at December 31, 2018 %	As at December 31, 2017 %	
Chongren Jiuyin County Bank Co., Ltd. (i)	Jiangxi, PRC	June 2016	40,000	35.00	35.00	54.80	54.80	Commercial bank
Fenyi Jiuyin County Bank Co., Ltd. (i)	Jiangxi, PRC	June 2016	50,000	35.00	35.00	54.80	54.80	Commercial bank
Fengxin Jiuyin County Bank Co., Ltd. (i)	Jiangxi, PRC	October 2016	50,000	42.21	42.21	55.00	55.00	Commercial bank
Jing'an Jiuyin County Bank Co., Ltd. (i)	Jiangxi, PRC	November 2016	20,000	42.21	42.21	55.00	55.00	Commercial bank
Tonggu Jiuyin County Bank Co., Ltd. (i)	Jiangxi, PRC	November 2016	20,000	42.21	42.21	55.00	55.00	Commercial bank
Jingdezhen Changjiang Jiuyin County Bank Co., Ltd. (i)	Jiangxi, PRC	December 2016	40,000	42.21	42.21	55.00	55.00	Commercial bank
Lushan Jiuyin Art County Bank Co., Ltd. (i)	Jiangxi, PRC	January 2017	30,000	42.21	42.21	55.00	55.00	Commercial bank
Duchang Jiuyin County Bank Co., Ltd. (i)	Jiangxi, PRC	February 2018	50,000	50.00	N/A	52.00	N/A	Commercial bank
Hukou Jiuyin County Bank Co., Ltd. (i)	Jiangxi, PRC	February 2018	50,000	50.00	N/A	52.70	N/A	Commercial bank

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For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

49. Particulars of Principal Subsidiaries (continued)

None of the subsidiaries had issued any debt securities at the end of the year.

The statutory audited financial statements of these subsidiaries for the years ended December 31, 2018 and 2017, if applicable, were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises.

- (i) The Bank holds less than 50% equity interests in these subsidiaries. In accordance with the agreements to act in concert entered into by the Bank and the non-controlling shareholders, or through appointing or approving the appointment of the key management of these subsidiaries, the Bank has right to variable returns from its involvement in the relevant operations of these subsidiaries and the ability to affect the returns through the power over these subsidiaries. In the opinion of the directors of the Bank, the Bank has controls over these subsidiaries.
- (ii) As at December 31, 2018, the Group consists of 18 subsidiaries, and the non-controlling interests have no material interest in the group's activities and cash flows.

50. Non-Cash Transactions

The Group entered into the following non-cash operating activities which are not reflected in the consolidated statement of cash flows:

For the year ended December 31, 2018, loans and advances to customers with carrying amount of RMB216 million (Year ended December 31, 2017: RMB1,394 million) have been settled by repossessed assets.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

51. Statement of Financial Position of the Bank and the Movement of the Banks' Reserves

	As at December 31	
	2018	2017
ASSETS		
Cash and balances with central bank	25,241,476	24,902,719
Deposits with banks and other financial institutions	1,583,587	662,504
Placements with banks and other financial institutions	2,818,256	1,480,987
Financial assets held for trading	–	910,763
Financial assets held under resale agreements	13,776,122	26,506,739
Loans and advances to customers	131,865,668	94,770,280
Available-for-sale financial assets	–	20,554,576
Held-to-maturity investments	–	13,125,507
Investments classified as receivables	–	68,756,776
Investment securities	119,027,992	–
Interests in associates	117,742	111,330
Investments in subsidiaries	399,734	349,735
Property and equipment	2,359,392	2,263,046
Deferred tax assets	1,632,661	1,257,113
Other assets	3,242,112	6,011,641
Total assets	302,064,742	261,663,716
LIABILITIES		
Borrowings from central bank	2,501,719	300,000
Deposits from banks and other financial institutions	14,485,095	9,813,112
Placements from banks	1,774,929	1,116,931
Financial assets sold under repurchase agreements	8,202,042	17,405,997
Customer deposits	208,051,626	169,710,638
Income tax payable	656,405	341,454
Debt securities issued	40,900,044	40,247,839
Provisions	333,174	–
Other liabilities	2,164,371	5,636,826
Total liabilities	279,069,405	244,572,797
EQUITY		
Share capital	2,407,367	2,000,000
Reserves	20,587,970	15,090,919
Total equity	22,995,337	17,090,919
Total equity and liabilities	302,064,742	261,663,716

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 (continued)

(Amounts in thousands of Renminbi, unless otherwise stated)

51. Statement of Financial Position of the Bank and the Movement of the Banks' Reserves (continued)

	Share premium	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Total
As at January 1, 2017	2,178,943	(346,431)	2,421,043	2,798,210	4,336,742	11,388,507
Profit for the year	-	-	-	-	1,772,482	1,772,482
Other comprehensive income for the year	-	(671,150)	-	-	-	(671,150)
Total comprehensive income for the year	-	(671,150)	-	-	1,772,482	1,101,332
Share issue of the Bank	2,841,080	-	-	-	-	2,841,080
Appropriation to surplus reserve	-	-	337,003	-	(337,003)	-
Appropriation to general reserve	-	-	-	470,842	(470,842)	-
Dividend distribution	-	-	-	-	(240,000)	(240,000)
As at December 31, 2017	5,020,023	(1,017,581)	2,758,046	3,269,052	5,061,379	15,090,919
Effect of change in accounting principles for financial instruments	-	11,832	-	-	(160,042)	(148,210)
As at January 1, 2018	5,020,023	(1,005,749)	2,758,046	3,269,052	4,901,337	14,942,709
Profit for the year	-	-	-	-	1,710,065	1,710,065
Other comprehensive income for the year	-	989,458	-	-	-	989,458
Total comprehensive income – for the year	-	989,458	-	-	1,710,065	2,699,523
Shares issue of the Bank proceeds	3,250,576	-	-	-	-	3,250,576
Shares issue of the Bank transaction costs	(104,838)	-	-	-	-	(104,838)
Appropriation to surplus reserve	-	-	348,255	-	(348,255)	-
Appropriation to general reserve	-	-	-	615,967	(615,967)	-
Dividend distribution	-	-	-	-	(200,000)	(200,000)
As at December 31, 2018	8,165,761	(16,291)	3,106,301	3,885,019	5,447,180	20,587,970

52. Event After the Reporting Period

On January 18, 2019, the Board of Directors resolved to approve the plan of issuing the preferred shares in offshore market. The Bank plans to conduct a non-public issuance of offshore preference shares of no more than 100 million shares in total, and the total proceeds from issuance shall not exceed RMB10 billion.

Definition

In this interim report, unless the context otherwise requires, the following terms and expressions have the meanings set forth below:

“Articles of Association” or “Articles”	the articles of association of the Bank, the version of which was passed by our shareholders at the shareholders’ meeting on 8 May 2017 and was approved by the CBIRC Jiangxi Bureau on 30 August 2017, as the same may be amended, supplemented or otherwise modified from time to time
“Bank”, “Bank of Jiujiang”, “Group”, “we” or “us”	Bank of Jiujiang Co., Ltd.(九江銀行股份有限公司), a joint stock company incorporated on 17 November 2000 in Jiangxi Province, China with limited liability in accordance with PRC laws and regulations and, if the context requires, includes its predecessors, subsidiaries, branches and sub-branches
“Board” or “Board of Directors”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“Prospectus”	the Prospectus of the Bank dated June 26, 2018
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會), and if the context requires, includes its predecessor China Banking Regulatory Commission (中國銀行業監督管理委員會)
“CBRC”	former China Banking Regulatory Commission (原中國銀行業監督管理委員會), currently Chinese Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“CBIRC Jiangxi Bureau”	China Banking and Insurance Regulatory Commission Jiangxi Bureau (中國銀行業監督管理委員會江西監管局)
“CBIRC Jiujiang Branch Office”	China Banking and Insurance Regulatory Commission Jiujiang Branch Office (中國銀行業監督管理委員會九江監管分局)

Definition

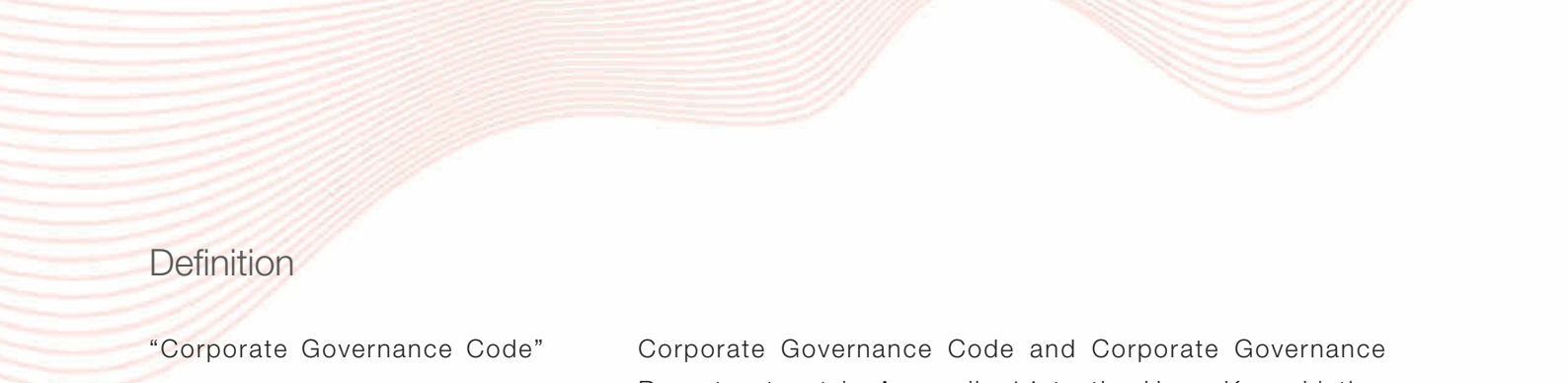
“Central China”	a geographical region that covers six provinces located in the central area of China, including Henan Province, Hubei Province, Anhui Province, Shanxi Province, Jiangxi Province and Hunan Province
“China” or “PRC”	the People’s Republic of China, but excluding, for the purpose of this Annual Report only, Hong Kong, Macau Special Administrative Region and Taiwan
“city commercial banks”	banks with branches at municipal or higher levels created with the approval of the CBIRC pursuant to the PRC Company Law and the PRC Commercial Banking Law
“Classification Standards of Small and Medium Enterprises”	the Classification Standards of Small and Medium Enterprises (“中小企業劃型標準規定”) jointly promulgated by the PRC Ministry of Industry and Information Technology, the NBS, the NDRC and the MOF on 18 June 2011, which classifies SMEs in 16 industries into medium, small and micro enterprises with consideration of the nature of the industry in terms of number of employees, operating income, and total assets
“commercial banks”	all the banking financial institutions in the PRC other than policy banks, including the Large Commercial Banks, the Nationwide Joint-stock Commercial Banks, city commercial banks, foreign banks and other banking financial institutions
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“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 full for in RMB

“Global Offering”	Hong Kong Public Offering and International Offering as stated in the Prospectus
“H Shares”	overseas-listed shares in the share capital of the Bank, with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and for which an application has been made for listing and permission to trade on the Hong Kong Stock Exchange
“HK\$” or “HKD” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards and International Accounting Standards (“IAS”), which include the related standards, amendments and interpretations issued by the International Accounting Standards Board (“IASB”)
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, are independent of the Bank or are not its Connected Persons
“Jiuyin County Banks”	18 Jiuyin County Banks controlled and consolidated by us as at 31 December 2018
“Large enterprises”	enterprises other than those classified as medium, small or micro enterprises under the Classification Standards of Small and Medium Enterprises. For example, industrial enterprises with 1,000 or more employees and operating income of RMB400 million or more shall be classified as large enterprises

Definition

“Listing Date”	10 July 2018, the date on which dealings in the H Shares of the Bank first commence on the Hong Kong Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“medium enterprises”	the enterprises classified as medium enterprises under the Classification Standards of Small and Medium Enterprises (“中小企業劃型標準規定”)
“micro enterprises”	the enterprises classified as micro enterprises under the Classification Standards of Medium and Small Enterprises
“MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“NBS”	National Bureau of Statistics of the PRC (中華人民共和國國家統計局)
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Non-standard Credit Assets”	credit assets that are not traded on the interbank markets or stock exchanges, which for the purpose of this report represent our investment in trust plans, asset management plans and wealth management products issued by other PRC commercial banks
“central bank”	The People’s Bank of China (中國人民銀行), the central bank of the PRC
“related party” or “related parties”	has the meaning ascribed to it under the Administrative Measures for the Related Party Transactions between the Commercial Banks and their Insiders or Shareholders promulgated by the CBRC, Accounting Standards for Business Enterprises promulgated by the MOF, and/or IFRS

“related party transaction(s)”	has the meaning ascribed to it under the Administrative Measures for the Related Party Transactions between the Commercial Banks and their Insiders or Shareholders promulgated by the CBRC, Accounting Standards for Business Enterprises promulgated by the MOF, and/or IFRS
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“small enterprises”	before 18 June 2011, the enterprises classified as small enterprises under the Interim Provisions on the Standards for Small and Medium Enterprises; on and after 18 June 2011, the enterprises classified as small enterprises under the Classification Standards of Small and Medium Enterprises
“Standard Investment Products”	debt securities issued by the PRC government, PRC policy banks, other PRC commercial banks and other financial institutions and PRC corporate issuers
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Supervisor(s)”	the supervisor(s) of the Bank
“reporting period”	the year from 1 January 2018 to 31 December 2018
“US\$”, “USD” or “US dollars”	United States dollars, the lawful currency of the United States of America
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules



Definition

“Corporate Governance Code”	Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules
“Company Law of the PRC”	the Company Law of the PRC (中華人民共和國公司法), which was promulgated by the 5th session of the 8th Standing Committee of the National People’s Congress on 29 December 1993 and became effective on 1 July 1994, as amended, supplemented or otherwise modified from time to time
“Corporate Governance Guidelines for Commercial Banks”	the Corporate Governance Guidelines for Commercial Banks (商業銀行公司治理指引), as promulgated by the CBRC on 19 July 2013 and effective on the same date, as amended, supplemented or otherwise modified from time to time
“BAIC Group”	Beijing Automotive Group Co., Ltd. (北京汽車集團有限公司), a state-owned enterprise incorporated in the PRC on 30 June 1994 as Beijing Automotive Industry Holding Co., Ltd. (北京汽車工業控股有限責任公司) and changed to its current name on 28 September 2010, the substantial shareholder of the Bank

“Over-allotment Option”

the option to be granted by the Bank to the International Underwriters pursuant to the International Underwriting Agreement, exercisable by the Joint Representatives on behalf of the International Underwriters, from the date on which shares first commence dealing on the Hong Kong Stock Exchange until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Bank to allot and issue up to aggregate of 54,000,000 H Shares at the Offer Price under International Offering (representing 15% of the Offer Shares initially being offered). On 28 July 2018, the Over-allotment Option has been partially exercised by the Joint Representatives, in respect of an aggregate of 47,367,200 H Shares, which has been commenced on the Main Board of the Hong Kong Stock Exchange on 9 August 2018, representing approximately 13.16% of the total number of the Offer Shares initially available under the Global Offering

“RMB”

Renminbi yuan

“county bank”

banking institution(s) incorporated with the approval of the CBIRC, pursuant to the Company Law of the PRC and the PRC Commercial Banking Law, to provide services to local growers or enterprises in rural areas