

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



錦州銀行股份有限公司

**Bank of Jinzhou Co., Ltd.\***

*(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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 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 unaudited interim results (the “**Interim Results**”) of the Bank for the six-month period ended 30 June 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 this Interim Results.

### **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. Zhang Wei
Authorised Representatives:	Mr. Zhang Wei, Mr. Wang Jing
Listing Exchange of H Shares:	The Stock Exchange of Hong Kong Limited (“ <b>Hong Kong Stock Exchange</b> ”)
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. Sun Jing
Joint Company Secretaries:	Mr. Sun Jing and 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 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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six-month period ended 30 June		Interim period of 2019 vs Interim period of 2018	For the year ended 31 December 2018
	2019	2018		
<b>Operating Results</b>			<b>Rate of change (%)</b>	
Interest income	26,190,636	22,029,076	18.9	46,002,674
Interest expense	(14,347,280)	(13,150,564)	9.1	(26,901,602)
<b>Net interest income</b>	<b>11,843,356</b>	<b>8,878,512</b>	<b>33.4</b>	<b>19,101,072</b>
Net fee and commission income	152,823	365,020	(58.1)	757,528
Net trading gains	1,469,666	1,587,877	(7.4)	1,491,100
Dividend income	1,200	880	36.4	880
Net gains arising from investment securities	77,623	23,416	231.5	100,234
Net foreign exchange losses	(5,266)	(1,191,352)	(99.6)	(183,660)
Other net operating income	7,786	8,033	(3.1)	16,045
<b>Operating income</b>	<b>13,547,188</b>	<b>9,672,386</b>	<b>40.1</b>	<b>21,283,199</b>
Operating expenses	(1,823,905)	(1,571,707)	16.0	(3,586,646)

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six-month period ended 30 June		Interim period of 2019 vs interim period of 2018	For the year ended 31 December 2018
	2019	2018	Rate of change (%)	
<b>Operating Results</b>				
Operating profit before impairment	11,723,283	8,100,679	44.7	17,696,553
Impairment losses on assets	(12,774,275)	(2,348,651)	443.9	(23,683,718)
<b>(Loss)/profit before tax</b>	<b>(1,050,992)</b>	<b>5,752,028</b>	<b>(118.3)</b>	<b>(5,987,165)</b>
Income tax credit/(expense)	182,619	(1,412,287)	(112.9)	1,449,054
<b>Net (loss)/profit for the period</b>	<b>(868,373)</b>	<b>4,339,741</b>	<b>(120.0)</b>	<b>(4,538,111)</b>
Net (loss)/profit for the period attributable to equity shareholders of the Bank	(998,600)	4,229,574	(123.6)	(4,593,447)
<b>Calculated on a per share basis (RMB)</b>			<b>Change</b>	
Basic and diluted (losses)/earnings per share (in RMB)	(0.13)	0.62	(0.75)	(0.77)
	<b>As at 30 June 2019</b>	<b>As at 31 December 2018</b>	<b>30 June 2019 vs 31 December 2018</b>	<b>As at 30 June 2018</b>
<b>Major Indicators of Assets/Liabilities</b>			<b>Rate of change (%)</b>	
Total assets	825,457,531	845,922,748	(2.4)	748,392,211
Of which: net loans and advances to customers	398,224,318	349,110,123	14.1	240,609,152
Total liabilities	765,749,861	785,159,604	(2.5)	685,660,325
Of which: deposits from customers	447,867,324	445,576,089	0.5	351,626,638
Share capital	7,781,616	7,781,616	0.0	6,781,616
Equity attributable to equity shareholders of the Bank	55,591,711	56,777,412	(2.1)	58,687,546
Total equity	59,707,670	60,763,144	(1.7)	62,731,886

## 2.2 Financial Indicator

	For the six-month period		Interim	For the year ended
	ended 30 June		period of 2019	
	2019	2018	vs interim	31 December 2018
<b>Profitability Indicators (%)</b>			<b>Change</b>	
Return on average total assets <sup>(1)</sup>	(0.21)*	1.18*	(1.39)	(0.58)
Return on average equity <sup>(2)</sup>	(4.31)*	17.79*	(22.10)	(9.86)
Net interest spread <sup>(3)</sup>	2.76*	2.16*	0.60	1.93
Net interest margin <sup>(4)</sup>	2.93*	2.51*	0.42	2.46
Net fee and commission income				
to operating income ratio	1.13	3.77	(2.64)	3.56
Cost-to-income ratio <sup>(5)</sup>	12.40	14.70	(2.30)	15.91
		As at	<b>30 June 2019 vs</b>	
	As at	<b>31 December</b>	<b>31 December</b>	As at
	<b>30 June 2019</b>	<b>2018</b>	<b>2018</b>	<b>30 June 2018</b>
<b>Assets Quality Indicators (%)</b>			<b>Change</b>	
Non-performing loan ratio <sup>(6)</sup>	6.88	4.99	1.89	1.26
Provision coverage ratio <sup>(7)</sup>	105.75	123.75	(18.00)	242.10
Provision to loans ratio <sup>(8)</sup>	7.27	6.18	1.09	3.06
<b>Capital Adequacy Indicators (%)</b>			<b>Change</b>	
Core tier-one capital adequacy ratio <sup>(9)</sup>	5.14	6.07	(0.93)	7.95
Tier-one capital adequacy ratio <sup>(10)</sup>	6.41	7.43	(1.02)	9.57
Capital adequacy ratio	7.47	9.12	(1.65)	11.61
Total equity to total assets	7.23	7.18	0.05	8.38
<b>Other Indicators (%)</b>			<b>Change</b>	
Loan-to-deposit ratio <sup>(11)</sup>	84.22	72.12	12.10	57.99

Notes: \* indicates annualised ratios

- (1) Represents the net profit for the period/year as a percentage of the average balance of total assets at the beginning and the end of that period/year.
- (2) Represents the Bank's net profit attributable to the equity shareholders of the Bank for the period/year as a percentage of the average balance of net assets attributable to equity shareholders of the Bank at the beginning and the end of that period/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, 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.
- (11) Such ratios represent the ratios the Bank submitted to the China Banking and Insurance Regulatory Commission (the “**CBIRC**”, which was formed after duty restructuring of China Banking Regulatory Commission (the “**CBRC**”) and China Insurance Regulator Commission), which were calculated in accordance with financial data under PRC Generally Accepted Accounting Principles and the CBIRC requirements.

### **3. MANAGEMENT DISCUSSIONS AND ANALYSIS**

#### **3.1 Business and Financial Review**

During the Reporting Period, with the transformation of China's economy from high-speed growth to high-quality development, the economic environment is in a strategic development period in which economy optimization and upgrade is accelerated, technological innovation ability is enhanced, reform and opening-up is strengthened and the new environmental-friendly development is accelerated. Facing the regulatory deployment and requirements of "de-leveraging, chaos governing and risk preventing", the Bank reviewed its development positioning and strategic planning again, focused on improving its operational management capabilities, and strived to enhance the ability to serve the real economy.

At the end of the Reporting Period, the total assets of the Bank amounted to RMB825,458 million, representing a decrease of 2.4% as compared to that as at 31 December 2018; the net loans and advances to customers amounted to RMB398,224 million, representing an increase of 14.1% as compared to that as at 31 December 2018; the non-performing loan ratio was 6.88%, representing an increase of 1.89 percentage points as compared to that as at 31 December 2018; the deposits from customers balance of the Bank amounted to RMB447,867 million, representing an increase of 0.5% as compared to that as at 31 December 2018. During the Reporting Period, the operating income of the Bank amounted to RMB13,547 million, representing an increase of 40.1% as compared with that for the six-month period ended 30 June 2018; and the net loss amounted to RMB868 million.

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 amounted to 7.47%, 6.41% and 5.14%, respectively.

At the end of the Reporting Period, we had invested in 7 village and township banks, 5 in Jinzhou City, 1 in Chaoyang City and 1 in Benxi City, Liaoning Province, the PRC, under which there were 24 operation departments and sub-branches.

## 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 six-month period ended 30 June			
	2019	2018	Change in amount	Rate of Change (%)
Interest income	26,190,636	22,029,076	4,161,560	18.9
Interest expense	(14,347,280)	(13,150,564)	(1,196,716)	9.1
<b>Net interest income</b>	<b><u>11,843,356</u></b>	<b><u>8,878,512</u></b>	<b><u>2,964,844</u></b>	<b>33.4</b>
Net fee and commission income	152,823	365,020	(212,197)	(58.1)
Net trading gains	1,469,666	1,587,877	(118,211)	(7.4)
Dividend income	1,200	880	320	36.4
Net gains arising from investment securities	77,623	23,416	54,207	231.5
Net foreign exchange losses	(5,266)	(1,191,352)	1,186,086	(99.6)
Other net operating income	7,786	8,033	(247)	(3.1)
<b>Operating income</b>	<b><u>13,547,188</u></b>	<b><u>9,672,386</u></b>	<b><u>3,874,802</u></b>	<b>40.1</b>
Operating expenses	(1,823,905)	(1,571,707)	(252,198)	16.0
Impairment losses on assets	(12,774,275)	(2,348,651)	(10,425,624)	443.9
<b>(Loss)/profit before tax</b>	<b><u>(1,050,992)</u></b>	<b><u>5,752,028</u></b>	<b><u>(6,803,020)</u></b>	<b>(118.3)</b>
Income tax credit/(expense)	<u>182,619</u>	<u>(1,412,287)</u>	<u>1,594,906</u>	(112.9)
<b>(Loss)/profit for the period</b>	<b><u>(868,373)</u></b>	<b><u>4,339,741</u></b>	<b><u>(5,208,114)</u></b>	<b>(120.0)</b>

During the Reporting Period, the Bank's loss before tax was RMB1,051 million; the net loss was RMB868 million, net interest income was RMB11,843 million, representing an increase of RMB2,965 million or 33.4% as compared to that for the six-month period ended 30 June 2018.

### 3.2.1.1 Net interest income

Net interest income accounted for the largest portion of the Bank's operating income, representing 87.4% and 91.8% of operating income in the Reporting Period and for the six-month period ended 30 June 2018, respectively. The following table sets forth, for the periods 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 six-month period ended 30 June			Rate of Change (%)
	2019	2018	Change in amount	
Interest income	26,190,636	22,029,076	4,161,560	18.9
Interest expense	<u>(14,347,280)</u>	<u>(13,150,564)</u>	<u>(1,196,716)</u>	9.1
<b>Net interest income</b>	<b><u>11,843,356</u></b>	<b><u>8,878,512</u></b>	<b><u>2,964,844</u></b>	<b>33.4</b>

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six-month period ended 30 June 2019			For the six-month period ended 30 June 2018		
	Average balance	Interest income/expense	Average yield/cost (%)	Average balance	Interest income/expense	Average yield/cost (%)
<b>Interest-earning Assets</b>						
Loans and advances to customers	388,815,968	14,161,531	7.28	235,608,813	7,599,213	6.45
Investment securities and other financial assets	325,352,662	10,858,811	6.68	392,082,947	13,478,494	6.88
Deposits with the central bank	57,062,668	438,050	1.54	58,422,453	448,787	1.54
Deposits with banks and other financial institutions	15,940,725	189,010	2.37	7,752,772	127,021	3.28
Placements with banks and other financial institutions	6,295,280	125,441	3.99	3,612,277	56,890	3.15
Financial assets held under resale agreements	5,896,058	71,865	2.44	3,108,358	45,294	2.91
Finance lease receivables	<u>8,893,397</u>	<u>345,928</u>	7.78	<u>7,252,906</u>	<u>273,377</u>	7.54
<b>Total interest-earning assets</b>	<b><u>808,256,758</u></b>	<b><u>26,190,636</u></b>	<b>6.48</b>	<b><u>707,840,526</u></b>	<b><u>22,029,076</u></b>	<b>6.22</b>

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six-month period ended 30 June 2019			For the six-month period ended 30 June 2018		
	Average balance	Interest income/ expense	Average yield/cost (%)	Average balance	Interest income/ expense	Average yield/cost (%)
<b>Interest-bearing Liabilities</b>						
Deposits from customers	445,119,132	8,100,284	3.64	355,717,320	6,349,451	3.57
Deposits from banks and other financial institutions	151,055,099	3,454,271	4.57	141,880,415	3,596,341	5.07
Placements from banks and other financial institutions	39,807,289	546,445	2.75	19,592,595	263,510	2.69
Financial assets sold under repurchase agreements	41,601,991	566,159	2.72	46,617,617	916,110	3.93
Debt securities issued	89,804,933	1,624,785	3.62	83,729,671	2,022,615	4.83
Borrowing from the central bank	2,937,000	46,734	3.18	232,772	2,537	2.18
Lease liability	397,321	8,602	4.33	–	–	–
<b>Total interest-bearing liabilities</b>	<b><u>770,722,765</u></b>	<b><u>14,347,280</u></b>	<b>3.72</b>	<b><u>647,770,390</u></b>	<b><u>13,150,564</u></b>	<b>4.06</b>
Net interest income		11,843,356			8,878,512	
<b>Net interest spread<sup>(1)</sup></b>			<b>2.76</b>			<b>2.16</b>
<b>Net interest margin<sup>(2)</sup></b>			<b>2.93</b>			<b>2.51</b>

*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 periods 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 rate of the interest-earning assets and interest-bearing liabilities. Effect caused by changes of both volume and interest rate has been allocated to changes in net interest income.

	<b>For the six-month period ended 30 June 2019 vs 2018</b>		
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	<b>Volume <sup>(1)</sup></b>	<b>Interest rate <sup>(2)</sup></b>	<b>Net increase/ (decrease) <sup>(3)</sup></b>
<b>Interest-earning Assets</b>			
Loans and advances to customers	4,941,470	1,620,848	6,562,318
Investment securities and other financial assets	(2,293,963)	(325,720)	(2,619,683)
Deposits with the central bank	(10,446)	(291)	(10,737)
Deposits with banks and other financial institutions	134,151	(72,162)	61,989
Placements with banks and other financial institutions	42,255	26,296	68,551
Financial assets held under resale agreements	40,621	(14,050)	26,571
Finance lease receivables	61,833	10,718	72,551
	<u>2,915,921</u>	<u>1,245,639</u>	<u>4,161,560</u>
<b>Changes in interest income</b>			
<b>Interest-bearing Liabilities</b>			
Deposits from customers	1,595,796	155,037	1,750,833
Deposits from banks and other financial institutions	232,557	(374,627)	(142,070)
Placements from banks and other financial institutions	271,877	11,058	282,935
Financial assets sold under repurchase agreements	(98,565)	(251,386)	(349,951)
Debt securities issued	146,757	(544,587)	(397,830)
Borrowing from the central bank	29,474	14,723	44,197
Lease liability	8,602	–	8,602
	<u>2,186,498</u>	<u>(989,782)</u>	<u>1,196,716</u>
<b>Changes in interest expense</b>			
<b>Changes in net interest income</b>			
	<u><u>729,423</u></u>	<u><u>2,235,421</u></u>	<u><u>2,964,844</u></u>

Notes:

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

### 3.2.1.2 Interest income

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six-month period ended 30 June			
	2019		2018	
	Amount	% of total	Amount	% of total
Loans and advances to customers				
Corporate loans	13,714,872	52.4	7,079,048	32.1
Personal loans	362,429	1.4	310,129	1.4
Discounted bills	84,230	0.3	210,036	1.0
<b>Subtotal</b>	<b>14,161,531</b>	<b>54.1</b>	<b>7,599,213</b>	<b>34.5</b>
Investment securities and other financial assets	10,858,811	41.5	13,478,494	61.2
Deposits with the central bank	438,050	1.7	448,787	2.0
Deposits with banks and other financial institutions	189,010	0.7	127,021	0.6
Financial assets held under resale agreements	71,865	0.3	45,294	0.2
Placements with banks and other financial institutions	125,441	0.5	56,890	0.3
Finance lease receivables	345,928	1.2	273,377	1.2
<b>Total</b>	<b>26,190,636</b>	<b>100.0</b>	<b>22,029,076</b>	<b>100.0</b>

The Bank's interest income increased by 18.9% to RMB26,190,636 thousand in the Reporting Period from RMB22,029,076 thousand for the six-month period ended 30 June 2018, primarily due to the increase in the loan business 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 54.1% and 34.5% of the Bank's interest income in the Reporting Period and for the six-month period ended 30 June 2018, respectively. The following table sets forth, for the periods indicated, the average balance, interest income and average yield for loans and advances to customers:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six-month period ended 30 June					
	Average balance	2019 Interest income	Average yield (%)	Average balance	2018 Interest income	Average yield (%)
Corporate loans	373,529,004	13,714,872	7.34	219,708,191	7,079,048	6.44
Personal loans	11,815,021	362,429	6.14	7,986,894	310,129	7.77
Discounted bills	<u>3,471,943</u>	<u>84,230</u>	4.85	<u>7,913,728</u>	<u>210,036</u>	5.31
<b>Total</b>	<b><u>388,815,968</u></b>	<b><u>14,161,531</u></b>	<b>7.28</b>	<b><u>235,608,813</u></b>	<b><u>7,599,213</u></b>	<b>6.45</b>

Interest income from loans and advances to customers increased by 86.4% from RMB7,599,213 thousand for the six-month period ended 30 June 2018 to RMB14,161,531 thousand for the Reporting Period, primarily due to the increase in average balance and average yield of loans and advances to customers. The average balance of loans and advances to customers increased by 65.0% from RMB235,608,813 thousand for the six-month period ended 30 June 2018 to RMB388,815,968 thousand during the Reporting Period, the average yield increased from 6.45% for the six-month period ended 30 June 2018 to 7.28% during the Reporting Period.

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

Interest income from investment securities and other financial assets decreased by 19.4% to RMB10,858,811 thousand in the Reporting Period from RMB13,478,494 thousand for the six-month period ended 30 June 2018, primarily due to the decrease in the average balance of investment securities and other financial assets and decline in average yield. The average balance of investment securities and other financial assets decreased by 17.0% from RMB392,082,947 thousand for the six-month period ended 30 June 2018 to RMB325,352,662 thousand during the Reporting Period, mainly due to the decrease of scale of beneficial interest 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 2.4% to RMB438,050 thousand in the Reporting Period from RMB448,787 thousand for the six-month period ended 30 June 2018, mainly due to the decrease of 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 increased by 48.8% to RMB189,010 thousand in the Reporting Period from RMB127,021 thousand for the six-month period ended 30 June 2018, primarily due to the increase of interest income resulted from the increase of average balance of deposits with banks and other financial institutions of the Bank, partially offset by the decrease of interest income resulted from the impact of decrease in average yield. The average balance of deposits with banks and other financial institutions increased by 105.6% from RMB7,752,772 thousand for the six-month period ended 30 June 2018 to RMB15,940,725 thousand during the Reporting Period, mainly due to the allocation of assets to balance the risk and return. The average yield decreased from 3.28% for the six-month period ended 30 June 2018 to 2.37% during the Reporting Period, mainly due to the decrease of the interest rate in the interbank capital market.

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

Interest income from placements with banks and other financial institutions increased by 120.5% to RMB125,441 thousand in the Reporting Period from RMB56,890 thousand for the six-month period ended 30 June 2018, primarily due to an increase in the size and average yield rate of placements with banks and other financial institutions. The average balance of placements with banks and other financial institutions increased by 74.3% to RMB6,295,280 thousand in the Reporting Period from RMB3,612,277 thousand for the six-month period ended 30 June 2018. The average yield of placements with banks and other financial institutions rose to 3.99% in the Reporting Period from 3.15% for the six-month period ended 30 June 2018, primarily because the Bank newly added the business of placements with banks and other financial institutions with relatively long term and relatively high yield.

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

Interest income from financial assets held under resale agreements increased by 58.7% to RMB71,865 thousand in the Reporting Period from RMB45,294 thousand for the six-month period ended 30 June 2018, primarily due to the increase in the average balance. The average balance of financial assets held under resale agreements increased by 89.7% to RMB5,896,058 thousand in the Reporting Period from RMB3,108,358 thousand for the six-month period ended 30 June 2018, primarily due to the Bank's increment in scale of investment in financial assets held under resale agreements for balanced gains and liquidity management.

## (7) Interest income from finance lease receivables

Interest income from finance lease receivables increased by 26.5% to RMB345,928 thousand for the Reporting Period from RMB273,377 thousand for the six-month period ended 30 June 2018, mainly attributable to the increase in the average balance and average yield of financial lease receivables.

### 3.2.1.3 Interest expense

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six-month period ended 30 June			
	2019		2018	
	Amount	% of total	Amount	% of total
Deposits from customers	8,100,284	56.5	6,349,451	48.3
Deposits from banks and other financial institutions	3,454,271	24.1	3,596,341	27.3
Placements from banks and other financial institutions	546,445	3.8	263,510	2.0
Financial assets sold under repurchase agreements	566,159	4.0	916,110	7.0
Debt securities issued	1,624,785	11.3	2,022,615	15.4
Borrowing from the central bank	46,734	0.3	2,537	0.0
Lease liability	8,602	0.0	–	–
<b>Total</b>	<b>14,347,280</b>	<b>100.0</b>	<b>13,150,564</b>	<b>100.0</b>

### (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 six-month period ended 30 June					
	Average balance	2019 Interest expense	Average cost (%)	Average balance	2018 Interest expense	Average cost (%)
<b>Corporate deposits</b>						
Time	146,927,739	1,807,763	2.46	143,138,027	2,478,643	3.46
Demand	40,678,040	948,000	4.66	54,841,068	428,230	1.56
<b>Subtotal</b>	<b><u>187,605,779</u></b>	<b><u>2,755,763</u></b>	<b>2.94</b>	<b><u>197,979,095</u></b>	<b><u>2,906,873</u></b>	<b>2.94</b>
<b>Personal deposits</b>						
Time	234,666,261	5,088,522	4.34	142,221,072	3,361,301	4.73
Demand	22,847,092	255,999	2.24	15,517,153	81,277	1.05
<b>Subtotal</b>	<b><u>257,513,353</u></b>	<b><u>5,344,521</u></b>	<b>4.15</b>	<b><u>157,738,225</u></b>	<b><u>3,442,578</u></b>	<b>4.36</b>
<b>Total deposits from customers</b>	<b><u>445,119,132</u></b>	<b><u>8,100,284</u></b>	<b>3.64</b>	<b><u>355,717,320</u></b>	<b><u>6,349,451</u></b>	<b>3.57</b>

Interest expense on deposits from customers increased by 27.6% to RMB8,100,284 thousand in the Reporting Period from RMB6,349,451 thousand for the six-month period ended 30 June 2018, primarily due to the increase in the scale of the Bank's deposits from customers and the increase in the cost.

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

Interest expense on deposits from banks and other financial institutions decreased by 4.0% to RMB3,454,271 thousand in the Reporting Period from RMB3,596,341 thousand for the six-month period ended 30 June 2018, primarily due to the decrease in interest expense resulted from the decrease in average cost of deposits from banks and other financial institutions partially offset by the increase of interest expense resulted from the increase of average balance. Average cost of banks and other financial institutions decreased from 5.07% for the six-month period ended 30 June 2018 to 4.57% in the Reporting Period, primarily due to the decrease of average interest rate of interbank capital market.

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

Interest expense on placements from banks and other financial institutions increased by 107.4% to RMB546,445 thousand in the Reporting Period from RMB263,510 thousand for the six-month period ended 30 June 2018, primarily due to the increase in the 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 103.2% to RMB39,807,289 thousand in the Reporting Period from RMB19,592,595 thousand for the six-month period ended 30 June 2018.

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

Interest expense on financial assets sold under repurchase agreements decreased by 38.2% to RMB566,159 thousand in the Reporting Period from RMB916,110 thousand for the six-month period ended 30 June 2018, primarily due to the decrease in the average balance and average cost. The average balance of financial assets sold under repurchase agreements decreased by 10.8% to RMB41,601,991 thousand in the Reporting Period from RMB46,617,617 thousand for the six-month period ended 30 June 2018, mainly because the Bank moderately decreased the scale of financial assets sold under repurchase agreements due to the need for balancing liquidity and gains management. The average cost of financial assets sold under repurchase agreements decreased from 3.93% for the six-month period ended 30 June 2018 to 2.72% in the Reporting Period, primarily due to the decrease in the average interest rate in the capital market in the Reporting Period.

#### **(5) Interest expense on debt securities issued**

During the Reporting Period, the Bank's interest expense on debt securities issued decreased by RMB397,830 thousand or 19.7% to RMB1,624,785 thousand from that for the six-month period ended 30 June 2018, primarily because the decrease in interest expense resulted from the decrease in the Bank's average cost of debt securities issued, partially offset by the increase of interest expense resulted from the increase of average balance. The average balance of debt securities issued increased by 7.3% to RMB89,804,933 thousand in the Reporting Period from RMB83,729,671 thousand for the six-month period ended 30 June 2018, mainly because the Bank increased issuance of interbank certificates of deposit; the average cost decreased to 3.62% in the Reporting Period from 4.83% for the six-month period ended 30 June 2018, mainly attributable to the decrease of average interest rate of interbank deposit certificates market.

#### **(6) Interest expense on borrowing from the central bank**

During the Reporting Period, interest expense on borrowing from the central bank of the Bank increased by 1,742.1% from RMB2,537 thousand for the six-month period ended 30 June 2018 to RMB46,734 thousand in the Reporting Period, mainly attributable to the increase in the average balance of borrowing from the central bank of the Bank and the increase in the average cost. The average balance of borrowing from the central bank increased by 1,161.7% to RMB2,937,000 thousand in the Reporting Period from RMB232,772 thousand for the six-month period ended 30 June 2018, average cost rose to 3.18% in the Reporting Period from 2.18% for the six-month period ended 30 June 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 2.76% in the Reporting Period as compared to 2.16% for the six-month period ended 30 June 2018 and the net interest margin increased to 2.93% in the Reporting Period as compared to 2.51% for the six-month period ended 30 June 2018, primarily due to the increase of average yield of the Bank's interest-earning assets and the decrease of average cost of interest-bearing liabilities..

### 3.2.1.5 Non-interest income

#### (1) Net fee and commission income

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six-month period ended 30 June			
	2019	2018	Change in amount	Rate of change (%)
<b>Fee and commission income</b>				
Agency services fees	42,163	127,666	(85,503)	(67.0)
Settlement and clearing fees	76,120	119,131	(43,011)	(36.1)
Wealth management service fees	86,384	96,948	(10,564)	(10.9)
Underwriting and advisory fees	40,434	28,813	11,621	40.3
Bank card service fees	5,946	6,672	(726)	(10.9)
Others	23,580	19,115	4,465	23.4
<b>Subtotal</b>	<b>274,627</b>	<b>398,345</b>	<b>(123,718)</b>	<b>(31.1)</b>
<b>Fee and commission expense</b>				
Settlement and clearing fees	21,420	15,080	6,340	42.0
Others	100,384	18,245	82,139	450.2
<b>Subtotal</b>	<b>121,804</b>	<b>33,325</b>	<b>88,479</b>	<b>265.5</b>
<b>Net fee and commission income</b>	<b>152,823</b>	<b>365,020</b>	<b>(212,197)</b>	<b>(58.1)</b>

The Bank's fee and commission income decreased by 31.1% to RMB274,627 thousand in the Reporting Period as compared to RMB398,345 thousand for the six-month period ended 30 June 2018, mainly attributable to decrease in agency services fees and settlement and clearing fees of the Bank. Agency services fees decreased by 67.0% to RMB42,163 thousand in the Reporting Period from RMB127,666 thousand for the six-month period ended 30 June 2018, mainly because the Bank shrank the scale of entrusted loan business. Settlement and clearing fees decreased by 36.1% to RMB76,120 thousand in the Reporting Period from RMB119,131 thousand for the six-month period ended 30 June 2018, mainly because the Bank reduced business of letters of credit and letters of guarantee, resulting in decrease of fee income of corporate settlement business.

Fee and commission expense consist primarily 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 265.5% to RMB121,804 thousand in the Reporting Period as compared to RMB33,325 thousand for the six-month period ended 30 June 2018.

## **(2) Net trading gains**

Net trading gains primarily comprises of net income from financial assets and liabilities at fair value through profit or loss. During the Reporting Period, the Bank incurred a net trading gain of RMB1,469,666 thousand, representing a decrease of 7.4% as compared to RMB1,587,877 thousand for the six-month period ended 30 June 2018, primarily due to changes in fair value related to foreign exchange business being reclassified by the Bank to exchange gains and losses pursuant to the requirements of the Notice on Revising and Issuing the Format of Financial Statements of Financial Enterprises for 2018《關於修訂印發2018年度金融企業財務報表格式的通知》(CaiKuai [2018] No. 36) issued by the Ministry of Finance on 27 December 2018.

## **(3) Net gains arising from investment securities**

The Bank incurred a net gain arising from investment securities of RMB77,623 thousand in the Reporting Period representing an increase of 231.5% from RMB23,416 thousand for the six-month period ended 30 June 2018, mainly attributable to the increase in income from disposing of investment securities by the Bank.

## **(4) Net foreign exchange losses**

Net foreign exchange losses decreased by 99.6% to RMB5,266 thousand in the Reporting Period from RMB1,191,352 thousand for the six-month period ended 30 June 2018, which was mainly due to the combined impact of fair value changes related to foreign exchange business are reclassified into foreign exchange gains or losses by the Bank and foreign exchange fluctuations.

## **(5) Other net operating income**

Other net operating income decreased by 3.1% to RMB7,786 thousand in the Reporting Period from RMB8,033 thousand for the six-month period ended 30 June 2018.

### 3.2.1.6 Operating expenses

During the Reporting Period, the Bank's operating expenses was RMB1,823,905 thousand, representing an increase of RMB252,198 thousand or 16.0% on a year-on-year basis.

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	<b>For the six-month period ended 30 June</b>			
	<b>2019</b>	<b>2018</b>	<b>Change in amount</b>	<b>Rate of change (%)</b>
Staff costs	977,879	830,797	147,082	17.7
General and administrative expenses	378,357	381,093	(2,736)	(0.7)
Depreciation and amortisation	274,576	210,236	64,340	30.6
Tax and surcharges	144,416	85,381	59,035	69.1
Others	48,677	64,200	(15,523)	(24.2)
<b>Total operating expenses</b>	<b><u>1,823,905</u></b>	<b><u>1,571,707</u></b>	<b><u>252,198</u></b>	<b>16.0</b>

#### (1) Staff costs

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	<b>For the six-month period ended 30 June</b>			
	<b>2019</b>	<b>2018</b>	<b>Change in amount</b>	<b>Rate of Change (%)</b>
Salaries and bonuses	730,030	602,676	127,354	21.1
Social insurance	142,776	128,045	14,731	11.5
Housing allowances	51,280	46,239	5,041	10.9
Union funds and education funds	28,711	24,003	4,708	19.6
Staff welfares	22,548	26,818	(4,270)	(15.9)
Supplementary retirement benefit	1,212	980	232	23.7
Other long-term staff welfare	1,322	2,036	(714)	(35.1)
<b>Total staff costs</b>	<b><u>977,879</u></b>	<b><u>830,797</u></b>	<b><u>147,082</u></b>	<b>17.7</b>

During the Reporting Period, the Bank's total staff costs was RMB977,879 thousand, representing an increase of RMB147,082 thousand or 17.7% as compared with that for the six-month period ended 30 June 2018, primarily due to an increase in labor costs as a result of the remuneration increase of employees and number of staff of the Bank.

**(2) General and administrative expenses**

General and administrative expenses decreased by 0.7% to RMB378,357 thousand in the Reporting Period as compared to RMB381,093 thousand for the six-month period ended 30 June 2018.

**(3) Depreciation and amortisation**

Depreciation and amortisation increased by 30.6% to RMB274,576 thousand in the Reporting Period as compared to RMB210,236 thousand for the six-month period ended 30 June 2018, primarily due to the increase in asset depreciation and amortisation expenses as a result of an increase in the Bank's capital expenditure.

**(4) Tax and surcharges**

The Bank's tax and surcharges increased by 69.1% to RMB144,416 thousand in the Reporting Period as compared to RMB85,381 thousand for the six-month period ended 30 June 2018, primarily attributable to the increase in value-added tax due to the business development of the Bank.

**(5) Others**

Other operating expense decreased by 24.2% to RMB48,677 thousand in the Reporting Period from RMB64,200 thousand for the six-month period ended 30 June 2018. These expenses during the Reporting Period were mainly loss from discounts in prices generated from repayment assets.

### 3.2.1.7 Impairment losses on assets

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	<b>For the six-month period ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
Loans and advances to customers		
– expected credit loss (the “ECL”) over the next 12 months	773,081	457,308
– lifetime ECL - not credit-impaired loans	3,327,750	1,024,282
– lifetime ECL - credit-impaired loans	4,465,924	134,880
<b>Subtotal</b>	<b>8,566,755</b>	<b>1,616,470</b>
Deposits and placements with banks and other financial institutions	109,087	–
Financial assets at fair value through other comprehensive income	(6,452)	–
Financial assets measured at amortised cost	4,238,766	450,000
Finance lease receivables	(74,643)	17,052
Credit commitments	(128,586)	265,129
Others	69,348	–
<b>Total</b>	<b><u>12,774,275</u></b>	<b><u>2,348,651</u></b>

Impairment losses on assets increased by 443.9% to RMB12,774,275 thousand in the Reporting Period from RMB2,348,651 thousand for the six-month period ended 30 June 2018, mainly because (i) the increase of the balance of loans and advances to customers and the increase of the non-performing ratio; and (ii) in response to the decline of asset quality and increase of non-performing assets, after the implementation of IFRS 9, the Bank adopted expected loss model, increased impairment provision of assets to improve risk defense capability, which resulted in the significant increase in impairment losses of assets.

### 3.2.1.8 Income tax credit/(expense)

During the Reporting Period, the Bank's income tax credit was RMB182,619 thousand, and income tax expense for the six-month period ended 30 June 2018 was RMB1,142,287 thousand. During the Reporting Period, the Bank's actual tax rate was 17.38%, representing a decrease of 7.18 percentage points as compared with that for the six-month period ended 30 June 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 31 December 2018, the total assets of the Bank were RMB825,457,531 thousand and RMB845,922,748 thousand, respectively. As at the end of Reporting Period, the principal components of the Bank's assets 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 48.2%, 39.8% and 7.0%, respectively, of the Bank's total assets as at the end of the Reporting Period. The table below sets forth balances of the principal components of the Bank's total assets as of the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	<b>As at 30 June 2019</b>		<b>As at 31 December 2018</b>	
	<b>Amount</b>	<b>% of total</b>	<b>Amount</b>	<b>% of total</b>
<b>Assets</b>				
Total loans and advances to customers	426,937,556	51.7	370,725,731	43.8
Interest receivable on loans and advances to customers	2,330,414	0.3	1,276,467	0.2
Provision of impairment on loans and advances to customers	<u>(31,043,652)</u>	<u>(3.8)</u>	<u>(22,892,075)</u>	<u>(2.7)</u>
Net loans and advances to customers	398,224,318	48.2	349,110,123	41.3
Investment securities and other financial assets, net <sup>(1)</sup>	328,019,325	39.8	392,056,838	46.3
Deposits with the central bank	57,727,372	7.0	64,618,759	7.6
Deposits with banks and other financial institutions	6,802,123	0.8	16,231,627	1.9
Financial assets held under resale agreements	–	–	100,073	0.0
Placements with banks and other financial institutions	5,800,176	0.7	48,454	0.0
Finance lease receivables	7,830,895	0.9	7,484,842	0.9
Other assets <sup>(2)</sup>	<u>21,053,322</u>	<u>2.6</u>	<u>16,272,032</u>	<u>2.0</u>
<b>Total assets</b>	<b><u>825,457,531</u></b>	<b><u>100.0</u></b>	<b><u>845,922,748</u></b>	<b><u>100.0</u></b>

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 at amortised cost.
- (2) Include interest receivables, property and equipment, deferred tax assets, and positive fair value of derivatives and others.

The Bank's total assets decreased by 2.4% from RMB845,922,748 thousand as at 31 December 2018 to RMB825,457,531 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 was RMB426,937,556 thousand, representing an increase of 15.2% as compared to that at 31 December 2018. Total loans and total advances to customers accounted for 51.7% of the Bank's total assets, representing an increase of 7.9 percentage points as compared to that at 31 December 2018.

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	<b>As at 30 June 2019</b>		<b>As at 31 December 2018</b>	
	<b>Amount</b>	<b>% of total</b>	<b>Amount</b>	<b>% of total</b>
Corporate loans	412,361,297	96.6	352,315,497	95.0
Personal loans	12,070,516	2.8	12,065,859	3.3
Discounted bills	2,505,743	0.6	6,344,375	1.7
<b>Total loans and advances to customers</b>	<b><u>426,937,556</u></b>	<b><u>100.0</u></b>	<b><u>370,725,731</u></b>	<b><u>100.0</u></b>

The Bank's total loans and advances to customers primarily comprise of corporate loans, personal loans and discounted bills. Corporate loans is 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 RMB412,361,297 thousand and RMB352,315,497 thousand, respectively, accounting for 96.6% and 95.0% of the Bank's total loans and advances to customers, respectively.

The Bank's corporate loans increased by 17.0% from RMB352,315,497 thousand as at 31 December 2018 to RMB412,361,297 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 the loan; and (ii) the Bank appropriately increased the loan scale according to the development needs of the real economy with the development plan of its own business.

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 RMB12,070,516 thousand, representing an increase of RMB4,657 thousand as compared to that as at 31 December 2018, accounting for 2.8% of the Bank's 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 represented, in aggregate, 96.8% 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>	<b>As at 30 June 2019</b>		<b>As at 31 December 2018</b>	
	<b>Amount</b>	<b>% of total</b>	<b>Amount</b>	<b>% of total</b>
Unsecured loans	13,598,049	3.2	20,654,552	5.6
Guaranteed loans	215,263,455	50.4	165,361,842	44.6
Collateralised loans	127,879,063	30.0	106,011,207	28.6
Pledged loans	<u>70,196,989</u>	<u>16.4</u>	<u>78,698,130</u>	<u>21.2</u>
<b>Total loans and advances to customers</b>	<b><u>426,937,556</u></b>	<b><u>100.0</u></b>	<b><u>370,725,731</u></b>	<b><u>100.0</u></b>

As at the end of the Reporting Period, the balance of the Bank's loans secured by mortgages and pledges amounted to RMB198,076,052 thousand, representing an increase of RMB13,366,715 thousand or 7.2% as compared to that at 31 December 2018, and accounting for 46.4% of the Bank's total loans and advances to customers. The balance of unsecured and guaranteed loans was RMB228,861,504 thousand, representing an increase of RMB42,845,110 thousand as compared to that as at 31 December 2018, and accounting for 53.6% of the Bank's 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 are as follows:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2019			Total
	ECL over the next 12 months	Lifetime ECL- not credit- impaired loans	Lifetime ECL- credit-impaired loans	
As at 1 January 2019	(5,671,427)	(6,284,804)	(10,935,844)	(22,892,075)
Transferred:				
– to ECL over the next 12 months	(197,204)	189,968	7,236	—
– to lifetime ECL - not credit-impaired loans	528,522	(599,274)	70,752	—
– to lifetime ECL - credit-impaired loans	48,153	626,526	(674,679)	—
Net charge for the period	(773,081)	(3,327,750)	(4,465,924)	(8,566,755)
Unwinding of discount	—	—	415,178	415,178
Write-offs	—	—	—	—
<b>As at 30 June 2019</b>	<b>(6,065,037)</b>	<b>(9,395,334)</b>	<b>(15,583,281)</b>	<b>(31,043,652)</b>
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 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
<b>As at 31 December 2018</b>	<b>(5,671,427)</b>	<b>(6,284,804)</b>	<b>(10,935,844)</b>	<b>(22,892,075)</b>

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 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 period	6,452	–	–	6,452
<b>As at 30 June 2019</b>	<b>(5,134)</b>	<b>–</b>	<b>–</b>	<b>(5,134)</b>

  

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

Provision for impairment losses on loans increased by 35.6% from RMB22,903,661 thousand as at 31 December 2018 to RMB31,048,786 thousand as at the end of the Reporting Period, primarily due to the increase in the provision of impairment to enhance the risk-resistance capability in response to the decline of asset quality and the increase of balance of non-performing assets and the adoption of expected loss model after the implementation of IFRS9.

## (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 31 December 2018, the Bank had net investment securities and other financial assets of RMB328,019,325 thousand and RMB392,056,838 thousand, accounting for 39.8% 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 payable not included) as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	<b>As at 30 June 2019</b>		<b>As at 31 December 2018</b>	
	<b>Amount</b>	<b>% of total</b>	<b>Amount</b>	<b>% of total</b>
<b>Debt investments</b>	<b>101,168,021</b>	<b>31.2</b>	<b>98,056,778</b>	<b>25.1</b>
Financial assets at fair value through profit or loss	57,314,474	17.7	49,476,093	12.7
Financial assets at fair value through other comprehensive income	38,645,947	11.9	41,445,323	10.6
Financial assets at amortised cost	5,218,016	1.6	7,145,530	1.8
Provision for impairment losses on debt investments	(10,416)	0.0	(10,168)	0.0
<b>Equity investments</b>	<b>917,177</b>	<b>0.3</b>	<b>609,330</b>	<b>0.2</b>
Financial assets at fair value through other comprehensive income	917,177	0.3	609,330	0.2
<b>Wealth management products investments</b>	<b>10,501,833</b>	<b>3.2</b>	<b>16,586,787</b>	<b>4.3</b>
<b>Financial assets at amortised cost (other than debt investments)</b>	<b>211,550,184</b>	<b>65.2</b>	<b>274,105,502</b>	<b>70.4</b>
Beneficial interest transfer plans	225,007,552	69.4	283,324,352	72.8
Provision for impairment losses on financial assets at amortised cost (other than debt investments)	(13,457,368)	(4.2)	(9,218,850)	(2.4)
<b>Net investments</b>	<b><u>324,137,215</u></b>	<b><u>100.0</u></b>	<b><u>389,358,397</u></b>	<b><u>100.0</u></b>

As at the end of the Reporting Period, the Bank's net investment securities and other financial assets (interests payable not included) amounted to RMB324,137,215 thousand, representing a decrease of 16.8% from RMB389,358,397 thousand as at 31 December 2018, which was mainly attributable to the decrease in the scale of investment securities and other financial assets as a result of reclassification of the business type of part of beneficial interest transfer plans measured at amortised cost to loans.

### 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 RMB765,749,861 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 58.5%, 18.0% and 10.3%, 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>	<b>As at 30 June 2019</b>		<b>As at 31 December 2018</b>	
	<b>Amount</b>	<b>% of total</b>	<b>Amount</b>	<b>% of total</b>
Deposits from customers	447,867,324	58.5	445,576,089	56.7
Deposits from banks and other financial institutions	137,847,601	18.0	164,629,085	21.0
Financial assets sold under repurchase agreements	35,422,256	4.6	43,445,203	5.5
Debt securities issued	78,798,814	10.3	89,668,782	11.4
Placements from banks and other financial institutions	30,540,515	4.0	20,760,381	2.6
Financial liabilities at fair value through profit or loss	10,469,040	1.4	16,512,712	2.1
Other liabilities <sup>(1)</sup>	24,804,311	3.2	4,567,352	0.7
<b>Total</b>	<b><u>765,749,861</u></b>	<b><u>100.0</u></b>	<b><u>785,159,604</u></b>	<b><u>100.0</u></b>

*Note:* (1) Include borrowing from the central bank, negative fair value of derivatives, accrued staff costs, taxes payable, interests payable 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>	<b>As at 30 June 2019</b>		<b>As at 31 December 2018</b>	
	<b>Amount</b>	<b>% of total</b>	<b>Amount</b>	<b>% of total</b>
<b>Corporate deposits</b>				
Demand deposits	44,642,045	10.2	56,908,802	13.1
Time deposits	117,676,182	27.0	142,277,063	32.8
<b>Subtotal</b>	<b><u>162,318,227</u></b>	<b><u>37.2</u></b>	<b><u>199,185,865</u></b>	<b><u>45.9</u></b>
<b>Personal deposits</b>				
Demand deposits	23,038,995	5.3	19,850,460	4.6
Time deposits	251,229,060	57.5	214,731,969	49.5
<b>Subtotal</b>	<b><u>274,268,055</u></b>	<b><u>62.8</u></b>	<b><u>234,582,429</u></b>	<b><u>54.1</u></b>
<b>Total</b>	<b><u>436,586,282</u></b>	<b><u>100.0</u></b>	<b><u>433,768,294</u></b>	<b><u>100.0</u></b>

As at the end of the Reporting Period, the Bank's total deposits from customers (excluding interests payable) amounted to RMB436,586,282 thousand, representing an increase of RMB2,817,988 thousand or 0.6% as compared to that as at 31 December 2018. Deposits from customers (excluding interests payable) account for 57.0% of the total liabilities, representing an increase of 1.8 percentage point 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>	<b>As at 30 June 2019</b>		<b>As at 31 December 2018</b>	
	<b>Amount</b>	<b>% of total</b>	<b>Amount</b>	<b>% of total</b>
Deposits in Mainland China				
– Banks	61,916,992	45.5	69,997,464	43.2
– Other financial institutions	74,231,992	54.5	92,018,528	56.8
<b>Total</b>	<b><u>136,148,984</u></b>	<b><u>100.0</u></b>	<b><u>162,015,992</u></b>	<b><u>100.0</u></b>

As at the end of the Reporting Period, the Bank's total deposits from the banks and other financial institutions amounted to RMB136,148,984 thousand, decreased by RMB25,867,008 thousand or 16.0% from 31 December 2018.

## (3) Debt securities issued

Upon the approval of CBRC and 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 198 and 212 tranches of RMB negotiable certificates of deposit which were not matured, the balance of which were RMB72,182 million and RMB81,400 million, respectively.

### 3.2.2.3 Shareholders' equity

The following table sets forth the composition of the Bank's shareholders' equity as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	<b>As at 30 June 2019</b>		<b>As at 31 December 2018</b>	
	<b>Amount</b>	<b>% of total</b>	<b>Amount</b>	<b>% of total</b>
Share capital	7,781,616	13.0	7,781,616	12.8
Other equity instruments				
including: preference shares	9,897,363	16.6	9,897,363	16.3
Capital reserve	20,543,669	34.4	20,730,770	34.1
Surplus reserve	2,994,679	5.0	2,994,679	4.9
General reserve	11,802,132	19.8	11,802,132	19.4
Retained earnings	2,572,252	4.3	3,570,852	5.9
Non-controlling interests	4,115,959	6.9	3,985,732	6.6
<b>Total equity</b>	<b>59,707,670</b>	<b>100.0</b>	<b>60,763,144</b>	<b>100.0</b>

### 3.2.3 Loan quality analysis

#### 3.2.3.1 Breakdown of loans by the five-category classification

For the Bank, the 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 RMB29,361,139 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 RMB31,048,786 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>	<b>As at 30 June 2019</b>		<b>As at 31 December 2018</b>	
	<b>Amount</b>	<b>% of total</b>	<b>Amount</b>	<b>% of total</b>
Normal	305,494,875	71.6	290,209,315	78.3
Special-mention	92,081,542	21.6	62,008,268	16.7
Substandard	20,179,209	4.7	10,072,423	2.7
Doubtful	8,444,888	2.0	7,669,364	2.1
Loss	737,042	0.1	736,361	0.2
<b>Total loans and advances to customers</b>	<b>426,937,556</b>	<b>100.0</b>	<b>370,725,731</b>	<b>100.0</b>
<b>Non-performing loan</b>	<b>29,361,139</b>	<b>6.88</b>	<b>18,508,148</b>	<b>4.99</b>

As at the end of the Reporting Period and as at 31 December 2018, the non-performing loan ratios of the Bank were 6.88% and 4.99%, respectively. The Bank's non-performing loan ratio as at the end of the Reporting Period was 1.89 percentage points higher as compared to that at 31 December 2018, primarily due to the facts that (i) macro-economy is declining; (ii) the economy is getting worse in the regions where the Bank's businesses are located; and (iii) customers in certain industries experienced difficulties in their operation which led to an increase in the non-performing loan rate of the Bank.

### 3.2.3.2 Concentration of loans

#### (1) Concentration by industry of corporate loans

Corporate loans consist of loans and advances 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>	<b>As at 30 June 2019</b>		<b>As at 31 December 2018</b>	
	<b>Amount</b>	<b>% of total</b>	<b>Amount</b>	<b>% of total</b>
Wholesale and retail trade	192,394,015	46.7	160,556,340	45.6
Manufacturing	82,961,078	20.1	69,766,423	19.8
Real estate	33,090,714	8.0	25,681,503	7.3
Leasing and commercial services	32,228,515	7.8	28,961,888	8.2
Transportation, storage and postal services	9,226,540	2.2	9,224,015	2.6
Education	7,308,950	1.8	6,539,454	1.9
Electricity, gas and water production and supply	7,236,383	1.8	7,412,338	2.1
Public management and social organisation	5,203,120	1.3	8,061,209	2.3
Mining	5,148,274	1.2	5,002,120	1.4
Construction	4,057,701	1.0	3,555,251	1.0
Water, environment and public utility management	3,631,531	0.9	1,519,360	0.4
Agriculture, forestry, animal husbandry and fishery	1,200,915	0.3	1,253,166	0.4
Others	28,673,561	6.9	24,782,430	7.0
<b>Total corporate loans</b>	<b><u>412,361,297</u></b>	<b><u>100.0</u></b>	<b><u>352,315,497</u></b>	<b><u>100.0</u></b>

As at the end of the Reporting Period, corporate loans offered to customers in the industries of (i) wholesale and retail trade; (ii) manufacturing; (iii) real estate; and (iv) 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 four industries was RMB340,674,322 thousand and RMB284,966,154 thousand, respectively, accounting for 82.6% and 80.9% of the total corporate loans and advances granted by the Bank, respectively. From the perspective of increment structure, industries including (i) wholesale and retail; (ii) manufacturing; and (iii) real estate are top three industries in terms of increment volume, representing RMB31,837,675 thousand, RMB13,194,655 thousand and RMB7,409,211 thousand, with growth rate of 19.8%, 18.9% and 28.9%, respectively.

## (2) Borrower concentration

### Loans to the ten largest single borrowers

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

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

Customer	Industry involved	As at 30 June 2019	
		Amount	% of total
Customer A	Manufacturing	6,410,373	1.5
Customer B	Manufacturing	3,572,450	0.8
Customer C	Real estate	3,480,000	0.8
Customer D	Others	2,849,000	0.7
Customer E	Wholesale and retail trade	2,690,000	0.6
Customer F	Manufacturing	2,677,000	0.6
Customer G	Wholesale and retail trade	2,398,000	0.6
Customer H	Leasing and commercial services	2,350,000	0.6
Customer I	Wholesale and retail trade	2,347,150	0.6
Customer J	Wholesale and retail trade	2,300,000	0.5

### (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 30 June 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(%)
<b>Corporate loans</b>						
Small Enterprises and Micro Enterprises	212,924,532	12,195,309	5.73	173,698,257	6,174,428	3.55
Medium Enterprises	136,953,826	7,714,064	5.63	118,193,089	5,196,099	4.40
Others	62,482,939	8,006,646	12.81	60,424,151	6,082,595	10.07
<b>Subtotal</b>	<b><u>412,361,297</u></b>	<b><u>27,916,019</u></b>	<b>6.77</b>	<b><u>352,315,497</u></b>	<b><u>17,453,122</u></b>	<b>4.95</b>
<b>Discounted bills</b>	<b><u>2,505,743</u></b>	<b><u>—</u></b>	<b>—</b>	<b><u>6,344,375</u></b>	<b><u>—</u></b>	<b>—</b>
<b>Personal loans</b>						
Personal business loans	9,878,500	1,412,611	14.30	9,976,346	1,032,552	10.35
Personal consumption loans	640,932	23,201	3.62	630,907	15,598	2.47
Residential and commercial properties						
mortgage loans	1,377,042	6,491	0.47	1,302,895	4,754	0.36
Credit card overdrafts	173,724	2,499	1.44	155,385	1,796	1.16
Others	318	318	100.00	326	326	100.00
<b>Subtotal</b>	<b><u>12,070,516</u></b>	<b><u>1,445,120</u></b>	<b>11.97</b>	<b><u>12,065,859</u></b>	<b><u>1,055,026</u></b>	<b>8.74</b>
<b>Total</b>	<b><u>426,937,556</u></b>	<b><u>29,361,139</u></b>	<b>6.88</b>	<b><u>370,725,731</u></b>	<b><u>18,508,148</u></b>	<b>4.99</b>

The non-performing loan ratio, representing non-performing loans divided by the Bank's total loans and advances to customers, was 6.88% as at the end of the Reporting Period, representing an increase of 1.89 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 6.77% 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 11.97% and 8.74%, respectively.

#### (4) Overdue loans and advances to customers

The table below sets forth the aging 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>	<b>As at 30 June 2019</b>		<b>As at 31 December 2018</b>	
	<b>Amount</b>	<b>% of total</b>	<b>Amount</b>	<b>% of total</b>
Overdue within 3 months (inclusive)	13,822,459	56.0	3,202,541	36.2
Overdue more than 3 months to 6 months (inclusive)	3,838,536	15.6	1,666,442	18.8
Overdue more than 6 months to 1 year (inclusive)	3,676,793	14.9	1,827,223	20.6
Overdue more than 1 year	<u>3,328,340</u>	<u>13.5</u>	<u>2,157,088</u>	<u>24.4</u>
<b>Total overdue loans and advances to customers</b>	<b><u>24,666,128</u></b>	<b><u>100.0</u></b>	<b><u>8,853,294</u></b>	<b><u>100</u></b>

#### 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 5.14%, representing a decrease of 0.93 percentage point as compared to that as at 31 December 2018; the tier-one capital adequacy ratio was 6.41%, representing a decrease of 1.02 percentage points as compared to that as at 31 December 2018; the capital adequacy ratio was 7.47%, representing a decrease of 1.65 percentage points as compared to that as at 31 December 2018. The decrease in capital adequacy ratios during the Reporting Period was mainly due to (i) the increase in the provision of impairment to enhance the risk-resistance capability in response to the decline of asset quality and the increase of balance of non-performing assets and the adoption of expected loss model after the implementation of IFRS9, which led to losses recorded during the Reporting period, resulting in the decrease of net amount of capital; and (ii) the increase of risk assets of the Bank.

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	<b>As at 30 June 2019</b>	<b>As at 31 December 2018</b>
<b>Core tier-one capital</b>		
– Share capital	7,781,616	7,781,616
– Qualifying portion of capital reserve	20,538,535	20,719,184
– Surplus reserve	2,994,679	2,994,679
– General reserve	11,802,132	11,802,132
– Retained earnings	2,572,252	3,570,852
– Qualifying portions of non-controlling interests	631,452	602,666
<b>Core tier-one capital deductions</b>		
– Other intangible assets other than land use right	(224,527)	(197,896)
– Other net deferred tax assets that depend on the Bank's future bank earnings should be deducted	(5,529,576)	(2,746,095)
<b>Net core tier-one capital</b>	<b>40,566,563</b>	<b>44,527,138</b>
<b>Other tier-one capital</b>	<b>9,981,557</b>	<b>9,977,719</b>
<b>Net tier-one capital</b>	<b>50,548,120</b>	<b>54,504,857</b>
<b>Tier-two capital</b>		
– Instruments issued and share premium	6,500,000	8,000,000
– Surplus provision for loan impairment	1,725,259	4,281,808
– Qualifying portions of non-controlling interests	168,386	160,711
<b>Net capital base</b>	<b>58,941,765</b>	<b>66,947,376</b>
<b>Total risk weighted assets</b>	<b>789,059,022</b>	<b>734,050,677</b>
<b>Core tier-one capital adequacy ratio</b>	<b>5.14%</b>	<b>6.07%</b>
<b>Tier-one capital adequacy ratio</b>	<b>6.41%</b>	<b>7.43%</b>
<b>Capital adequacy ratio</b>	<b>7.47%</b>	<b>9.12%</b>

### 3.2.5 Segment information

#### 3.2.5.1 Summary of geographical segments

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branch that generates the income. Substantially all of the Bank's businesses are conducted in the PRC and the Bank classifies the Bank's 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, Hu Ludao 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 Co., Ltd. (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 six-month period ended 30 June			
	2019		2018	
	Amount	% of total	Amount	% of total
<b>Operating Income</b>				
Jinzhou Region	10,714,408	79.0	7,172,849	74.2
Other Northeastern China Region	1,539,525	11.4	1,143,779	11.8
Northern China Region	1,293,255	9.6	1,355,758	14.0
<b>Total</b>	<b>13,547,188</b>	<b>100.0</b>	<b>9,672,386</b>	<b>100.0</b>

### 3.2.5.2 Summary of business segment

The Bank manages its business 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 senior executive management for the purposes of resource allocation and performance assessment, the Bank defines reporting segments based on the following operating segments:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	<b>For the six-month period ended 30 June</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>% of total</b>	<b>Amount</b>	<b>% of total</b>
<b>Operating income</b>				
Corporate banking business	6,660,432	49.2	3,385,826	35.0
Retail banking business	776,809	5.7	872,514	9.0
Treasury business	6,102,035	45.0	5,406,370	55.9
Others	7,912	0.1	7,676	0.1
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>13,547,188</b>	<b>100.0</b>	<b>9,672,386</b>	<b>100.0</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

### 3.2.6 Analysis of off-balance sheet items

The Bank's off-balance sheet items include credit commitments and other off-balance sheet items. Credit commitments mainly include acceptances, letters of credit, letters of guarantee, credit card commitments and loan commitments. Other off-balance sheet items include operating lease commitments and capital expenditure commitments. Acceptances are commitments made by the Bank to the payment for a bank draft issued by the Bank's customers. The letters of guarantee 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:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	<b>As at 30 June 2019</b>	<b>As at 31 December 2018</b>
Acceptances	203,535,796	219,978,680
Letters of credit	13,674,670	18,172,538
Letters of guarantee	235,813	525,856
Loan commitments	7,873,164	5,169,079
Credit card commitments	1,136,143	1,174,794
<b>Subtotal</b>	<b>226,455,586</b>	<b>245,020,947</b>
Operating lease commitments	N/A	461,670
Capital commitments	356,609	407,225
<b>Subtotal</b>	<b>356,609</b>	<b>868,895</b>
<b>Total</b>	<b>226,812,195</b>	<b>245,889,842</b>

### 3.3 Risk Management

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

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

### **3.3.1 Credit risk**

Credit risk refers to the risk that a customer or counterparty may be unable or unwilling to meet its contractual obligations. The core of 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-loan 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 advices 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 the determination of five-category loan assets. The unified credit management department is responsible for formulation of limit management and organise meetings of Credit Approval Management Committee under the Bank's headquarters.

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 limit credit 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, the risk resulting from imperfect governance structure for 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 carrying out risk review of various risk management and 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 unfavourable changes in market prices, including interest rates, exchange rates, stock prices and commodity prices.

The Bank's exposure to the market risk arises primarily from the Bank's assets and liabilities on the balance sheet, and mainly includes interest rate risk and exchange rate risk. Interest rate risk is the risk of loss that the Bank may suffer from 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's market risk management aims to manage and monitor market risk, control the potential losses associated with market risk within acceptable limits and maximise the Bank's risk-adjusted income. The Bank's risk and compliance department is responsible for monitoring, inspecting and assessing the adequacy and efficiency of the Bank's market risk management system. The capital transaction department, interbank business department, financial management department and international business department are responsible for the centralised management of interest rate risks and exchange rate risks.

### **3.3.3.1 Interest rate risks**

Interest rates in China have been gradually liberalised in recent years. The interest rate risks have gradually changed from policy risks to market risks and have become one of the major risks for the operation of banks. 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 risks. The Bank regularly performs assessment on the interest sensitivity of variety rate repricing gap and impact on the Bank's net interest income and economic value resulted 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 book transactions and trading book transactions. The identification, measurement, monitoring and controls over the relevant market risks are based on the nature and characteristics of these books. The trading book transactions consist of the Bank's investments which are acquired or incurred primarily for the purpose of short-term selling in the near term, or for the purpose of profit taking from actual or expected price fluctuations in a short term. The banking book transactions represent non-trading businesses. The Bank mainly analyses the interest rate risks of banking book 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 risks. The interest rate risks 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 analyses the net interest income, which focuses on the impact of changes in interest rate on the net interest income in the short run. The economic value simulation mainly analyses 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 periods by the expected next repricing dates or by maturity dates, depending on which is earlier:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 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
<b>Assets</b>						
Cash and deposits with the central bank	57,727,372	1,271,679	56,455,693	–	–	–
Deposits with banks and other financial institutions	6,802,123	149,189	3,593,013	3,059,921	–	–
Placements with banks and other financial institutions	5,800,176	10,697	3,241,248	2,548,231	–	–
Financial assets held under resale agreements	–	–	–	–	–	–
Loans and advances to customers <sup>(1)</sup>	398,224,318	–	34,729,175	90,380,884	264,147,173	8,967,086
Investments <sup>(2)</sup>	328,019,325	4,799,287	38,586,589	113,191,878	159,403,071	12,038,500
Finance lease receivables	7,830,895	–	927,764	2,573,073	4,330,058	–
Others	21,053,322	20,657,058	271,545	118,443	6,276	–
<b>Total assets</b>	<b>825,457,531</b>	<b>26,887,910</b>	<b>137,805,027</b>	<b>211,872,430</b>	<b>427,886,578</b>	<b>21,005,586</b>
<b>Liabilities</b>						
Borrowing from the central bank	20,057,797	17,797	20,000,000	40,000	–	–
Deposits from banks and other financial institutions	137,847,601	1,698,617	23,026,054	41,891,000	68,531,930	2,700,000
Placements from banks and other financial institutions	30,540,515	304,411	13,819,673	16,416,431	–	–
Financial assets sold under repurchase agreements	35,422,256	135,544	35,286,712	–	–	–
Deposits from customers	447,867,324	11,281,041	126,856,159	155,764,903	153,965,209	12
Debt securities issued	78,798,814	123,502	30,760,567	41,421,205	6,493,540	–
Others	15,215,554	4,696,090	4,239,233	5,776,805	503,426	–
<b>Total liabilities</b>	<b>765,749,861</b>	<b>18,257,002</b>	<b>253,988,398</b>	<b>261,310,344</b>	<b>229,494,105</b>	<b>2,700,012</b>
<b>Asset-liability gap</b>	<b>59,707,670</b>	<b>8,630,908</b>	<b>(116,183,371)</b>	<b>(49,437,914)</b>	<b>198,392,473</b>	<b>18,305,574</b>

<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	More than five years
<b>Assets</b>						
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 <sup>(1)</sup>	349,110,123	-	28,349,374	83,497,971	234,761,511	2,501,267
Investments <sup>(2)</sup>	392,056,838	3,307,771	41,298,968	121,419,375	221,030,918	4,999,806
Finance lease receivables	7,484,842	-	428,541	2,310,522	4,745,779	-
Others	16,272,032	15,966,671	107,014	198,347	-	-
<b>Total assets</b>	<b>845,922,748</b>	<b>20,176,535</b>	<b>147,540,790</b>	<b>210,166,142</b>	<b>460,538,208</b>	<b>7,501,073</b>
<b>Liabilities</b>						
Borrowing from the central bank	108,369	21	38,466	69,882	-	-
Deposits from banks and other financial institutions	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	32,650,882	50,248,926	6,492,978	-
Others	20,971,695	4,305,033	6,885,406	9,536,081	245,175	-
<b>Total liabilities</b>	<b>785,159,604</b>	<b>19,234,455</b>	<b>253,770,704</b>	<b>286,334,648</b>	<b>219,771,687</b>	<b>6,048,110</b>
<b>Asset-liability gap</b>	<b>60,763,144</b>	<b>942,080</b>	<b>(106,229,914)</b>	<b>(76,168,506)</b>	<b>240,766,521</b>	<b>1,452,963</b>

Notes:

- (1) As at the end of the Reporting Period and 31 December 2018, for loans and advances to customers, the category “Less than three months” includes overdue amounts (net of provision for impairment losses) of RMB6,190 million and RMB2,801 million, respectively.
- (2) Investments include debt investments at fair value through profit or loss, debt investments at fair value through other comprehensive income, debt investments measured at amortised cost and other investments. As at 30 June 2019, for investments, the category “Less than three months” includes overdue amounts of RMB468 million (31 December 2018: RMB21.14 million).

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, as of the dates indicated, the results of the interest rate sensitivity analysis based on the assets and liabilities as of the same dates:

	For the six-month period ended 30 June			
	2019		2018	
	Changes in	Changes in	Changes in	Changes in
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	net profit	shareholders’ equity	net profit	shareholders’ equity
100 basis points increase	(1,138,680)	(2,173,018)	(93,912)	(728,169)
100 basis points decrease	1,141,306	2,244,842	98,072	762,034

### 3.3.3.2 Exchange rate 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 and duration structure 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 from 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 includes the risks arising from the proprietary investment of fund business exchange and other foreign exchange exposure. 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. The Bank manages exchange rate risk through the following measures: strict implementation of the process of the foreign exchange business; continuous improvement in the internal control system and operational procedures; 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 30 June 2019			Total (RMB equivalent)
	RMB	USD (RMB equivalent)	Others (RMB equivalent)	
<b>Assets</b>				
Cash and deposits with the central bank	57,448,737	275,071	3,564	57,727,372
Deposits with banks and other financial institutions	4,110,915	2,477,266	213,942	6,802,123
Placements with banks and other financial institutions	5,710,342	41,373	48,461	5,800,176
Loans and advances to customers	396,515,552	1,617,191	91,575	398,224,318
Other assets	352,811,105	4,092,437	–	356,903,542
<b>Total assets</b>	<b>816,596,651</b>	<b>8,503,338</b>	<b>357,542</b>	<b>825,457,531</b>
<b>Liabilities</b>				
Borrowing from the central bank	20,057,797	–	–	20,057,797
Deposits from banks and other financial institutions	137,847,601	–	–	137,847,601
Placements from banks and other financial institutions	5,012,498	22,086,556	3,441,461	30,540,515
Deposits from customers	444,089,777	3,756,221	21,326	447,867,324
Debt securities issued	78,798,814	–	–	78,798,814
Other liabilities	50,585,952	–	51,818	50,637,810
<b>Total liabilities</b>	<b>736,392,439</b>	<b>25,842,777</b>	<b>3,514,645</b>	<b>765,749,861</b>
<b>Asset-liability gap</b>	<b>80,204,212</b>	<b>(17,339,439)</b>	<b>(3,157,103)</b>	<b>59,707,670</b>
<b>Off-balance sheet credit commitments</b>	<b>224,929,706</b>	<b>1,514,511</b>	<b>11,369</b>	<b>226,455,586</b>

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2018			Total (RMB equivalent)
	RMB	USD (RMB equivalent)	Others (RMB equivalent)	
<b>Assets</b>				
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
Other assets	411,874,545	4,039,240	—	415,913,785
<b>Total assets</b>	<b>831,213,214</b>	<b>7,192,120</b>	<b>7,517,414</b>	<b>845,922,748</b>
<b>Liabilities</b>				
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
Other liabilities	64,416,898	—	—	64,416,898
<b>Total liabilities</b>	<b>764,086,631</b>	<b>19,856,223</b>	<b>1,216,750</b>	<b>785,159,604</b>
<b>Asset-liability gap</b>	<b>67,126,583</b>	<b>(12,664,103)</b>	<b>6,300,664</b>	<b>60,763,144</b>
<b>Off-balance sheet credit commitments</b>	<b>242,749,624</b>	<b>2,241,612</b>	<b>29,711</b>	<b>245,020,947</b>

### **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 commencing normal businesses. In extreme cases, liquidity insufficiency can lead to settlement risks for 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 incorporated liquidity risk into the comprehensive risk management system, and formulated asset and liability management strategies and liquidity management policy. Being responsible for bank-wide liquidity management, the Bank's asset and liability management committee is in charge of the establishment of liquidity management objectives plan according to the requirements and regulatory indicators for asset and liability management at the beginning of each year. The Bank's financial management department is responsible for the calculation, analysis and monitoring of the Bank's daily liquidity, while the financial management department, the capital transaction department, international business department and the interbank business department manage the liquidity risk on a daily basis.

#### **3.3.4.2 Liquidity risk analysis**

The tables below summarise the maturity profile of the Bank's financial instruments based on the contractual undiscounted cash flows. The balances of some items in the tables below are different from the balances on the statement of financial position as the tables incorporate all cash flows relating to 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.

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2019							Total
	Indefinite Note	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
<b>Assets</b>								
Cash and deposits with the central bank	52,102,511	5,624,861	-	-	-	-	-	57,727,372
Deposit with banks and other financial institutions	-	3,004,706	643,676	8,435	3,145,306	-	-	6,802,123
Placements with banks and other financial institutions	-	-	41,324	3,205,913	2,552,939	-	-	5,800,176
Financial assets held under resale agreements	-	-	-	-	-	-	-	-
Loans and advances to customers	15,311,932	3,529,593	11,126,707	13,678,046	85,355,945	259,858,330	9,363,765	398,224,318
Investments	12,369,053	-	9,901,988	28,340,861	106,463,975	158,708,554	12,234,894	328,019,325
Finance lease receivables	187,697	-	-	927,764	2,573,073	4,142,361	-	7,830,895
Others	20,095,181	-	195,620	76,397	123,916	273,652	288,556	21,053,322
<b>Total assets</b>	<b><u>100,066,374</u></b>	<b><u>12,159,160</u></b>	<b><u>21,909,315</u></b>	<b><u>46,237,416</u></b>	<b><u>200,215,154</u></b>	<b><u>422,982,897</u></b>	<b><u>21,887,215</u></b>	<b><u>825,457,531</u></b>
<b>Liabilities</b>								
Borrowing from the central bank	-	-	-	20,017,762	40,035	-	-	20,057,797
Deposits from banks and other financial institutions	-	428,015	10,155,311	12,911,076	42,796,704	68,844,392	2,712,103	137,847,601
Placements from banks and other financial institutions	-	-	9,349,442	4,612,102	16,578,971	-	-	30,540,515
Financial assets sold under repurchase agreements	-	-	34,122,922	1,299,334	-	-	-	35,422,256
Deposits from customers	-	67,834,701	25,118,373	35,598,722	159,783,147	159,532,369	12	447,867,324
Debt securities issued	-	-	8,069,011	18,948,230	44,632,296	7,149,277	-	78,798,814
Others	-	4,345,839	1,948,624	2,334,425	5,864,086	680,171	42,409	15,215,554
<b>Total liabilities</b>	<b><u>-</u></b>	<b><u>72,608,555</u></b>	<b><u>88,763,683</u></b>	<b><u>95,721,651</u></b>	<b><u>269,695,239</u></b>	<b><u>236,206,209</u></b>	<b><u>2,754,524</u></b>	<b><u>765,749,861</u></b>
<b>Asset-liability gap</b>	<b><u>100,066,374</u></b>	<b><u>(60,449,395)</u></b>	<b><u>(66,854,368)</u></b>	<b><u>(49,484,235)</u></b>	<b><u>(69,480,085)</u></b>	<b><u>186,776,688</u></b>	<b><u>19,132,691</u></b>	<b><u>59,707,670</u></b>

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2018							Total
	Indefinite Note	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
<b>Assets</b>								
Cash and deposits with the central bank	55,118,517	9,500,242	-	-	-	-	-	64,618,759
Deposit 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
<b>Total assets</b>	<b>84,759,750</b>	<b>12,454,655</b>	<b>29,006,088</b>	<b>48,149,555</b>	<b>206,808,958</b>	<b>456,436,497</b>	<b>8,307,245</b>	<b>845,922,748</b>
<b>Liabilities</b>								
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	16,839,204	51,966,467	10,244,244	248,511	89,668,782
Others	-	4,305,033	2,161,575	4,723,831	9,536,081	245,175	-	20,971,695
<b>Total liabilities</b>	<b>-</b>	<b>81,302,762</b>	<b>85,307,191</b>	<b>87,994,893</b>	<b>292,809,978</b>	<b>231,269,400</b>	<b>6,475,380</b>	<b>785,159,604</b>
<b>Asset-liability gap</b>	<b>84,759,750</b>	<b>(68,848,107)</b>	<b>(56,301,103)</b>	<b>(39,845,338)</b>	<b>(86,001,020)</b>	<b>225,167,097</b>	<b>1,831,865</b>	<b>60,763,144</b>

As at the end of Reporting Period, 31 March 2019 and 31 December 2018, the net stable funding ratio was 104.61%, 107.93% and 109.76%, respectively.

As at the end of Reporting Period, the stable funds available to the Bank were RMB578,041 million, and the required stable funds were RMB552,570 million.

### **3.3.5 Information technology risk**

Information technology risks include operational risks, legal risks, reputational risks and other types of risks caused by natural or human factors, technical loopholes and management failures during the use of information technology by the Bank.

The Bank has established the corresponding organisational structure by establishing an information technology risk management system, including the Board, the Information Technology Management Committee, the information technology division of the information technology management department, the risk compliance division of the responsible information technology risk management department and the internal audit division of the responsible information technology auditing department. At the same time, according to the Bank's risk management capabilities, risk appetite and risk tolerance, we have set up applicable risk management processes, adhered to sound information technology risk management policies, built a scientific risk management organisation structure, and clearly defined risk management responsibilities, in an effort to prevent major scientific and technological risk events, maintain stable operation of the system, and to control the Bank's information technology risks within a reasonable level.

### **3.3.6 Reputational risk**

Reputational risk is the risk of negative evaluation on the Bank by stakeholders due to its business, management and other actions or external incidents.

During the Reporting Period, the Bank strengthened reputational risk internal management, improved system construction, continuously enhanced internet public opinions monitoring, conducted self-examination and investigation of reputational risk, increased guidance over positive publicity of brand image, and properly responded and handled negative public opinions. Through these diversified measures, the Bank enhanced management procedures in respect of identifying, monitoring, controlling and settling reputational risk, continuously improved the reputational risk management mechanism.

## **3.4 Future Prospects**

In the second half of 2019, the Bank will give play to the regional advantages as an urban commercial bank. In accordance with the deployment of financial work by the Central Committee of Communist Party of China and the regulatory authorities, the Bank will adhere to its original source, support supply-side structural reforms to identify operational strategic positioning, adhere to the risk bottom line to determine prudence risk appetite; with returning to the initial positioning of "serving local economy, serving small and micro enterprises and serving urban and rural residents", the Bank will also deeply develop the regional small and micro enterprise finance, inclusive finance and agriculture-related fields, enhance the development capability of serving the real economy, and cultivate its compliance atmosphere, compliance philosophy and compliance culture.

## **4. ISSUANCE OF BONDS**

### **4.1 Issuance of Tier-two 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 Negotiable Certificates of Deposit**

As at the end of the Reporting Period, 198 outstanding and not yet expired negotiable certificates of deposit were issued by the Bank with an aggregate amount of RMB72,182 million.

## **5. OTHER INFORMATION**

### **5.1 Corporate Governance Code**

The Bank continued to improve its corporate governance system, gradually upgraded its corporate governance standards, and 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 through the general meeting of shareholders.

During the Reporting Period, the Bank has fully complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “**Listing Rules**”) and adopted the recommended best practices therein, where appropriate.

## **5.2 Securities Transactions by Directors and Supervisors**

The Bank has adopted, in respect of securities transactions by 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 to the Listing Rules. Having made specific enquiries to all Directors and supervisors of 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.

## **5.3 Profits and Dividend**

The Bank’s revenue for 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 interim dividend for the Reporting Period (six-month period ended 30 June 2018: nil).

## **5.4 Purchase, Sale and Redemption of Listed Securities of the Bank**

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

## **5.5 Review by Audit Committee**

The audit committee of the Bank is currently comprised of Ms. Peng Taoying, Ms. Tan Ying (both are independent non-executive Director) and Ms. Meng Xiao (non-executive Director), and Ms. Peng Taoying serves as the chairlady. The audit committee of the Bank has reviewed the unaudited consolidated interim financial statements of the Bank for the six-month period ended 30 June 2019.

## 5.6 Subsequent Events

- (a) On 2 August 2019, the Board announced that:
- (i) Ms. Liu Hong has tendered her resignation letter to the Bank to resign as the president of the Bank due to her personal health reason. Ms. Liu Hong will serve as a non-executive director of the Bank and continue to perform her duties as a director. Mr. Guo Wenfeng has been appointed as the president of the Bank, which was approved by Liaoning Regulatory Bureau of CBIRC on 2 August 2019, for an initial term commencing on 2 August 2019 till the end of the fifth session of the Board.
  - (ii) Mr. Kang Jun has been appointed as the vice president of the Bank, which was approved by Liaoning Regulatory Bureau of CBIRC on 2 August 2019, for an initial term commencing on 2 August 2019 till the end of the fifth session of the Board.
  - (iii) Mr. Yang Weihua has been appointed as the vice president of the Bank, which was approved by Liaoning Regulatory Bureau of CBIRC on 2 August 2019, for an initial term commencing on 2 August 2019 till the end of the fifth session of the Board.
  - (iv) Mr. Yu Jun has been appointed as the chief financial officer of the Bank, which was approved by Liaoning Regulatory Bureau of CBIRC on 2 August 2019, for an initial term commencing on 2 August 2019 till the end of the fifth session of the Board.
- (b) On 28 July 2019, the Board received notice from certain shareholders of the Bank, including China Enterprise Development Investment (Beijing) Co., Ltd. (中企發展投資(北京)有限公司), that they transferred part of the domestic shares of the Bank held by them to ICBC Financial Asset Investment Co., Limited (工銀金融資產投資有限公司) (“ICBC Investment”), Cinda Investment Co., Ltd. (信達投資有限公司) (“Cinda Investment”) and China Greatwall Assets Management Co., Ltd (中國長城資管理股份有限公司) under the support and guidance of the local government and financial supervising authorities, and the relevant parties have already entered into conditional share transfer agreements regarding such transfers. The domestic shares of the Bank being transferred to ICBC Investment and Cinda Investment represent 10.82% and 6.49% of the total issued ordinary shares of the Bank, respectively.

## 6. FINANCIAL STATEMENTS

### CONDENSED CONSOLIDATED INCOME STATEMENT

(Expressed in thousands of Renminbi, unless otherwise stated)

	For the six-month period ended 30 June	
	2019 Unaudited	2018 Unaudited
Interest income	26,190,636	22,029,076
Interest expense	(14,347,280)	(13,150,564)
<b>Net interest income</b>	<b>11,843,356</b>	<b>8,878,512</b>
Fee and commission income	274,627	398,345
Fee and commission expense	(121,804)	(33,325)
<b>Net fee and commission income</b>	<b>152,823</b>	<b>365,020</b>
Net trading gains	1,469,666	1,587,877
Dividend income	1,200	880
Net gains arising from investment securities	77,623	23,416
Net foreign exchange losses	(5,266)	(1,191,352)
Other net operating income	7,786	8,033
<b>Operating income</b>	<b>13,547,188</b>	<b>9,672,386</b>
<b>Operating expenses</b>	<b>(1,823,905)</b>	<b>(1,571,707)</b>
<b>Operating profit before impairment</b>	<b>11,723,283</b>	<b>8,100,679</b>
Impairment losses on assets	(12,774,275)	(2,348,651)
<b>(Loss)/profit before tax</b>	<b>(1,050,992)</b>	<b>5,752,028</b>
Income tax credit/(expense)	182,619	(1,412,287)
<b>Net (loss)/profit for the period</b>	<b>(868,373)</b>	<b>4,339,741</b>
<b>Attributable to:</b>		
Equity shareholders of the Bank	(998,600)	4,229,574
Non-controlling interests	130,227	110,167
<b>Net (loss)/profit for the period</b>	<b>(868,373)</b>	<b>4,339,741</b>
<b>Basic and diluted (losses)/earnings per share (in RMB)</b>	<b>(0.13)</b>	<b>0.62</b>

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

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

	For the six-month period ended 30 June	
	2019	2018
	Unaudited	Unaudited
<b>(Loss)/profit for the period</b>	<b>(868,373)</b>	<b>4,339,741</b>
<b>Other comprehensive (loss)/income for the period:</b>		
Items that will be reclassified subsequently to profit or loss:		
– Debt instruments at fair value through other comprehensive income		
– Change in fair value	(140,167)	530,013
– Change in impairment provision	(6,452)	–
– Reclassified to profit or loss upon disposal	(80,984)	–
– Related income tax effect	56,901	–
Items that will not be reclassified to profit or loss:		
– Remeasurement of defined benefit obligation	(6)	(1,354)
– Equity instruments at fair value through other comprehensive income		
– Change in fair value	(21,857)	9,768
– Related income tax effect	5,464	–
	<hr/>	<hr/>
<b>Other comprehensive (loss)/income for the period</b>	<b><u>(187,101)</u></b>	<b><u>538,427</u></b>
<b>Total comprehensive (loss)/income for the period</b>	<b><u>(1,055,474)</u></b>	<b><u>4,878,168</u></b>
<b>Attributable to:</b>		
Equity shareholders of the Bank	(1,185,701)	4,768,001
Non-controlling interests	130,227	110,167
	<hr/>	<hr/>
<b>Total comprehensive (loss)/income for the period</b>	<b><u>(1,055,474)</u></b>	<b><u>4,878,168</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	As at <b>30 June 2019</b> <b>Unaudited</b>	As at <b>31 December 2018</b> <b>Audited</b>
<b>Assets</b>		
Cash and deposits with the central bank	57,727,372	64,618,759
Deposits with banks and other financial institutions	6,802,123	16,231,627
Placements with banks and other financial institutions	5,800,176	48,454
Positive fair value of derivatives	396,264	305,361
Financial assets held under resale agreements	–	100,073
Loans and advances to customers	398,224,318	349,110,123
Financial assets at fair value through profit or loss	67,816,307	66,062,880
Financial assets at fair value through other comprehensive income	40,158,817	42,857,583
Financial assets measured at amortised cost	220,044,201	283,136,375
Finance lease receivables	7,830,895	7,484,842
Property and equipment	6,849,886	6,601,413
Deferred tax assets	10,139,190	7,473,418
Right-of-use assets	561,877	–
Other assets	3,106,105	1,891,840
	<b>825,457,531</b>	<b>845,922,748</b>
<b>Total assets</b>	<b>825,457,531</b>	<b>845,922,748</b>
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
Borrowing from the central bank	20,057,797	108,369
Deposits from banks and other financial institutions	137,847,601	164,629,085
Placements from banks and other financial institutions	30,540,515	20,760,381
Financial liabilities at fair value through profit or loss	10,469,040	16,512,712
Negative fair value of derivatives	50,424	153,950
Financial assets sold under repurchase agreements	35,422,256	43,445,203
Deposits from customers	447,867,324	445,576,089
Accrued staff costs	310,581	302,747
Taxes payable	916,695	965,769
Debt securities issued	78,798,814	89,668,782
Lease liabilities	350,251	–
Provisions	1,599,824	1,728,410
Other liabilities	1,518,739	1,308,107
	<b>765,749,861</b>	<b>785,159,604</b>
<b>Total liabilities</b>	<b>765,749,861</b>	<b>785,159,604</b>

	<b>As at 30 June 2019 Unaudited</b>	<b>As at 31 December 2018 Audited</b>
<b>EQUITY</b>		
Share capital	7,781,616	7,781,616
Other equity instruments including:		
Preference shares	9,897,363	9,897,363
Capital reserve	20,543,669	20,730,770
Surplus reserve	2,994,679	2,994,679
General reserve	11,802,132	11,802,132
Retained earnings	<u>2,572,252</u>	<u>3,570,852</u>
<b>Total equity attributable to equity shareholders of the Bank</b>	<b><u>55,591,711</u></b>	<b><u>56,777,412</u></b>
Non-controlling interests	<u>4,115,959</u>	<u>3,985,732</u>
<b>Total equity</b>	<b><u>59,707,670</u></b>	<b><u>60,763,144</u></b>
<b>Total liabilities and equity</b>	<b><u><u>825,457,531</u></u></b>	<b><u><u>845,922,748</u></u></b>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019**

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

	Unaudited								
	Attributable to shareholders of the Bank								
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Retained earnings	Subtotal	Non- controlling interests	Total
<b>Balance at 1 January 2019</b>	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
<b>Changes in equity for the period:</b>									
Loss for the period	-	-	-	-	-	(998,600)	(998,600)	130,227	(868,373)
Other comprehensive income	-	-	(187,101)	-	-	-	(187,101)	-	(187,101)
Total comprehensive income	-	-	(187,101)	-	-	(998,600)	(1,185,701)	130,227	(1,055,474)
<b>Balance at 30 June 2019</b>	<u>7,781,616</u>	<u>9,897,363</u>	<u>20,543,669</u>	<u>2,994,679</u>	<u>11,802,132</u>	<u>2,572,252</u>	<u>55,591,711</u>	<u>4,115,959</u>	<u>59,707,670</u>
<b>Balance at 31 December 2017</b>	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: Changes in accounting policies	-	-	67,677	-	-	(1,293,628)	(1,225,951)	-	(1,225,951)
<b>Balance at 1 January 2018</b>	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
<b>Changes in equity for the period:</b>									
Profit for the period	-	-	-	-	-	4,229,574	4,229,574	110,167	4,339,741
Other comprehensive income	-	-	538,427	-	-	-	538,427	-	538,427
Total comprehensive income	-	-	538,427	-	-	4,229,574	4,768,001	110,167	4,878,168
Appropriation of profits									
- Appropriation to shareholders	-	-	-	-	-	(1,085,059)	(1,085,059)	-	(1,085,059)
<b>Balance at 30 June 2018</b>	<u>6,781,616</u>	<u>9,897,363</u>	<u>14,184,913</u>	<u>2,994,679</u>	<u>9,818,070</u>	<u>15,010,905</u>	<u>58,687,546</u>	<u>4,044,340</u>	<u>62,731,886</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019**

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

	<b>For the six-month period ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>Unaudited</b>	<b>Unaudited</b>
<b>Cash flows from operating activities</b>		
(Loss)/profit for the period	(868,373)	4,339,741
Adjustments for:		
Impairment losses on assets	12,774,275	2,348,651
Depreciation and amortisation	274,576	210,236
Unwinding of discount	(415,178)	(36,910)
Unrealised foreign exchange (gains)/losses	(25,983)	1,200,529
Dividend income	(1,200)	(880)
Net gains arising from investment securities	(77,623)	(23,416)
Net trading gains	(1,469,666)	(1,587,877)
Interest expense on debts securities issued	1,624,785	2,022,615
Net losses on disposal of property and equipment and other long term assets	2,103	153
Income tax (credit)/expense	(182,619)	1,412,287
Subtotal	<u>11,635,097</u>	<u>9,885,129</u>
Changes in operating assets		
Net decrease/(increase) in deposits with the central bank, banks and other financial institutions	4,998,363	(2,798,335)
Net increase in placements with banks and other financial institutions	(2,499,813)	—
Net increase in loans and advances to customers	(56,571,135)	(33,133,507)
Net increase in finance lease receivables	(271,564)	(842,182)
Net increase in other operating assets	(3,409,591)	(4,541,991)
Subtotal	<u>(57,753,740)</u>	<u>(41,316,015)</u>
Changes in operating liabilities		
Net increase/(decrease) in borrowing from central bank	19,931,653	(225,747)
Net (decrease)/increase in deposits from banks and other financial institutions	(25,867,008)	15,262,934
Net decrease in financial assets sold under repurchase agreements	(8,100,023)	(329,071)
Net increase in placements from banks and other financial institutions	9,648,658	2,848,018
Net increase in deposits from customers	1,456,808	9,362,410
Income tax paid	(2,584,357)	(2,062,081)
Net increase in other operating liabilities	16,307	1,238,081
Subtotal	<u>(5,497,962)</u>	<u>26,094,544</u>
<b>Net cash flows used in operating activities</b>	<u>(51,616,605)</u>	<u>(5,336,342)</u>

	<b>For the six-month period ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>Unaudited</b>	<b>Unaudited</b>
<b>Cash flows from investing activities</b>		
Proceeds from disposal and redemption of investments	136,758,660	219,308,924
Dividend received	1,200	880
Proceeds from disposal of property and equipment and other assets	1,391	23,897
Payments on acquisition of investments	(79,969,219)	(211,500,578)
Payments on acquisition of property and equipment, intangible assets and other assets	<u>(569,054)</u>	<u>(569,071)</u>
<b>Net cash flows generated from investing activities</b>	<u>56,222,978</u>	<u>7,264,052</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of debt securities	54,719,957	59,840,040
Repayment of debts securities issued	(66,810,000)	(65,673,443)
Interest paid on debts securities issued	(404,710)	(1,974,888)
Dividend paid	(83,331)	(266)
Repayment of lease liabilities	(42,877)	—
Interests paid on lease liabilities	<u>(4,932)</u>	<u>—</u>
<b>Net cash flows used in financing activities</b>	<u>(12,625,893)</u>	<u>(7,808,557)</u>
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>	<u>(31,804)</u>	<u>(16,203)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(8,051,324)</u>	<u>(5,897,050)</u>
<b>Cash and cash equivalents at the beginning of the period</b>	<u>19,886,632</u>	<u>12,469,950</u>
<b>Cash and cash equivalents at the end of the period</b>	<u><u>11,835,308</u></u>	<u><u>6,572,900</u></u>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

*(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 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 Insurance Regulatory Commission (“**CBIRC**”) on 8 April 2018 of the People’s Republic of China (the “**PRC**”). 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 Zhang Wei 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 30 June 2019, the share capital of the Bank was 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 at 30 June 2019, the Bank had 15 branches in Jinzhou, Beijing, Tianjin, Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin, Liaoyang, Huludao, Benxi and Yingkou.

## 2 BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board (the “**IASB**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”). The unaudited condensed interim consolidated financial statements do not include all the information required for a complete set of financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2018.

The unaudited condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate. Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the unaudited condensed interim consolidated financial statements for the six-month period ended 30 June 2019 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2018.

No events and transactions that are significant to the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2018 should be included in the Group’s unaudited condensed interim consolidated financial information. The unaudited condensed interim consolidated financial information does not include all of the information required for a full set of financial statements prepared in accordance with IFRSs.

The Group has adopted the following new and revised IFRSs (which include all International Financial Reporting Standards, IASs and Interpretations) issued by the IASB for the first time for these Financial Statements.

Amendments to IFRS 9	Prepayment Features with Negative Compensation
IFRS 16	Leases
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
IFRIC 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015 – 2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

The Group has not applied any new standard or interpretations that is not yet effective for the current accounting period.

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

## **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 will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any significant impact on leases where the Group is the lessor.

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 and presented separately in the condensed consolidated statement of financial positions as at 30 June 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 condensed 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 Group elected to present the right-of-use assets separately in the condensed consolidated statement of financial position.

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

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

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

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

### Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

#### **Right-of-use assets**

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

#### **Lease liabilities**

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

**Amounts recognised in the condensed consolidated statement of financial position and condensed consolidated income statement**

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movements during the period are as follows:

	Right-of-use assets			Lease liabilities
	Land use	Buildings	Total	Unaudited
	right	Unaudited	Unaudited	
	Unaudited	Unaudited	Unaudited	Unaudited
As at 1 January 2019	79,047	559,410	638,457	389,458
Depreciation	(1,256)	(75,324)	(76,580)	–
Interest expense	–	–	–	8,602
Payments	–	–	–	(47,809)
As at 30 June 2019	<u>77,791</u>	<u>484,086</u>	<u>561,877</u>	<u>350,251</u>

The Group recognised rental expense from short-term leases of RMB575,360 for the period.

**3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

The nature and assumptions related to the Group's accounting estimates are consistent with those adopted in the Group's financial statements for the year ended 31 December 2018.

#### 4 NET INTEREST INCOME

	<b>For the six-month period ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>Unaudited</b>	<b>Unaudited</b>
<b>Interest income arising from</b>		
Deposits with the central bank	438,050	448,787
Deposits with banks and other financial institutions	189,010	127,021
Placements with banks and other financial institutions	125,441	56,890
Financial assets at fair value through profit or loss	–	34,904
Loans and advances to customers		
– Corporate loans	13,714,872	7,079,048
– Personal loans	362,429	310,129
– Discounted bills	84,230	210,036
Financial assets held under resale agreements	71,865	45,294
Financial assets at fair value through other comprehensive income	846,508	745,250
Financial assets measured at amortised cost	10,012,303	12,698,340
Finance lease receivables	345,928	273,377
	<u>26,190,636</u>	<u>22,029,076</u>
Subtotal	<u>26,190,636</u>	<u>22,029,076</u>
<b>Interest expense arising from</b>		
Borrowing from the central bank	46,734	2,537
Deposits from banks and other financial institutions	3,454,271	3,596,341
Placements from banks and other financial institutions	546,445	263,510
Deposits from customers		
– Corporate customers	2,755,763	2,906,873
– Individual customers	5,344,521	3,442,578
Financial assets sold under repurchase agreements	566,159	916,110
Debt securities issued	1,624,785	2,022,615
Interest on lease liabilities	8,602	–
	<u>14,347,280</u>	<u>13,150,564</u>
Subtotal	<u>14,347,280</u>	<u>13,150,564</u>
<b>Net interest income</b>	<u>11,843,356</u>	<u>8,878,512</u>
Of which: Interest income arising from impaired financial assets identified	<u>415,178</u>	<u>36,910</u>

## 5 NET FEE AND COMMISSION INCOME

	For the six-month period ended 30 June	
	2019	2018
	Unaudited	Unaudited
<b>Fee and commission income</b>		
Agency services fees	42,163	127,666
Settlement and clearing fees	76,120	119,131
Wealth management service fees	86,384	96,948
Underwriting and advisory fees	40,434	28,813
Bank card service fees	5,946	6,672
Others	23,580	19,115
	<u>274,627</u>	<u>398,345</u>
<b>Fee and commission expense</b>		
Settlement and clearing fees	21,420	15,080
Others	100,384	18,245
	<u>121,804</u>	<u>33,325</u>
<b>Net fee and commission income</b>	<u><u>152,823</u></u>	<u><u>365,020</u></u>

## 6 NET TRADING GAINS

	For the six-month period ended 30 June	
	2019	2018
	Unaudited	Unaudited
Trading financial instruments		
-Debt securities	1,344,687	471,602
-Derivative financial instruments	(655)	1,036,416
-Precious metals	1	-
	<u>1,344,033</u>	<u>1,508,018</u>
Subtotal	<u>1,344,033</u>	<u>1,508,018</u>
Financial instruments designated at fair value through profit or loss	<u>125,633</u>	<u>79,859</u>
Total	<u><u>1,469,666</u></u>	<u><u>1,587,877</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

	<b>For the six-month period ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>Unaudited</b>	<b>Unaudited</b>
Staff costs		
– Salaries and bonuses	730,030	602,676
– Social insurance	142,776	128,045
– Housing allowances	51,280	46,239
– Union funds and education funds	28,711	24,003
– Staff welfares	22,548	26,818
– Supplementary retirement benefits	1,212	980
– Other long-term staff welfare	1,322	2,036
	<hr/>	<hr/>
Subtotal	977,879	830,797
	<hr/>	<hr/>
Premises and equipment expenses		
– Depreciation and amortisation	274,576	210,236
– Rental and property management expenses	9,216	46,102
	<hr/>	<hr/>
Subtotal	283,792	256,338
	<hr/>	<hr/>
Tax and surcharges	144,416	85,381
Other general and administrative expenses	417,818	399,191
	<hr/>	<hr/>
Total	<u>1,823,905</u>	<u>1,571,707</u>

## 8 IMPAIRMENT LOSSES ON ASSETS

	For the six-month period ended 30 June	
	2019	2018
	Unaudited	Unaudited
Loans and advances to customers		
– 12 months ECL	773,081	457,308
– lifetime ECL - not credit-impaired loans	3,327,750	1,024,282
– lifetime ECL - credit-impaired loans	4,465,924	134,880
	<hr/>	<hr/>
Subtotal	8,566,755	1,616,470
	<hr/>	<hr/>
Deposits and placements with banks and other financial institutions	109,087	–
Financial assets at fair value through other comprehensive income	(6,452)	–
Financial assets measured at amortised cost	4,238,766	450,000
Finance lease receivables	(74,643)	17,052
Credit commitments	(128,586)	265,129
Others	69,348	–
	<hr/>	<hr/>
Total	12,774,275	2,348,651
	<hr/> <hr/>	<hr/> <hr/>

## 9 INCOME TAX CREDIT/(EXPENSE)

### (a) *Income tax (credit)/expense:*

	For the six-month period ended 30 June	
	2019 Unaudited	2018 Unaudited
Current tax expense	2,420,788	1,609,390
Deferred tax expense	(2,603,407)	(197,103)
Total	<u>(182,619)</u>	<u>1,412,287</u>

### (b) *Reconciliation between income tax and accounting (loss)/profit are as follows:*

	For the six-month period ended 30 June	
	2019 Unaudited	2018 Unaudited
(Loss)/profit before tax	(1,050,992)	5,752,028
Statutory tax rate	25%	25%
Income tax calculated at statutory tax rate	(262,748)	1,438,007
Non-deductible expenses		
– Staff costs	–	325
– Others	114,916	539
Subtotal	<u>114,916</u>	<u>864</u>
Non-taxable income		
– Interest income from the PRC government bonds	(17,412)	(17,053)
– Others	(18,171)	(9,531)
Impact of deductible temporary differences and deductible losses on unrecognised deferred tax assets during the period	<u>796</u>	<u>–</u>
Total	<u>(182,619)</u>	<u>1,412,287</u>

## 10 BASIC AND DILUTED (LOSSES)/EARNINGS PER SHARE

	For the six-month period ended 30 June	
	2019 Unaudited	2018 Unaudited
Net (loss)/profit attributable to equity shareholders of the Bank	(998,600)	4,229,574
Weighted average number of ordinary shares (in thousands)	7,781,616	6,781,616
Basic and diluted (losses)/earnings per share attributable to equity shareholders of the Bank (in RMB)	<u>(0.13)</u>	<u>0.62</u>

The Bank issued non-cumulative preference shares on 27 October 2017. As at 30 June 2019, conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur for the six-month period ended 30 June 2019 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.

## 11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2019 Unaudited	31 December 2018 Audited
Debt instruments held for trading (a)	5,617,829	5,713,274
Certificates of deposit	2,103,077	2,974,136
Beneficial interest transfer plans (b)	45,524,287	32,778,216
Debt funds	3,632,463	7,558,886
Balance with a bank	202,670	200,581
Wealth management products	<u>234,148</u>	<u>251,000</u>
Subtotal	<u>57,314,474</u>	<u>49,476,093</u>
Financial assets designated at fair value through profit or loss (c)	<u>10,501,833</u>	<u>16,586,787</u>
Total	<u><u>67,816,307</u></u>	<u><u>66,062,880</u></u>

**(a) Debt instruments held for trading**

	<b>30 June 2019 Unaudited</b>	<b>31 December 2018 Audited</b>
Issued by institutions in Mainland China		
– Banks and other financial institutions	<u>3,324,371</u>	<u>3,423,652</u>
Issued by institutions outside Mainland China		
– Banks and other financial institutions	<u>2,293,458</u>	<u>2,289,622</u>
Total	<u><u>5,617,829</u></u>	<u><u>5,713,274</u></u>
Listed	3,324,370	3,415,253
Unlisted	<u>2,293,459</u>	<u>2,298,021</u>
Total	<u><u>5,617,829</u></u>	<u><u>5,713,274</u></u>

At the end of the period/year, some of the debt instruments held for trading and certificates of deposit 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 investments in debt securities with proceeds raised from principal-guaranteed wealth management products issued by the Group. The Group accounts for the corresponding investment funds under financial liabilities designated at fair value through profit or loss. The fair value losses on these investments was RMB242 million for the six-month period ended 30 June 2019.

## 12 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<b>30 June 2019 Unaudited</b>	<b>31 December 2018 Audited</b>
Debt instruments issuers in Mainland China		
– Government	3,645,955	2,208,490
– Banks and other financial institutions	34,532,993	38,524,754
– Corporations	466,999	712,079
	<u>38,645,947</u>	<u>41,445,323</u>
Subtotal		
	<u>38,645,947</u>	<u>41,445,323</u>
Equity investments		
– Unlisted	917,177	609,330
	<u>917,177</u>	<u>609,330</u>
Add: Interests receivable	595,693	802,930
	<u>595,693</u>	<u>802,930</u>
Total	<u><u>40,158,817</u></u>	<u><u>42,857,583</u></u>

At the end of period/year, some of the debt instruments in Mainland China are used for the pledge of repurchase agreements.

Notes:

- (a) Provision for impairment of financial assets measured 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 investments presented in the consolidated statement of financial position is not reduced.
- (b) The Group chose to designate non-trading equity investments as at financial assets at fair value through other comprehensive income on the transition date. As at 30 June 2019, the amount for these non-trading equity investments was RMB917.18 million (31 December 2018: RMB609.33 million). The dividend income from these non-trading equity investments amounted to RMB1.2 million (31 December 2018: RMB0.88 million) and was included in profit or loss. During the period ended 30 June 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 losses on these investments was RMB21.86 million for the six-month period ended 30 June 2019.

### 13 FINANCIAL ASSETS MEASURED AT AMORTISED COST

	<b>30 June 2019 Unaudited</b>	<b>31 December 2018 Audited</b>
Debt securities issued by the following institutions in		
Mainland China		
– Government	2,239,416	4,069,833
– Banks and other financial institutions	1,240,000	1,340,000
– Corporations	19,925	19,897
	<u>3,499,341</u>	<u>5,429,730</u>
Subtotal		
Issuers outside Mainland China		
– Corporate	1,718,675	1,715,800
Beneficial interest transfer plans	225,007,552	283,324,352
Add: Interest receivable	3,286,417	1,895,511
Less: Allowance for impairment losses	<u>(13,467,784)</u>	<u>(9,229,018)</u>
Total	<u><u>220,044,201</u></u>	<u><u>283,136,375</u></u>

At the end of the period/year, 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 measured at amortised cost are as follows:

	<b>At 30 June 2019</b>			
	<b>ECL over the next 12 months</b>	<b>Lifetime ECL- not credit- impaired loans</b>	<b>Lifetime ECL- credit- impaired loans</b>	<b>Total</b>
As at 1 January	(3,614,372)	(1,764,202)	(3,850,444)	(9,229,018)
Transferred				
– to ECL over the next 12 months	(92,067)	92,067	–	–
– to lifetime ECL – not credit- impaired loans	236,405	(236,405)	–	–
– to lifetime ECL – credit- impaired loans	–	235,805	(235,805)	–
Net charge for the period	<u>966,337</u>	<u>217,442</u>	<u>(5,422,545)</u>	<u>(4,238,766)</u>
As at 30 June	<u><u>(2,503,697)</u></u>	<u><u>(1,455,293)</u></u>	<u><u>(9,508,794)</u></u>	<u><u>(13,467,784)</u></u>

	At 31 December 2018			Total
	ECL over the next 12 months	Lifetime ECL- not credit- impaired loans	Lifetime ECL- credit- impaired loans	
As at 1 January	(3,390,200)	(824,942)	(329,803)	(4,544,945)
Transferred				
– to ECL over the next 12 months	–	–	–	–
– to lifetime ECL – not credit- impaired loans	375,727	(375,727)	–	–
– to lifetime ECL – credit- impaired loans	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
	<u>(3,614,372)</u>	<u>(1,764,202)</u>	<u>(3,850,444)</u>	<u>(9,229,018)</u>
As at 31 December	<u>(3,614,372)</u>	<u>(1,764,202)</u>	<u>(3,850,444)</u>	<u>(9,229,018)</u>

#### 14 DIVIDENDS

	For the six-month period ended 30 June	
	2019 Unaudited	2018 Unaudited
Declared final dividends	<u>–</u>	<u>1,085,059</u>

An ordinary share dividend of RMB0.16 per share in respect of the profit for the year ended 31 December 2017 was approved by the equity holders of the Group at the Annual General Meeting held in May 2018.

## 15 SEGMENT REPORT

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 deposit, 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, 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*

	Six-month period ended 30 June 2019				
	Corporate banking business Unaudited	Retail banking business Unaudited	Treasury business Unaudited	Other business and undistributed project Unaudited	Total Unaudited
Operating income					
External net interest income/(expense)	11,043,338	(4,982,092)	5,782,110	–	11,843,356
Internal net interest income/(expense)	<u>(4,428,856)</u>	<u>5,654,124</u>	<u>(1,225,268)</u>	<u>–</u>	<u>–</u>
Net interest income	6,614,482	672,032	4,556,842	–	11,843,356
Net fee and commission income	43,297	104,520	5,006	–	152,823
Net trading gains	–	–	1,469,666	–	1,469,666
Dividend income	–	–	1,200	–	1,200
Net gains arising from investment securities	–	–	77,623	–	77,623
Net foreign exchange gains/(losses)	2,653	257	(8,302)	126	(5,266)
Other net operating income	<u>–</u>	<u>–</u>	<u>–</u>	<u>7,786</u>	<u>7,786</u>
Total operating income	6,660,432	776,809	6,102,035	7,912	13,547,188
Operating expenses	<u>(896,012)</u>	<u>(104,509)</u>	<u>(822,336)</u>	<u>(1,048)</u>	<u>(1,823,905)</u>
Operating profit/(loss) before impairment	5,764,420	672,300	5,279,699	6,864	11,723,283
Impairment losses on assets	<u>(9,536,654)</u>	<u>(256,790)</u>	<u>(2,980,831)</u>	<u>–</u>	<u>(12,774,275)</u>
Profit/(loss) before tax	<u><u>(3,772,234)</u></u>	<u><u>415,510</u></u>	<u><u>2,298,868</u></u>	<u><u>6,864</u></u>	<u><u>(1,050,992)</u></u>
Other segment information:					
– Depreciation and amortisation	<u><u>(97,530)</u></u>	<u><u>(51,456)</u></u>	<u><u>(110,050)</u></u>	<u><u>(15,540)</u></u>	<u><u>(274,576)</u></u>
– Capital expenditure	<u><u>202,128</u></u>	<u><u>106,641</u></u>	<u><u>228,077</u></u>	<u><u>32,208</u></u>	<u><u>569,054</u></u>
<b>As at 30 June 2019</b>					
Segment assets	399,207,053	10,749,298	399,307,138	6,054,852	815,318,341
Deferred tax assets	<u>–</u>	<u>–</u>	<u>–</u>	<u>10,139,190</u>	<u>10,139,190</u>
Total assets	<u><u>399,207,053</u></u>	<u><u>10,749,298</u></u>	<u><u>399,307,138</u></u>	<u><u>16,194,042</u></u>	<u><u>825,457,531</u></u>
Segment liabilities	162,318,227	285,549,096	234,387,633	83,143,699	765,398,655
Dividend payable	<u>–</u>	<u>–</u>	<u>–</u>	<u>351,206</u>	<u>351,206</u>
Total liabilities	<u><u>162,318,227</u></u>	<u><u>285,549,096</u></u>	<u><u>234,387,633</u></u>	<u><u>83,494,905</u></u>	<u><u>765,749,861</u></u>

	<b>Six-month period ended 30 June 2018</b>				
	<b>Corporate banking business Unaudited</b>	<b>Retail banking business Unaudited</b>	<b>Treasury business Unaudited</b>	<b>Other business and undistributed project Unaudited</b>	<b>Total Unaudited</b>
Operating income					
External net interest income/(expense)	4,382,212	(3,132,449)	7,628,749	–	8,878,512
Internal net interest income/(expense)	(855,035)	3,928,285	(3,073,250)	–	–
Net interest income	3,527,177	795,836	4,555,499	–	8,878,512
Net fee and commission income	242,026	97,408	25,586	–	365,020
Net trading gains	–	–	1,587,877	–	1,587,877
Dividend income	–	–	880	–	880
Net gains arising from investment securities	–	–	23,416	–	23,416
Net foreign exchange losses	(383,377)	(20,730)	(786,888)	(357)	(1,191,352)
Other net operating income	–	–	–	8,033	8,033
Total operating income	3,385,826	872,514	5,406,370	7,676	9,672,386
Operating expenses	(470,944)	(26,231)	(1,009,880)	(64,652)	(1,571,707)
Operating profit/(loss) before impairment	2,914,882	846,283	4,396,490	(56,976)	8,100,679
Impairment losses on assets	(1,642,466)	(256,185)	(450,000)	–	(2,348,651)
Profit/(loss) before tax	<u>1,272,416</u>	<u>590,098</u>	<u>3,946,490</u>	<u>(56,976)</u>	<u>5,752,028</u>
Other segment information:					
– Depreciation and amortisation	<u>(73,593)</u>	<u>(18,965)</u>	<u>(117,511)</u>	<u>(167)</u>	<u>(210,236)</u>
– Capital expenditure	<u>199,204</u>	<u>51,334</u>	<u>318,082</u>	<u>451</u>	<u>569,071</u>

	<b>Corporate banking business Audited</b>	<b>Retail banking business Audited</b>	<b>Treasury business Audited</b>	<b>Other business and undistributed project Audited</b>	<b>Total Audited</b>
<b>As at 31 December 2018</b>					
Segment assets	345,609,993	11,353,537	473,361,112	8,124,688	838,449,330
Deferred tax assets	—	—	—	7,473,418	7,473,418
Total assets	<u>345,609,993</u>	<u>11,353,537</u>	<u>473,361,112</u>	<u>15,598,106</u>	<u>845,922,748</u>
Segment liabilities	199,185,865	246,390,224	245,609,700	93,539,278	784,725,067
Dividend payable	—	—	—	434,537	434,537
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>

**(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, land use rights and intangible 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, 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.

	<b>Operating Income</b>	
	<b>For six-month period ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>Unaudited</b>	<b>Unaudited</b>
Jinzhou Region	10,714,408	7,172,849
Other Northeastern China Region	1,539,525	1,143,779
Northern China Region	1,293,255	1,355,758
Total	<u>13,547,188</u>	<u>9,672,386</u>

	<b>Non-current assets</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>
	<b>Unaudited</b>	<b>Audited</b>
Jinzhou Region	3,214,429	2,801,676
Other Northeastern China Region	3,539,128	3,381,635
Northern China Region	882,733	695,045
Total	<u>7,636,290</u>	<u>6,878,356</u>

## 16 COMMITMENTS AND CONTINGENT LIABILITIES

### (a) Credit commitments

The Group's credit commitments take the form of approved loans with signed contracts, 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 management of the Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

	<b>30 June 2019 Unaudited</b>	<b>31 December 2018 Audited</b>
Loan commitments		
– Original contractual maturity within one year	449,733	666,784
– Original contractual maturity more than one year (inclusive)	7,423,431	4,502,295
Credit card commitments	<u>1,136,143</u>	<u>1,174,794</u>
Subtotal	<u>9,009,307</u>	<u>6,343,873</u>
Acceptances	203,535,796	219,978,680
Letters of guarantees	235,813	525,856
Letters of credit	<u>13,674,670</u>	<u>18,172,538</u>
Total	<u><u>226,455,586</u></u>	<u><u>245,020,947</u></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) Capital commitments**

At the end of period/year, the Group's authorised capital commitments are as follows:

	<b>30 June 2019 Unaudited</b>	<b>31 December 2018 Audited</b>
Contracted but not provided for		
– Purchase of property and equipment	<u>356,609</u>	<u>407,225</u>

**(c) As at 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:**

	<b>Properties Audited</b>
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>461,670</u>

**(d) Outstanding litigations and disputes**

As at 30 June 2019, the Group had no material outstanding litigation and disputes with gross claims.

## **7. RELEASE OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This results announcement was published on the website of HKEX News of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Bank ([www.jinzhoubank.com](http://www.jinzhoubank.com)). The 2019 interim report prepared in accordance with the Listing Rules and the IFRS will be released on the website of HKEX News of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Bank ([www.jinzhoubank.com](http://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. Where there is a discrepancy between the Chinese and English versions, the Chinese version shall prevail.

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

Jinzhou, the PRC

30 August 2019

*As at the date of this announcement, the Bank comprises Mr. Zhang Wei, Mr. Huo Lingbo, Mr. Wang Jing, Mr. Sun Jing and Ms. Wang Xiaoyu, as executive directors; Ms. Liu Hong, Ms. Gu Jie, Ms. Meng Xiao, Mr. Li Dongjun and Ms. Tang Fang, as non-executive directors; and Mr. Choon Yew Khee, Mr. Lin Yanjun, Mr. Chang Peng'ao, Ms. Peng Taoying and Ms. Tan Ying, 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.