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

(Stock Code: 0416)

(Stock Code of Preference Shares: 4615)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the “**Board**”) of directors (the “**Directors**”) of Bank of Jinzhou Co., Ltd.* (the “**Bank**”, including its subsidiaries unless the context otherwise requires) is pleased to announce the audited annual results (the “**Audited Annual Results**”) of the Bank for the year ended 31 December 2019 (the “**Reporting Period**”) prepared in accordance with the International Financial Reporting Standards (the “**IFRSs**”) promulgated by the International Accounting Standards Board. The Board and its audit committee have reviewed and confirmed the Annual Results. As certain adjustments have been made to the unaudited annual results (the “**Unaudited Annual Results**”) of the Bank for the Reporting Period as contained in the unaudited annual results announcement of the Bank dated 31 March 2020 (the “**2019 Unaudited Annual Results Announcement**”), the differences between the Unaudited Annual Results and the Audited Annual Results contained in this announcement are set out in the section headed “Material Differences between 2019 Unaudited and Audited Annual Results” in this announcement in accordance with Rule 13.49(3)(ii)(b) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

1. CORPORATE INFORMATION

1.1 Corporate Basic Information

Legal Name and Abbreviation in Chinese:	錦州銀行股份有限公司 (Abbreviation: 錦州銀行)
Legal Name in English:	BANK OF JINZHOU CO., LTD.
Legal Representative:	Mr. Wei Xuekun
Authorised Representatives:	Mr. Wei Xuekun, Mr. Guo Wenfeng
Listing Exchange of H Shares:	The Stock Exchange of Hong Kong Limited (“ Hong Kong Stock Exchange ”)
Stock Name of H Shares:	BANKOFJINZHOU
Stock Code of H Shares:	0416
Listing Exchange of Offshore Preference Shares:	Hong Kong Stock Exchange
Stock Name of Offshore Preference Shares:	BOJZ 17USDPREF
Stock Code of Offshore Preference Shares:	4615

1.2 Contact Persons and Contact Details

Secretary to the Board:	Mr. Yu Jun, whose qualification is subject to the approval of regulatory authorities
Joint Company Secretaries:	Mr. Yu Jun, Ms. Leung Wing Han Sharon
Company Website:	www.jinzhoubank.com
E-mail:	webmaster@jinzhoubank.com
Telephone:	+86(416)3220002
Fax:	+86(416)3220003
Registered Address:	No. 68 Keji Road, Jinzhou City, Liaoning Province, the People's Republic of China (the "PRC")
Principal Place of Business in Hong Kong:	40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong

2. FINANCIAL HIGHLIGHTS

Between the financial statements of the Bank prepared in accordance with China Accounting Standards for Business Enterprises and those in accordance with IFRSs, there is no difference in respect of the net profit attributable to equity shareholders of the Bank (the "Shareholders") for the Reporting Period and net asset attributable to equity shareholders of the Bank as at the end of the Reporting Period.

2.1 Financial Data

	For the year ended 31 December				
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	2019	2018	2019 vs 2018 Change (%)	2017	2016
Operating Results					
Interest income	47,820,476	46,002,674	4.0	39,943,533	27,897,191
Interest expense	(28,475,443)	(26,901,602)	5.9	(21,410,609)	(12,448,982)
Net interest income	19,345,033	19,101,072	1.3	18,532,924	15,448,209
Net fee and commission income	231,714	757,528	(69.4)	736,674	809,265
Net trading gains/(losses)	3,372,617	1,491,100	126.2	(278,264)	49,948
Dividend income	1,200	880	36.4	640	895
Net gains arising from investment securities	240,556	100,234	140.0	30,796	10,348
Net foreign exchange (losses)/gains	(42,008)	(183,660)	(77.1)	(239,637)	53,724
Other net operating income	20,587	16,045	28.3	22,859	41,460
Operating income	23,169,699	21,283,199	8.9	18,805,992	16,413,849
Operating expenses	(3,761,683)	(3,586,646)	4.9	(3,308,138)	(2,758,039)

For the year ended 31 December

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

	2019	2018	2019 vs 2018 Change (%)	2017	2016
Operating Results					
Operating profit before impairment	19,408,016	17,696,553	9.7	15,497,854	13,655,810
Impairment losses on assets	(20,846,120)	(23,683,718)	(12.0)	(3,444,523)	(2,784,895)
(Loss)/profit before taxation	<u>(1,438,104)</u>	<u>(5,987,165)</u>	(76.0)	<u>12,053,331</u>	<u>10,870,915</u>
Income tax credit/(expense)	<u>327,858</u>	<u>1,449,054</u>	(77.4)	<u>(2,963,273)</u>	<u>(2,671,469)</u>
Net (Loss)/profit	<u><u>(1,110,246)</u></u>	<u><u>(4,538,111)</u></u>	(75.5)	<u><u>9,090,058</u></u>	<u><u>8,199,446</u></u>
Net (loss)/profit attributable to equity shareholders of the Parent Company	(958,545)	(4,593,447)	(79.1)	8,976,990	8,129,590
Calculated on a Per Share Basis (RMB)					
Basic and diluted (loss)/earnings per share	(0.12)	(0.77)	0.65	1.32	1.40

As at 31 December

	2019	2018	2019 vs 2018 Change (%)	2017	2016
Major Indicators of Assets/Liabilities					
Total assets	836,694,191	845,922,748	(1.1)	723,417,650	539,059,522
Of which: net loans and advances to customers	452,695,511	349,110,123	29.7	209,084,947	121,930,761
Total liabilities	777,188,742	785,159,604	(1.0)	663,252,922	496,165,210
Of which: deposits from customers	407,112,779	445,576,089	(8.6)	342,264,228	262,969,211
Share capital	7,781,616	7,781,616	0.0	6,781,616	6,781,616
Total equity attributable to equity shareholders of the Parent Company	55,671,418	56,777,412	(1.9)	56,230,555	39,035,430
Total equity	59,505,449	60,763,144	(2.1)	60,164,728	42,894,312

2.2 Financial Indicators

	For the year ended 31 December				
	2019	2018	2019 vs 2018 Change	2017	2016
Profitability Indicators (%)					
Return on average total assets ⁽¹⁾	(0.13)	(0.58)	0.45	1.44	1.82
Return on average equity ⁽²⁾	(2.07)	(9.86)	7.79	21.03	25.16
Net interest spread ⁽³⁾	2.29	1.93	0.36	2.58	3.41
Net interest margin ⁽⁴⁾	2.48	2.46	0.02	2.88	3.67
Net fee and commission income to operating income ratio	1.00	3.56	(2.56)	3.92	4.93
Cost-to-income ratio ⁽⁵⁾	15.02	15.91	(0.89)	15.71	14.83
As at 31 December					
	2019	2018	2019 vs 2018 Change	2017	2016
Assets Quality Indicators (%)					
Non-performing loan ratio ⁽⁶⁾	7.70	4.99	2.71	1.04	1.14
Provision coverage ratio ⁽⁷⁾	115.01	123.75	(8.74)	268.64	336.30
Provision to loans ratio ⁽⁸⁾	8.86	6.18	2.68	2.81	3.84
Capital Adequacy Indicators (%)					
			Change		
Core tier-one capital adequacy ratio ⁽⁹⁾	5.15	6.07	(0.92)	8.44	9.79
Tier-one capital adequacy ratio ⁽¹⁰⁾	6.47	7.43	(0.96)	10.24	9.80
Capital adequacy ratio	8.09	9.12	(1.03)	11.67	11.62
Total equity to total assets	7.11	7.18	(0.07)	8.32	7.96

Notes:

- (1) Represents the net profit for the year as a percentage of the average balance of total assets at the beginning and the end of that year.
- (2) Represents the Bank's net profit attributable to the Parent Company for the year as a percentage of the average balance of net assets attributable to shareholders of ordinary shares of the Parent Company at the beginning and at the end of that year.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets, which was calculated based on the daily average of the interest-earning assets.
- (5) Cost-to-income ratio = operating expenses (excluding tax and surcharges)/operating income.
- (6) Non-performing loan ratio = total non-performing loans/total loans and advances to customers.
- (7) Provision coverage ratio = provision for impairment losses on loans/total non-performing loans.
- (8) Provision-to-loans ratio = provision for impairment losses on loans/total loans and advances to customers.
- (9) Core tier-one capital adequacy ratio = (core tier-one capital – corresponding capital deductions)/risk-weighted assets.
- (10) Tier-one capital adequacy ratio = (tier-one capital – corresponding capital deductions)/risk-weighted assets.

3. MANAGEMENT DISCUSSIONS AND ANALYSIS

3.1 Business and Financial Review

At present, the global economy is still in the period of deep adjustment after the international financial crisis. The economy in the PRC has experienced a continued momentum of stable growth while the global development is going through changes. Overall, the economy in the PRC remains stable in 2019. Under the influence of many factors such as fluctuation of the economic cycle, interest rate liberalization, tide of fintech, and regulatory policies in the industry, whilst the fundamentals of long-term favorable trend remains unchanged in the banking industry, with the sudden outbreak of the novel coronavirus pandemic, the economy of the PRC has been subject to increasing downward pressure. The top priority for the development in the financial industry is to closely follow our national strategy, improve its ability to serve the real economy, reduce the financing cost of the real economy, enhance the efficiency of financial resource allocation and strengthen financial risk prevention and control.

In 2019, the Bank underwent major changes with the introduction of strategic investors and reform and reorganization, reshaped its development position and insisted on serving the real economy, clearly stayed true to the positioning of “serving the local economy, serving small and micro businesses, and serving urban and rural residents” as a city commercial bank; the Bank further determined to take the path of transformation and development, proposed the new development concept of “compliance, innovation, coordination and quality” and established a new goal to take the path of high-quality organic development: the Bank established a new session of the Board and the board of supervisors, completed the appointment of members of senior management and rebuilt the structure of “the Board, the board of supervisors and senior management” and actively facilitate corporate governance and strategic transformation, offering driving force for its transformation and development; the Bank launched the additional capital contribution scheme to enhance its capital strength, and implemented the asset restructuring program to lay the foundation for long-term stability, so as to provide targeted solutions to the problems affecting and restricting its development.

As at the end of the Reporting Period, the total assets of the Bank amounted to RMB836.694 billion, representing a year-on-year decrease of 1.1%; the net loans and advances to customers amounted to RMB452.696 billion, representing a year-on-year increase of 29.7%; the non-performing loan ratio was 7.70%; the balance of deposits from customers amounted to RMB407.113 billion, representing a year-on-year decrease of 8.6%. During the Reporting Period, the operating income of the Bank amounted to RMB23.170 billion, representing a year-on-year increase of 8.9%; and the net loss amounted to RMB1.110 billion.

As at the end of the Reporting Period, the Bank's capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio were 8.09%, 6.47% and 5.15%, respectively.

3.2 Analysis of the Financial Statements

3.2.1 Analysis of the income statement

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December			
	2019	2018	Change in amount	Rate of change (%)
Interest income	47,820,476	46,002,674	1,817,802	4.0
Interest expense	(28,475,443)	(26,901,602)	(1,573,841)	5.9
Net interest income	19,345,033	19,101,072	243,961	1.3
Net fee and commission income	231,714	757,528	(525,814)	(69.4)
Net trading gains	3,372,617	1,491,100	1,881,517	126.2
Dividend income	1,200	880	320	36.4
Net gains arising from investment securities	240,556	100,234	140,322	140.0
Net foreign exchange losses	(42,008)	(183,660)	141,652	(77.1)
Other net operating income	20,587	16,045	4,542	28.3
Operating income	23,169,699	21,283,199	1,886,500	8.9
Operating expenses	(3,761,683)	(3,586,646)	(175,037)	4.9
Impairment losses on assets	(20,846,120)	(23,683,718)	2,837,598	(12.0)
Loss before tax	(1,438,104)	(5,987,165)	4,549,061	(76.0)
Income tax credit	327,858	1,449,054	(1,121,196)	(77.4)
Net Loss	(1,110,246)	(4,538,111)	3,427,865	(75.5)

During the Reporting Period, the Bank's loss before tax was RMB1.438 billion and net loss was RMB1.110 billion. Net interest income was RMB19.345 billion, representing an increase of RMB244 million or 1.3% as compared with that for the year ended 31 December 2018.

3.2.1.1 Net interest income

Net interest income accounted for the largest portion of the Bank's operating income, representing 83.5% and 89.7% of operating income for the Reporting Period and the year ended 31 December 2018, respectively. The following table sets forth, for the years indicated, the interest income, interest expense and net interest income of the Bank:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December			Rate of change (%)
	2019	2018	Change in amount	
Interest income	47,820,476	46,002,674	1,817,802	4.0
Interest expense	<u>(28,475,443)</u>	<u>(26,901,602)</u>	<u>(1,573,841)</u>	5.9
Net interest income	<u>19,345,033</u>	<u>19,101,072</u>	<u>243,961</u>	1.3

The following table sets forth, for the years indicated, the average balance of interest-earning assets and interest-bearing liabilities, the relevant interest income or expense and relevant average yield on interest-earning assets or relevant average cost on interest-bearing liabilities of the Bank:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December					
	Average balance	2019 Interest income/ expense	Average yield/ cost (%)	Average balance	2018 Interest income/ expense	Average yield/ cost (%)
Interest-Earning Assets						
Loans and advances to customers	418,970,194	28,744,866	6.86	270,869,061	18,096,785	6.68
Investment securities and other financial assets	280,344,064	16,918,411	6.03	424,752,764	26,009,233	6.12
Deposits with the central bank	50,658,032	783,992	1.55	57,224,773	899,102	1.57
Deposits with banks and other financial institutions	12,112,058	274,390	2.27	10,363,275	296,894	2.86
Placements with banks and other financial institutions	6,241,180	378,505	6.06	3,436,499	100,178	2.92
Financial assets held under resale agreements	3,070,714	75,467	2.46	2,132,221	60,172	2.82
Finance lease receivables	<u>8,257,890</u>	<u>644,845</u>	7.81	<u>7,300,331</u>	<u>540,310</u>	7.40
Total interest-earning assets	<u>779,654,132</u>	<u>47,820,476</u>	6.13	<u>776,078,924</u>	<u>46,002,674</u>	5.93

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December					
	2019	2019	Average	2018	2018	Average
	Average	Interest	yield/	Average	Interest	yield/
	balance	income/	cost (%)	balance	income/	cost (%)
		expense			expense	
Interest-Bearing Liabilities						
Deposits from customers	434,326,716	15,355,016	3.54	384,044,270	14,100,881	3.67
Deposits from banks and other financial institutions	150,091,537	7,239,261	4.82	135,487,127	6,741,064	4.98
Placements from banks and other financial institutions	27,939,865	1,175,230	4.21	22,240,983	567,146	2.55
Financial assets sold under repurchase agreements	26,950,768	757,419	2.81	46,016,517	1,565,501	3.40
Debt securities issued	86,494,834	3,282,233	3.79	84,833,008	3,923,616	4.63
Borrowing from the central bank	<u>16,175,348</u>	<u>666,284</u>	4.12	<u>155,911</u>	<u>3,394</u>	2.18
Total interest-bearing liabilities	<u>741,979,068</u>	<u>28,475,443</u>	3.84	<u>672,777,816</u>	<u>26,901,602</u>	4.00
Net interest income		19,345,033			19,101,072	
Net interest spread ⁽¹⁾			2.29			1.93
Net interest margin ⁽²⁾			2.48			2.46

Notes:

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

The following table sets forth, for the years indicated, the changes in the Bank's interest income and interest expense attributable to changes in volume and interest rate. Changes in volume are measured by changes in the average balances of interest-earning assets and interest-bearing liabilities and changes in interest rate are measured by the average interest rates of the interest-earning assets and interest-bearing liabilities. Effect of changes caused by both volume and interest rate has been allocated to changes in net interest income.

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	2019 vs 2018		Net increase/ (decrease)⁽³⁾
	Volume⁽¹⁾	Interest rate⁽²⁾	
Interest-Earning Assets			
Loans and advances to customers	9,894,649	753,432	10,648,081
Investment securities and other financial assets	(8,842,696)	(248,126)	(9,090,822)
Deposits with the central bank	(103,175)	(11,935)	(115,110)
Deposits with banks and other financial institutions	50,100	(72,604)	(22,504)
Placements with banks and other financial institutions	81,760	196,567	278,327
Financial assets held under resale agreements	26,485	(11,190)	15,295
Finance lease receivables	70,871	33,664	104,535
Changes in interest income	<u>1,177,994</u>	<u>639,808</u>	<u>1,817,802</u>
Interest-Bearing Liabilities			
Deposits from customers	1,846,211	(592,076)	1,254,135
Deposits from banks and other financial institutions	726,632	(228,435)	498,197
Placements from banks and other financial institutions	145,322	462,762	608,084
Financial assets sold under repurchase agreements	(648,625)	(159,457)	(808,082)
Debt securities issued	76,861	(718,244)	(641,383)
Borrowing from the central bank	348,725	314,165	662,890
Changes in interest expense	<u>2,495,126</u>	<u>(921,285)</u>	<u>1,573,841</u>
Changes in net interest income	<u><u>(1,317,132)</u></u>	<u><u>1,561,093</u></u>	<u><u>243,961</u></u>

Notes:

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

3.2.1.2 Interest income

The following table sets forth, for the years indicated, the breakdown of the Bank's interest income:

	For the year ended 31 December			
	2019		2018	
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	Amount	% of total	Amount	% of total
Loans and advances to customers				
Corporate loans	27,649,787	57.8	17,022,624	37.0
Personal loans	635,024	1.3	683,785	1.5
Discounted bills	460,055	1.0	390,376	0.8
Subtotal	<u>28,744,866</u>	<u>60.1</u>	<u>18,096,785</u>	<u>39.3</u>
Investment securities and other financial assets	16,918,411	35.4	26,009,233	56.6
Deposits with the central bank	783,992	1.6	899,102	2.0
Deposits with banks and other financial institutions	274,390	0.6	296,894	0.6
Financial assets held under resale agreements	75,467	0.2	60,172	0.1
Placements with banks and other financial institutions	378,505	0.8	100,178	0.2
Finance lease receivables	644,845	1.3	540,310	1.2
Total	<u><u>47,820,476</u></u>	<u><u>100.0</u></u>	<u><u>46,002,674</u></u>	<u><u>100.0</u></u>

The Bank's interest income increased by 4.0% to RMB47,820,476 thousand in the Reporting Period from RMB46,002,674 thousand for the year ended 31 December 2018, primarily due to the daily scale growth of the interest-earning assets and average yield of the Bank which resulted in the corresponding increase in interest income.

(1) Interest income from loans and advances to customers

Interest income from loans and advances to customers was a large component of the Bank's interest income, representing 60.1% and 39.3% of the Bank's interest income in the Reporting Period and for the year ended 31 December 2018, respectively. The following table sets forth, for the years indicated, the average balance of loans and advances to customers, relevant interest income and average yield for loans and advances to customers:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December					
	Average balance	2019 Interest income	Average yield (%)	Average balance	2018 Interest income	Average yield (%)
Corporate loans	401,362,964	27,649,787	6.89	252,601,605	17,022,624	6.74
Personal loans	10,826,579	635,024	5.87	10,700,562	683,785	6.39
Discounted bills	6,780,651	460,055	6.78	7,566,894	390,376	5.16
Total	<u>418,970,194</u>	<u>28,744,866</u>	6.86	<u>270,869,061</u>	<u>18,096,785</u>	6.68

Interest income from loans and advances to customers increased by 58.8% to RMB28,744,866 thousand in the Reporting Period from RMB18,096,785 thousand for the year ended 31 December 2018, primarily due to the increase in average balance of loans and advances to customers and the increase in average yield. The average balance of loans and advances to customers increased by 54.7% to RMB418,970,194 thousand in the Reporting Period from RMB270,869,061 thousand for the year ended 31 December 2018, primarily because the Bank reclassified the business type of part of beneficiary rights transfer plan measured at amortised cost to loans and the Bank appropriately increased the size of loans based on the development needs for the real economy and its own business development plans. The average yield increased to 6.86% in the Reporting Period from 6.68% for the year ended 31 December 2018.

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

Interest income from investment securities and other financial assets decreased by 35.0% to RMB16,918,411 thousand in the Reporting Period from RMB26,009,233 thousand for the year ended 31 December 2018, primarily due to the decreases in the average balance and average yield of investment securities and other financial assets. The average balance of investment securities and other financial assets decreased by 34.0% to RMB280,344,064 thousand in the Reporting Period from RMB424,752,764 thousand for the year ended 31 December 2018, primarily due to the decrease in the scale of beneficiary rights transfer plan measured at amortised cost.

(3) Interest income from deposits with the central bank

Interest income from deposits with the central bank decreased by 12.8% to RMB783,992 thousand in the Reporting Period from RMB899,102 thousand for the year ended 31 December 2018, primarily due to the decrease in the average balance of deposits with the central bank.

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

Interest income from deposits with banks and other financial institutions decreased by 7.6% to RMB274,390 thousand in the Reporting Period from RMB296,894 thousand for the year ended 31 December 2018, mainly due to the decrease in average yield of the Bank's deposits with banks and other financial institutions. The average yield decreased to 2.27% in the Reporting Period from 2.86% for the year ended 31 December 2018, primarily due to the decline in the interest rate of capital in the interbank market and the decline in average period of deposits with banks and other financial institutions.

(5) Interest income from placements with banks and other financial institutions

Interest income from placements with banks and other financial institutions increased by 277.8% to RMB378,505 thousand in the Reporting Period from RMB100,178 thousand for the year ended 31 December 2018, primarily due to the increase in the average balance and average yield of placements with banks and other financial institutions. The average balance of placements with banks and other financial institutions increased by 81.6% to RMB6,241,180 thousand in the Reporting Period from RMB3,436,499 thousand for the year ended 31 December 2018. The average yield of placements with banks and other financial institutions rose to 6.06% in the Reporting Period from 2.92% for the year ended 31 December 2018.

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

Interest income from financial assets held under resale agreements increased by 25.4% to RMB75,467 thousand in the Reporting Period from RMB60,172 thousand for the year ended 31 December 2018, primarily due to the increase in interest income brought by the increase in average balance of financial assets held under resale agreements, partially offset by the decrease in income interest due to the decline in the average yield. The average balance of financial assets held under resale agreements increased by 44.0% to RMB3,070,714 thousand in the Reporting Period from RMB2,132,221 thousand for the year ended 31 December 2018, primarily because the Bank increased the size of financial assets held under resale agreements due to the need to balance gains and liquidity management.

(7) Interest income from finance lease receivables

Interest income from finance lease receivables increased by 19.3% to RMB644,845 thousand in the Reporting Period from RMB540,310 thousand for the year ended 31 December 2018, primarily due to the increase in average balance and average yield of finance lease receivables.

3.2.1.3 Interest expense

The following table sets forth, for the years indicated, the principal components of the Bank's interest expense:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December			
	2019		2018	
	Amount	% of total	Amount	% of total
Deposits from customers	15,355,016	54.0	14,100,881	52.4
Deposits from banks and other financial institutions	7,239,261	25.4	6,741,064	25.1
Placements from banks and other financial institutions	1,175,230	4.1	567,146	2.1
Financial assets sold under repurchase agreements	757,419	2.7	1,565,501	5.8
Debt securities issued	3,282,233	11.5	3,923,616	14.6
Borrowing from the central bank	666,284	2.3	3,394	0.0
Total	<u>28,475,443</u>	<u>100.0</u>	<u>26,901,602</u>	<u>100.0</u>

Interest expense of the Bank increased by 5.9% from RMB26,901,602 thousand for the year ended 31 December 2018 to RMB28,475,443 thousand during the Reporting Period, mainly due to the increase in average balance of deposits from customers and deposits from banks and other financial institutions.

(1) Interest expense on deposits from customers

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December					
	Average balance	2019 Interest expense	Average cost (%)	Average balance	2018 Interest expense	Average cost (%)
Corporate deposits						
Time	120,235,235	3,608,647	3.00	133,901,619	5,849,840	4.37
Demand	41,345,975	549,778	1.33	50,730,041	880,675	1.74
Subtotal	<u>161,581,210</u>	<u>4,158,425</u>	2.57	<u>184,631,660</u>	<u>6,730,515</u>	3.65
Personal deposits						
Time	249,353,948	10,657,458	4.27	182,710,793	7,149,556	3.91
Demand	23,391,558	539,133	2.30	16,701,817	220,810	1.32
Subtotal	<u>272,745,506</u>	<u>11,196,591</u>	4.11	<u>199,412,610</u>	<u>7,370,366</u>	3.70
Total deposits from customers	<u>434,326,716</u>	<u>15,355,016</u>	3.54	<u>384,044,270</u>	<u>14,100,881</u>	3.67

Interest expense on deposits from customers increased by 8.9% to RMB15,355,016 thousand in the Reporting Period from RMB14,100,881 thousand for the year ended 31 December 2018, primarily due to the increase in the average balance of the Bank's deposits from customers.

(2) Interest expense on deposits from banks and other financial institutions

Interest expense on deposits from banks and other financial institutions increased by 7.4% to RMB7,239,261 thousand in the Reporting Period from RMB6,741,064 thousand for the year ended 31 December 2018, primarily due to the increase in the average balance of deposits from banks and other financial institutions.

(3) Interest expense on placements from banks and other financial institutions

Interest expense on placements from banks and other financial institutions increased by 107.2% to RMB1,175,230 thousand in the Reporting Period from RMB567,146 thousand for the year ended 31 December 2018, primarily due to the increase in average balance and average cost of placements from banks and other financial institutions. The average balance of placements from banks and other financial institutions increased by 25.6% to RMB27,939,865 thousand in the Reporting Period from RMB22,240,983 thousand for the year ended 31 December 2018, primarily due to the increase of trade volume of placements from banks and other financial institutions by the Bank. The average cost of placements from banks and other financial institutions increased from 2.55% for the year ended 31 December 2018 to 4.21% in the Reporting Period, which was primarily due to the increase of average period of placements from banks and other financial institutions and the increase of placements from banks and other financial institutions which are dominated in RMB and with a higher interest rate.

(4) Interest expense on financial assets sold under repurchase agreements

Interest expense on financial assets sold under repurchase agreements decreased by 51.6% to RMB757,419 thousand in the Reporting Period from RMB1,565,501 thousand for the year ended 31 December 2018, primarily due to the decrease in average balance and the decline in average cost. The average balance of financial assets sold under repurchase agreements decreased by 41.4% to RMB26,950,768 thousand in the Reporting Period from RMB46,016,517 thousand for the year ended 31 December 2018, mainly because the Bank reduced the size of financial assets sold under repurchase agreements for the need to manage the liquidity of the Bank. The average cost of financial assets sold under repurchase agreements decreased to 2.81% in the Reporting Period from 3.40% for the year ended 31 December 2018, primarily due to the decline in the average interest rate in the capital market during the Reporting Period.

(5) Interest expense on debt securities issued

During the Reporting Period, the Bank's interest expense on debt securities issued amounted to RMB3,282,233 thousand, representing a decreased of RMB641,383 thousand or 16.3% for the year ended 31 December 2018, which was mainly due to the decrease in interest expense as a result of the decrease in average cost of the Bank's debt securities issued, partially offset by the increase in interest expense resulting from the increase in average balance. The average balance of the Bank's debt securities issued increased by 2.0% to RMB86,494,834 thousand in the Reporting Period from RMB84,833,008 thousand for the year ended 31 December 2018, which was mainly due to the increase in issuance of interbank certificates of deposit by the Bank; the average cost decreased to 3.79% in the Reporting Period from 4.63% for the year ended 31 December 2018, primarily due to the decline in the average interest rate in the market of the interbank certificates of deposit.

(6) Interest expense on borrowing from the central bank

During the Reporting Period, the Bank's interest expense on borrowing from the central bank increased to RMB666,284 thousand in the Reporting Period from RMB3,394 thousand for the year ended 31 December 2018.

3.2.1.4 Net interest spread and net interest margin

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

The net interest spread increased to 2.29% in the Reporting Period as compared to 1.93% for the year ended 31 December 2018 and the net interest margin increased to 2.48% in the Reporting Period as compared to 2.46% for the year ended 31 December 2018, primarily due to the increase in the average yield of the Bank's interest-earning assets and the decrease in the average cost of the interest-bearing liabilities.

3.2.1.5 Non-interest income

(1) Net fee and commission income

	For the year ended 31 December			Rate of
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	2019	2018	Change	change (%)
Fee and commission income				
Agency services fees	56,579	211,284	(154,705)	(73.2)
Settlement and clearing fees	84,912	231,747	(146,835)	(63.4)
Wealth management service fees	172,926	251,683	(78,757)	(31.3)
Underwriting and advisory fees	49,422	86,970	(37,548)	(43.2)
Bank card service fees	11,683	13,002	(1,319)	(10.1)
Others	46,770	47,437	(667)	(1.4)
Subtotal	422,292	842,123	(419,831)	(49.9)
Fee and commission expense				
Settlement and clearing fees	41,826	42,938	(1,112)	(2.6)
Others	148,752	41,657	107,095	257.1
Subtotal	190,578	84,595	105,983	125.3
Net fee and commission income	231,714	757,528	(525,814)	(69.4)

The fee and commission income decreased by 49.9% to RMB422,292 thousand in the Reporting Period as compared to RMB842,123 thousand for the year ended 31 December 2018, primarily due to the decrease in the agency services fees and settlement and clearing fees of the Bank. The agency services fees decreased by 73.2% to RMB56,579 thousand in the Reporting Period as compared to RMB211,284 thousand for the year ended 31 December 2018, primarily due to the reduction in the scale of entrusted loan business by the Bank. The settlement and clearing fees decreased by 63.4% to RMB84,912 thousand in the Reporting Period as compared to RMB231,747 thousand for the year ended 31 December 2018, primarily because of a decrease in the scale of bank acceptance bills and letter of credit, resulting in the decrease in fee income of corporate settlement business.

Fee and commission expense primarily consists of expenses paid to third parties in connection with the Bank's settlement and clearance, trade financing, bank card, agency and consultancy businesses. The Bank's fee and commission expense increased by 125.3% to RMB190,578 thousand in the Reporting Period as compared to RMB84,595 thousand for the year ended 31 December 2018.

(2) Net trading gains

Net trading gains primarily comprise of net gains or losses from trading financial instruments and financial assets and liabilities designated at fair value through profit or loss. The Bank incurred a net trading gain of RMB3,372,617 thousand, representing an increase of 126.2% as compared to RMB1,491,100 thousand for the year ended 31 December 2018, primarily due to the increase in the volume of investment transactions of the Bank and the increase in the change of fair value on financial assets at fair value as a result of downward market interest rates.

(3) Dividend income

Dividend income increased by 36.4% to RMB1,200 thousand in the Reporting Period from RMB880 thousand for the year ended 31 December 2018.

(4) Net gains arising from investment securities

Net gains from investment securities increased by 140.0% to RMB240,556 thousand in the Reporting Period from RMB100,234 thousand for the year ended 31 December 2018, which was mainly due to the increase in income from the disposal of investment securities by the Bank.

(5) Net foreign exchange losses

Net foreign exchange losses decreased by 77.1% to RMB42,008 thousand in the Reporting Period from RMB183,660 thousand for the year ended 31 December 2018, primarily due to the decrease in net foreign exchange losses on derivatives (such as spot and forward foreign exchange) resulting from the changes in the prices of foreign exchange rates.

(6) Other net operating income

Other net operating income increased by 28.3% to RMB20,587 thousand in the Reporting Period from RMB16,045 thousand for the year ended 31 December 2018, which was mainly due to the increase in rental income from the lease of fixed assets of the Bank during the Reporting Period.

3.2.1.6 Operating expenses

During the Reporting Period, the Bank's operating expenses were RMB3,761,683 thousand, representing a year-on-year increase of RMB175,037 thousand or 4.9%.

For the year ended 31 December				
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	2019	2018	Change	Rate of change (%)
Staff costs	1,857,441	1,783,664	73,777	4.1
General and administrative expenses	994,043	989,780	4,263	0.4
Tax and surcharges	281,934	200,414	81,520	40.7
Depreciation and amortisation	556,207	427,286	128,921	30.2
Others	<u>72,058</u>	<u>185,502</u>	<u>(113,444)</u>	(61.2)
Total operating expenses	<u>3,761,683</u>	<u>3,586,646</u>	<u>175,037</u>	4.9

(1) Staff costs

The following table sets forth, for the years indicated, the principal components of the Bank's staff costs:

For the year ended 31 December				
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	2019	2018	Change	Rate of change (%)
Salaries and bonuses	1,350,363	1,263,408	86,955	6.9
Social insurance	262,470	261,511	959	0.4
Housing allowances	110,868	97,165	13,703	14.1
Staff welfare	54,435	71,386	(16,951)	(23.7)
Supplementary retirement benefit	2,425	1,961	464	23.7
Other long-term staff welfare	24,032	38,529	(14,497)	(37.6)
Others	<u>52,848</u>	<u>49,704</u>	<u>3,144</u>	6.3
Total staff costs	<u>1,857,441</u>	<u>1,783,664</u>	<u>73,777</u>	4.1

During the Reporting Period, the staff costs of the Bank were RMB1,857,441 thousand, representing an increase of RMB73,777 thousand or 4.1% as compared with that for the year ended 31 December 2018, which was mainly due to the increase in human resource costs resulting from the increased number of employees of the Bank.

(2) General and administrative expenses

General and administrative expenses increased by 0.4% to RMB994,043 thousand in the Reporting Period as compared to RMB989,780 thousand for the year ended 31 December 2018.

(3) Tax and surcharges

The Bank's tax and surcharges increased by 40.7% to RMB281,934 thousand in the Reporting Period from RMB200,414 thousand for the year ended 31 December 2018, primarily attributable to the increase in value-added tax payable due to the business development of the Bank.

(4) Depreciation and amortisation

Depreciation and amortisation increased by 30.2% to RMB556,207 thousand in the Reporting Period from RMB427,286 thousand for the year ended 31 December 2018, primarily due to increases in depreciation and amortisation expenses as a result of the increase in the Bank's capital expenditure.

(5) Others

Other operating expense of the Bank decreased by 61.2% to RMB72,058 thousand in the Reporting Period from RMB185,502 thousand for the year ended 31 December 2018.

3.2.1.7 Impairment losses on assets

The following table sets forth, for the years indicated, the principal components of the Bank's impairment losses on assets:

	For the year ended	
	31 December	
	2019	2018
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>		
Loans and advances to customers	21,182,057	17,489,929
Deposits and placements with banks and other financial institutions	366,436	37,920
Financial assets held under resale agreements	–	(47)
Financial assets at fair value through other comprehensive income	(4,717)	(25,522)
Financial assets measured at amortised cost	3,879	4,768,271
Finance lease receivables	401,341	202,614
Credit commitments	(1,117,372)	1,185,636
Others	14,496	24,917
	<u>20,846,120</u>	<u>23,683,718</u>
Total	<u>20,846,120</u>	<u>23,683,718</u>

Impairment losses on assets decreased by 12.0% to RMB20,846,120 thousand in the Reporting Period from RMB23,683,718 thousand for the year ended 31 December 2018.

3.2.1.8 Income tax credit

In the Reporting Period, the Bank's income tax credit was RMB327,858 thousand, representing a decrease of RMB1,121,196 thousand as compared to that for the year ended 31 December 2018. The Bank's effective tax rate was 22.80%, representing a decrease of 1.40 percentage points as compared to that for the year ended 31 December 2018.

3.2.2 Analysis of the statement of financial position

3.2.2.1 Assets

As at the end of the Reporting Period and as at 31 December 2018, the Bank had total assets of RMB836,694,191 thousand and RMB845,922,748 thousand, respectively. The principal components of the assets as at the end of the Reporting Period were (i) loans and advances to customers; (ii) investment securities and other financial assets; and (iii) cash and deposits with the central bank, accounting for 54.1%, 27.8% and 12.6% of the Bank's total assets as at the end of the Reporting Period, respectively. The table below sets forth balances of the principal components of the Bank's total assets as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Assets				
Total loans and advances to customers	489,116,947	58.5	370,725,731	43.8
Interests receivable on loans and advances to customers	6,916,601	0.8	1,276,467	0.2
Provision for impairment losses on loans and advances to customers	(43,338,037)	(5.2)	(22,892,075)	(2.7)
Net loans and advances to customers	452,695,511	54.1	349,110,123	41.3
Net investments securities and other financial assets ⁽¹⁾	232,866,405	27.8	392,056,838	46.3
Cash and deposits with the central bank	105,176,537	12.6	64,618,759	7.6
Deposits with banks and other financial institutions	8,301,592	1.0	16,231,627	1.9
Financial assets held under resale agreements	–	–	100,073	0.0
Placements with banks and other financial institutions	5,643,864	0.6	48,454	0.0
Finance lease receivables	6,408,314	0.8	7,484,842	0.9
Other assets ⁽²⁾	25,601,968	3.1	16,272,032	2.0
Total assets	836,694,191	100.0	845,922,748	100.0

Notes:

- (1) Include the financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost.
- (2) Include property and equipment, deferred income tax assets, derivative financial assets, right-of-use assets and others.

The Bank's total assets decreased by 1.1% from RMB845,922,748 thousand as at 31 December 2018 to RMB836,694,191 thousand as at the end of the Reporting Period.

(1) Loans and advances to customers

As at the end of the Reporting Period, the Bank's total loans and advances to customers were RMB489,116,947 thousand, representing an increase of 31.9% as compared to that for the year ended 31 December 2018. Total loans and advances to customers accounted for 58.5% of the Bank's total assets, representing an increase of 14.7 percentage points as compared to that for the year ended 31 December 2018.

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Corporate loans	478,058,240	97.7	352,315,497	95.0
Personal loans	10,832,280	2.2	12,065,859	3.3
Discounted bills	<u>226,427</u>	<u>0.1</u>	<u>6,344,375</u>	<u>1.7</u>
Total loans and advances to customers	<u>489,116,947</u>	<u>100.0</u>	<u>370,725,731</u>	<u>100.0</u>

The Bank's total loans and advances to customers primarily comprise of corporate loans, personal loans and discounted bills. Corporate loans are the largest component of the Bank's loan portfolio. As at the end of the Reporting Period and as at 31 December 2018, the Bank's corporate loans amounted to RMB478,058,240 thousand and RMB352,315,497 thousand, accounting for 97.7% and 95.0% of the Bank's total loans and advances to customers, respectively.

The Bank's corporate loans increased by 35.7% from RMB352,315,497 thousand as at 31 December 2018 to RMB478,058,240 thousand as at the end of the Reporting Period, primarily because (i) the Bank reclassified the business type of part of beneficiary rights transfer plan measured at amortised cost to loans; and (ii) the Bank appropriately increased the size of loans based on the development needs for the real economy and its own business development plans.

The Bank's personal loans mainly comprise of personal business loans, residential and commercial mortgage loans, personal consumption loans, credit card overdrafts and other personal loans. At the end of the Reporting Period, the balance of personal loans amounted to RMB10,832,280 thousand, representing a decrease of RMB1,233,579 thousand or 10.2% as compared to that as at 31 December 2018, accounting for 2.2% of the total loans and advances to customers.

A. Loans by collateral

As at the end of the Reporting Period and as at 31 December 2018, collateralised loans, pledged loans or guaranteed loans of the Bank represented, in aggregate, 96.5% and 94.4%, respectively, of the Bank's total loans and advances to customers. If a loan is secured by more than one form of security interest, the entire amount of such loan will be allocated to the category representing the primary form of security interest. The table below sets forth the distribution of the Bank's loans and advances to customers by the type of collateral as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Unsecured loans	17,138,867	3.5	20,654,552	5.6
Guaranteed loans	260,445,235	53.2	165,361,842	44.6
Collateralised loans	147,589,293	30.2	106,011,207	28.6
Pledged loans	<u>63,943,552</u>	<u>13.1</u>	<u>78,698,130</u>	<u>21.2</u>
Total loans and advances to customers	<u>489,116,947</u>	<u>100.0</u>	<u>370,725,731</u>	<u>100.0</u>

As at the end of the Reporting Period, the balance of the Bank's loans secured by mortgages and pledges amounted to RMB211,532,845 thousand, representing an increase of RMB26,823,508 thousand or 14.5% as compared to that as at 31 December 2018, and accounting for 43.3% of the total loans and advances to customers. The balance of unsecured and guaranteed loans was RMB277,584,102 thousand, representing an increase of RMB91,567,708 thousand as compared to that as at 31 December 2018, accounting for 56.7% of the total loans and advances to customers.

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

(i) Changes of provision for impairment losses on loans and advances to customers measured at amortised cost for the Reporting Period are as follows:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December 2019			Total
	ECL over the next 12 months	Lifetime ECL -not credit- impaired loans	Lifetime ECL -Credit- impaired loans	
As at 1 January 2019	<u>(5,671,427)</u>	<u>(6,284,804)</u>	<u>(10,935,844)</u>	<u>(22,892,075)</u>
Transferred :				
-to the expected credit loss (“ECL”) over the next 12 months	(4,182,527)	3,342,190	840,337	–
-to lifetime ECL- not credit-impaired loans	113,521	(3,826,601)	3,713,080	–
-to lifetime ECL- credit impaired loans	345,649	1,186,374	(1,532,023)	–
Net (charge)/release for the year	(2,756,326)	1,268,789	(19,694,520)	(21,182,057)
Write-offs	<u>–</u>	<u>–</u>	<u>736,095</u>	<u>736,095</u>
As at 31 December 2019	<u>(12,151,110)</u>	<u>(4,314,052)</u>	<u>(26,872,875)</u>	<u>(43,338,037)</u>

(ii) Changes of provision for impairment losses on loans and advances to customers at fair value through other comprehensive income for the Reporting Period are as follows:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December 2019			Total
	ECL over the next 12 months	Lifetime ECL -not credit- impaired loans	Lifetime ECL -Credit- impaired loans	
As at 1 January 2019	(11,586)	–	–	(11,586)
Net release for the year	<u>6,452</u>	<u>–</u>	<u>–</u>	<u>6,452</u>
As at 31 December 2019	<u>(5,134)</u>	<u>–</u>	<u>–</u>	<u>(5,134)</u>

(iii) Changes of provision for impairment losses on loans and advances to customers at amortised cost for the year ended 31 December 2018 are as follows:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December 2018			Total
	ECL over the next 12 months	Lifetime ECL -not credit- impaired loans	Lifetime ECL -Credit- impaired loans	
As at 1 January 2018	(3,587,382)	(1,114,478)	(1,302,812)	(6,004,672)
Transferred :				
-to ECL over the next 12 months	(35,938)	24,699	11,239	-
-to lifetime ECL- not credit- impaired loans	246,178	(264,332)	18,154	-
-to lifetime ECL- credit- impaired loans	49,952	75,104	(125,056)	-
Net charge for the year	(2,344,237)	(5,005,797)	(10,139,895)	(17,489,929)
Unwinding of discount	-	-	330,732	330,732
Write-offs	-	-	271,794	271,794
As at 31 December 2018	<u>(5,671,427)</u>	<u>(6,284,804)</u>	<u>(10,935,844)</u>	<u>(22,892,075)</u>

(iv) Changes of provision for impairment losses on loans and advances to customers at fair value through other comprehensive income for the year ended 31 December 2018 are as follows:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December 2018			Total
	ECL over the next 12 months	Lifetime ECL -not credit- impaired loans	Lifetime ECL -Credit- impaired loans	
As at 1 January 2018	(36,811)	-	-	(36,811)
Net release for the year	25,225	-	-	25,225
As at 31 December 2018	<u>(11,586)</u>	<u>-</u>	<u>-</u>	<u>(11,586)</u>

Provision for impairment losses on loans increased by 89.2% from RMB22,903,661 thousand as at 31 December 2017 to RMB43,343,171 thousand as at the end of the Reporting Period, primarily due to the adoption of expected credit loss model and the increase of the Bank's provision for impairment losses so as to enhance risk resilience in response to the decline in asset quality and the increase in the outstanding balance of non-performing assets and the implementation of IFRS 9 Financial Instruments ("IFRS 9").

(2) Investment securities and other financial assets

Investment securities and other financial assets consist of debt investments, equity investments, investments using funds of wealth management products and financial assets measured at amortised cost. As at the end of the Reporting Period and as at 31 December 2018, the Bank had net investment securities and other financial assets of RMB232,866,405 thousand and RMB392,056,838 thousand, accounting for 27.8% and 46.3% of the Bank's total assets, respectively.

The following table sets out the composition of investment securities and other financial assets (interests receivable not included) as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Debt investments	65,047,599	28.4	98,056,778	25.1
Financial assets at fair value through profit or loss	48,869,919	21.3	49,476,093	12.7
Financial assets at fair value through other comprehensive income	11,196,501	4.9	41,445,323	10.6
Financial assets measured at amortised cost	4,993,287	2.2	7,145,530	1.8
Provision for impairment losses on debt investments	(12,108)	0.0	(10,168)	0.0
Equity investments	1,231,496	0.5	609,330	0.2
Financial assets at fair value through other comprehensive income	1,231,496	0.5	609,330	0.2
Wealth management products investments	6,287,252	2.7	16,586,787	4.3
Financial assets at amortised cost (other than debt investments)	156,778,573	68.4	274,105,502	70.4
Beneficial interest transfer plans	165,999,362	72.4	283,324,352	72.8
Provision for impairment losses on financial assets measured at amortised cost (other than debt investments)	(9,220,789)	(4.0)	(9,218,850)	(2.4)
Net investments	<u>229,344,920</u>	<u>100.0</u>	<u>389,358,397</u>	<u>100.0</u>

As at the end of the Reporting Period, the Bank's net investment securities and other financial assets (interests receivable not included) amounted to RMB229,344,920 thousand, representing a decrease of 41.1% from RMB389,358,397 thousand as at 31 December 2018, which was mainly attributable to the Bank's reclassification of the business type of part of beneficial interest transfer plans measured at amortised cost to loans, and the decrease in the scale of debt investment.

3.2.2.2 Liabilities

As at the end of the Reporting Period and as at 31 December 2018, the Bank's total liabilities amounted to RMB777,188,742 thousand and RMB785,159,604 thousand, respectively. The Bank's liabilities mainly comprise of (i) deposits from customers; (ii) deposits from banks and other financial institutions; and (iii) debt securities issued, accounting for 52.4%, 22.9% and 14.2%, respectively, of the Bank's total liabilities as at the end of the Reporting Period.

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Deposits from customers	407,112,779	52.4	445,576,089	56.7
Deposits from banks and other financial institutions	178,117,754	22.9	164,629,085	21.0
Financial assets sold under repurchase agreements	10,106,602	1.3	43,445,203	5.5
Debt securities issued	110,108,837	14.2	89,668,782	11.4
Placements from banks and other financial institutions	27,731,363	3.6	20,760,381	2.6
Financial liabilities at fair value through profit or loss	6,282,210	0.8	16,512,712	2.1
Other liabilities ⁽¹⁾	37,729,197	4.8	4,567,352	0.7
Total	<u>777,188,742</u>	<u>100.0</u>	<u>785,159,604</u>	<u>100.0</u>

Note:

- (1) Include borrowing from the central bank, negative fair value of derivatives, accrued staff costs, taxes payable, lease liabilities and others.

(1) Deposits from customers

The Bank provides demand and time deposit products for corporate and personal customers. The table below sets forth deposits from customers and product types as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Corporate deposits				
Demand deposits	44,619,637	11.3	56,908,802	13.1
Time deposits	74,517,612	18.8	142,277,063	32.8
Subtotal	<u>119,137,249</u>	<u>30.1</u>	<u>199,185,865</u>	<u>45.9</u>
Personal deposits				
Demand deposits	24,407,499	6.2	19,850,460	4.6
Time deposits	252,765,638	63.7	214,731,969	49.5
Subtotal	<u>277,173,137</u>	<u>69.9</u>	<u>234,582,429</u>	<u>54.1</u>
Total	<u><u>396,310,386</u></u>	<u><u>100.0</u></u>	<u><u>433,768,294</u></u>	<u><u>100.0</u></u>

As at the end of the Reporting Period, the Bank's total deposits from customers (interests payable not included) amounted to RMB396,310,386 thousand, representing a decrease of RMB37,457,908 thousand or 8.6% as compared to that as at 31 December 2018. Deposits from customers (interests payable not included) accounted for 51.0% of total liabilities, representing a decrease of 4.2 percentage points as compared to that as at 31 December 2018.

(2) Deposits from banks and other financial institutions

The counterparties of the Bank's deposits from the banks and other financial institutions mainly included domestic banks and other financial institutions. The following table sets out the composition of the counterparties of the Bank's deposits from the banks and other financial institutions as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Deposits in Mainland China				
– Banks	50,154,053	28.4	69,997,464	43.2
– Other financial institutions	126,524,695	71.6	92,018,528	56.8
Total	<u>176,678,748</u>	<u>100.0</u>	<u>162,015,992</u>	<u>100.0</u>

As at the end of the Reporting Period, the Bank's total deposits from the banks and other financial institutions (interests payable not included) amounted to RMB176,678,748 thousand, representing an increase of RMB14,662,756 thousand or 9.1% as compared to that as at 31 December 2018.

(3) Debt securities issued

Upon the approval of China Banking Regulatory Commission (“CBRC”) and the People's Bank of China (“PBOC”), the Bank issued the tier-two capital bonds with write-down terms in an aggregate principal amount of RMB2,500 million on 26 December 2016. The bonds have a term of ten years and fixed coupon rate of 4.30% per annum. The Bank has an option to redeem such bonds wholly or partially at the nominal amount on 27 December 2021 upon the approval of relevant regulatory authorities.

Upon the approval of CBRC and PBOC, the Bank issued the tier-two capital bonds with write-down terms in an aggregate principal amount of RMB4,000 million on 26 March 2018. The bonds have a term of ten years and fixed coupon rate of 4.90% per annum. The Bank has an option to redeem such bonds wholly or partially at the nominal amount on 28 March 2023 upon the approval of relevant regulatory authorities.

As at the end of the Reporting Period and as at 31 December 2018, the Bank issued 120 and 212 tranches of RMB negotiable certificates of deposit which were not matured, the balance of which were RMB103,454 million and RMB81,400 million, respectively.

3.2.2.3 Shareholders' equity

The following table sets forth the composition of the Shareholders' equity as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Share capital	7,781,616	13.1	7,781,616	12.8
Other equity instruments				
including: offshore preference shares	9,897,363	16.6	9,897,363	16.3
Capital reserve	20,583,321	34.6	20,730,770	34.1
Surplus reserve	2,994,679	5.0	2,994,679	4.9
General reserve	11,800,217	19.8	11,802,132	19.4
Retained earnings	2,614,222	4.4	3,570,852	5.9
Non-controlling interests	3,834,031	6.5	3,985,732	6.6
Total equity	<u>59,505,449</u>	<u>100.0</u>	<u>60,763,144</u>	<u>100.0</u>

3.2.3 Loans quality analysis

3.2.3.1 Breakdown of loans by the five-category classification

The Bank's non-performing loans are classified into loans and advances to customers of substandard, doubtful and loss. As at the end of the Reporting Period, the non-performing loans recorded by the Bank amounted to RMB37,685,036 thousand. The Bank's total provision for impairment losses on loans to customers measured at amortised cost and at fair value through other comprehensive income was RMB43,343,171 thousand. The following table sets forth the distribution of the Bank's loans and advances to customers by the five-category loan classification as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Normal	376,304,315	76.9	290,209,315	78.3
Special mention	75,127,596	15.4	62,008,268	16.7
Substandard	28,725,027	5.8	10,072,423	2.7
Doubtful	8,171,797	1.7	7,699,364	2.1
Loss	<u>788,212</u>	<u>0.2</u>	<u>736,361</u>	<u>0.2</u>
Total loans and advances to customers	<u>489,116,947</u>	<u>100.0</u>	<u>370,725,731</u>	<u>100.0</u>
Non-performing loan	<u>37,685,036</u>	<u>7.70</u>	<u>18,508,148</u>	<u>4.99</u>

As at the end of Reporting Period and as at 31 December 2018, the non-performing loan ratios of the Bank were 7.70% and 4.99%, respectively. The Bank's non-performing loan ratio as at the end of Reporting Period is 2.71 percentage points higher as compared to that as at 31 December 2018, primarily due to the facts that (i) macro-economy was on a downward trend; (ii) the economy got worse in the region where the Bank is operated; and (iii) customers in certain industries experienced difficulties in their operation.

3.2.3.2 Concentration of loans

(1) Concentration of corporate loans by industry

Corporate loans consist of loans to customers in various industries. The table below sets forth the breakdown of corporate loans by industry as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Wholesale and retail trade	227,296,037	47.5	160,556,340	45.6
Manufacturing	97,315,189	20.4	69,766,423	19.8
Leasing and commercial services	43,653,896	9.1	28,961,888	8.2
Real estate	35,035,141	7.3	25,681,503	7.3
Transportation, storage and postal services	10,793,156	2.3	9,224,015	2.6
Scientific research and technical services	7,298,272	1.5	3,833,122	1.1
Education	7,197,553	1.5	6,539,454	1.9
Electricity, gas and water production and supply	6,600,856	1.4	7,412,338	2.1
Mining	5,139,382	1.1	5,002,120	1.4
Construction	4,541,158	0.9	3,555,251	1.0
Public management and social organisation	4,146,060	0.9	8,061,209	2.3
Water, environment and public utility management	3,602,950	0.8	1,519,360	0.4
Agriculture, forestry, animal husbandry and fishery	1,166,923	0.2	1,253,166	0.4
Others	24,271,667	5.1	20,949,308	5.9
Total corporate loans and advances	<u>478,058,240</u>	<u>100.0</u>	<u>352,315,497</u>	<u>100.0</u>

As at the end of the Reporting Period, loans offered to customers in the industries of (i) wholesale and retail trade; (ii) manufacturing; and (iii) leasing and commercial services represented the largest components of the Bank's corporate loans. As at the end of the Reporting Period and as at 31 December 2018, the balance of loans provided to the corporate customers in the aforesaid three industries was RMB368,265,122 thousand and RMB259,284,651 thousand, respectively, accounting for 77.0% and 73.6% of the total corporate loans and advances issued

by the Bank, respectively. From the perspective of the structure of increased volume, the three industries of (i) wholesale and retail trade, (ii) manufacturing, and (iii) leasing and commercial services experienced the largest increment, representing increases of RMB66,739,697 thousand or 41.6%, RMB27,548,766 thousand or 39.5%, and RMB14,692,008 thousand or 50.7%, respectively.

(2) Borrower concentration

Loans to the ten largest single borrowers

The table below sets forth the borrowing amounts of the ten largest single borrowers as at the end of the Reporting Period.

(Expressed in thousands of Renminbi, unless otherwise stated)

Customer	Industry involved	As at 31 December 2019	
		Amount	% of total
Customer A	Manufacturing	5,600,000	1.1
Customer B	Manufacturing	5,449,000	1.1
Customer C	Leasing and commercial services	3,615,400	0.7
Customer D	Manufacturing	3,567,440	0.7
Customer E	Real estate	3,470,000	0.7
Customer F	Scientific research and technical services	3,185,000	0.7
Customer G	Wholesale and retail trade	3,098,000	0.6
Customer H	Wholesale and retail trade	3,080,110	0.6
Customer I	Leasing and commercial services	3,000,000	0.6
Customer J	Wholesale and retail trade	2,970,000	0.6

(3) Distribution of non-performing loans by product type

The table below sets forth the loans and non-performing loans by product type as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2019			As at 31 December 2018		
	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans and advances						
Small enterprises and						
micro enterprises	233,027,838	18,850,264	8.09	173,698,257	6,174,428	3.55
Medium enterprises	138,812,040	8,513,635	6.13	118,193,089	5,196,099	4.40
Others	<u>106,218,362</u>	<u>7,897,048</u>	7.43	<u>60,424,151</u>	<u>6,082,595</u>	10.07
Subtotal	<u>478,058,240</u>	<u>35,260,947</u>	7.38	<u>352,315,497</u>	<u>17,453,122</u>	4.95
Discounted bills	<u>226,427</u>	<u>—</u>	—	<u>6,344,375</u>	<u>—</u>	—
Personal loans						
Personal business loans	8,844,841	2,362,879	26.71	9,976,346	1,032,552	10.35
Personal consumption loans	468,807	26,330	5.62	630,907	15,598	2.47
Residential and commercial						
properties mortgage loans	1,349,141	31,013	2.30	1,302,895	4,754	0.36
Credit card overdrafts	169,203	3,579	2.12	155,385	1,796	1.16
Others	<u>288</u>	<u>288</u>	100.00	<u>326</u>	<u>326</u>	100.00
Subtotal	<u>10,832,280</u>	<u>2,424,089</u>	22.38	<u>12,065,859</u>	<u>1,055,026</u>	8.74
Total	<u>489,116,947</u>	<u>37,685,036</u>	7.70	<u>370,725,731</u>	<u>18,508,148</u>	4.99

The non-performing loan ratio, which is the total non-performing loans divided by the Bank's total loans and advances to customers, was 7.70% as at the end of the Reporting Period, representing an increase of 2.71 percentage points as compared to 4.99% as at 31 December 2018.

As at the end of the Reporting Period and as at 31 December 2018, the non-performing loan ratios of the Bank's corporate loans were 7.38% and 4.95%, respectively.

As at the end of the Reporting Period and as at 31 December 2018, the non-performing loan ratios of the Bank's personal loans were 22.38% and 8.74%, respectively.

(4) Overdue loans and advances to customers

The table below sets forth the ageing analysis of the Bank's overdue loans and advances to customers as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Overdue within 3 months (inclusive)	16,667,171	24.6	3,202,541	36.2
Overdue more than 3 months to 6 months (inclusive)	31,803,148	47.0	1,666,442	18.8
Overdue more than 6 months to 1 year (inclusive)	12,698,969	18.7	1,827,223	20.6
Overdue more than 1 year	6,561,687	9.7	2,157,088	24.4
Total overdue loans and advances to customers	67,730,975	100.0	8,853,294	100.0

3.2.4 Analysis on capital adequacy ratio

The Bank calculated and disclosed capital adequacy ratios in accordance with the relevant provisions of the Measures for Administration on Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) (effective since 1 January 2015) promulgated by the CBRC. As at the end of the Reporting Period, the Bank's core tier-one capital adequacy ratio was 5.15%, representing a decrease of 0.92 percentage point as compared to that as at 31 December 2018; the tier-one capital adequacy ratio was 6.47%, representing a decrease of 0.96 percentage point as compared to that as at 31 December 2018; the capital adequacy ratio was 8.09%, representing a decrease of 1.03 percentage points as compared to that as at 31 December 2018. During the Reporting Period, the decrease of capital adequacy ratio was mainly due to (i) the increase in provision for impairment losses on assets, which leads to the increase in other net deferred tax assets that depend on the Bank's future bank earnings. The Bank redeemed the tier-two capital debts with the amount of RMB1.5 billion with write-down clauses, and increased provision for impairment, resulting in a loss during the Reporting Period and the decrease of net amount of capital; and (ii) the increase of the Bank's risk assets.

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

	As at 31 December 2019	As at 31 December 2018
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>		
Core tier-one capital		
– Share capital	7,781,616	7,781,616
– Qualifying portion of capital reserve	20,578,189	20,719,184
– Surplus reserve	2,994,679	2,994,679
– General reserve	11,800,217	11,802,132
– Retained earnings	2,614,222	3,570,852
– Qualifying portions of non-controlling interests	583,418	602,666
Core tier-one capital deductions		
– Other intangible assets other than land use right	(255,880)	(197,896)
– Other net deferred tax assets that depend on the Bank's future bank earnings	(7,231,939)	(2,746,095)
Net core tier-one capital	38,864,522	44,527,138
Other tier-one capital	9,975,152	9,977,719
Net tier-one capital	48,839,674	54,504,857
Tier-two capital		
– Instruments issued and share premium	6,500,000	8,000,000
– Surplus provision for loan impairment	5,553,557	4,281,808
– Qualifying portions of non-controlling interests	146,726	160,711
Net capital base	61,039,957	66,947,376
Total risk weighted assets	754,499,591	734,050,677
Core tier-one capital adequacy ratio	5.15%	6.07%
Tier-one capital adequacy ratio	6.47%	7.43%
Capital adequacy ratio	8.09%	9.12%

3.2.5 Segment information

3.2.5.1 Summary of geographical segment

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches that generates the income. Substantially most of the Bank's businesses are conducted in the PRC and the Bank classifies its businesses in the PRC into the following three major geographical regions:

Jinzhou Region: the Bank's headquarters, Jinzhou branch, Jinzhou Taihe Jinyin Village and Township Bank Co., Ltd. (錦州太和錦銀村鎮銀行股份有限公司), Liaoning Yixian Jinyin Village and Township Bank Co., Ltd. (遼寧義縣錦銀村鎮銀行股份有限公司), Liaoning Beizhen Jinyin Village and Township Bank Co., Ltd. (遼寧北鎮錦銀村鎮銀行股份有限公司), Liaoning Heishan Jinyin Village and Township Bank Co., Ltd. (遼寧黑山錦銀村鎮銀行股份有限公司) and Liaoning Linghai Jinyin Village and Township Bank Co., Ltd. (遼寧凌海錦銀村鎮銀行股份有限公司).

Other Northeastern China Region (excluding Jinzhou region): Shenyang branch, Dalian branch, Harbin branch, Dandong branch, Fushun branch, Anshan branch, Chaoyang branch, Fuxin branch, Liaoyang branch, Huludao branch, Benxi branch, Yingkou branch, Liaoning Kazuo Jinyin Village and Township Bank Co., Ltd. (遼寧喀左錦銀村鎮銀行股份有限公司), Liaoning Huanren Jinyin Village and Township Bank (遼寧桓仁錦銀村鎮銀行股份有限公司) and Bank of Jinzhou Financial Leasing Co., Ltd. (錦銀金融租賃有限責任公司).

Northern China Region: Beijing branch and Tianjin branch.

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December			
	2019		2018	
	Amount	% of total	Amount	% of total
Operating income				
Jinzhou Region	17,368,117	75.0	16,871,441	79.3
Other Northeastern China Region	3,416,561	14.7	2,382,459	11.2
Northern China Region	2,385,021	10.3	2,029,299	9.5
Total	<u>23,169,699</u>	<u>100.0</u>	<u>21,283,199</u>	<u>100.0</u>

Operating income of the Bank is mainly generated from the region of Jinzhou, which amounted to RMB17,368,117 thousand as at the end of the Reporting Period, representing 75.0% of the total operating income, mainly due to (i) the Bank's market share in Jinzhou region is high due to a large number of branches are located in Jinzhou; and (ii) the operating income of the fund business is mainly attributable to Jinzhou where the headquarter is located.

3.2.5.2 Summary of business segment

The Bank manages its businesses through different business segments divided by business lines and geographical areas. Consistent with the way in which information is reported internally to the Bank's management for the purposes of resource allocation and performance assessment, the Bank determined the following reporting segments based on the business segments:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December			
	2019		2018	
	Amount	% of total	Amount	% of total
Operating income				
Corporate banking business	12,895,468	55.7	8,038,726	37.8
Retail banking business	1,673,037	7.2	2,151,040	10.1
Treasury business	8,580,607	37.0	11,093,364	52.1
Others	20,587	0.1	69	0.0
Total	<u>23,169,699</u>	<u>100.0</u>	<u>21,283,199</u>	<u>100.0</u>

3.2.6 Off-balance sheet items

The Bank's off-balance sheet items include credit commitment and other off-balance sheet items. Credit commitment mainly includes acceptances, letters of credit, letters of guarantees, loan commitments and credit card commitments. Other off-balance sheet items include operating lease commitments and capital expenditure commitments. Acceptances are commitments made to the payment for a bank draft issued by the Bank's customers. The letters of guarantees and the letters of credit are issued by the Bank to guarantee the customer's contractual performance for a third party. The following table sets forth the Bank's credit commitments and other off-balance sheet items as at the dates indicated:

	As at 31 December 2019	As at 31 December 2018
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>		
Acceptances	119,543,175	219,978,680
Letters of credit	4,496,980	18,172,538
Letters of guarantees	99,443	525,856
Loan commitments	2,359,907	5,169,079
Credit card commitments	837,508	1,174,794
Subtotal	127,337,013	245,020,947
Operating lease commitments	N/A	461,670
Capital expenditure commitments	47,169	407,225
Subtotal	47,169	868,895
Total	127,384,182	245,889,842

3.3 Risk Management

Comprehensive risk management represents a continuous procedure where centering around overall development strategy, the Board, the Board of Supervisors, the senior management and all staff of the Bank of performance participate in the corresponding risk management and perform their duties thereon, and conduct effective identification, assessment or measurement, supervision, reporting and control on various risks covering all departments and branches and all business activities of the Bank under a sound corporate governance structure.

The organisational structure of risk management of the Bank comprises the Board and its special committees, the board of supervisors, the senior management and its specialized committees, the risk management departments and internal audit departments.

The risk management strategy of the Bank aims to continuously improve the risk management system and strengthen the staff's sense of recognition on the risk management culture so as to achieve sustainable growth within a range of acceptable risks in line with the Bank's strategic requirements as well as the risk management policies and preferences.

The Bank is exposed to the following risks from its use of financial instruments: credit risk, operational risk, market risk, liquidity risk, information technology risk and reputation risk.

The Bank's risk management policies were established to identify and analyze the risks to which the Bank is exposed, to set internal control procedures for monitoring risks level of the Bank. Risk management policies and relevant internal control systems are reviewed regularly to reflect changes in market conditions and the Bank's business activities.

3.3.1 Credit risk

Credit risk refers to the risk that a customer or counterparty may be unable to or unwilling to meet its contractual obligations. The core to the Bank's credit risk management system mainly includes the formulation of credit policies, pre-credit due diligence, customer credit rating, collateral assessment, loan review and approval, loan disbursement management, post-credit management, non-performing loan management, and accountability.

The Bank's risk and compliance department is responsible for continuous monitoring, review and evaluation of the adequacy and effectiveness of the Bank's credit risk management system, gives advice for the improvement of the Bank's credit risk management system and develops and maintains the rating and limit tools. The Bank's lending-in-progress management department is in charge of the improvement of the Bank's credit review system and operating procedures. The Bank's post-credit management department is responsible for loan management and five-category loan assets management. The unified credit management department is responsible for formulation of limit management and organizing meetings of Credit Approval Management Committee. The non-performing asset management department is responsible for the liquidation and disposal of non-performing assets.

With respect to the credit risk control and management, the Bank specifies the respective duties and operating procedures of each department according to the principle of credit investigation and credit approval separation, management and review separation, and credit limit and review separation. The Bank has established the operating mechanism of the Credit Approval Management Committee under the collective review system.

3.3.2 Operational risk

Operational risk refers to, in the process of operation and management of a commercial bank, the risk resulting from imperfect governance structure of the legal persons, unsound internal control system, deviation of operational procedures and standards, violation by business personnel of procedural requirements and the failure by the internal control system to effectively identify, warn and prevent non-compliance and improper operation. The Bank's risk and compliance department is responsible for conducting continuous monitoring, inspection and assessment of the adequacy and effectiveness of the Bank's operational risk management system, putting forward improvement proposals and conducting risk inspections on the risk management of all types and the internal control systems.

3.3.3 Market Risk

Market risk refers to the risk of losses that the Bank may suffer in the Bank's on/ off-balance-sheet business as a result of unfavorable changes in market prices, including interest rates, exchange rates, stock prices and commodity prices.

The Bank's exposure to the market risk mainly includes interest rate risk and exchange rate risk. Interest rate risk is the risk of loss that the Bank may suffer due to the adverse movements in statutory interest rates or market interest rates. Exchange rate risk is the risk of loss that the Bank may suffer from the mismatches of the currency denomination of the Bank's assets and liabilities. The Bank aims to implement effective market risk management in order to control the market risk within the scope which is acceptable for the Bank, ensuring that the market risk assumed is match with the operational goals and the development plan of the Bank. The Bank's risk and compliance department is responsible for continuously monitoring and assessing the adequacy and efficiency of the Bank's market risk management system. The capital transaction department, wealth management products management department, interbank department, financial management department and international business department are responsible for the interest rate risks and exchange rate risks based on their respective business scopes.

3.3.3.1 Interest rate risk

Interest rates in China have been gradually liberalized in recent years. The interest rate risk is mainly reflected by the Bank's exposure to overall revenue and economic value losses as a result of unfavourable changes in key elements such as interest rate and duration structure of various interest-earning assets and interest-bearing liabilities of the Bank.

The finance management department is responsible for identifying, measuring, monitoring and managing interest rate risk. The Bank regularly performs assessment on the interest rate sensitivity of the repricing gap and impact on the net interest income and economic value results from the changes in interest rates. The primary objective of interest rate risk management is to minimise potential adverse effects on the net interest income and the economic value caused by interest rate volatility.

The Bank classified the transactions as the banking account transactions and trading account transactions. The identification, measurement, monitoring and controls over the relevant market risks are based on the nature and characteristics of these accounts. The trading account transactions include the Bank's investments with an intention to sell in the short term and profit from actual or expected short-term price fluctuations or with risk exposures locked in. The banking account transactions represent non-trading businesses. The Bank mainly analyses the interest rate risk of banking account transactions.

The Bank has adopted, including but not limited to, re-pricing gap analysis, duration analysis, net interest income simulation and economic value simulation for the measurement of interest rate risk. The interest rate risk measurement mainly evaluates the impact of changes in interest rate on the Bank's operation in terms of both income and economic value. The income simulation mainly analyzes the net interest income, which focuses on the impact of changes in interest rate on the Bank's net interest income in the short run. The economic value simulation mainly analyzes future cash flow discounted using different yield curves in various interest rate scenarios, so as to calculate the impact of changes in interest rate on the Bank's economic value.

The following tables indicate the financial assets and financial liabilities as at the end of the relevant period by the expected next repricing dates or by maturity dates, whichever is earlier:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2019					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	105,176,537	966,997	104,209,540	–	–	–
Deposits with banks and other financial institutions	8,301,592	177,381	7,979,211	145,000	–	–
Placements with banks and other financial institutions	5,643,864	135,638	5,508,226	–	–	–
Loans and advances to customers ⁽¹⁾	452,695,511	6,916,601	52,051,669	123,315,312	260,520,603	9,891,326
Investments ⁽²⁾	232,866,405	4,752,980	52,387,494	84,041,890	79,266,709	12,417,332
Finance lease receivables ⁽³⁾	6,408,314	–	1,093,551	1,814,824	3,499,939	–
Others	25,601,968	25,516,999	82,746	2,223	–	–
Total assets	836,694,191	38,466,596	223,312,437	209,319,249	343,287,251	22,308,658
Liabilities						
Borrowing from the central bank	33,079,647	39,347	33,000,000	40,300	–	–
Deposits from banks and other financial institutions	178,117,754	1,439,006	126,495,918	45,572,830	4,610,000	–
Placements from banks and other financial institutions	27,731,363	225,017	22,541,005	4,965,341	–	–
Financial assets sold under repurchase agreements	10,106,602	26,575	10,080,027	–	–	–
Deposits from customers	407,112,779	10,802,393	133,243,139	103,793,678	159,264,472	9,097
Debt securities issued	110,108,837	160,243	49,961,503	53,492,981	–	6,494,110
Others	10,931,760	3,590,986	2,122,475	4,833,744	295,920	88,635
Total liabilities	777,188,742	16,283,567	377,444,067	212,698,874	164,170,392	6,591,842
Asset-liability gap	59,505,449	22,183,029	(154,131,630)	(3,379,625)	179,116,859	15,716,816

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>		As at 31 December 2018				
		Total	Non- interest bearing	Less than three months	Between three months and one year	Between one year and five years
Assets						
Cash and deposits with the central bank	64,618,759	736,478	63,882,281	–	–	–
Deposits with banks and other financial institutions	16,231,627	165,506	13,374,612	2,691,509	–	–
Placements with banks and other financial institutions	48,454	36	–	48,418	–	–
Financial assets held under resale agreements	100,073	73	100,000	–	–	–
Loans and advances to customers ⁽¹⁾	349,110,123	–	28,349,374	83,497,971	234,761,511	2,501,267
Investment ⁽²⁾	392,056,838	3,307,771	41,298,968	121,419,375	221,030,918	4,999,806
Finance lease receivables ⁽³⁾	7,484,842	–	428,541	2,310,522	4,745,779	–
Others	16,272,032	15,966,671	107,014	198,347	–	–
Total assets	845,922,748	20,176,535	147,540,790	210,166,142	460,538,208	7,501,073
Liabilities						
Borrowings from the central bank	108,369	21	38,466	69,882	–	–
Deposits from banks and other financial institution	164,629,085	2,613,100	26,120,316	65,211,000	64,636,669	6,048,000
Placements from banks and other financial institutions	20,760,381	172,936	11,837,541	8,749,904	–	–
Financial assets sold under repurchase agreements	43,445,203	58,468	43,386,735	–	–	–
Deposits from customers	445,576,089	11,808,901	132,851,358	152,518,855	148,396,865	110
Debt securities issued	89,668,782	275,996	31,150,882	50,248,926	–	7,992,978
Others	20,971,695	4,305,033	6,885,406	9,536,081	245,175	–
Total liabilities	785,159,604	19,234,455	252,270,704	286,334,648	213,278,709	14,041,088
Asset-liability gap	60,763,144	942,080	(104,729,914)	(76,168,506)	247,259,499	(6,540,015)

Notes:

- (1) As at the end of the Reporting Period, for loans and advances to customers, the category less than three months includes overdue amounts (net of provision for impairment losses) of RMB23,169 million (31 December 2018: RMB2,801 million).
- (2) Investments include financial assets at fair value through profit or loss, at fair value through other comprehensive income and at amortised cost. As at the end of the Reporting Period, for investments, the category less than three months includes overdue amounts (net of provision for impairment losses) of RMB18,489 million (31 December 2018: RMB21.14 million).
- (3) As at the end of the Reporting Period, for finance lease receivables, the category less than three months includes overdue amounts (net of provision for impairment losses) of RMB316 million (31 December 2018: Nil).

The Bank uses sensitivity analysis to measure the potential impact of changes in interest rate on its net profit and shareholders' equity. The following table sets forth, at the dates indicated, the results of the Bank's interest rate sensitivity analysis based on the Bank's assets and liabilities as at the same date:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	2019		2018	
	Change of net profit	Shareholders equity change	Change of net profit	Shareholders equity change
100 basis points increase	2,169,683	2,561,979	1,170,944	1,716,494
100 basis points decrease	(2,180,608)	(2,602,271)	(1,174,404)	(1,750,756)

3.3.3.2 Foreign exchange risk

Due to the complicated reasons for the changes in exchange rates, banks operating the foreign exchange business will face the risk of recording a decrease in revenue or suffering a loss due to the change in exchange rate if the mismatch in the currency type of assets and liabilities results in a foreign exchange risk exposure. Exchange rate risks faced by banks mainly include trading risk and conversion risk. Trading risk represents the possibility that banks may suffer from losses as a result of a change in exchange rate when using foreign currencies to conduct pricing receipt and payment transactions. Conversion risk represents the possibility that banks may suffer book losses as a result of a change in exchange rate when converting foreign currencies into the bookkeeping base currency. The Bank's exchange rate risk mainly arises from foreign exchange self-investment of capital business, and other foreign exchange exposures. The Bank manages foreign currency risk by spot and forward foreign exchange rates, foreign exchange swap and matching its foreign currency denominated assets with corresponding liabilities in the same currencies and monitoring its foreign currency exposures on daily basis. The Bank manages exchange rate risk by the following means: strict implementation of the process management of the foreign exchange business; strict implementation on the exchange business

procedure; continuous improvement in the internal control system and operational procedures; and continuous improvement in the risk management capability of the foreign exchange business. Strict management on the exchange business procedure; continuous improvement in the internal control system and operational procedures; and continuous improvement in the risk management capability of the foreign exchange business.

The Bank's currency exposures as at the end of the relevant periods are as follows:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2019			
	RMB	USD	Others	Total
	<i>(RMB Equivalent)</i>	<i>(RMB Equivalent)</i>	<i>(RMB Equivalent)</i>	<i>(RMB Equivalent)</i>
Assets				
Cash and deposits with the central bank	105,025,790	145,905	4,842	105,176,537
Deposits with banks and other financial institutions	7,451,347	729,388	120,857	8,301,592
Placements with banks and other financial institutions	5,643,864	–	–	5,643,864
Loans and advances to customers	452,217,365	463,449	14,697	452,695,511
Others	260,678,389	4,198,298	–	264,876,687
Total assets	831,016,755	5,537,040	140,396	836,694,191
Liabilities				
Borrowing from the central bank	33,079,647	–	–	33,079,647
Deposits from banks and other financial institutions	178,117,754	–	–	178,117,754
Placements from banks and other financial institutions	20,509,117	6,429,754	792,492	27,731,363
Deposits from customers	404,229,437	2,810,880	72,462	407,112,779
Debt securities issued	110,108,837	–	–	110,108,837
Others	21,035,933	2,399	30	21,038,362
Total liabilities	767,080,725	9,243,033	864,984	777,188,742
Net position	63,936,030	(3,705,993)	(724,588)	59,505,449
Off-balance sheet credit commitments	126,830,890	499,868	6,255	127,337,013

	As at 31 December 2018			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>				
Assets				
Cash and deposits with the central bank	64,426,910	188,880	2,969	64,618,759
Deposits with banks and other financial institutions	8,045,603	897,229	7,288,795	16,231,627
Placements with banks and other financial institutions	36	—	48,418	48,454
Loans and advances to customers	346,866,120	2,066,771	177,232	349,110,123
Others	411,874,545	4,039,240	—	415,913,785
Total assets	831,213,214	7,192,120	7,517,414	845,922,748
Liabilities				
Borrowing from the central bank	108,369	—	—	108,369
Deposits from banks and other financial institutions	164,629,085	—	—	164,629,085
Placements from banks and other financial institutions	3,330,866	16,250,537	1,178,978	20,760,381
Deposits from customers	441,932,631	3,605,686	37,772	445,576,089
Debt securities issued	89,668,782	—	—	89,668,782
Others	64,416,898	—	—	64,416,898
Total liabilities	764,086,631	19,856,223	1,216,750	785,159,604
Net position	67,126,583	(12,664,103)	6,300,664	60,763,144
Off-balance sheet credit commitments	242,749,624	2,241,612	29,711	245,020,947

	As at 31 December 2019		As at 31 December 2018	
	RMB	USD equivalent	RMB	USD equivalent
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>				
On-balance-sheet net foreign exchange exposures	(4,430,581)	(635,099)	(6,363,439)	(927,183)
Off-balance-sheet net foreign exchange exposures	6,155,886	882,412	13,880,709	2,022,484
Total net foreign exchange exposures	1,725,305	247,313	7,517,270	1,095,301

The Bank uses sensitivity analysis to measure the potential impact of changes in interest rate on its net profit and shareholders' equity. The following table sets forth, at the dates indicated, the results of the Bank's interest rate sensitivity analysis based on the Bank's assets and liabilities as at the same date:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i> Type of Currencies	Fluctuation of foreign exchange rates	2019		2018	
		Change of net profit	Shareholders equity change	Change of net profit	Shareholders equity change
USD	1%	(7,235)	(7,235)	(21,193)	(21,193)
USD	-1%	7,235	7,235	21,193	21,193

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities, and certain simplified assumptions:

- The foreign exchange sensitivity represents the gain and loss on foreign exchange recognised as a result of the fluctuation of the foreign currency exchange rates against RMB by 1%;
- The fluctuation of exchange rates by 1% is based on the assumption of the fluctuation of exchange rates over the next 12 months;
- The exchange rates against RMB for the US dollars change in the same direction simultaneously. Due to the immaterial proportion of the Bank's total assets and liabilities denominated in currencies other than US dollars, the calculation of the amount of USD equivalent of other foreign currencies in the above sensitivity analysis shall have potential impacts on the Bank's net profit and shareholders' equity;
- The foreign exchange exposures calculated include spot and forward foreign exchange exposures and swaps;
- Other variables (including interest rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the Bank.

Due to the assumptions adopted, actual changes in the Bank's net profit and equity resulting from the increase or decrease in foreign exchange rates might vary from the estimated results of this sensitivity analysis.

3.3.4 Liquidity Risk

Liquidity risk represents the risk that the commercial bank is unable to raise sufficient funds at reasonable costs in a timely manner to satisfy due liabilities, to perform other payment obligations and to satisfy other funds requirements of normal businesses. In extreme cases, liquidity insufficiency can lead to settlement risks of commercial banks. Significant growth in the demand for credit facilities, substantial performance of loan commitments, unexpected increase in non-performing loans, sharp decrease in deposit level and financing difficulty in the currency market may affect the Bank's liquidity. Meanwhile, adjustment in financial policies, dramatic changes in interest rates in the market, the Bank's own asset and liability structure and liquidity management capability are also important factors which affect the Bank's liquidity.

3.3.4.1 Liquidity risk management

The Bank has established asset and liability management strategies and liquidity management policy incorporated liquidity risk into its comprehensive risk management system. Being responsible for bank-wide liquidity management, the asset and liability management committee of the Bank establishes the liquidity management objectives according to the requirements and regulatory indicators for asset and liability management at the beginning of each year. The Bank's assets and liabilities management department is responsible for the analysis and monitoring of the Bank's liquidity, while the asset and liability management committee is responsible for implementation of the liquidity management policies.

3.3.4.2 Liquidity risk analysis

The tables below summarize the undiscounted contractual cash flows of the Bank's financial instruments based on the maturity date. The balances of some items in the tables below do not match the balances on the statement of financial position as the undiscounted contractual cash flows include both principal and interest. The Bank's expected cash flows on these instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

The following tables provide an analysis of assets and liabilities of the Bank into relevant maturity groupings based on the remaining periods to repayment at the end of the relevant periods:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2019							Total
	Repayable on Indefinite demand	Within one month	Between one	Between three	Between one	More than five years		
			month and three months	months and one year	year and five years			
Assets								
Cash and deposits with the central bank	43,964,829	61,211,708	-	-	-	-	-	105,176,537
Deposits with banks and other financial institutions	128,804	6,021,912	638	2,082,821	67,417	-	-	8,301,592
Placements with banks and other financial institutions	3,161,237	-	-	2,482,627	-	-	-	5,643,864
Loans and advances to customers	35,193,152	1,098,899	8,663,217	15,844,425	120,662,161	260,318,811	10,914,846	452,695,511
Investments	12,774,133	5,734,673	14,800,756	20,919,316	85,315,108	81,337,170	11,985,249	232,866,405
Finance lease receivables	601,709	-	-	902,114	1,986,796	2,917,695	-	6,408,314
Others	25,187,097	100,804	4,196	78,550	222,223	9,098	-	25,601,968
Total assets	121,010,961	74,167,996	23,468,807	42,309,853	208,253,705	344,582,774	22,900,095	836,694,191
Liabilities								
Borrowing from the central bank	-	-	33,039,326	-	40,321	-	-	33,079,647
Deposits from banks and other financial institutions	-	45,739,966	14,298,595	67,458,683	45,971,701	4,648,809	-	178,117,754
Placements from banks and other financial institutions	-	-	17,187,677	5,856,149	4,687,537	-	-	27,731,363
Financial assets sold under repurchase agreements	-	-	3,563,991	6,542,611	-	-	-	10,106,602
Deposit from customers	-	69,156,300	24,708,466	41,549,549	107,202,902	164,486,041	9,521	407,112,779
Debt securities issued	-	-	22,251,421	27,782,897	53,570,944	9,465	6,494,110	110,108,837
Others	-	3,474,918	679,590	1,442,884	4,833,744	298,889	201,735	10,931,760
Total liabilities	-	118,371,184	115,729,066	150,632,773	216,307,149	169,443,204	6,705,366	777,188,742
Asset-liability gap	121,010,961	(44,203,188)	(92,260,259)	(108,322,920)	(8,053,444)	175,139,570	16,194,729	59,505,449

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2018							Total
	Indefinite	Repayable on demand	Within one month	Between one	Between	Between one	More than five years	
				month and three months	three months and one year	year and five years		
Assets								
Cash and deposits with the central bank	55,118,517	9,500,242	—	—	—	—	—	64,618,759
Deposits with banks and other								
financial institutions	—	1,541,492	8,890,680	3,067,310	2,732,145	—	—	16,231,627
Placements with banks and other								
financial institutions	—	—	—	—	48,454	—	—	48,454
Financial assets held under resale agreements	—	—	100,073	—	—	—	—	100,073
Loans and advances to customers	8,367,726	1,412,921	7,408,582	15,661,439	80,890,929	232,062,236	3,306,290	349,110,123
Investments	5,121,836	—	12,536,693	28,955,311	120,628,561	219,813,482	5,000,955	392,056,838
Finance lease receivables	185,000	—	—	428,541	2,310,522	4,560,779	—	7,484,842
Others	15,966,671	—	70,060	36,954	198,347	—	—	16,272,032
Total assets	84,759,750	12,454,655	29,006,088	48,149,555	206,808,958	456,436,497	8,307,245	845,922,748
Liabilities								
Borrowing from the central bank	—	—	—	29,904	78,465	—	—	108,369
Deposits from banks and other								
financial institutions	—	170,331	5,820,222	21,013,692	66,914,953	64,661,887	6,048,000	164,629,085
Placements from banks and other								
financial institutions	—	—	6,870,311	5,076,942	8,813,128	—	—	20,760,381
Financial assets sold under								
repurchase agreements	—	—	42,244,990	1,200,213	—	—	—	43,445,203
Deposits from customers	—	76,827,398	17,839,737	39,111,107	155,500,884	156,118,094	178,869	445,576,089
Debt securities issued	—	—	10,370,356	15,339,204	51,966,467	3,751,266	8,241,489	89,668,782
Others	—	4,305,033	2,161,575	4,723,831	9,536,081	245,175	—	20,971,695
Total liabilities	—	81,302,762	85,307,191	86,494,893	292,809,978	224,776,422	14,468,358	785,159,604
Asset-liability gap	84,759,750	(68,848,107)	(56,301,103)	(38,345,338)	(86,001,020)	231,660,075	(6,161,113)	60,763,144

At the end of the Reporting Period, as at 30 September 2019 and as at 30 June 2019, the net stable funding ratio of the Bank was 103.13%, 99.94% and 104.61%, respectively.

At the end of the Reporting Period, the stable funds available to the Bank were RMB521.533 billion, and the required stable funds were RMB505.721 billion.

3.3.5 Information Technology Risk

Information technology risk includes operational risk, legal risk, reputational risk and other types of risks caused by natural factors, human errors, technical loopholes and management failure arising from our use of information technology.

The Bank established an information technology risk management system and organisational structure, including the Board, information technology management committee, information technology division under the information technology management department, risk compliance division under the information technology risk management responsibility department, and internal audit division under the information technology audit responsibility department. And according to the Bank's risk management capabilities, risk appetite and risk tolerance, it has set up appropriate risk management processes. Through adhering to a sound information technology risk management policy, establishing a scientific risk management organization structure, and dividing clear risk management responsibilities to prevent major technology risk events, the Bank is able to maintain stable operation of the system and to control the Bank's information technology risk within a reasonable level.

3.3.6 Reputation Risk

Reputation risk refers to the risk resulting from negative comments to the Bank by stakeholder with respect to the operations, management and other activities, or due to external events.

During the Reporting Period, the Bank strengthened reputation risk identification, monitoring, control and solution through diversified initiatives such as improvement of the establishment of system, strengthening real time monitoring of online public opinion, self-examination and investigation of reputational risks, and the positive guidance and promotion of brand image. With the control mechanism on reputation risk improved continuously.

3.3.7 Anti-money Laundering Management

The Bank attaches great importance to anti-money laundering and counter-terrorist financing by earnestly fulfilling its anti-money laundering obligations, constantly improving the effectiveness of anti-money laundering and counter-terrorist financing, continuously deepening the risk control of money laundering and steadily enhancing the standard of anti-money laundering. The Bank put the regulatory policies in place in a strict manner to complete the works regarding the large-scale transactions and suspicious transactions; the artificial selection of suspicious transactions was conducted and effective customer identification measures and risk control initiatives was adopted to strengthen the identification of actual controllers and beneficiary owners of bank account and to classify reasonable division and adjustment toward customer risk levels; the Bank also established the performance assessment mechanism of the anti-money laundering and counter-terrorist financing; the Bank strengthened its internal supervision over anti-money laundering so as to leverage the role of internal inspection, supervision and management.

3.3.8 Protection of Consumer Rights

During the Reporting Period, the Bank made incessant efforts into the administration of protection of financial consumers' rights, incorporated the protection of consumers' rights into every aspect of the corporate governance, and strengthened the construction of management system for the protection of consumers' rights to clarify the work responsibilities of the management at all levels responsible for the protection of consumers' rights, rules of procedure for meetings and operation mechanisms. The Bank standardized the management system for protection of consumers' rights and interests, and improved the construction of systems and mechanisms for protection of consumers' rights and interests. The Bank strictly performed its review responsibilities for the protection of consumers' interests and rights during pre-sale, sale and after-sale process, strengthened the sense of responsibility, and effectively safeguarded the legal rights and interests of consumers by performing the duty of information disclosure, regulating marketing activities and strengthening internal management. The Bank established a comprehensive complaint handling system enhance the complaint handling capability, improve the quality and efficiency of complaint handling and solve complaints from consumers in an efficient way. In order to conform to the requirements of regulatory authorities, the Bank developed a series of publicity and education activities concerning financial knowledge so as to enable financial consumers to improve their capability of identifying and avoiding financial risks and earnestly fulfill the principal responsibility for protecting consumers' rights and interests.

3.4 Future Prospects

The year 2020 is a concluding year for building a moderately prosperous society in all respects and the 13th Five-Year Plan. It is the year for China to secure a decisive victory in achieving its first centenary goal and also the crucial year for the Bank to implement reform and reorganization.

In 2019, the Bank initiated its reform and reorganization, by which the Bank introduced a group of powerful strategic investors so as to replenish its capital and improve the shareholding structure, thus the asset structure and profitability of the Bank were improved. Upon the completion of the reform and reorganization, the Bank has experienced a round of prolong changes in mechanisms and became a state-controlled financial enterprise. Leveraging on seeking initiative development, the Bank adapted such emerging situations and growth requirements. The Bank vigorously intensified efforts in strategic cooperation with peers to enhance our growth driver and profitability, thus achieving the sound, healthy and sustainable development.

To further elevate the level of internal control and management, the Bank will take advantage of the reform and reorganization to press ahead steadily a basic management program to comprehensively conduct refined management in such areas as system construction, business procedure and organizational structure. The Bank will also launch quality and efficiency improvement program to optimize the allocation of resources for the sake of benefits and further boost its profitability. The Bank will strengthen Party building, highlight the leading role of the Party and incorporate the leadership of the Party into all aspects of the corporate governance and operation and management of the Bank. With an aim to avoid systematic financial risks, the Bank will intensify its efforts on the internal control and compliance development, and make comprehensive plans to build up three defense lines concerning the compliance. The Bank will implement the strategy of revitalizing the Bank by talents and launch the “535” Talent Project to bring about more internal driving forces, so as to create a group of talents with the feature of the Bank and the ability to coordinate with the “1226” development strategy. The Bank will give play to the driving effect of the financial technology and deepen the integration between the financial technologies.

The Bank will, by fostering innovation and culture, innovate a series of institutional mechanisms for such areas as development strategy, business concept, development model, organizational structure, corporate governance, business process, product channel, risk control and compliance, and talent training, to drive the development and future by innovation. The Bank has strengthened the “three boards and one management” organizational structure, improved the corporate governance structure, and actively promoted the strategic transformation. And the Bank carried out institutional reform to steadily advance the, and give full play to the initiative, thus promoting progress of the reform. Through further improving the internal working mechanism, the Bank will improve the quality and efficiency of the administration and the ability of operation and management. Efforts should be made to ensure that “Three Views” – “the views on risk, performance and development” are coordinated and unified with each other so as to cultivate compliance culture in all rounds and practically enhance the internal control and management. The Bank will follow various arrangements made by the Central Committee of the CPC in economy and finance to strengthen the Party leadership and Party building, and persist in the principle that the Party shall supervise the finance and chart the course. The Bank will comply with regulatory policies and regulatory requirements to establish the risk appetite in line with its own self-development positioning and continue to improve the risk management system. In order to cooperate to serve the local economy, the Bank will vigorously develop the inclusive finance and promote the financial quality and efficiency in supporting the real economy. The Bank will try hard to realise the risk management coordinated with business development, business scale coordinated with capital status, fintech application coordinated with humanistic care for customers, and its self-development coordinated with shouldering social responsibility.

During the outbreak of COVID-19, the Bank promoted the “Chunjin Plan” (春錦計劃) to help enterprises resume work and production, and opened a green channel for enterprises to help those affected by the epidemic get out of difficulties to knock on the barrier for market exploration and extend our business into credit market and source quality customers. The bank will incorporate “Chunjin Plan” (春錦計劃) with inclusive finance in a coordinated way to achieve featured marketing.

With in-depth study and implementation of the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and the spirit of the fourth plenary session of the 19th CPC Central Committee, the Bank will earnestly implement the spirit of the Central Economic Work Conference and relevant work conference held by Provincial and Municipal Party Committees and Governments, as well as regulatory authorities, to carry out new development concepts. Keeping firmly in mind of its original aspiration and mission as an urban commercial bank and returning to the origin of serving the real economy via financial services, the Bank will insist on serving the local economy, serving small and micro private businesses, and serving urban and rural residents. With its cultivation in regional markets and in-depth development of local customers as the focus, and differentiated and featured products and services as two advantages of its development strategy, fully implement the principles of safety, liquidity and efficiency of commercial banks and led by the implementation of “1226” development strategy, the Bank will proactively carry out the new development philosophy of “compliance, innovation, coordination and quality”. The Bank will commit to establishing an improved and efficient internal management system, achieving the establishment of a sustainable and healthy development model, achievement of a series of good operation indicators, building of a set of advanced financial technology system and development of a professional talent team with high quality, striving to become a city commercial bank featured with high-quality organic development with internal driver.

4. ISSUANCE OF SECURITIES AND BONDS

4.1 Issuance of Tier 2 Capital Bonds

Upon the approval of CBRC and PBOC, the Bank issued the tier-two capital bonds with write-down terms in an aggregate principal amount of RMB2,500 million on 26 December 2016. The bonds have a term of ten years and fixed coupon rate of 4.30% per annum. The Bank has an option to redeem such bonds wholly or partially at the nominal amount on 27 December 2021 upon the approval of relevant regulatory authorities.

Upon the approval of CBRC and PBOC, the Bank issued the tier-two capital bonds with write-down terms in an aggregate principal amount of RMB4,000 million on 26 March 2018. The bonds have a term of ten years and fixed coupon rate of 4.90% per annum. The Bank has an option to redeem such bonds wholly or partially at the nominal amount on 28 March 2023 upon the approval of relevant regulatory authorities.

4.2 Issuance of Interbank Certificates of Deposit

As at the end of the Reporting Period, the Bank issued 120 interbank certificates of deposits (issued in the market which are not matured yet) in total with an aggregate balance of RMB103.454 billion.

5. OTHER INFORMATION

5.1 Subsequent Events

5.1.1 Proposed private placement and substantial disposal in relation to disposal of assets

(a) Proposed Private Placement of New Domestic Shares Under the Specific Mandate

Reference is made to the announcement of the Bank dated 10 March 2020 (the “**Announcement dated 10 March**”), in relation to the Proposed Private Placement. Unless otherwise defined herein, the capitalized terms used in the section headed “Proposed Private Placement of New Domestic Shares Under the Specific Mandate” shall have same meanings as those defined in the Announcement dated 10 March.

On 23 January 2020, the Bank and the Subscribers entered into the Subscription Agreement, pursuant to which the Bank has conditionally agreed to issue and allot and the Subscribers have conditionally agreed to subscribe in cash for an aggregate of 6.2 billion Subscription Shares at the subscription price of RMB1.950 per Subscription Share. Net proceeds from the issuance of the Subscription Shares are expected to be approximately RMB12.09 billion and are intended to be used to replenish the core tier-one capital of the Bank. The Subscription Shares will be issued under the Specific Mandate granted at the AGM and the 2019 Class Meetings.

Chengfang Huida will subscribe for an aggregate of 5,270 million Subscription Shares, with an aggregate nominal value of RMB5,270 million, representing approximately 67.72% of the total existing issued share capital of the Bank before the completion of the Proposed Private Placement, and approximately 37.69% of the total enlarged issued share capital of the Bank after the completion of the Proposed Private Placement. Liaoning Financial Holding will subscribe for an aggregate of 930 million Subscription Shares, with an aggregate nominal value of RMB930 million, representing approximately 11.95% of the total existing issued share capital of the Bank before the completion of the Proposed Private Placement, and approximately 6.65% of the total enlarged issue share capital of the Bank after the completion of the Proposed Private Placement. The Subscription Shares consist of 6.2 billion New Domestic Shares, representing approximately 79.67% of the total existing issued share capital of the Bank before the completion of the Proposed Private Placement, and approximately 44.34% of the total enlarged issued share capital of the Bank after the completion of the Proposed Private Placement; and representing approximately 145.39% of the existing issued Domestic Shares of the Bank before the completion of the Proposed Private Placement, and approximately 59.25% of the enlarged issued Domestic Shares of the Bank after the completion of the Proposed Private Placement (without taking into account the conversion of the Offshore Preference Shares).

Information of Chengfang Huida

Chengfang Huida is a limited liability company incorporated in the PRC on 15 May 2019, which is wholly-owned by Huida Asset Management. Each of Huida Asset Management and Chengfang Huida is managed by the PBOC in which all its economic benefits and voting power are held and controlled by the PBOC.

Information of Liaoning Financial Holding

Liaoning Financial Holding is a limited liability company incorporated in the PRC on 18 December 2019, which is wholly-owned by the Liaoning Province Finance Department.

Effect on the shareholding structure

The following table illustrates the shareholding structure of the Bank as at the date of the Announcement dated 10 March and immediately after the completion of the Proposed Private Placement (assuming no other changes to the issued share capital of the Bank prior to the completion of the Proposed Private Placement):

	As at the date of this announcement		Immediately after the completion of the Proposed Private Placement	
	Number of Shares	%	Number of Shares	%
Domestic Shares				
Non-public Domestic Shareholders				
– ICBC Financial Asset Investment Co., Ltd.* (工銀金融資產投資有限公司) ⁽¹⁾	841,822,258	10.82	–	–
– Chengfang Huida and parties acting in concert with it	–	–	5,270,000,000	37.69
	<u>841,822,258</u>	<u>10.82</u>	<u>5,270,000,000</u>	<u>37.69</u>
Public Domestic Shareholders				
– ICBC Financial Asset Investment Co., Ltd.* (工銀金融資產投資有限公司) ⁽²⁾	–	–	841,822,258	6.02
– Cinda Investment Co., Ltd.* (信達投資有限公司) ⁽²⁾	505,093,350	6.49	505,093,350	3.61
– Liaoning Financial Holding and parties acting in concert with it	–	–	930,000,000	6.65
– Other public Domestic Shareholders	2,917,380,076	37.49	2,917,380,076	20.87
	<u>3,422,473,426</u>	<u>43.98</u>	<u>5,194,295,684</u>	<u>37.15</u>
	<u><u>4,264,295,684</u></u>	<u><u>54.80</u></u>	<u><u>10,464,295,684</u></u>	<u><u>74.84</u></u>
H Shares	<u>3,517,320,000</u>	<u>45.20</u>	<u>3,517,320,000</u>	<u>25.16</u>
Total	<u><u>7,781,615,684</u></u>	<u><u>100.00</u></u>	<u><u>13,981,615,684</u></u>	<u><u>100.00</u></u>

Notes:

- (1) Such Domestic Shares are directly held by ICBC Financial Asset Investment Co., Ltd.* (工銀金融資產投資有限公司). Upon completion of the Proposed Private Placement, the effective interest of ICBC Financial Asset Investment Co., Ltd.* (工銀金融資產投資有限公司) in the total issued share capital of the Bank will be diluted from 10.82% to 6.02%. Accordingly, it will no longer be a substantial shareholder of the Bank as defined under the Listing Rules and shall be deemed as a public Domestic Shareholder upon the completion of the Proposed Private Placement.

- (2) Such Domestic Shares are directly held by Cinda Investment Co., Ltd.* (信達投資有限公司), a wholly-owned subsidiary of China Cinda. China Cinda indirectly held all the equity interests in Huida Asset Management and Chengfang Huida.

Effect on the financial data and indicators

After the completion of the Proposed Private Placement, the key financial data and indicators of the Bank change as follows:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2019		After the completion VS before the completion	
	After the completion	(Before the completion)	Change	Rate of Change (%)
Asset/liability key indicators				
Total assets	848,784,191	836,694,191	12,090,000	1.4
Total liabilities	777,188,742	777,188,742	–	–
Total equity	71,595,449	59,505,449	12,090,000	20.3
Share capital	13,981,616	7,781,616	6,200,000	79.7
Capital Adequacy Indicators (%)				
			Rate of Change	
Core tier-one capital adequacy ratio	6.89	5.15	1.74	
Tier-one capital adequacy ratio	8.20	6.47	1.73	
Capital adequacy ratio	9.81	8.09	1.72	
Total equity to total assets	8.44	7.11	1.33	

Upon the completion of the Proposed Private Placement, the total equity interest of the Bank will increase by RMB12.09 billion to RMB71.595 billion. The capital adequacy ratio is expected to amount to 9.81%, representing an increase of 1.72 percentage points as compared with that before the completion of the Proposed Private Placement. Through the above Proposed Private Placement, the Bank will introduce strong strategic investors to supplement capital strength, optimize the shareholding structure, improve the capital adequacy ratio and increase development momentum and profitability, so as to enhance the comprehensive competition and achieve stable, healthy and sustainable development of the Bank.

(b) Very Substantial Disposal in Relation to the Disposal of Assets of the Bank

Reference is made to the announcement of the Bank dated 3 April 2020 (the “**Announcement dated 3 April**) in relation to disposal assets. Unless otherwise defined herein, the capitalized terms used in the section headed “Very Substantial Disposal in Relation to the Disposal of Assets of the Bank” shall have same meanings as those defined in the Announcement dated 3 April.

On 31 March 2020 (after trading hours), the Bank and the purchaser entered into the Framework Disposal Agreement, pursuant to which the Bank has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Disposal Assets for the Consideration of RMB45.0 billion.

Pursuant to the Framework Disposal Agreement, the Bank has conditionally agreed to sell, and Chengfang Huida has conditionally agreed to purchase the Disposal Assets, being certain credit assets and other assets held by the Bank, including corporate loans and beneficial interest transfer plans (comprising beneficial interests in trust plans and asset management plans issued by trust companies, securities companies, insurance companies and asset management companies). The original book value of the debt principal amount of the disposed assets is approximately RMB150 billion and the consideration paid by Chengfang Huida to the Bank for the Disposal is RMB45 billion.

Also, the Bank entered into an agreement to subscribe for a directional debt instrument in the principal amount of RMB75 billion issued by Jinzhou Jinyin Management Partnership (Limited Partnership)* (錦州錦銀管理合夥企業(有限合夥)), being an entity set up by corporations controlled by Liaoning Financial Holding Group Corporation limited and the Deposit Insurance Fund Management Co., Ltd.* (存款保險基金管理有限責任公司), pursuant to which, among other things, (a) the obligation of the Bank to make payment for such subscription amount by the Bank shall be waived; and (b) the Bank will obtain from the issuer the repayment of premium and the interest at the rate of 2.25% per annum, totaling to no less than RMB5 billion per year in principle (the “**Debt Instrument Subscription**”).

Pursuant to the Disposal, (i) the deposit of the Bank at central bank will increase by approximately RMB45 billion; (ii) taking into consideration that the Debt Instrument Subscription and the Disposal are a series of transactions under the reorganization plan of the Bank, and as such the Bank’s debt investment will increase by approximately RMB75 billion; and (iii) disposal of assets of approximately RMB150 billion, leading to an overall unaudited impairment reserve expense of approximately RMB30 billion. The net proceeds from the Disposal after deduction of expenses are estimated to be approximately RMB45 billion, which are intended to be used for the general working capital of the Bank.

Upon completion of the Disposal and the Debt Instrument Subscription, the movements of the key financial data and indicators are as follows:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	After the completion	As at 31 December 2019	After the completion VS before the completion	
		(Before the completion)	Change	Rate of Change (%)
Asset/liability key indicators				
Total assets	783,859,070	836,694,191	(52,835,121)	(6.3)
Total liabilities	724,934,336	777,188,742	(52,254,406)	(6.7)
Total equity	58,924,734	59,505,449	(580,715)	(1.0)
Share capital	7,781,616	7,781,616	–	–
Capital Adequacy Indicators (%)			Change	
Core tier-one capital adequacy ratio			6.96	5.15
Tier-one capital adequacy ratio			8.49	6.47
Capital adequacy ratio			10.67	8.09
Total equity to total assets			7.52	7.11
Assets Quality Indicators (%)				
Non-performing loan ratio			1.95	7.70
Provision coverage ratio			227.94	115.01
Provision to loans ratio			4.44	8.86

Upon the completion of the Disposal of Assets and Debt Instrument Subscription, it will enhance the quality of the Bank's assets and the refined management of assets internally, to reduce the misappropriation of capital, to improve the capital adequacy ratio and liquidity of the Bank and to enhance the sustainability.

(c) Benefits of Proposed Asset Reorganization

After the completion of the Proposed Private Placement, Disposal of Assets and Debt Instrument Subscription (the “**Proposed Asset Reorganization**”), the key financial data and indicators change as follows:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at		After the completion of Proposed Asset Reorganization	Rate of Change (%)
	After the completion of Proposed Asset Reorganization	31 December 2019 (Before the completion of Proposed Asset Reorganization)		
Asset/liability key indicators			Change	
Total assets	795,949,070	836,694,191	(40,745,121)	(4.9)
Total liabilities	724,934,336	777,188,742	(52,254,406)	(6.7)
Total equity	71,014,734	59,505,449	11,509,285	19.3
Share capital	13,981,616	7,781,616	6,200,000	79.7
Capital Adequacy Indicators (%)			Rate of Change	
Core tier-one capital adequacy ratio	8.85	5.15	3.70	
Tier-one capital adequacy ratio	10.38	6.47	3.91	
Capital adequacy ratio	12.56	8.09	4.47	
Total equity to total assets	8.92	7.11	1.81	
Assets Quality Indicators (%)				
Non-performing loan ratio	1.95	7.70	(5.75)	
Provision coverage ratio	227.94	115.01	112.93	
Provision to loans ratio	4.44	8.86	(4.42)	

The profit and loss resulted from the Proposed Asset Reorganization is not reflected in the audited annual results for the year ended 31 December 2019.

Upon the completion of the Proposed Asset Reorganization, the total equity interest of the Bank will increase by RMB11.509 billion to RMB71.015 billion; the share capital will increase by RMB6.200 billion to RMB13.982 billion; the capital adequacy ratio is expected to amount to 12.56%, representing an increase of 4.47 percentage points as compared to that before the Proposed Asset Reorganization; the non-performing loan ratio is expected to amount to 1.95%, representing a decrease of 5.75 percentage points as compared to that before the Proposed Asset Reorganization; the provision coverage ratio is expected to amount to 227.94%, representing an increase of 112.93 percentage points as compared to that before the Proposed Asset Reorganization.

Through the above Proposed Asset Reorganization, the Bank is expected to improve its capital adequacy ratio, reduce the non-performing loan ratio, improve the asset quality and optimize its shareholding structure. Such Proposed Asset Reorganization will improve the Bank's risk resistance ability and strengthen its corporate governance level, which provides the foundation for the Bank to establish a healthy internal governance mechanism and realize the overall stable operation and so as to further improve its comprehensive competitiveness and promote its sustainable development.

5.1.2 Issues concerning the effect of novel coronavirus pneumonia

Since the outbreak of novel coronavirus pneumonia in January 2020, the Bank has earnestly studied the spirit conveyed in various national documents and thoroughly implemented the work arrangements of government departments at all levels to satisfy additional capital needs for epidemic prevention and control and resumption of work and production for enterprises. The Bank specially formulated the "Chunjin Plan" (春錦計劃), comprehensively practiced the policy guidelines of "Five Specifics" (五特), namely specific time, specific mechanism, specific policies, specific products and specific scale, and provided increased credit support for areas relating to epidemic prevention and control to properly mitigate difficulties facing enterprises affected by the epidemic. With rational support measures, the Bank provided increased credit support to the real economy, improved the efficiency of examination and approval, optimized the credit facilities program for epidemic prevention, reduced and exempted the cost from the use of funds for epidemic prevention by enterprises, and spared no effort to support the resumption of work and production for enterprises. At the same time, the inclusive financial and credit service policy specific for epidemic prevention was launched to support the production and operation of enterprises fighting against the epidemic, care for small and micro enterprises and individuals affected by the epidemic, and implemented "three major policies" regarding offering support for the fight against the epidemic, namely "anti-epidemic green channel, support for enterprises falling into difficulties, care for individuals affected by the epidemic".

The epidemic is expected to have certain impact on the overall macro economy and the production and operations of some enterprises, which will, to a certain extent, affect the income level and assets quality of the Bank's credit assets and investment assets. The extent of such impact will be dependent upon the duration, prevention and control of the epidemic, the extent by which customers in different regions and industries are affected, and the implementation and effectiveness of various regulatory policies. The Bank will continue to pay attention to the development of the epidemic, and continuously evaluate and actively respond to its impact on the Bank's financial position and operating results.

5.1.3 Subsequent changes on directors

On 21 January 2020, the Bank received the approval from the Liaoning Regulatory Bureau of the China Banking and Insurance Regulatory Commission (“**CBIRC**”), which was formed after duty restructuring of CBRC and China Insurance Regulatory Commission, regarding the qualification of Mr. Xiao Geng as the Director of the Bank. The term of office of Mr. Xiao Geng shall commence from 21 January 2020 till the expiry of the term of the sixth session of the Board.

5.2 Corporate Governance Code

The Bank has continuously improved its corporate governance system, gradually upgraded its corporate governance standards, and has adopted the Corporate Governance Code (“**CG Code**”) as set out in Appendix 14 of the Listing Rules and the relevant requirements on corporate governance as set out in the Management Measures for Commercial Banks of the PRC and established its corresponding corporate governance system. The Bank has also established full-time and independent Board, board of supervisors and senior management in accordance with relevant regulations. The members of the Board and the board of supervisors of the Bank, except for employee representative supervisors, were all elected at the general meetings by shareholders. The Bank will further improve the level of information disclosure, standardize investor relations management activities, and continuously improve transparency and governance.

During the Reporting Period, save as disclosed below, the Bank has fully complied with the code provisions as set out in the CG Code, and the Board is not aware of any information indicating that the Bank has not complied with the code provisions as set out in the CG Code:

According to the code provision A.5.1 of the CG Code, issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director, and independent non-executive directors shall form the majority of the committee. On 18 October 2019, the Directors of the sixth session of the Board have been elected on the annual general meeting for 2018 of the Bank, and the sixth session of the Board has successively received their approvals from regulatory authority during the period from 30 October 2019 to 21 January 2020, and each of their terms of office took into effects from the respective date of the receipt of approvals from regulatory authority. On 15 November 2019, the Bank convened the Board meeting for approval and appointment of, among other things, the members of the Nomination and Remuneration Committee. Therefore, from 30 October 2019 (the date when the sixth session of the Board commenced to perform its duties) to 15 November 2019 (the date when the Bank convened the Board meeting to appoint the members of committees, on which the qualifications of all members of the Bank’s Nomination and Remuneration Committee serving as the Directors had been approved by the regulatory authorities), the Bank’s Nomination and Remuneration Committee had no member. Since 15 November 2019, the members of the the Bank’s Nomination and Remuneration Committee have complied with the code provision A.5.1 of the CG Code.

5.3 Failure to comply with Rules 3.10A, 3.21 and 3.25 of the Listing Rules

During the Reporting Period, the Bank conducted the election and reappointment of the sixth session of the Board. The Directors of the sixth session of the Board successively received approvals from regulatory authority during the period from 30 October 2019 to 21 January 2020, and each of their terms of office took into effects from the respective date of the receipt of approvals from regulatory authority. As of 15 November 2019, 14 out of a total of 15 Directors of the sixth session of the Board had received approvals from the regulatory authority. Mr. Xiao Geng, an independent non-executive Director, obtained the approval from the regulatory authority on 21 January 2020 and was formally appointed and began performing duties from that day. Therefore, from 15 November 2019 to 21 January 2020, the Bank failed to comply with the requirement under Rule 3.10A of the Listing Rules for having independent non-executive Directors representing at least one-third of the Board. Since 21 January 2020 when Mr. Xiao Geng began to formally perform his duties, the number of the Board members has complied with the Rule 3.10A of the Listing Rules.

On 15 November 2019, the Bank convened the Board meeting for approval and appointment of, among other things, the members of the Audit Committee and Nomination and Remuneration Committee. From 30 October 2019 (the date when the sixth session of the Board commenced to perform its duties) to 15 November 2019 (the date when the Bank convened the Board meeting to appoint the members of committees), the Bank's Audit Committee and Nomination and Remuneration Committee had no member. The Bank failed to comply with the requirements under Rules 3.21 and 3.25 of the Listing Rules for members of the Audit Committee and the Remuneration Committee. Since 15 November 2019 when the members of the Bank's Audit Committee and Nomination Committee were appointed, the members of the Bank's Audit Committee and Nomination Committee have complied with the Rule 3.21 and Rule 3.25 of the Listing Rules.

5.4 Securities Transactions by Directors and Supervisors

The Bank has adopted, in respect of securities transactions by its Directors and supervisors, a code of conduct on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. Having made specific enquiries to all Directors and supervisors by the Bank, each Director and supervisor of the Bank has confirmed that he/she has complied with such code of conduct during the Reporting Period.

5.5 Profits and Dividend

The Bank's revenue during the Reporting Period and the Bank's financial position as at the same date are set out in the financial statements of this announcement.

The Board did not recommend to declare any dividend for the year ended 31 December 2019 (for the year ended 31 December 2018: undistributed).

5.6 Purchase, Sale and Redemption of Listed Securities of the Bank

During the Reporting Period, neither the Bank nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Bank.

5.7 Review by Audit Committee

At the end of the Reporting Period, the Audit Committee was comprised of four Directors, including Mr. Wang Xiongyuan (independent non-executive Director) serving as the chairman of the committee, and Ms. Ning Jie (non-executive Director), Ms. Gu Jihong (non-executive Director) and Mr. Su Mingzheng (independent non-executive Director) serving as members of the committee. In addition, Mr. Xiao Geng (independent non-executive Director) has been serving as a member of the audit committee and started to fulfill his duties since the appointment on 21 January 2020. The Audit Committee of the Bank has reviewed the audited consolidated annual financial statements of the Bank for the year ended 31 December 2019.

5.8 Material Differences between 2019 Unaudited and Audited Annual Results

Reference is made to the 2019 Unaudited Annual Results Announcement. Since subsequent adjustments have been made to the Unaudited Annual Results contained in the 2019 Unaudited Annual Results Announcement upon the completion of audit, shareholders and potential investors of the Bank are hereby advised to pay attention to certain differences between the Unaudited Annual Results contained in the 2019 Unaudited Annual Results Announcement and the Audited Annual Results of the Bank in this announcement.

Items for the year ended 31 December 2019	<i>Notes</i>	Disclosure in this announcement <i>RMB'000</i> (audited)	Disclosure in the 2019 Unaudited Annual Results Announcement <i>RMB'000</i> (unaudited)	Difference <i>RMB'000</i>
Consolidated statement of profit or loss				
Interest income	<i>(1)</i>	47,820,476	47,560,072	260,404
Interest expense	<i>(2)</i>	(28,475,443)	(28,093,475)	(381,968)
Net fee and commission income	<i>(3)</i>	231,714	244,085	(12,371)
Impairment losses on assets	<i>(4)</i>	(20,846,120)	(21,052,971)	206,851
Income tax credit	<i>(5)</i>	327,858	485,181	(157,323)
Loss for the year	<i>(6)</i>	(1,110,246)	(1,062,207)	(48,039)
Consolidated statement of financial position				
Assets				
Placements with banks and other financial institutions	<i>(7)</i>	5,643,864	5,835,638	(191,774)
Loans and advances to customers	<i>(8)</i>	452,695,511	411,819,631	40,875,880
Financial assets measured at amortised cost	<i>(9)</i>	165,149,391	208,958,565	(43,809,174)
Other assets	<i>(10)</i>	6,659,839	2,812,492	3,847,347
Liabilities				
Taxes payable	<i>(11)</i>	412,966	2,473,139	(2,060,173)
Provisions	<i>(12)</i>	613,313	823,076	(209,763)
Other liabilities	<i>(13)</i>	1,565,806	1,132,069	433,737
Owners' equity				
Retained earnings	<i>(14)</i>	2,614,222	2,445,535	168,687
Non-controlling interests	<i>(15)</i>	3,834,031	4,048,842	(214,811)

Notes :

- (1) The difference of interest income amounts to RMB260,404 thousand, mainly due to the adjustment on certain taxes concerning investment products withheld and paid by administrators and the modification on the rediscounting interest income and the net interest expense in accordance with the national laws and regulations.
- (2) The difference of interest expense amounts to RMB381,968 thousand, mainly due to the impact of modification on the rediscounting interest income and the net interest expense.
- (3) The difference of net fee and commission income amounts to RMB12,371 thousand, mainly due to the reclassification on the fee and commission income of the counterparties resulting from the adjustment on off-balance sheet wealth management products.
- (4) The difference of impairment losses on assets amounts to RMB206,851 thousand, mainly due to the reversal of expected credit losses of the credit commitments for the period.
- (5) The difference of income tax credit amounts to RMB157,323 thousand, mainly due to the decrease in the current income tax and expenses on deferred income taxes.
- (6) The difference of the loss for the year amounts to RMB48,039 thousand, mainly due to the adjustments on the above matters.
- (7) The difference of placements with banks and other financial institutions amounts to RMB191,774 thousand, mainly due to the provision of impairment losses.
- (8) The difference of loans and advances to customers amounts to RMB40,875,880 thousand, mainly due to the transfer of businesses in the beneficial interest transfer plans to be measured at amortized cost into loans.
- (9) The difference of the financial assets measured at amortised cost amounts to RMB43,809,174 thousand, mainly due to the transfer of businesses in the beneficial interest transfer plans to be measured at amortized cost into loans.
- (10) The difference of other assets amounts to RMB3,847,347 thousand, mainly due to the recognition of right-of-use assets since the implementation of the new IFRS 16 leasing standards for the year and the adjustment of loans and the interest receivable thereon due to other assets.
- (11) The difference of taxes payable amounts to RMB2,060,173 thousand, mainly due to the separate disclosure on other taxes payable and income taxes payable from taxes payable in accordance with the disclosure requirements by Hong Kong.
- (12) The difference of provisions amounts to RMB209,763 thousand, mainly due to the decrease in expected credit losses as a result of the decrease in off-balance sheet credit committed capital.
- (13) The difference of other liabilities amounts to RMB433,737 thousand, mainly due to the recognition of lease liabilities since the implementation of the new IFRS 16 leasing standards for the year.
- (14) The difference of retained earnings amounts to RMB168,687 thousand, mainly due to the adjustment on the items of profit and loss.
- (15) The difference of non-controlling interests amounts to RMB214,811 thousand, mainly due to the adjustment on impairment losses on loans and advances to customers made by the subsidiaries.

6. FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

		For the year ended 31 December	
	Notes	2019	2018
Interest income		47,820,476	46,002,674
Interest expense		(28,475,443)	(26,901,602)
Net interest income	4	<u>19,345,033</u>	<u>19,101,072</u>
Fee and commission income		422,292	842,123
Fee and commission expense		(190,578)	(84,595)
Net fee and commission income	5	<u>231,714</u>	<u>757,528</u>
Net trading gains	6	3,372,617	1,491,100
Dividend income		1,200	880
Net gains arising from investment securities		240,556	100,234
Net foreign exchange losses		(42,008)	(183,660)
Other net operating income		20,587	16,045
Operating income		23,169,699	21,283,199
Operating expenses	7	<u>(3,761,683)</u>	<u>(3,586,646)</u>
Operating profit before impairment		19,408,016	17,696,553
Impairment losses on assets	8	(20,846,120)	(23,683,718)
Loss before tax		(1,438,104)	(5,987,165)
Income tax credit	9	327,858	1,449,054
Loss for the year		<u>(1,110,246)</u>	<u>(4,538,111)</u>
Attributable to :			
Equity shareholders of the Bank		(958,545)	(4,593,447)
Non-controlling interests		(151,701)	55,336
Loss for the year		<u>(1,110,246)</u>	<u>(4,538,111)</u>
Basic and diluted loss per share (in RMB)	10	<u>(0.12)</u>	<u>(0.77)</u>

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

For the year ended 31 December 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	For the year ended 31 December	
	2019	2018
Loss for the year	<u>(1,110,246)</u>	<u>(4,538,111)</u>
Other comprehensive loss for the year:		
Items that may be reclassified subsequently to profit or loss:		
– Debt instruments measured at fair value through other comprehensive income:		
– Change in fair value	48,535	1,212,698
– Change in impairment provision	(4,717)	(25,522)
– Reclassified to profit or loss upon disposal	(214,664)	(64,666)
– Related income tax effect	48,825	(286,155)
Items that will not subsequently be reclassified to profit or loss:		
– Remeasurement of defined benefit obligation	(976)	(6,721)
– Equity instruments at fair value through other comprehensive income:		
– Change in fair value	<u>(24,452)</u>	<u>22,110</u>
Other comprehensive (loss)/income for the year	<u>(147,449)</u>	<u>851,744</u>
Total comprehensive loss for the year	<u>(1,257,695)</u>	<u>(3,686,367)</u>
Attributable to:		
Equity shareholders of the Bank	(1,105,994)	(3,741,703)
Non-controlling interests	<u>(151,701)</u>	<u>55,336</u>
Total comprehensive loss for the year	<u>(1,257,695)</u>	<u>(3,686,367)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in thousands of Renminbi, unless otherwise stated)

		At 31 December	
	Notes	2019	2018
Assets			
Cash and deposits with the central bank		105,176,537	64,618,759
Deposits with banks and other financial institutions		8,301,592	16,231,627
Placements with banks and other financial institutions		5,643,864	48,454
Positive fair value of derivatives		84,969	305,361
Financial assets held under resale agreements		–	100,073
Loans and advances to customers		452,695,511	349,110,123
Financial assets at fair value through profit or loss	11	55,157,171	66,062,880
Financial assets at fair value through other comprehensive income	12	12,559,843	42,857,583
Financial assets measured at amortised cost	13	165,149,391	283,136,375
Finance lease receivables		6,408,314	7,484,842
Property and equipment		7,015,575	6,601,413
Deferred tax assets		11,841,585	7,473,418
Other assets		6,659,839	1,891,840
Total assets		836,694,191	845,922,748
Liabilities and equity			
Liabilities			
Borrowing from the central bank		33,079,647	108,369
Deposits from banks and other financial institutions		178,117,754	164,629,085
Placements from banks and other financial institutions		27,731,363	20,760,381
Financial liabilities at fair value through profit or loss		6,282,210	16,512,712
Negative fair value of derivatives		100,011	153,950
Financial assets sold under repurchase agreements		10,106,602	43,445,203
Deposits from customers		407,112,779	445,576,089
Accrued staff costs		334,976	302,747
Other taxes payable		412,966	378,689
Income tax payable		1,622,478	587,080
Debt securities payable		110,108,837	89,668,782
Provisions		613,313	1,728,410
Other liabilities		1,565,806	1,308,107
Total liabilities		777,188,742	785,159,604

	At 31 December	
	2019	2018
Equity		
Share capital	7,781,616	7,781,616
Other equity instruments including:		
Offshore preference shares	9,897,363	9,897,363
Capital reserve	20,583,321	20,730,770
Surplus reserve	2,994,679	2,994,679
General reserve	11,800,217	11,802,132
Retained earnings	<u>2,614,222</u>	<u>3,570,852</u>
Total equity attributable to equity shareholders of the Bank	55,671,418	56,777,412
Non-controlling interests	<u>3,834,031</u>	<u>3,985,732</u>
Total equity	<u>59,505,449</u>	<u>60,763,144</u>
Total liabilities and equity	<u>836,694,191</u>	<u>845,922,748</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to shareholders of the Bank							Non-controlling interests	Total equity
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Retained earnings	Subtotal		
Balance at 1 January 2019	7,781,616	9,897,363	20,730,770	2,994,679	11,802,132	3,570,852	56,777,412	3,985,732	60,763,144
Changes in equity for the year:									
Loss for the year	-	-	-	-	-	(958,545)	(958,545)	(151,701)	(1,110,246)
Other comprehensive loss	-	-	(147,449)	-	-	-	(147,449)	-	(147,449)
Total comprehensive loss	-	-	(147,449)	-	-	(958,545)	(1,105,994)	(151,701)	(1,257,695)
Appropriation of profits									
– Reversal of general reserve	-	-	-	-	(1,915)	1,915	-	-	-
Balance at 31 December 2019	7,781,616	9,897,363	20,583,321	2,994,679	11,800,217	2,614,222	55,671,418	3,834,031	59,505,449
Balance at 31 December 2017	6,781,616	9,897,363	13,578,809	2,994,679	9,818,070	13,160,018	56,230,555	3,934,173	60,164,728
Add: Change in accounting policies	-	-	67,677	-	-	(1,293,628)	(1,225,951)	-	(1,225,951)
Balance at 1 January 2018	6,781,616	9,897,363	13,646,486	2,994,679	9,818,070	11,866,390	55,004,604	3,934,173	58,938,777
Changes in equity for the year:									
Loss for the year	-	-	-	-	-	(4,593,447)	(4,593,447)	55,336	(4,538,111)
Other comprehensive income	-	-	851,744	-	-	-	851,744	-	851,744
Total comprehensive loss	-	-	851,744	-	-	(4,593,447)	(3,741,703)	55,336	(3,686,367)
Changes in share capital									
– Capital injection by equity shareholders	1,000,000	-	6,232,540	-	-	-	7,232,540	-	7,232,540
Appropriation of profits									
– Appropriation to general reserve	-	-	-	-	1,984,062	(1,984,062)	-	-	-
– Appropriation to shareholders	-	-	-	-	-	(1,718,029)	(1,718,029)	(3,777)	(1,721,806)
Balance at 31 December 2018	7,781,616	9,897,363	20,730,770	2,994,679	11,802,132	3,570,852	56,777,412	3,985,732	60,763,144

CONSOLIDATED CASH FLOW STATEMENT

(Expressed in thousands of Renminbi, unless otherwise stated)

	For the year ended 31 December	
	2019	2018
Cash flows from operating activities		
Loss for the year	(1,110,246)	(4,538,111)
Adjustments for:		
Impairment losses on assets	20,846,120	23,683,718
Depreciation and amortisation	556,207	427,286
Interest expense on lease liabilities	18,499	–
Unwinding of discount	–	(330,732)
Dividend income	(1,200)	(880)
Unrealised foreign exchange losses	61,363	98,929
Net gains on derivative financial instruments	(226)	(116)
Net gains arising from investment securities	(240,556)	(100,234)
Net gains on disposal of trading securities	(159,461)	(41,183)
Revaluation gains on financial instruments at fair value through profit or loss	(3,212,930)	(1,449,801)
Interest expense on debts securities issued	3,282,233	3,923,616
Net losses on disposal of property and equipment and other long-term assets	2,326	1,052
Income tax credit	(327,858)	(1,449,054)
Subtotal	<u>19,714,271</u>	<u>20,224,490</u>
Changes in operating assets		
Net decrease/(increase) in deposits with the central bank, banks and other financial institutions	14,950,979	(5,573,473)
Net increase in placements with banks and other financial institutions	(5,651,582)	(48,418)
Net increase in loans and advances to customers	(68,879,251)	(156,012,322)
Decrease/(increase) in finance lease receivables	675,187	(847,115)
Net increase in other operating assets	(10,666,872)	(249,635)
Subtotal	<u>(69,571,539)</u>	<u>(162,730,963)</u>
Changes in operating liabilities		
Net increase/(decrease) in borrowing from central bank	32,931,953	(199,500)
Net increase in deposits from banks and other financial institutions	14,662,756	27,478,562
Net increase in placements from banks and other financial institutions	6,918,901	7,121,319
Net (decrease)/increase in financial assets sold under repurchase agreements	(33,306,708)	4,322,305
Net (decrease)/increase in deposits from customers	(37,457,909)	89,848,054
Income tax paid	(2,950,815)	(3,752,126)
Net decrease in other operating liabilities	(1,841,831)	(2,915,459)
Subtotal	<u>(21,043,653)</u>	<u>121,903,155</u>
Net cash flows used in operating activities	<u>(70,900,921)</u>	<u>(20,603,318)</u>

	For the year ended	
	31 December	
	2019	2018
Cash flows from investing activities		
Proceeds from disposal and redemption of investments	223,408,842	291,159,316
Dividend received	1,200	880
Proceeds from disposal of property and equipment and other assets	1,404	26,526
Payments on acquisition of investments	(120,834,638)	(264,100,797)
Payments on acquisition of property and equipment, intangible assets and other assets	(935,351)	(820,237)
Net cash flows generated from investing activities	<u>101,641,457</u>	<u>26,265,688</u>
Cash flows from financing activities		
Proceeds from capital contribution by equity shareholders	–	7,232,540
Proceeds from issue of debt securities	182,834,970	128,996,076
Repayment of debts securities issued	(165,090,000)	(132,440,000)
Interest paid on debts securities issued	(587,148)	(502,200)
Dividend paid	(86,554)	(1,568,258)
Payment of lease liabilities	(102,185)	–
Net cash flows generated from financing activities	<u>16,969,083</u>	<u>1,718,158</u>
Effect of foreign exchange rate changes on cash and cash equivalents	<u>(61,364)</u>	<u>36,154</u>
Net increase in cash and cash equivalents	47,648,255	7,416,682
Cash and cash equivalents as at 1 January	<u>19,886,632</u>	<u>12,469,950</u>
Cash and cash equivalents as at 31 December	<u>67,534,887</u>	<u>19,886,632</u>
Interest received	<u>39,180,312</u>	<u>47,377,546</u>
Interest paid (excluding interest expense on debts securities issued)	<u>(27,313,186)</u>	<u>(20,661,534)</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

1 BACKGROUND INFORMATION

Bank of Jinzhou Co., Ltd. (the “**Bank**”) was established on 22 January 1997 with approval of the People’s Bank of China (the “**PBOC**”) (Yin Fu [1997] No.29).

The Bank obtained its finance permit No.B0127H221070001 from the China Banking Regulatory Commission (the “**CBRC**”, which was renamed as China Banking and Insurance Regulatory Commission (“**CBIRC**”) on 8 April 2018). The Bank obtained its business license with unified social credit code No. 912107002426682145 from the State Administration for Industry and Commerce of the PRC. The legal representative is Wei Xuekun and the address of the registered office is No. 68 Keji Road, Jinzhou City, Liaoning Province, the PRC.

In December 2015, the Bank’s H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock code: 0416). As at 31 December 2019, the share capital of the Bank is RMB7,782 million.

The principal activities of the Bank and its subsidiaries (collectively referred to as the “**Group**”) are the provision of corporate and retail deposits, loans and advances, payment and settlement services, finance leasing as well as other banking services as approved by the CBRC. The Group operates in Mainland China, which, for the purpose of this report, excludes the Hong Kong Special Administrative Region of the PRC (“**Hong Kong**”), the Macau Special Administrative Region of the PRC (“**Macau**”) and Taiwan. As of 31 December 2019, the Bank has 15 branches in Jinzhou, Beijing, Tianjin, Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin, Liaoyang, Huludao, Benxi and Yingkou.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance and basis of preparation

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (the “**IFRSs**”) and related interpretations, issued by the International Accounting Standards Board (the “**IASB**”), as well as with the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

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

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

Unless stated otherwise, the financial statements are presented in Renminbi (“**RMB**”), rounded to the nearest thousand, which is the functional currency of the Bank.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements on the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Judgments that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the subsequent period are discussed in Note 3.

The measurement basis used in the preparation of the financial statements is historical cost basis, with the exception of certain financial assets and financial liabilities, which are measured at fair value.

(b) Change in accounting policies

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. Impacts of the adoption of the revised IFRSs, are as follows:

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

The Group has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of buildings, parking spaces and billboards, and has land use right for multiple plots of land. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date.

The impacts arising from the adoption of IFRS 16 at 1 January 2019 are as follows:

Assets	
Increase in right-of-use assets	638,457
Decrease in other assets:	
– Deferred expenses	(40,365)
– Long-term deferred expenses	(271,007)
– Land use right	<u>(79,047)</u>
Increase in total assets	<u>248,038</u>
Liabilities	
Increase in lease liabilities	389,458
Decrease in other liabilities:	
– Other payables	<u>(141,420)</u>
Increase in total liabilities	<u>248,038</u>

The lease liabilities at 1 January 2019 reconciled to the operating lease commitments at 31 December 2018 are as follows:

Operating lease commitments at 31 December 2018	461,670
Weighted average incremental borrowing rate at 1 January 2019	4.33%
Discounted operating lease commitments at 1 January 2019	<u>389,458</u>
Lease liabilities at 1 January 2019	<u>389,458</u>

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(a) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI and with exposure arising from loan commitments and financial guarantee contracts issued, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (the likelihood of customers defaulting and the resulting losses).

(b) Fair value of financial instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments, discounted cash flow analysis, and option pricing models. Valuation models established by the Group make maximum use of market input and rely as little as possible on the Group's specific data. However, it should be noted that some input, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

(c) Income taxes

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account tax legislation. Deferred tax assets are recognised for temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(d) Impairment of non-financial assets

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing the present value of future cash flows, significant judgments are exercised over the asset's selling price, related operating income and expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of related operating income and expenses based on reasonable and supportable assumption.

(e) Depreciation and amortisation

Property and equipment and intangible assets and right-of-use assets are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in the Reporting Period. The estimated useful lives are determined based on historical experiences of similar assets and estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

(f) Determination of control over investees

Management applies its judgment to determine whether the control indicators indicate that the Group controls a non-principal guaranteed wealth management product and an asset management plan.

The Group acts as manager to a number of non-principal guaranteed wealth management products and asset management plans. Determining whether the Group controls such a structured entity usually focuses on the assessment of the aggregate economic interests of the Group in the entity (comprising any carried interests and expected management fees) and the decision-making authority of the entity. For all these structured entities managed by the Group, the Group's aggregate economic interest is in each case not significant and the decision makers establish, market and manage them according to restricted parameters as set out in the investment agreements as required by laws and regulations. As a result, the Group has concluded that it acts as agent as opposed to principal for the investors in all cases, and therefore has not consolidated these structured entities.

(g) **Defined benefit plan**

The Group has established liabilities in connection with supplementary retirement benefits and other long-term benefits. The amounts of employee benefit expense and these liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, mortality rates, demission rates and other factors. Management has made significant estimates when made these assumptions. The changes in assumptions may affect the Group's expenses related to its employee defined benefit obligations.

4 NET INTEREST INCOME

	For the year ended 31 December	
	2019	2018
Interest income arising from		
Deposits with the central bank	783,992	899,102
Deposits with banks and other financial institutions	274,390	296,894
Placements with banks and other financial institutions	378,505	100,178
Loans and advances to customers		
– Corporate loans	27,649,787	17,022,624
– Personal loans	635,024	683,785
– Discounted bills	460,055	390,376
Financial assets held under resale agreements	75,467	60,172
Financial assets at fair value through other comprehensive income	1,102,253	1,450,002
Financial assets measured at amortised cost	15,816,158	24,559,231
Finance lease receivables	644,845	540,310
	<hr/>	<hr/>
Subtotal	47,820,476	46,002,674
Interest expense arising from		
Borrowing from the central bank	666,284	3,394
Deposits from banks and other financial institutions	7,239,261	6,741,064
Placements from banks and other financial institutions	1,175,230	567,146
Deposits from customers		
– Corporate customers	4,158,425	6,730,515
– Individual customers	11,196,591	7,370,366
Financial assets sold under repurchase agreements	757,419	1,565,501
Debts securities issued	3,282,233	3,923,616
	<hr/>	<hr/>
Subtotal	28,475,443	26,901,602
	<hr/>	<hr/>
Net interest income	19,345,033	19,101,072
	<hr/>	<hr/>
Of which		
Interest income arising from impaired financial assets identified	–	330,732
	<hr/> <hr/>	<hr/> <hr/>

5 NET FEE AND COMMISSION INCOME

	For the year ended 31 December	
	2019	2018
Fee and commission incomes		
Agency services fees	56,579	211,284
Settlement and clearing fees	84,912	231,747
Wealth management service fees	172,926	251,683
Underwriting and advisory fees	49,422	86,970
Bank card service fees	11,683	13,002
Others	46,770	47,437
	<u>422,292</u>	<u>842,123</u>
Fee and commission expenses		
Settlement and clearing fees	41,826	42,938
Others	148,752	41,657
	<u>190,578</u>	<u>84,595</u>
Net fee and commission income	<u><u>231,714</u></u>	<u><u>757,528</u></u>

6 NET TRADING GAINS

	For the year ended 31 December	
	2019	2018
Trading financial instruments		
- Debt securities issued	3,324,615	1,261,231
- Derivative financial instruments	(382)	725
- Precious metals	1	-
	<u>3,324,234</u>	<u>1,261,956</u>
Subtotal	<u>3,324,234</u>	<u>1,261,956</u>
Financial instruments designated at fair value through profit or loss	<u>48,383</u>	<u>229,144</u>
Total	<u><u>3,372,617</u></u>	<u><u>1,491,100</u></u>

The above amounts mainly include gains and losses arising from the purchase and sale of, interest income and changes in the fair value of financial assets and liabilities at fair value through profit or loss and derivative financial instruments.

7 OPERATING EXPENSES

	For the year ended	
	31 December	
	2019	2018
Staff costs		
– Salaries and bonuses	1,350,363	1,263,408
– Social insurance	262,470	261,511
– Housing allowances	110,868	97,165
– Staff welfares	54,435	71,386
– Supplementary retirement benefits	2,425	1,961
– Other long-term staff welfares	24,032	38,529
– Others	52,848	49,704
	<hr/>	<hr/>
Subtotal	1,857,441	1,783,664
	<hr/>	<hr/>
Premises and equipment expenses		
– Depreciation of property and equipment	361,496	324,116
– Depreciation of right-of-use assets	150,493	–
– Rental and property management expenses	4,225	112,512
– Amortisation of other long-term assets	1,847	66,625
– Amortisation of intangible assets	42,371	36,545
	<hr/>	<hr/>
Subtotal	560,432	539,798
	<hr/>	<hr/>
Tax and surcharges	281,934	200,414
Interest expenses on lease liabilities	18,499	–
Other general and administrative expenses (Note)	1,043,377	1,062,770
	<hr/>	<hr/>
Total	3,761,683	3,586,646
	<hr/> <hr/>	<hr/> <hr/>

Note: Auditors' remuneration for the year ended 31 December 2019 was RMB5 million (2018: RMB6.52 million).

8 IMPAIRMENT LOSSES ON ASSETS

	For the year ended 31 December	
	2019	2018
Loans and advances to customers		
– ECL over the next 12 months	2,756,326	2,344,237
– Lifetime ECL-not credit-impaired loans	(1,268,789)	5,005,797
– Lifetime ECL-credit-impaired loans	<u>19,694,520</u>	<u>10,139,895</u>
Subtotal	<u>21,182,057</u>	<u>17,489,929</u>
Deposits and placements with banks and other financial institutions	366,436	37,920
Financial assets held under resale agreements	–	(47)
Financial assets at fair value through other comprehensive income	(4,717)	(25,522)
Financial assets measured at amortised cost	3,879	4,768,271
Finance lease receivables	401,341	202,614
Credit commitments	(1,117,372)	1,185,636
Others	<u>14,496</u>	<u>24,917</u>
Total	<u><u>20,846,120</u></u>	<u><u>23,683,718</u></u>

9 INCOME TAX CREDIT

(a) Income tax credit

	For the year ended 31 December	
	2019	2018
Current income tax	3,991,484	3,522,024
Deferred income tax	<u>(4,319,342)</u>	<u>(4,971,078)</u>
Total	<u><u>(327,858)</u></u>	<u><u>(1,449,054)</u></u>

(b) Reconciliations between income tax and accounting loss are as follows

	For the year ended	
	31 December	
	2019	2018
Loss before tax	<u>(1,438,104)</u>	<u>(5,987,165)</u>
Statutory tax rate	25%	25%
Income tax calculated at statutory tax rate	(359,526)	(1,496,791)
Non-deductible expenses		
- Staff costs	153	325
- Others	<u>44,578</u>	<u>106,785</u>
Subtotal	<u>44,731</u>	<u>107,110</u>
Non-taxable income		
- Interest income from the PRC government bonds	(28,036)	(34,481)
- Others	(29,097)	(23,574)
Underprovision of tax in prior years	44,750	-
Utilisation of tax loss	<u>(680)</u>	<u>(1,318)</u>
Total	<u><u>(327,858)</u></u>	<u><u>(1,449,054)</u></u>

10 BASIC AND DILUTED LOSSES PER SHARE

	For the year ended	
	31 December	
	2019	2018
Net loss attributable to equity shareholders of the Bank	(958,545)	(4,593,447)
Less: Net profit attributable to other equity holders of the Bank	<u>—</u>	<u>(632,891)</u>
Net loss attributable to equity shareholders of the Bank	(958,545)	(5,226,338)
Weighted average number of ordinary shares (in thousands)	<u>7,781,616</u>	<u>6,809,013</u>
Basic and diluted losses per share attributable to equity shareholders of the Bank (in RMB)	<u>(0.12)</u>	<u>(0.77)</u>

The Bank issued non-cumulative preference shares on 27 October 2017. For the purpose of calculating basic earnings per share, dividend on non-cumulative preference shares declared in respect of the year should be deducted from the amounts attributable to equity shareholders of the Bank. The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur for the year ended 31 December 2019 and 2018 and therefore the conversion feature of preference shares has no effect on the calculation of basic and diluted losses per share.

There is no difference between basic and diluted (losses)/earnings per share as there were no potentially dilutive shares outstanding during the relevant years.

	For the year ended	
	31 December	
	2019	2018
Weighted average number of ordinary shares		
Number of ordinary shares as at 1 January (in thousands)	7,781,616	6,781,616
Effects of ordinary shares issue (in thousands)	<u>—</u>	<u>27,397</u>
Weighted average number of ordinary shares (in thousands)	<u>7,781,616</u>	<u>6,809,013</u>

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		At 31 December	
	Notes	2019	2018
Debt instruments held for trading	(a)	5,560,214	5,713,274
Certificates of deposit		397,037	2,974,136
Beneficial interest transfer plans	(b)	42,307,325	32,778,216
Bond funds		–	7,558,886
Balance with a bank		405,214	200,581
Wealth management products		200,129	251,000
		<u>48,869,919</u>	<u>49,476,093</u>
Subtotal		48,869,919	49,476,093
Financial assets designated at fair value through profit or loss	(c)	6,287,252	16,586,787
		<u>6,287,252</u>	<u>16,586,787</u>
Total		<u>55,157,171</u>	<u>66,062,880</u>

Notes:

(a) Debt instruments held for trading

		At 31 December	
		2019	2018
Issued by institutions in Mainland China			
- Banks and other financial institutions		3,232,894	3,423,652
Issued by institutions outside Mainland China			
- Banks and other financial institutions		2,327,320	2,289,622
		<u>5,560,214</u>	<u>5,713,274</u>
Total		5,560,214	5,713,274
Listed		3,232,894	3,415,253
Unlisted		2,327,320	2,298,021
		<u>5,560,214</u>	<u>5,713,274</u>
Total		5,560,214	5,713,274

As at years ended 31 December 2019 and 2018, some of the debt instruments held for trading are used for the pledge of the repurchase agreements.

(b) Beneficial interest transfer plans

Beneficial interest transfer plans are mainly beneficial interests issued by trust companies, securities companies, insurance companies and asset management companies.

(c) Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss represented debt investments offered by the Group from principal-guaranteed wealth management programs managed and measured at fair value. The Group accounts for the corresponding investment funds of the above assets under financial liabilities designated at fair value through profit or loss. The gains from movements on fair value of these investments was RMB143 million in 2019 (2018: RMB468 million).

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 31 December 2019	At 31 December 2018
Debt instruments issuers in Mainland China		
- Government	2,747,714	2,208,490
- Banks and other financial institutions	7,975,166	38,524,754
- Corporations	473,621	712,079
	<hr/>	<hr/>
Subtotal	11,196,501	41,445,323
	<hr/>	<hr/>
Equity investments		
- Listed	66,469	-
- Unlisted	1,165,027	609,330
Add: Interests receivable	131,846	802,930
	<hr/>	<hr/>
Total	12,559,843	42,857,583
	<hr/> <hr/>	<hr/> <hr/>

At 31 December 2019 and 2018, some of the investments of debt securities in Mainland China are used for the pledge of repurchase agreements.

The movements of impairment provision for financial assets at fair value through other comprehensive income during the years are as follows:

	For the year ended 31 December 2019			Total
	ECL over the next 12 months	Lifetime ECL-not credit- impaired	Lifetime ECL-credit- impaired	
As at 1 January	(457)	–	–	(457)
Net charge for the year	(1,735)	–	–	(1,735)
As at 31 December	<u>(2,192)</u>	<u>–</u>	<u>–</u>	<u>(2,192)</u>

	For the year ended 31 December 2018			Total
	ECL over the next 12 months	Lifetime ECL-not credit- impaired	Lifetime ECL-credit- impaired	
As at 1 January	(753)	–	–	(753)
Net release for the year	296	–	–	296
As at 31 December	<u>(457)</u>	<u>–</u>	<u>–</u>	<u>(457)</u>

Notes:

- (a) Provision for impairment of financial investments at fair value through other comprehensive income is recognised in other comprehensive income, while losses or gains from impairment are included in profit or loss. Besides, the book value of the financial assets presented in the consolidated statement of financial position is not reduced.
- (b) As at 31 December 2019, all the financial assets at fair value through other comprehensive income and debt securities of the Group are all in Stage 1.
- (c) The Group designates non-trading equity investments as at financial assets at fair value through other comprehensive income. As of 31 December 2019, the amount for these non-trading equity investments was RMB1,231.50 million (2018: RMB609.33 million). For the year ended 31 December 2019, the dividend income from these non-trading equity investments amounted to RMB1.20 million (2018: RMB0.88 million) and was included in profit or loss. During the year ended 31 December 2019, non-trading equity investments of the Group were not disposed and no accumulated gain or loss was transferred from other comprehensive income to retained earnings. The fair value loss on these investments were RMB24.45 million during the year ended 31 December 2019 (2018: gain of RMB22.11 million).

13 FINANCIAL ASSETS MEASURED AT AMORTISED COST

	At 31 December 2019	At 31 December 2018
Debt securities issued by the following institutions in Mainland China		
China		
- Government	1,989,281	4,069,833
- Banks and other financial institutions	1,240,000	1,340,000
- Corporations	<u>19,956</u>	<u>19,897</u>
Subtotal	<u>3,249,237</u>	<u>5,429,730</u>
Issuers outside Mainland China		
- Corporate	1,744,050	1,715,800
Beneficial interest transfer plans	165,999,362	283,324,352
Add: Interests receivable	3,389,639	1,895,511
Less: Provision for impairment losses	<u>(9,232,897)</u>	<u>(9,229,018)</u>
Total	<u><u>165,149,391</u></u>	<u><u>283,136,375</u></u>

As at 31 December 2019 and 2018, certain debt securities issued by the Government, banks and other financial institutions in Mainland China are used for the pledge of repurchase agreements.

The movements of provision for financial assets at amortised cost are as follows:

	For the year ended 31 December 2019			
	ECL over the next 12 months	Lifetime ECL- not credit- impaired	Lifetime ECL-credit- impaired	Total
As at 1 January	(3,614,372)	(1,764,202)	(3,850,444)	(9,229,018)
Transferred				
- to ECL over the next 12 months	(136,579)	136,579	-	-
- to lifetime ECL-not credit-impaired	196,247	(1,735,926)	1,539,679	-
- to lifetime ECL-credit-impaired	-	21,858	(21,858)	-
Net (charge)/release for the year	<u>405,245</u>	<u>(1,392,559)</u>	<u>983,435</u>	<u>(3,879)</u>
As at 31 December	<u><u>(3,149,459)</u></u>	<u><u>(4,734,250)</u></u>	<u><u>(1,349,188)</u></u>	<u><u>(9,232,897)</u></u>

	For the year ended 31 December 2018			
	ECL over the next 12 months	Lifetime ECL- not credit- impaired	Lifetime ECL-credit- impaired	Total
As at 1 January	(3,390,200)	(824,942)	(329,803)	(4,544,945)
Transferred				
– to lifetime ECL-not credit-impaired	375,727	(375,727)	–	–
– to lifetime ECL-credit-impaired	63,492	2,212	(65,704)	–
Net charge for the year	(663,391)	(565,745)	(3,539,135)	(4,768,271)
Net written-off for the year	–	–	84,198	84,198
As at 31 December	<u>(3,614,372)</u>	<u>(1,764,202)</u>	<u>(3,850,444)</u>	<u>(9,229,018)</u>

Note:

- (a) The ECL movement was caused by origination or purchase as well as changes in probability of default, loss given default and exposure at default and stages as a result of regular update of parameters.

14 APPROPRIATION OF PROFITS

- (a) In accordance with the resolution of the Bank's Board of directors meeting on 26 June 2020, the proposed profit appropriations for the year ended 31 December 2019 is listed as follows:

- In view of the loss for 2019, the appropriation of general reserve will not be conducted.
- The Board resolved not to declare any dividend.

The profit appropriation resolution mentioned above has yet to be approved by the Bank's shareholders.

- (b) In accordance with the resolution of the Bank's annual general meeting on 18 October 2019, the proposed profit appropriations for the year ended 31 December 2018 is listed as follows:

- Appropriate general reserve amounted to RMB1,984 million.
- In view of the loss for 2018, the dividend for 2018 will not be declared.
- In view of that the capital adequacy ratio for 2018 failed to meet with the regulatory requirements, thus the dividend of Offshore Preference Shares for 2018 will not be declared.

- (c) In accordance with the resolution of the Bank's annual general meeting on 29 May 2018, the proposed profit appropriations for the year ended 31 December 2017 is listed as follows:
- Appropriation 10% of profit after tax to statutory surplus reserve fund, totaling RMB894 million.
 - Appropriation of general reserves of RMB2,593 million.
 - Declaration of cash dividend of RMB0.16 per shares before tax and in aggregation amount of RMB1,085 million to all shareholders.
- (d) In accordance with the resolution of the Bank's Board of directors meeting on 28 August 2018, the Bank's offshore preference shares distribution plan, which was distributed on 27 October 2018, is listed as follows:
- Declaration of preference share dividend to holders of offshore preference shares of USD91 million, approximately RMB633 million.

15 SEGMENT REPORTING

The Group manages its business by business lines and geographical areas. Interest income and expenses earned from third parties are referred to as "External net interest income/expense". Net interest income and expenses arising from internal charges and transfer pricing adjustments are referred to as "Internal net interest income/expense".

Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reportable segments based on the following operating segments:

Corporate banking business

Corporate banking business covers the provision of financial products and services to corporate customers. The products and services include deposits, loans, settlement and clearing and other products and services relating to the trading business.

Retail banking business

Retail banking business covers the provision of financial products and services to retail customers. The products and services include deposits, bank cards and credit cards services, personal loans and collateral loans, and personal wealth management services.

Treasury business

Treasury business covers money market placements, investments and repurchasing, foreign exchange transactions, for the Group's own accounts or on behalf of customers.

Other business

This represents business other than corporate banking business, retail banking business and treasury business, whose assets, liabilities, income and expenses are not directly attributable or cannot be allocated to a segment on a reasonable basis.

The transfer prices among segments are determined by the capital sources and due time which should match with the level of lending and deposit rates and interbank market rates announced by the People's Bank of China. Expenses are distributed.

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income, expenses, assets, and liabilities are determined before intra-group balances, and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the period to acquire property and equipment, intangible assets and other long-term assets.

(a) Segment results, assets and liabilities

	For the year ended 31 December 2019				Total
	Corporate banking business	Retail banking business	Treasury business	Other business and undistributed project	
Operating income					
External net interest income/(expense)	23,948,114	(10,381,692)	5,778,611	–	19,345,033
Internal net interest (expense)/income	<u>(11,096,764)</u>	<u>11,875,749</u>	<u>(778,985)</u>	<u>–</u>	<u>–</u>
Net interest income	12,851,350	1,494,057	4,999,626	–	19,345,033
Net fee and commission income	44,131	178,984	8,599	–	231,714
Net trading gains	–	–	3,372,617	–	3,372,617
Dividend income	–	–	1,200	–	1,200
Net gains arising from investment securities	–	–	240,556	–	240,556
Foreign exchange losses	(13)	(4)	(41,991)	–	(42,008)
Other net operating income	<u>–</u>	<u>–</u>	<u>–</u>	<u>20,587</u>	<u>20,587</u>
Total operating income	12,895,468	1,673,037	8,580,607	20,587	23,169,699
Operating expenses	<u>(1,082,988)</u>	<u>(1,219,707)</u>	<u>(1,107,908)</u>	<u>(351,080)</u>	<u>(3,761,683)</u>
Operating profit/(loss) before impairment	11,812,480	453,330	7,472,699	(330,493)	19,408,016
Impairment losses on assets	<u>(20,041,678)</u>	<u>(418,506)</u>	<u>(377,017)</u>	<u>(8,919)</u>	<u>(20,846,120)</u>
(Loss)/profit of segments before tax	<u>(8,229,198)</u>	<u>34,824</u>	<u>7,095,682</u>	<u>(339,412)</u>	<u>(1,438,104)</u>
Segment assets	450,446,832	10,995,608	350,691,133	12,719,033	824,852,606
Deferred tax assets					<u>11,841,585</u>
Total assets					<u>836,694,191</u>
Segment liabilities	164,813,489	246,595,913	364,358,588	1,074,753	776,842,743
Dividend payable	<u>–</u>	<u>–</u>	<u>–</u>	<u>345,999</u>	<u>345,999</u>
Total liabilities	<u>164,813,489</u>	<u>246,595,913</u>	<u>364,358,588</u>	<u>1,420,752</u>	<u>777,188,742</u>
Other segment information					
– Depreciation and amortisation	(171,212)	(78,938)	(225,127)	(80,930)	(556,207)
– Capital expenditure	492,115	20,235	388,207	34,794	935,351

For the year ended 31 December 2018

	Corporate banking business	Retail banking business	Treasury business	Other business and undistributed project	Total
Operating income					
External net interest income/(expense)	10,682,484	(6,686,581)	15,105,169	—	19,101,072
Internal net interest (expense)/income	<u>(3,090,880)</u>	<u>8,556,251</u>	<u>(5,465,371)</u>	<u>—</u>	<u>—</u>
Net interest income	7,591,604	1,869,670	9,639,798	—	19,101,072
Net fee and commission income	443,093	281,115	33,320	—	757,528
Net trading gains	—	—	1,491,100	—	1,491,100
Dividend income	—	—	880	—	880
Net gains arising from investment securities	—	—	100,234	—	100,234
Foreign exchange gains/(losses)	4,029	255	(171,968)	(15,976)	(183,660)
Other net operating income	<u>—</u>	<u>—</u>	<u>—</u>	<u>16,045</u>	<u>16,045</u>
Total operating income	8,038,726	2,151,040	11,093,364	69	21,283,199
Operating expenses	<u>(1,342,424)</u>	<u>(359,350)</u>	<u>(1,882,192)</u>	<u>(2,680)</u>	<u>(3,586,646)</u>
Operating profit/(loss) before impairment	6,696,302	1,791,690	9,211,172	(2,611)	17,696,553
Impairment losses on assets	<u>(18,481,150)</u>	<u>(460,936)</u>	<u>(4,741,632)</u>	<u>—</u>	<u>(23,683,718)</u>
Segment (loss)/profit before tax	<u>(11,784,848)</u>	<u>1,330,754</u>	<u>4,469,540</u>	<u>(2,611)</u>	<u>(5,987,165)</u>
Segment assets	345,609,993	11,353,537	473,361,112	8,124,688	838,449,330
Deferred tax asset					<u>7,473,418</u>
Total assets					<u>845,922,748</u>
Segment liabilities	199,185,865	246,390,224	245,609,700	93,539,278	784,725,067
Dividend payable	<u>—</u>	<u>—</u>	<u>—</u>	<u>434,537</u>	<u>434,537</u>
Total liabilities	<u>199,185,865</u>	<u>246,390,224</u>	<u>245,609,700</u>	<u>93,973,815</u>	<u>785,159,604</u>
Other segment information					
- Depreciation and amortisation	(143,397)	(67,810)	(189,202)	(26,877)	(427,286)
- Capital expenditure	275,271	130,172	363,201	51,593	820,237

(b) Geographical information

The Group operates principally in Jinzhou Region, Other Northeastern China Region and Northern China Region.

Non-current assets include property and equipment, intangible assets and right-of-use assets. In presenting of geographical information, non-current assets are allocated based on geographical location of the underlying assets. Operating income is allocated based on the locations of the subsidiaries and the branches which generate income.

The distribution of the geographical areas is as follows:

- “Jinzhou Region” Including headquarters of the Bank of Jinzhou, Jinzhou branch and the five subsidiaries of the Group.
- “Other Northeastern China Region” Including the following areas serviced by branches of the Bank: Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin, Liaoyang, Huludao, Benxi, Yingkou and the three subsidiaries of the Group.
- “Northern China Region” Including the following areas serviced by branches of the Bank: Beijing and Tianjin.

	Operating Income	
	Year ended 31 December	
	2019	2018
Jinzhou Region	17,386,117	16,871,441
Other Northeastern China Region	3,416,561	2,382,459
Northern China Region	2,385,021	2,029,299
Total	<u>23,169,699</u>	<u>21,283,199</u>

	Non-current Assets	
	At 31 December	
	2019	2018
Jinzhou Region	3,206,652	2,801,676
Other Northeastern China Region	3,700,122	3,381,635
Northern China Region	889,230	695,045
Total	<u>7,796,004</u>	<u>6,878,356</u>

16 COMMITMENTS AND CONTINGENT LIABILITIES

(a) *Credit commitments*

The Group's credit commitments mainly includes loan commitments, credit card commitments, acceptances, letters of credit and letters of guarantees.

The contractual amounts of loans and credit card commitments represent the amounts should the contracts be fully drawn upon. The Group provides letters of guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

	At 31 December	
	2019	2018
Loan commitments		
- Original contractual maturity within one year	2,359,907	666,784
- Original contractual maturity more than one year (inclusive)	–	4,502,295
Credit card commitments	837,508	1,174,794
Subtotal	<u>3,197,415</u>	<u>6,343,873</u>
Acceptances	119,543,175	219,978,680
Letters of guarantees	99,443	525,856
Letters of credit	4,496,980	18,172,538
Total	<u>127,337,013</u>	<u>245,020,947</u>

The Group may be exposed to credit risk in all the above credit businesses. The management of the Group periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

(b) Operating lease commitments

As at 31 December 2018, the Group's future minimum lease payments in respect of properties under non-cancellable operating leases are as follows:

	At 31 December 2018
Within one year (inclusive)	100,709
After one year but within two years (inclusive)	78,129
After two years but within three years (inclusive)	66,119
After three years but within five years (inclusive)	88,383
After five years	<u>128,330</u>
Total	<u><u>461,670</u></u>

(c) Capital commitments

As at 31 December 2019 and 2018, the Group's authorised capital commitments are as follows:

	At 31 December	
	2019	2018
Contracted but not provided for		
- Purchase of property and equipment	<u>47,169</u>	<u>407,225</u>
Total	<u><u>47,169</u></u>	<u><u>407,225</u></u>

(d) Outstanding litigations and disputes

As at the end of the Reporting Period, the Bank, as defendant, was involved in a material outstanding litigation with subject amount of RMB37,385,377. Such litigation will not have material impact on the operations of the Bank.

On 14 August 2019, the Bank was involved in an infringement dispute regarding the damage caused by the Bank's shareholders to the interests of the Bank's creditors. The plaintiff claimed that the five defendants, including a company in Khorgos, as shareholders of the company involved in the case, had seriously abused shareholders' rights, and had transferred the corporate property, which seriously damaged the claimant's creditor rights, and the Bank deliberately provided assistance, therefore, the Bank shall also be liable for damages. According to the plaintiff's lawsuit, he requested the court: (1) to order the Bank together with other five defendants to bear joint and several liability for the debt amounting to RMB37,385,377 and the penalty for delayed payment confirmed in the Civil Mediation Letter No. (2019) Xin 40 Min Chu 20; (2) the litigation costs in this case shall be borne by the defendant. As the case has not yet been called, the possibility of the Bank losing the case cannot be told based on the current available evidence.

7. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2019

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and a new standard IFRS 17, insurance contracts, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

Effective for accounting periods beginning on or after

Amendment to IFRS 3, Definition of a business	1 January 2020
Amendment to IAS 1 and IAS 8, Definition of material	1 January 2020

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

8. RELEASE OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement was published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.jinzhoubank.com). The 2019 annual report prepared in accordance with the Listing Rules and the IFRSs will be released on the HKExnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.jinzhoubank.com), and will be dispatched to the holders of H shares of the Bank in due course.

This results announcement was prepared in both Chinese and English versions, and the Chinese version shall prevail where there is a discrepancy between the Chinese and English versions.

By order of the Board
Bank of Jinzhou Co., Ltd.*
Wei Xuekun
Chairman

Jinzhou, Liaoning Province, the PRC
26 June 2020

As at the date of this announcement, the Board comprises Mr. Wei Xuekun, Mr. Guo Wenfeng, Mr. Kang Jun, Mr. Yang Weihua and Mr. Yu Jun, as executive Directors; Mr. Zhao Chuanxin, Ms. Ning Jie, Ms. Gu Jihong, Mr. Lyu Fei and Mr. Luo Nan, as non-executive Directors; Mr. Wu Jun, Mr. Xie Taifeng, Mr. Xiao Geng, Mr. Wang Xiongyuan and Mr. Su Mingzheng as independent non-executive Directors.

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