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

(Stock Code: 0416)

(Stock Code of Preference Shares: 4615)

UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

In order for shareholders of Bank of Jinzhou Co., Ltd.* (the “**Bank**”, including its subsidiaries unless the context otherwise requires) (the “**Shareholder**”) and the public to appreciate its financial performance and condition, the board (the “**Board**”) of directors (the “**Directors**”) of the Bank hereby sets out below the preliminary unaudited consolidated financial information (the “**Unaudited Consolidated Financial Information**”) prepared under the unaudited management accounts of the Bank for the year ended 31 December 2019 (the “**Reporting Period**”). The following unaudited consolidated financial information has been prepared on the same basis as the audited consolidated financial statements of the Bank for the financial year ended 31 December 2018.

For the reasons stated in the “Review of Unaudited Consolidated Financial Information” below, the auditing process for the Bank’s annual results has not yet completed. However, the Bank’s Unaudited Consolidated Financial Information has been reviewed by the audit committee of the Bank (the “**Audit Committee**”), which has not been confirmed by the auditor of the Bank. The Board will use reasonable endeavours to publish the preliminary announcement in relation to the audited consolidated financial information for the year ended 31 December 2019 as confirmed by the auditor of the Bank (the “**Audited Consolidated Financial Information**”) as soon as practicable.

1. CORPORATE INFORMATION

1.1 Corporate Basic Information

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

1.2 Contact Persons and Contact Details

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

2. FINANCIAL HIGHLIGHTS

Between the financial statements of the Bank prepared in accordance with China Accounting Standards for Business Enterprises and those in accordance with IFRSs, there is no difference in respect of the net profit attributable to equity shareholders of the Bank 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 year ended 31 December				
	2019	2018	2019 vs 2018 Change (%)	2017	2016
Operating Results					
Interest income	47,560,072	46,002,674	3.4	39,943,533	27,897,191
Interest expense	(28,093,475)	(26,901,602)	4.4	(21,410,609)	(12,448,982)
Net interest income	<u>19,466,597</u>	<u>19,101,072</u>	1.9	<u>18,532,924</u>	<u>15,448,209</u>
Net fee and commission income	244,085	757,528	(67.8)	736,674	809,265
Net trading gains/(losses)	3,313,970	1,491,100	122.3	(278,264)	49,948
Dividend income	1,200	880	36.4	640	895
Net gains arising from investment securities	240,382	100,234	139.8	30,796	10,348
Net foreign exchange (losses)/gains	(42,278)	(183,660)	(77.0)	(239,637)	53,724
Other net operating income	21,520	16,045	34.1	22,859	41,460
Operating income	<u>23,245,476</u>	<u>21,283,199</u>	9.2	<u>18,805,992</u>	<u>16,413,849</u>
Operating expenses	(3,739,893)	(3,586,646)	4.3	(3,308,138)	(2,758,039)

	For the year ended 31 December				
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	2019	2018	2019 vs 2018 Change (%)	2017	2016
Operating Results					
Operating profit before impairment	19,505,583	17,696,553	10.2	15,497,854	13,655,810
Impairment losses on assets	(21,052,971)	(23,683,718)	(11.1)	(3,444,523)	(2,784,895)
(Loss)/profit before taxation	<u>(1,547,388)</u>	<u>(5,987,165)</u>	(74.2)	<u>12,053,331</u>	<u>10,870,915</u>
Income tax credit/(expense)	485,181	1,449,054	(66.5)	(2,963,273)	(2,671,469)
Net (Loss)/profit	<u><u>(1,062,207)</u></u>	<u><u>(4,538,111)</u></u>	(76.6)	<u><u>9,090,058</u></u>	<u><u>8,199,446</u></u>
Net (loss)/profit attributable to equity shareholders of the Parent Company	(1,125,317)	(4,593,447)	(75.5)	8,976,990	8,129,590
Calculated on a Per Share Basis (RMB)			Change		
Basic and diluted (loss)/earnings per share	(0.14)	(0.77)	0.63	1.32	1.40
			As at 31 December		
Major Indicators of Assets/Liabilities	2019	2018	2019 vs 2018 Change (%)	2017	2016
Total assets	836,306,551	845,922,748	(1.1)	723,417,650	539,059,522
Of which: net loans and advances to customers	411,819,631	349,110,123	18.0	209,084,947	121,930,761
Total liabilities	776,500,340	785,159,604	(1.1)	663,252,922	496,165,210
Of which: deposits from customers	406,408,319	445,576,089	(8.8)	342,264,228	262,969,211
Share capital	7,781,616	7,781,616	0.0	6,781,616	6,781,616
Total equity attributable to equity shareholders of the Parent Company	55,757,369	56,777,412	(1.8)	56,230,555	39,035,430
Total equity	59,806,211	60,763,144	(1.6)	60,164,728	42,894,312

2.2 Financial Indicators

	For the year ended 31 December				
	2019	2018	2019 vs 2018 Change	2017	2016
Profitability Indicators (%)					
Return on average total assets ⁽¹⁾	(0.13)	(0.58)	0.45	1.44	1.82
Return on average equity ⁽²⁾	(2.43)	(9.86)	7.43	21.03	25.16
Net interest spread ⁽³⁾	2.26	1.93	0.33	2.58	3.41
Net interest margin ⁽⁴⁾	2.50	2.46	0.04	2.88	3.67
Net fee and commission income to operating income ratio	1.05	3.56	(2.51)	3.92	4.93
Cost-to-income ratio ⁽⁵⁾	14.88	15.91	(1.03)	15.71	14.83
As at 31 December					
	2019	2018	2019 vs 2018 Change	2017	2016
Assets Quality Indicators (%)					
Non-performing loan ratio ⁽⁶⁾	6.52	4.99	1.53	1.04	1.14
Provision coverage ratio ⁽⁷⁾	127.28	123.75	3.53	268.64	336.30
Provision to loans ratio ⁽⁸⁾	8.29	6.18	2.11	2.81	3.84
Capital Adequacy Indicators (%)					
Core tier-one capital adequacy ratio ⁽⁹⁾	5.14	6.07	(0.93)	8.44	9.79
Tier-one capital adequacy ratio ⁽¹⁰⁾	6.46	7.43	(0.97)	10.24	9.80
Capital adequacy ratio	8.39	9.12	(0.73)	11.67	11.62
Total equity to total assets	7.15	7.18	(0.03)	8.32	7.96
Other Indicators (%)					
Loan-to-deposit ratio ⁽¹¹⁾	95.56	72.12	23.44	53.68	40.36

Notes:

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

3. MANAGEMENT DISCUSSIONS AND ANALYSIS

3.1 Business and Financial Review

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

In 2019, the Bank underwent major changes with the introduction of strategic investors and reform and reorganization, and experienced the restructuring of its operating landscape, achieving significant results. The Bank established a new session of the Board and the board of supervisors, completed the appointment of members of senior management and rebuilt the structure of “the Board, the board of supervisors and senior management” and actively facilitate corporate governance and strategic transformation, offering driving force for its transformation and development; the Bank launched the additional capital contribution scheme to enhance its capital strength, and implemented the asset restructuring program to lay the foundation for long-term stability; the Bank provided targeted solutions to the problems affecting and restricting its development by adhering to political leadership, and embedding the Party leadership and Party building into its operation and management process; the Bank changed the direction of its operation, reshaping its development position and insisting on serving the real economy, clearly stayed true to the positioning of “serving the local economy, serving small and micro businesses, and serving urban and rural residents” as a city commercial bank; the Bank further determined the new goals of the path of transformation and development, and proposed the new development concept of “compliance, innovation, coordination and quality”, so as to work on high-quality organic development path.

As at the end of the Reporting Period, the total assets of the Bank amounted to RMB836.307 billion, representing a year-on-year decrease of 1.1%; the net loans and advances to customers amounted to RMB411.820 billion, representing a year-on-year increase of 18.0%; the non-performing loan ratio was 6.52%; the balance of deposits from customers amounted to RMB406.408 billion, representing a year-on-year decrease of 8.8%. During the Reporting Period, the operating income of the Bank amounted to RMB23.245 billion, representing a year-on-year increase of 9.2%; and the net loss amounted to RMB1.062 billion.

As at the end of the Reporting Period, the Bank's capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio were 8.39%, 6.46% and 5.14%, respectively.

3.2 Analysis of the Financial Statements

3.2.1 Analysis of the income statement

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December			
	2019	2018	Change in amount	Rate of change (%)
Interest income	47,560,072	46,002,674	1,557,398	3.4
Interest expense	(28,093,475)	(26,901,602)	(1,191,873)	4.4
Net interest income	19,466,597	19,101,072	365,525	1.9
Net fee and commission income	244,085	757,528	(513,443)	(67.8)
Net trading gains	3,313,970	1,491,100	1,822,870	122.3
Dividend income	1,200	880	320	36.4
Net gains arising from investment securities	240,382	100,234	140,148	139.8
Net foreign exchange losses	(42,278)	(183,660)	141,382	(77.0)
Other net operating income	21,520	16,045	5,475	34.1
Operating income	23,245,476	21,283,199	1,962,277	9.2
Operating expenses	(3,739,893)	(3,586,646)	(153,247)	4.3
Impairment losses on assets	(21,052,971)	(23,683,718)	2,630,747	(11.1)
Loss before tax	(1,547,388)	(5,987,165)	4,439,777	(74.2)
Income tax credit	485,181	1,449,054	(963,873)	(66.5)
Net Loss	(1,062,207)	(4,538,111)	3,475,904	(76.6)

During the Reporting Period, the Bank's loss before tax was RMB1.547 billion; net loss was RMB1.062 billion. Net interest income was RMB19.467 billion, representing an increase of RMB366 million or 1.9% as compared with that for the year ended 31 December 2018.

3.2.1.1 Net interest income

Net interest income accounted for the largest portion of the Bank's operating income, representing 83.7% and 89.7% of operating income for the Reporting Period and the year of 2018, respectively. The following table sets forth, for the years indicated, the interest income, interest expense and net interest income of the Bank:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December			Rate of change (%)
	2019	2018	Change in amount	
Interest income	47,560,072	46,002,674	1,557,398	3.4
Interest expense	<u>(28,093,475)</u>	<u>(26,901,602)</u>	<u>(1,191,873)</u>	4.4
Net interest income	<u>19,466,597</u>	<u>19,101,072</u>	<u>365,525</u>	1.9

3.2.1.2 Interest income

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

	For the year ended 31 December			
	2019		2018	
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	Amount	% of total	Amount	% of total
Loans and advances to customers				
Corporate loans	27,415,529	57.6	17,022,624	37.0
Personal loans	647,702	1.3	683,785	1.5
Discounted bills	99,070	0.2	390,376	0.8
Subtotal	28,162,301	59.1	18,096,785	39.3
Investment securities and other financial assets	17,240,568	36.3	26,009,233	56.6
Deposits with the central bank	783,992	1.6	899,102	2.0
Deposits with banks and other financial institutions	274,394	0.6	296,894	0.6
Financial assets held under resale agreements	75,467	0.2	60,172	0.1
Placements with banks and other financial institutions	378,505	0.8	100,178	0.2
Finance lease receivables	644,845	1.4	540,310	1.2
Total	47,560,072	100.0	46,002,674	100.0

The Bank's interest income increased by 3.4% to RMB47,560,072 thousand in the Reporting Period from RMB46,002,674 thousand in the year of 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 59.1% and 39.3% of the Bank's interest income in the Reporting Period and 2018, respectively. The following table sets forth, for the years indicated, the average balance of loans and advances to customers, relevant interest income and average yield for loans and advances to customers:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December					
	Average balance	2019 Interest income	Average yield (%)	Average balance	2018 Interest income	Average yield (%)
Corporate loans	397,988,023	27,415,529	6.89	252,601,605	17,022,624	6.74
Personal loans	11,375,237	647,702	5.69	10,700,562	683,785	6.39
Discounted bills	2,070,884	99,070	4.78	7,566,894	390,376	5.16
Total	<u>411,434,144</u>	<u>28,162,301</u>	6.84	<u>270,869,061</u>	<u>18,096,785</u>	6.68

Interest income from loans and advances to customers increased by 55.6% to RMB28,162,301 thousand in the Reporting Period from RMB18,096,785 thousand in the year of 2018, primarily due to the increase in average balance of loans and advances to customers and the increase in average yield. The average balance of loans and advances to customers increased by 51.9% to RMB411,434,144 thousand in the Reporting Period from RMB270,869,061 thousand in the year of 2018, primarily because the Bank reclassified the business type of part of beneficiary rights transfer plan measured at amortised cost to loans. And the average yield increased to 6.84% in the Reporting Period from 6.68% in the year of 2018.

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

Interest income from investment securities and other financial assets decreased by 33.7% to RMB17,240,568 thousand in the Reporting Period from RMB26,009,233 thousand in 2018, primarily due to the decreases in the average balance and average yield of investment securities and other financial assets. The average balance of investment securities and other financial assets decreased by 32.2% to RMB287,880,114 thousand in the Reporting Period from RMB424,752,764 thousand in the year of 2018, primarily due to the decrease in the scale of beneficiary rights transfer plan measured at amortised cost.

(3) Interest income from deposits with the central bank

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

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

Interest income from deposits with banks and other financial institutions decreased by 7.6% to RMB274,394 thousand in the Reporting Period from RMB296,894 thousand in the year of 2018, mainly due to the decrease in average yield of the Bank's deposits with banks and other financial institutions. The average yield decreased to 2.27% in the Reporting Period from 2.86% in the year of 2018, primarily due to the decline in the interest rate of capital in the interbank market and the decline in average period of deposits with banks and other financial institutions.

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

Interest income from placements with banks and other financial institutions increased by 277.8% to RMB378,505 thousand in the Reporting Period from RMB100,178 thousand in the year of 2018, primarily due to the increase in the average balance and average yield of placements with banks and other financial institutions. The average balance of placements with banks and other financial institutions increased by 81.6% to RMB6,241,180 thousand in the Reporting Period from RMB3,436,499 thousand in the year of 2018. The average yield of placements with banks and other financial institutions rose to 6.06% in the Reporting Period from 2.92% in the year of 2018, primarily because the Bank increased RMB-denominated placements with banks and other financial institutions with longer term and higher yield rate.

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

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

(7) Interest income from finance lease receivables

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

3.2.1.3 Interest expense

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December		For the year ended 31 December	
	2019		2018	
	Amount	% of total	Amount	% of total
Deposits from customers	15,337,647	54.6	14,100,881	52.4
Deposits from banks and other financial institutions	7,099,992	25.2	6,741,064	25.1
Placements from banks and other financial institutions	949,899	3.4	567,146	2.1
Financial assets sold under repurchase agreements	757,420	2.7	1,565,501	5.8
Debt securities issued	3,282,233	11.7	3,923,616	14.6
Borrowing from the central bank	666,284	2.4	3,394	0.0
Total	28,093,475	100.0	26,901,602	100.0

Interest expense of the Bank increased by 4.4% from RMB26,901,602 thousand in the year of 2018 to RMB28,093,475 thousand during the Reporting Period, mainly due to the increase in average balance of deposits from customers, deposits from banks and other financial institutions.

(1) Interest expense on deposits from customers

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December					
	Average balance	2019 Interest expense	Average cost (%)	Average balance	2018 Interest expense	Average cost (%)
Corporate deposits						
Time	116,244,729	3,608,995	3.10	133,901,619	5,849,840	4.37
Demand	41,428,047	553,659	1.34	50,730,041	880,675	1.74
Subtotal	<u>157,672,776</u>	<u>4,162,654</u>	2.64	<u>184,631,660</u>	<u>6,730,515</u>	3.65
Personal deposits						
Time	243,036,373	10,635,898	4.38	182,710,793	7,149,556	3.91
Demand	23,229,403	539,095	2.32	16,701,817	220,810	1.32
Subtotal	<u>266,265,776</u>	<u>11,174,993</u>	4.20	<u>199,412,610</u>	<u>7,370,366</u>	3.70
Total deposits from customers	<u>423,938,552</u>	<u>15,337,647</u>	3.62	<u>384,044,270</u>	<u>14,100,881</u>	3.67

Interest expense on deposits from customers increased by 8.8% to RMB15,337,647 thousand in the Reporting Period from RMB14,100,881 thousand in the year of 2018, primarily due to the increase in the average balance of the Bank's deposits from customers.

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

Interest expense on deposits from banks and other financial institutions increased by 5.3% to RMB7,099,992 thousand in the Reporting Period from RMB6,741,064 thousand in the year of 2018, primarily due to the increase in the average balance of deposits from banks and other financial institutions.

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

Interest expense on placements from banks and other financial institutions increased by 67.5% to RMB949,899 thousand in the Reporting Period from RMB567,146 thousand in the year of 2018, primarily due to the increase in average balance and average cost of placements from banks and other financial institutions. The average balance of placements from banks and other financial institutions increased by 25.6% to RMB27,939,865 thousand in the Reporting Period from RMB22,240,983 thousand in the year of 2018, primarily due to the increase of trade volume of placements from banks and other financial institutions by the Bank. The average cost of placements from banks and other financial institutions increased from 2.55% in the year of 2018 to 3.40% in the Reporting Period, which was primarily due to the increase of average period of placements from banks and other financial institutions.

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

Interest expense on financial assets sold under repurchase agreements decreased by 51.6% to RMB757,420 thousand in the Reporting Period from RMB1,565,501 thousand in the year of 2018, primarily due to the decrease in average balance and the decline in average cost. The average balance of financial assets sold under repurchase agreements decreased by 41.4% to RMB26,950,768 thousand in the Reporting Period from RMB46,016,517 thousand in the year of 2018, mainly due to the Bank reduced the size of financial assets sold under repurchase agreements due to the need to manage the liquidity of the Bank. The average cost of financial assets sold under repurchase agreements decreased to 2.81% in the Reporting Period from 3.40% in the year of 2018, primarily due to the decline in the average interest rate in the capital market during the Reporting Period.

(5) Interest expense on debt securities issued

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

(6) Interest expense on borrowing from the central bank

During the Reporting Period, the Bank's interest expense on borrowing from the central bank increased to RMB666,284 thousand in the Reporting Period from RMB3,394 thousand in the year of 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 2.26% in the Reporting Period as compared to 1.93% in the year of 2018 and the net interest margin increased to 2.50% in the Reporting Period as compared to 2.46% in the year of 2018, primarily due to the increase in the average yield of the Bank's interest-earning assets and the decrease in the average cost of the interest-bearing liabilities.

3.2.1.5 Non-interest income

(1) Net fee and commission income

	For the year ended 31 December			
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	2019	2018	Change	Rate of change (%)
Fee and commission income				
Agency services fees	56,580	211,284	(154,704)	(73.2)
Settlement and clearing fees	84,903	231,747	(146,844)	(63.4)
Wealth management service fees	185,297	251,683	(66,386)	(26.4)
Underwriting and advisory fees	49,422	86,970	(37,548)	(43.2)
Bank card service fees	11,683	13,002	(1,319)	(10.1)
Others	46,775	47,437	(662)	(1.4)
Subtotal	<u>434,660</u>	<u>842,123</u>	<u>(407,463)</u>	<u>(48.4)</u>
Fee and commission expense				
Settlement and clearing fees	42,909	42,938	(29)	(0.1)
Others	147,666	41,657	106,009	254.5
Subtotal	<u>190,575</u>	<u>84,595</u>	<u>105,980</u>	<u>125.3</u>
Net fee and commission income	<u><u>244,085</u></u>	<u><u>757,528</u></u>	<u><u>(513,443)</u></u>	<u><u>(67.8)</u></u>

The fee and commission income decreased by 48.4% to RMB434,660 thousand in the Reporting Period as compared to RMB842,123 thousand in the year of 2018, primarily due to the decrease in the agency services fees and settlement and clearing fees of the Bank. The agency services fees decreased by 73.2% to RMB56,580 thousand in the Reporting Period as compared to RMB211,284 thousand in the year of 2018, primarily due to the reduction in the scale of entrusted loan business by the Bank. The settlement and clearing fees decreased by 63.4% to RMB84,903 thousand in the Reporting Period as compared to RMB231,747 thousand in the year of 2018, primarily because of a decrease in the scale of bank acceptance and letter of credit, resulting in the decrease of fee income of corporate settlement business.

Fee and commission expense primarily consists of expenses paid to third parties in connection with the Bank's settlement and clearance, trade financing, bank card, agency and consultancy businesses. The Bank's fee and commission expense increased by 125.3% to RMB190,575 thousand in the Reporting Period as compared to RMB84,595 thousand in the year of 2018.

(2) Net trading gains

Net trading gains primarily comprise of net gains or losses from trading financial instruments and financial assets and liabilities designated at fair value through profit or loss. During the Reporting Period, the Bank incurred a net trading gain of RMB3,313,970 thousand, representing an increase of 122.3% as compared to RMB1,491,100 thousand in the year of 2018, primarily due to the increase in the change of fair value on financial assets at fair value as a result of downward market interest rates during the Reporting Period.

(3) Dividend income

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

(4) Net gains arising from investment securities

Net gains from investment securities increased by 139.8% to RMB240,382 thousand in the Reporting Period from RMB100,234 thousand in the year of 2018, which was mainly due to the increase in income from the disposal of investment securities by the Bank.

(5) Net foreign exchange losses

Net foreign exchange losses decreased by 77.0% to RMB42,278 thousand in the Reporting Period from RMB183,660 thousand in the year of 2018, primarily due to the decrease in net foreign exchange losses on spot and forward derivatives resulting from the changes in the prices of foreign exchange rates, etc.

(6) Other net operating income

Other net operating income increased by 34.1% to RMB21,520 thousand in the Reporting Period from RMB16,045 thousand in the year of 2018, which was mainly due to the increase in rental income from the lease of fixed assets in the Reporting Period.

3.2.1.6 Operating expenses

During the Reporting Period, the Bank's operating expenses were RMB3,739,893 thousand, representing a year-on-year increase of RMB153,247 thousand or 4.3%.

For the year ended 31 December				
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	2019	2018	Change	Rate of change (%)
Staff costs	1,848,390	1,783,664	64,726	3.6
General and administrative expenses	1,070,680	989,780	80,900	8.2
Tax and surcharges	281,934	200,414	81,520	40.7
Depreciation and amortisation	483,060	427,286	55,774	13.1
Others	<u>55,829</u>	<u>185,502</u>	<u>(129,673)</u>	(69.9)
Total operating expenses	<u><u>3,739,893</u></u>	<u><u>3,586,646</u></u>	<u><u>153,247</u></u>	4.3

(1) Staff costs

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

For the year ended 31 December				
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	2019	2018	Change	Rate of change (%)
Salaries and bonuses	1,323,419	1,263,408	60,011	4.7
Social insurance	262,299	261,511	788	0.3
Housing allowances	110,868	97,165	13,703	14.1
Staff welfare	55,075	71,386	(16,311)	(22.8)
Supplementary retirement benefit	1,212	1,961	(749)	(38.2)
Other long-term staff welfare	1,322	38,529	(37,207)	(96.6)
Others	<u>94,195</u>	<u>49,704</u>	<u>44,491</u>	89.5
Total staff costs	<u><u>1,848,390</u></u>	<u><u>1,783,664</u></u>	<u><u>64,726</u></u>	3.6

During the Reporting Period, the staff costs of the Bank were RMB1,848,390 thousand, representing an increase of RMB64,726 thousand or 3.6% as compared with that in the year of 2018, which was mainly due to the increase of human resource costs resulting from the increased number of employees of the Bank.

(2) General and administrative expenses

General and administrative expenses increased by 8.2% to RMB1,070,680 thousand in the Reporting Period as compared to RMB989,780 thousand in the year of 2018.

(3) Tax and surcharges

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

(4) Depreciation and amortisation

Depreciation and amortisation increased by 13.1% to RMB483,060 thousand in the Reporting Period from RMB427,286 thousand in the year of 2018, primarily due to increases in depreciation and amortisation expenses as a result of the increase in the Bank's capital expenditure.

(5) Others

Other operating expense of the Bank decreased by 69.9% to RMB55,829 thousand in the Reporting Period from RMB185,502 thousand in the year of 2018.

3.2.1.7 Impairment losses on assets

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

	For the year ended 31 December 2019	For the year ended 31 December 2018
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>		
Loans and advances to customers	14,821,589	17,489,929
Deposits and placements with banks and other financial institutions	167,982	37,920
Financial assets held under resale agreements	–	(47)
Financial assets at fair value through other comprehensive income	1,735	(25,522)
Financial assets measured at amortised cost	6,556,289	4,768,271
Finance lease receivables	401,339	202,614
Credit commitments	(907,609)	1,185,636
Others	11,646	24,917
Total	<u>21,052,971</u>	<u>23,683,718</u>

Impairment losses on assets decreased by 11.1% to RMB21,052,971 thousand in the Reporting Period from RMB23,683,718 thousand in the year of 2018.

3.2.1.8 Income tax credit

In the Reporting Period, the Bank's income tax credit was RMB485,181 thousand, representing a decrease of RMB963,873 thousand as compared to that of last year. The Bank's actual tax rate was 31.35%, representing an increase of 7.15 percentage points as compared to that of last year.

3.2.2 Analysis of the statement of financial position

3.2.2.1 Assets

As at the end of the Reporting Period and as at 31 December 2018, the Bank had total assets of RMB836,306,551 thousand and RMB845,922,748 thousand, respectively. The principal components of the assets as at the end of the Reporting Period were (i) loans and advances to customers; (ii) investment securities and other financial assets; and (iii) cash and deposits with the central bank, accounting for 49.2%, 33.1% and 12.6% of the Bank's total assets as at the end of the Reporting Period, respectively. The table below sets forth balances of the principal components of the Bank's total assets as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Assets				
Total loans and advances to customers	442,036,350	52.9	370,725,731	43.8
Interests receivable on loans and advances to customers	6,246,313	0.7	1,276,467	0.2
Provision for impairment losses on loans and advances to customers	(36,463,032)	(4.4)	(22,892,075)	(2.7)
Net loans and advances to customers	411,819,631	49.2	349,110,123	41.3
Net investments securities and other financial assets ⁽¹⁾	277,048,008	33.1	392,056,838	46.3
Cash and deposits with the central bank	105,176,537	12.6	64,618,759	7.6
Deposits with banks and other financial institutions	8,294,876	1.0	16,231,627	1.9
Financial assets held under resale agreements	–	–	100,073	0.0
Placements with banks and other financial institutions	5,835,638	0.7	48,454	0.0
Finance lease receivables	6,580,350	0.8	7,484,842	0.9
Other assets ⁽²⁾	21,551,511	2.6	16,272,032	2.0
Total assets	836,306,551	100.0	845,922,748	100.0

Notes:

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

The Bank's total assets decreased by 1.1% from RMB845,922,748 thousand as at 31 December 2018 to RMB836,306,551 thousand as at the end of the Reporting Period.

(1) Loans and advances to customers

As at the end of the Reporting Period, the Bank's total loans and advances to customers were RMB442,036,350 thousand, representing an increase of 19.2% as compared to that at the end of last year. Total loans and advances to customers accounted for 52.9% of the Bank's total assets, representing an increase of 9.1 percentage points as compared to that at the end of last year.

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Corporate loans	430,954,681	97.4	352,315,497	95.0
Personal loans	10,855,215	2.5	12,065,859	3.3
Discounted bills	226,454	0.1	6,344,375	1.7
Total loans and advances to customers	<u>442,036,350</u>	<u>100.0</u>	<u>370,725,731</u>	<u>100.0</u>

The Bank's total loans and advances to customers primarily comprise of corporate loans, personal loans and discounted bills. Corporate loans are the largest component of the Bank's loan portfolio. As at the end of the Reporting Period and as at 31 December 2018, the Bank's corporate loans amounted to RMB430,954,681 thousand and RMB352,315,497 thousand, accounting for 97.4% and 95.0% of the Bank's total loans and advances to customers, respectively.

The Bank's corporate loans increased by 22.3% from RMB352,315,497 thousand as at 31 December 2018 to RMB430,954,681 thousand as at the end of the Reporting Period, primarily because (i) the Bank reclassified the business type of part of beneficiary rights transfer plan measured at amortised cost to loans; and (ii) the Bank appropriately increased the size of loans based on the actual real economy development and its own business development plans.

The Bank's personal loans mainly comprise of personal business loans, residential and commercial mortgage loans, personal consumption loans, credit card overdrafts and other personal loans. At the end of the Reporting Period, the balance of personal loans amounted to RMB10,855,215 thousand, representing a decrease of RMB1,210,644 thousand or 10.0% as compared to that at the end of last year, accounting for 2.5% of the total loans and advances to customers.

A. Loans by collateral

As at the end of the Reporting Period and as at 31 December 2018, collateralised loans, pledged loans or guaranteed loans of the Bank represented, in aggregate, 96.8% 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>	As at 31 December 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Unsecured loans	14,136,837	3.2	20,654,552	5.6
Guaranteed loans	235,042,523	53.1	165,361,842	44.6
Collateralised loans	128,924,937	29.2	106,011,207	28.6
Pledged loans	63,932,053	14.5	78,698,130	21.2
Total loans and advances to customers	<u>442,036,350</u>	<u>100.0</u>	<u>370,725,731</u>	<u>100.0</u>

As at the end of the Reporting Period, the balance of the Bank's loans secured by mortgages and pledges amounted to RMB192,856,990 thousand, representing an increase of RMB8,147,653 thousand or 4.4% as compared to that at the end of 2018, and accounting for 43.7% of the total loans and advances to customers. The balance of unsecured and guaranteed loans was RMB249,179,360 thousand, representing an increase of RMB63,162,966 thousand as compared to that at the end of 2018, accounting for 56.3% of the total loans and advances to customers.

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

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

(Expressed in thousands of Renminbi, unless otherwise stated)

As at 1 January 2019	<u>(22,892,075)</u>
Net charge for the year	(14,828,041)
Unwinding of discount	1,217,564
Write-offs	39,520
As at 31 December 2019	<u>(36,463,032)</u>

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

(Expressed in thousands of Renminbi, unless otherwise stated)

As at 1 January 2019	<u>(11,586)</u>
Net release for the year	6,452
As at 31 December 2019	<u><u>(5,134)</u></u>

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

(Expressed in thousands of Renminbi, unless otherwise stated)

As at 1 January 2018	<u>(6,004,672)</u>
Net charge for the year	(17,489,929)
Unwinding of discount	330,732
Write-offs	271,794
As at 31 December 2018	<u><u>(22,892,075)</u></u>

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

(Expressed in thousands of Renminbi, unless otherwise stated)

As at 1 January 2018 after adjustment	(36,811)
Net release for the year	25,225
As at 31 December 2018	<u><u>(11,586)</u></u>

Provision for impairment losses on loans increased by 59.2% from RMB22,903,661 thousand as at 31 December 2017 to RMB36,468,166 thousand as at the end of the Reporting Period, primarily due to the adoption of expected credit loss model and the increase of the Bank's provision for impairment losses so as to enhance risk resilience in response to the decline in asset quality and the increase in the outstanding balance of non-performing assets and the implementation of IFRS 9 Financial Instruments ("IFRS 9").

(2) Investment securities and other financial assets

Investment securities and other financial assets consist of debt investments, equity investments, investments using funds of wealth management products, precious metals held for trading and financial assets measured at amortised cost. As at the end of the Reporting Period and as at 31 December 2017, the Bank had net investment securities and other financial assets of RMB277,048,008 thousand and RMB392,056,838 thousand, accounting for 33.1% and 46.3% of the Bank's total assets, respectively.

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Debt investments	63,246,530	23.3	98,056,778	25.1
Financial assets at fair value through profit or loss	46,930,052	17.3	49,476,093	12.7
Financial assets at fair value through other comprehensive income	11,196,501	4.1	41,445,323	10.6
Financial assets measured at amortised cost	5,132,085	1.9	7,145,530	1.8
Provision for impairment losses on debt investments	(12,108)	0.0	(10,168)	0.0
Equity investments	1,231,496	0.4	609,330	0.2
Financial assets at fair value through other comprehensive income	1,231,496	0.4	609,330	0.2
Wealth management products investments	8,599,548	3.2	16,586,787	4.3
Financial assets at amortised cost (other than debt investments)	198,386,023	73.1	274,105,502	70.4
Beneficial interest transfer plans	214,159,222	78.9	283,324,352	72.8
Provision for impairment losses on financial assets measured at amortised cost (other than debt investments)	(15,773,199)	(5.8)	(9,218,850)	(2.4)
Net investments	<u>271,463,597</u>	<u>100.0</u>	<u>389,358,397</u>	<u>100.0</u>

As at the end of the Reporting Period, the Bank's net investment securities and other financial assets (interests receivable not included) amounted to RMB271,463,597 thousand, representing a decrease of 30.3% 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 the Bank's 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 RMB776,500,340 thousand and RMB785,159,604 thousand, respectively. The Bank's liabilities mainly comprise of (i) deposits from customers; (ii) deposits from banks and other financial institutions; and (iii) debt securities issued, accounting for 52.3%, 22.9% and 14.2%, respectively, of the Bank's total liabilities as at the end of the Reporting Period.

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Deposits from customers	406,408,319	52.3	445,576,089	56.7
Deposits from banks and other financial institutions	178,019,109	22.9	164,629,085	21.0
Financial assets sold under repurchase agreements	10,106,602	1.3	43,445,203	5.5
Debt securities issued	110,108,837	14.2	89,668,782	11.4
Placements from banks and other financial institutions	27,731,363	3.6	20,760,381	2.6
Financial liabilities at fair value through profit or loss	6,282,209	0.8	16,512,712	2.1
Other liabilities ⁽¹⁾	37,843,901	4.9	4,567,352	0.7
Total	<u>776,500,340</u>	<u>100.0</u>	<u>785,159,604</u>	<u>100.0</u>

Note: (1) Include borrowing from the central bank, negative fair value of derivatives, accrued staff costs, taxes payable, 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>	As at 31 December 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Corporate deposits				
Demand deposits	43,796,441	11.1	56,908,802	13.1
Time deposits	75,432,738	19.0	142,277,063	32.8
Subtotal	119,229,179	30.1	199,185,865	45.9
Personal deposits				
Demand deposits	23,541,714	6.0	19,850,460	4.6
Time deposits	252,694,349	63.9	214,731,969	49.5
Subtotal	276,236,063	69.9	234,582,429	54.1
Total	395,465,242	100.0	433,768,294	100.0

As at the end of the Reporting Period, the Bank's total deposits from customers (interests payable not included) amounted to RMB395,465,242 thousand, representing a decrease of RMB38,303,052 thousand or 8.8% as compared to that at the end of last year. Deposits from customers (interests payable not included) accounted for 50.9% of total liabilities, representing a decrease of 4.3 percentage points as compared to that at the end of last year.

(2) Deposits from banks and other financial institutions

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Deposits in Mainland China				
– Banks	50,208,512	28.4	69,997,464	43.2
– Other financial institutions	<u>126,346,814</u>	<u>71.6</u>	<u>92,018,528</u>	<u>56.8</u>
Total	<u>176,555,326</u>	<u>100.0</u>	<u>162,015,992</u>	<u>100.0</u>

As at the end of the Reporting Period, the Bank's total deposits from the banks and other financial institutions (interests payable not included) amounted to RMB176,555,326 thousand, representing an increase of RMB14,539,334 thousand or 9.0% as compared to that at the end of 2018.

(3) Debt securities issued

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

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

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

3.2.2.3 Shareholders' equity

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Share capital	7,781,616	13.0	7,781,616	12.8
Other equity instruments				
including: preference shares	9,897,363	16.5	9,897,363	16.3
Capital reserve	20,836,044	34.8	20,730,770	34.1
Surplus reserve	2,994,679	5.0	2,994,679	4.9
General reserve	11,802,132	19.7	11,802,132	19.4
Retained earnings	2,445,535	4.1	3,570,852	5.9
Non-controlling interests	4,048,842	6.9	3,985,732	6.6
Total equity	<u>59,806,211</u>	<u>100.0</u>	<u>60,763,144</u>	<u>100.0</u>

3.2.3 Concentration of loans

(1) Concentration of corporate loans by industry

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Wholesale and retail trade	206,438,884	47.9	160,556,340	45.6
Manufacturing	87,307,190	20.2	69,766,423	19.8
Leasing and commercial services	35,224,897	8.2	28,961,888	8.2
Real estate	32,424,084	7.5	25,681,503	7.3
Transportation, storage and postal services	8,798,156	2.0	9,224,015	2.6
Education	7,201,103	1.7	6,539,454	1.9
Electricity, gas and water production and supply	6,600,856	1.5	7,412,338	2.1
Mining	5,139,381	1.2	5,002,120	1.4
Construction	4,541,158	1.1	3,555,251	1.0
Public management and social organisation	4,146,060	1.0	8,061,209	2.3
Water, environment and public utility management	3,602,950	0.8	1,519,360	0.4
Agriculture, forestry, animal husbandry and fishery	1,156,523	0.3	1,253,166	0.4
Others	28,373,439	6.6	24,782,430	7.0
Total corporate loans and advances	<u>430,954,681</u>	<u>100.0</u>	<u>352,315,497</u>	<u>100.0</u>

As at the end of the Reporting Period, loans offered to customers in the industries of (i) wholesale and retail trade; (ii) manufacturing; and (iii) leasing and commercial services represented the largest components of the Bank's corporate loans. As at the end of the Reporting Period and as at 31 December 2018, the balance of loans provided to the corporate customers in the aforesaid three industries was RMB328,970,971 thousand and RMB259,284,651 thousand, respectively, accounting for 76.3% and 73.6% of the total corporate loans and advances issued by the Bank, respectively. From the perspective of the structure of increased volume, the three industries of (i) wholesale and retail trade, (ii) manufacturing, and (iii) real estate experienced the largest increment, representing increases of RMB45,882,544 thousand or 28.6%, RMB17,540,767 thousand or 25.1%, and RMB6,742,581 thousand or 26.3%, respectively.

(2) Borrower concentration

Loans to the ten largest single borrowers

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

(Expressed in thousands of Renminbi, unless otherwise stated)

Customer	Industry involved	As at 31 December 2019	
		Amount	% of total
Customer A	Manufacturing	5,600,000	1.3
Customer B	Manufacturing	5,449,000	1.2
Customer C	Manufacturing	3,567,440	0.8
Customer D	Real estate	3,470,000	0.8
Customer E	Scientific research and technical services	2,848,000	0.7
Customer F	Manufacturing	2,677,000	0.6
Customer G	Wholesale and retail trade	2,670,000	0.6
Customer H	Wholesale and retail trade	2,396,000	0.5
Customer I	Leasing and commercial services	2,344,990	0.5
Customer J	Wholesale and retail trade	2,298,000	0.5
Total		33,320,430	7.5

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 the end of last year; the tier-one capital adequacy ratio was 6.46%, representing a decrease of 0.97 percentage point as compared to that as at the end of last year; the capital adequacy ratio was 8.39%, representing a decrease of 0.73 percentage point as compared to that as at the end of last year. During the Reporting Period, the decrease of capital adequacy ratio was mainly due to (i) the Bank redeemed RMB 1.5 billion, including tier-two capital debts with write-down clauses, and increased provision for impairment so as to enhance risk resilience, resulting in the decrease of net amount of capital; and (ii) the increase of the Bank's risk assets.

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

	As at 31 December 2019	As at 31 December 2018
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>		
Core tier-one capital		
– Share capital	7,781,616	7,781,616
– Qualifying portion of capital reserve	20,830,911	20,719,184
– Surplus reserve	2,994,679	2,994,679
– General reserve	11,802,132	11,802,132
– Retained earnings	2,445,535	3,570,852
– Qualifying portions of non-controlling interests	583,418	602,666
Core tier-one capital deductions		
– Other intangible assets other than land use right	(255,880)	(197,896)
– Other net deferred tax assets that depend on the Bank's future bank earnings	(7,204,584)	(2,746,095)
Net core tier-one capital	38,977,827	44,527,138
Other tier-one capital	9,975,152	9,977,719
Net tier-one capital	48,952,979	54,504,857
Tier-two capital		
– Instruments issued and share premium	6,500,000	8,000,000
– Surplus provision for loan impairment	7,985,674	4,281,808
– Qualifying portions of non-controlling interests	146,726	160,711
Net capital base	63,585,379	66,947,376
Total risk weighted assets	757,668,375	734,050,677
Core tier-one capital adequacy ratio	5.14%	6.07%
Tier-one capital adequacy ratio	6.46%	7.43%
Capital adequacy ratio	8.39%	9.12%

3.2.5 Segment information

3.2.5.1 Summary of geographical segment

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

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

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

Northern China Region: Beijing branch and Tianjin branch.

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December			
	2019		2018	
	Amount	% of total	Amount	% of total
Operating income				
Jinzhou Region	16,985,964	73.1	16,871,441	79.3
Other Northeastern China Region	3,874,491	16.7	2,382,459	11.2
Northern China Region	2,385,021	10.2	2,029,299	9.5
Total	23,245,476	100.0	21,283,199	100.0

3.2.5.2 Summary of business segment

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December			
	2019		2018	
	Amount	% of total	Amount	% of total
Operating income				
Corporate banking business	12,674,505	54.5	8,038,726	37.8
Retail banking business	1,660,835	7.2	2,151,040	10.1
Treasury business	8,888,616	38.2	11,093,364	52.1
Others	21,520	0.1	69	0.0
Total	<u>23,245,476</u>	<u>100.0</u>	<u>21,283,199</u>	<u>100.0</u>

3.2.6 Off-balance sheet items

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

	As at 31 December 2019	As at 31 December 2018
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>		
Acceptances	119,543,175	219,978,680
Letters of credit	4,496,980	18,172,538
Letters of guarantees	99,443	525,856
Loan commitments	2,359,907	5,169,079
Credit card commitments	837,508	1,174,794
Subtotal	<u>127,337,013</u>	<u>245,020,947</u>
Operating lease commitments	–	461,670
Capital expenditure commitments	339,795	407,225
Subtotal	<u>339,795</u>	<u>868,895</u>
Total	<u><u>127,676,808</u></u>	<u><u>245,889,842</u></u>

3.4 Future Prospects

The year 2020 is a concluding year for building a moderately prosperous society in all respects and the 13th Five-Year Plan. It is the year for China to secure a decisive victory in achieving its first centenary goal and also the crucial year for the Bank to implement reform and reorganization. With in-depth study and implementation of the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and the spirit of the fourth plenary session of the 19th CPC Central Committee, the Bank will earnestly implement the spirit of the Central Economic Work Conference and relevant work conference held by Provincial and Municipal Party Committees and Governments, as well as regulatory authorities, to carry out new development concepts. Keeping firmly in mind of its original aspiration and mission as an urban commercial bank and returning to the origin of serving the real economy via financial services, the Bank will insist on serving the local economy, serving private, small and micro businesses, and serving urban and rural residents. With its cultivation in regional markets and in-depth development of local customers as the focus, and differentiated and featured products and services as two advantages of its development strategy, fully implement the principles of safety, liquidity and efficiency of commercial banks and led by the implementation of “1226” development strategy, the Bank will proactively carry out the new development philosophy of “compliance, innovation, coordination and quality”, adopt efforts on basic management and quality efficiency, strengthen the Party building and the establishment of internal control and compliance, implement the strategy of revitalizing the Bank by talents, leverage the financial technology driver, and adhere to working on high-quality organic development path. Through reform and reorganization, the Bank introduces strong strategic investors to supplement capital strength and improves asset structure through asset reorganization, while actively conducting peer industry cooperation, increasing development momentum and profitability, so as to achieve stable, healthy and sustainable development of the Bank.

The Bank will, by fostering innovation and culture, innovate a series of institutional mechanisms for such areas as development strategy, business concept, development model, organizational structure, corporate governance, business process, product channel, risk control and compliance, and talent training, to drive the development and future by innovation. Efforts should be made to ensure that “the views on risk, performance and development” are coordinated and unified with each other, with the implementation of various arrangement of the CPC Central Committee relating to economic and financial work, and with regulatory policies and regulatory requirements. The Bank will try hard to realise the risk management coordinated with business development, business scale coordinated with capital status, high-tech application coordinated with humanistic care for customers, and its self-development coordinated with its social responsibility, achieving the establishment of a sustainable and healthy development model, achievement of a series of good operation indicators, building of a set of advanced financial technology system and development of a professional talent team with high quality, striving to become a city commercial bank featured with high-quality organic development with internal driver.

4. ISSUANCE OF SECURITIES AND BONDS

4.1 Issuance of Tier 2 Capital Bonds

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

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

4.2 Issuance of Interbank Certificates of Deposit

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

5. OTHER INFORMATION

5.1 Corporate Governance Code

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

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

According to the CG Code provision A.5.1, issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director, and independent non-executive directors shall form the majority of the committee. During the Reporting Period, the Bank conducted the election and appointment of the sixth session of the Board. As the appointment of Directors of the sixth session of the Board is subject to approval by the regulatory authority, the Directors of the sixth session of the Board successively received approvals from regulatory authority during the period from 30 October 2019 to 21 January 2020. On 15 November 2019, the Bank convened the Board meeting for approval and appointment, among other things, the members of the Nomination and Remuneration Committee. From 30 October 2019 (the date when some Directors were appointed for office) to 15 November 2019 (the date when the Bank convened the Board meeting to appoint the members of committees), the Bank's Nomination and Remuneration Committee had no member.

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

During the Reporting Period, the Bank conducted the election and reappointment of the sixth session of the Board. As the appointment of Directors of the sixth session of the Board is subject to approval by the regulatory authority, the Directors of the sixth session of the Board successively received approvals from regulatory authority during the period from 30 October 2019 to 21 January 2020. As of 15 November 2019, 14 out of a total of 15 Directors of the sixth session of the Board had received approvals from the regulatory authority. Mr. Xiao Geng, an independent non-executive Director, obtained the approval from the regulatory authority on 21 January 2020 and was formally appointed and began performing duties from that day. Therefore, from 15 November 2019 to 21 January 2020, the Bank failed to comply with the requirement under Rule 3.10A of the Listing Rules for having independent non-executive directors representing at least one-third of the Board.

On 15 November 2019, the Bank convened the Board meeting for approval and appointment of, among other things, the members of the Audit Committee and Nomination and Remuneration Committee. From 30 October 2019 (the date when some directors were reappointed for office) to 15 November 2019 (the date when the Bank convened the Board meeting to appoint the members of committee), the Bank's Audit Committee and Nomination and Remuneration Committee had no member. The Bank failed to comply with the requirements under Rules 3.21 and 3.25 of the Listing Rules for members of the Audit Committee and the Remuneration Committee.

5.3 Securities Transactions by Directors and Supervisors

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

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

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

5.5 Review by Audit Committee

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

5.6 Review of Unaudited Consolidated Financial Information

Due to the travel restrictions imposed by some regions across China against the outbreak of the novel coronavirus (COVID-19), the auditing process for the annual results for the year ended 31 December 2019 has not yet completed. The Unaudited Consolidated Financial Information contained in this announcement has not been confirmed by the auditor of the Bank. Upon completion of the auditing process in accordance with the International Financial Reporting Standards, the Bank will issue an announcement regarding the Audited Consolidated Financial Information. The consolidated financial information contained in such announcement may be subject to change as a result of, among other things, further review by the Bank and any possible proposed adjustment by the auditor of the Bank.

5.7 Subsequent Events

5.7.1 Proposed Private Placement and Asset Reorganization

On 10 March 2020, the Board announced the followings: (For details, please refer to the announcement of the Bank dated 10 March 2020 (the “**Announcement**”). Capitalised terms used in this section of “Proposed Private Placement and Asset Reorganization” shall have the same meanings as those defined in the Announcement.)

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

on 23 January 2020, the Bank and the Subscribers entered into the Subscription Agreement, pursuant to which the Bank has conditionally agreed to issue and allot and the Subscribers have conditionally agreed to subscribe in cash for an aggregate of 6.2 billion Subscription Shares at the subscription price of RMB1.950 per Subscription Share. Net proceeds from the issuance of the Subscription Shares are expected to be approximately RMB12.09 billion and are intended to be used to replenish the core tier-one capital of the Bank. The Subscription Shares will be issued under the Specific Mandate granted at the AGM and the 2019 Class Meetings. The Bank conducts the Proposed Private Placement to further improve the Bank’s comprehensive competitiveness, optimize its shareholding structure, enhance its risk resistance capability, improve its capital adequacy ratio and core capital adequacy ratio and improve the continuous development of the Bank.

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

Effect on the shareholding structure

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

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

Notes:

- Such Domestic Shares are directly held by ICBC Financial Asset Investment Co., Ltd.* (工銀金融資產投資有限公司). Upon completion of the Proposed Private Placement, the effective interest of ICBC Financial Asset Investment Co., Ltd.* (工銀金融資產投資有限公司) in the total issued share capital of the Bank will be diluted from 10.82% to 6.02%. Accordingly, it will no longer be a substantial shareholder of the Bank and shall be deemed as a public Domestic Shareholder upon the completion of the Proposed Private Placement.
- Such Domestic Shares are directly held by Cinda Investment Co., Ltd.* (信達投資有限公司), a wholly-owned subsidiary of China Cinda. China Cinda indirectly held all the equity interests in Huida Asset Management and Chengfang Huida.

(b) Reasons For Proposed Private Placement and Asset Reorganization

Reference is made to the announcement of the Bank dated 26 December 2019 in relation to its proposed significant asset reorganization in order to improve its assets quality and internal delicacy-management level of the assets, and further optimize its asset structure. The Bank has, accordingly, formulated a plan for reorganization which mainly consist of:

- (i) the Proposed Private Placement;
- (ii) the disposal of certain assets held by the Bank with the original book value of the principal amount of which is approximately RMB150.00 billion (the “**Intended Disposal**”) to Chengfang Huida; and
- (iii) the subscription of a directional debt instrument in the principal amount of approximately RMB75.00 billion with an initial maturity period of 15 years issued by a partnership set up by corporations controlled by Liaoning Financial Holding and the Deposit Insurance Fund Management Co., Ltd.* (存款保險基金管理有限責任公司) (the “**Intended Debt Instrument Subscription**”, together with the Intended Disposal, the “**Intended Asset Reorganization**”).

Through the above plan for reorganization, the Bank expects to improve its capital adequacy ratio, effectively improve its risk resistance ability, strengthen its corporate governance level and control its development direction, which provides the foundation for the Bank to establish a healthy internal governance mechanism and realize the overall stable operation and so as to further improve its comprehensive competitiveness and promote its sustainable development.

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	After the completion of Private Placement	As at	After the completion of Private Placement	
		31 December 2019 (Before the completion of Private Placement)	Change	Rate of Change (%)
Asset/liability key indicators				
Total assets	848,396,551	836,306,551	12,090,000	1.4
Total liabilities	776,500,340	776,500,340	–	–
Total equity	71,896,211	59,806,211	12,090,000	20.2
Share capital	13,981,616	7,781,616	6,200,000	79.7
Capital Adequacy Indicators (%)			Rate of Change (%)	
Core tier-one capital adequacy ratio	6.74	5.14	1.60	
Tier-one capital adequacy ratio	8.06	6.46	1.60	
Capital adequacy ratio	9.99	8.39	1.60	
Total equity to total assets	8.47	7.15	1.32	

The profit and loss (if any) resulted from the asset reorganization is not reflected in the unaudited annual results for the year ended 31 December 2019.

5.7.2 Issues Concerning the Effect of Novel Coronavirus Pneumonia

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

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

6. FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

		For the year ended 31 December	
	Notes	2019	2018
Interest income		47,560,072	46,002,674
Interest expense		<u>(28,093,475)</u>	<u>(26,901,602)</u>
Net interest income	4	<u>19,466,597</u>	<u>19,101,072</u>
Fee and commission income		434,660	842,123
Fee and commission expense		<u>(190,575)</u>	<u>(84,595)</u>
Net fee and commission income	5	<u>244,085</u>	<u>757,528</u>
Net trading gains	6	3,313,970	1,491,100
Dividend income		1,200	880
Net gains arising from investment securities		240,382	100,234
Net foreign exchange losses		(42,278)	(183,660)
Other net operating income		<u>21,520</u>	<u>16,045</u>
Operating income		23,245,476	21,283,199
Operating expenses	7	<u>(3,739,893)</u>	<u>(3,586,646)</u>
Operating profit before impairment		19,505,583	17,696,553
Impairment losses on assets	8	<u>(21,052,971)</u>	<u>(23,683,718)</u>
Loss before tax		(1,547,388)	(5,987,165)
Income tax credit	9	<u>485,181</u>	<u>1,449,054</u>
Net loss for the year		<u>(1,062,207)</u>	<u>(4,538,111)</u>
Net (loss)/profit attributable to:			
Equity shareholders of the Bank		(1,125,317)	(4,593,447)
Non-controlling interests		<u>63,110</u>	<u>55,336</u>
Net loss for the year		<u>(1,062,207)</u>	<u>(4,538,111)</u>
Basic and diluted loss per share (in RMB)	10	<u>(0.14)</u>	<u>(0.77)</u>

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

For the year ended 31 December 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	For the year ended 31 December	
	2019	2018
Net loss for the year	(1,062,207)	(4,538,111)
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss:		
Debt instruments measured at fair value through other comprehensive income:		
– Change in fair value	96,877	1,212,698
– Change in impairment provision	(7,608)	(25,522)
– Reclassified to the profit or loss upon disposal	(56,665)	(64,666)
– Related income tax effect	49,306	(286,155)
Items that will not be reclassified to profit or loss:		
– Remeasurement of defined benefit obligation	(8,851)	(6,721)
– Equity instruments at fair value through other comprehensive income: change in fair value	32,215	22,110
Other comprehensive income for the year	105,274	851,744
Total comprehensive income for the year	(956,933)	(3,686,367)
Attributable to:		
Equity shareholders of the Bank	(1,020,043)	(3,741,703)
Non-controlling interests	63,110	55,336
Total comprehensive income for the year	(956,933)	(3,686,367)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in thousands of Renminbi, unless otherwise stated)

		As at 31 December	
	Notes	2019	2018
Assets			
Cash and deposits with the central bank		105,176,537	64,618,759
Deposits with banks and other financial institutions		8,294,876	16,231,627
Placements with banks and other financial institutions		5,835,638	48,454
Positive fair value of derivatives		—	305,361
Financial assets held under resale agreements		—	100,073
Loans and advances to customers		411,819,631	349,110,123
Financial assets at fair value through profit or loss	11	55,529,600	66,062,880
Financial assets at fair value through other comprehensive income	12	12,559,843	42,857,583
Financial assets measured at amortised cost	13	208,958,565	283,136,375
Finance lease receivables		6,580,350	7,484,842
Property and equipment		6,916,195	6,601,413
Deferred tax assets		11,822,824	7,473,418
Other assets		2,812,492	1,891,840
Total assets		<u>836,306,551</u>	<u>845,922,748</u>
Liabilities and equity			
Liabilities			
Borrowing from the central bank		33,079,647	108,369
Deposits from banks and other financial institutions		178,019,109	164,629,085
Placements from banks and other financial institutions		27,731,363	20,760,381
Financial liabilities at fair value through profit or loss		6,282,209	16,512,712
Negative fair value of derivatives		15,043	153,950
Financial assets sold under repurchase agreements		10,106,602	43,445,203
Deposits from customers		406,408,319	445,576,089
Accrued staff costs		320,927	302,747
Taxes payable		2,473,139	965,769
Debt securities issued		110,108,837	89,668,782
Provisions		823,076	1,728,410
Other liabilities		1,132,069	1,308,107
Total liabilities		<u>776,500,340</u>	<u>785,159,604</u>

	As at 31 December	
	2019	2018
Equity		
Share capital	7,781,616	7,781,616
Other equity instruments		
Including: preference shares	9,897,363	9,897,363
Capital reserve	20,836,044	20,730,770
Surplus reserve	2,994,679	2,994,679
General reserve	11,802,132	11,802,132
Retained earnings	<u>2,445,535</u>	<u>3,570,852</u>
Total equity attributable to equity shareholders of the Bank	<u>55,757,369</u>	<u>56,777,412</u>
Non-controlling interests	4,048,842	3,985,732
Total equity	<u>59,806,211</u>	<u>60,763,144</u>
Total liabilities and equity	<u><u>836,306,551</u></u>	<u><u>845,922,748</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to shareholders of the Bank						Subtotal	Non-controlling interests	Total equity
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Retained earnings			
Balance at 1 January 2019	7,781,616	9,897,363	20,730,770	2,994,679	11,802,132	3,570,852	56,777,412	3,985,732	60,763,144
Changes in equity for the year:									
Net loss for the year	-	-	-	-	-	(1,125,317)	(1,125,317)	63,110	(1,062,207)
Other comprehensive income	-	-	105,274	-	-	-	105,274	-	105,274
Total comprehensive income	-	-	105,274	-	-	(1,125,317)	(1,020,043)	63,110	(956,933)
Changes in share capital									
– Capital injection by equity shareholders	-	-	-	-	-	-	-	-	-
Appropriation of profits									
– Appropriation to surplus reserve	-	-	-	-	-	-	-	-	-
– Appropriation to general reserve	-	-	-	-	-	-	-	-	-
– Appropriation to shareholders	-	-	-	-	-	-	-	-	-
Balance at 31 December 2019	<u>7,781,616</u>	<u>9,897,363</u>	<u>20,836,044</u>	<u>2,994,679</u>	<u>11,802,132</u>	<u>2,445,535</u>	<u>55,757,369</u>	<u>4,048,842</u>	<u>59,806,211</u>
Balance at 31 December 2017	6,781,616	9,897,363	13,578,809	2,994,679	9,818,070	13,160,018	56,230,555	3,934,173	60,164,728
Add: Change in accounting policies	-	-	67,677	-	-	(1,293,628)	(1,225,951)	-	(1,225,951)
Balance at 1 January 2018	6,781,616	9,897,363	13,646,486	2,994,679	9,818,070	11,866,390	55,004,604	3,934,173	58,938,777
Changes in equity for the year:									
Net loss for the year	-	-	-	-	-	(4,593,447)	(4,593,447)	55,336	(4,538,111)
Other comprehensive income	-	-	851,744	-	-	-	851,744	-	851,744
Total comprehensive income	-	-	851,744	-	-	(4,593,447)	(3,741,703)	55,336	(3,686,367)
Capital contribution and withdrawal by owners									
– Capital injection by equity shareholders	1,000,000	-	6,232,540	-	-	-	7,232,540	-	7,232,540
Appropriation of profits									
– Appropriation to general reserve	-	-	-	-	1,984,062	(1,984,062)	-	-	-
– Appropriation to shareholders	-	-	-	-	-	(1,718,029)	(1,718,029)	(3,777)	(1,721,806)
Balance at 31 December 2018	<u>7,781,616</u>	<u>9,897,363</u>	<u>20,730,770</u>	<u>2,994,679</u>	<u>11,802,132</u>	<u>3,570,852</u>	<u>56,777,412</u>	<u>3,985,732</u>	<u>60,763,144</u>

CONSOLIDATED CASH FLOW STATEMENT

(Expressed in thousands of Renminbi, unless otherwise stated)

	For the year ended 31 December	
	2019	2018
Cash flows from operating activities		
Loss for the year	(1,062,207)	(4,538,111)
Adjustments for:		
Impairment losses on assets	21,052,971	23,683,718
Depreciation and amortisation	483,060	427,286
Unwinding of discount	(1,217,564)	(330,732)
Dividend income	(1,200)	(880)
Unrealised foreign exchange losses	166,453	98,929
Gains on derivative financial instruments	(226)	(116)
Net gains arising from investment securities	(240,382)	(100,234)
Net gains on disposal of trading securities	(459,452)	(41,183)
Revaluation on financial instruments at fair value through profit	(2,854,292)	(1,449,801)
Interest expense on debts securities issued	3,282,233	3,923,616
Net (gains)/losses on disposal of property and equipment	(2,069)	1,052
Income tax credit	(485,181)	(1,449,054)
	<u>18,662,144</u>	<u>20,224,490</u>
Subtotal		
Changes in operating assets		
Net decrease/(increase) in deposits with the central bank, banks and other financial institutions	21,503,292	(5,573,473)
Net increase in placements with banks and other financial institutions	–	(48,418)
Net increase in loans and advances to customers	(71,462,920)	(156,012,322)
Net decrease/(increase) in finance lease receivables	689,388	(847,115)
Net increase in other operating assets	(45,157,180)	(249,635)
	<u>(94,427,420)</u>	<u>(162,730,963)</u>
Subtotal		
Changes in operating liabilities		
Net increase/(decrease) in borrowing from central bank	32,931,953	(199,500)
Net increase in deposits from banks and other financial institutions	14,539,334	27,478,562
Net increase in placements from banks and other financial institutions	8,077,276	7,121,319
Net (decrease)/increase in financial assets sold under repurchase agreements	(33,306,708)	4,322,305
Net (decrease)/increase in deposits from customers	(39,445,492)	89,848,054
Income tax paid	(3,910,050)	(3,752,126)
Net increase/(decrease) in other operating liabilities	19,489,626	(2,915,459)
	<u>(1,624,061)</u>	<u>121,903,155</u>
Subtotal		

	For the year ended 31 December	
	2019	2018
Net cash flows used in operating activities	(77,389,337)	(20,603,318)
Cash flows from investing activities		
Proceeds from disposal and redemption of investments	213,290,645	291,159,316
Dividend received	1,200	880
Proceeds from disposal of property and equipment and other assets	6,647	26,526
Payments on acquisition of investments	(94,620,915)	(264,100,797)
Payments on acquisition of property and equipment, intangible assets and other assets	(468,330)	(820,237)
Net cash flows generated from investing activities	118,209,247	26,265,688
Cash flows from financing activities		
Proceeds from capital contribution by equity shareholders	–	7,232,540
Proceeds from issue of debt securities	182,834,970	128,996,076
Repayment of debts securities issued	(165,090,000)	(132,440,000)
Interest paid on debts securities issued	(587,149)	(502,200)
Dividend paid	(88,538)	(1,568,258)
Net cash flows generated from financing activities	17,069,283	1,718,158
Effect of foreign exchange rate changes on cash and cash equivalents	(61,363)	36,154
Net increase in cash and cash equivalents	57,827,830	7,416,682
Cash and cash equivalents at the beginning of the year	19,886,632	12,469,950
Cash and cash equivalents at the end of the year	77,714,462	19,886,632
Interest received	40,668,097	47,377,546
Interest paid (excluding interest expense on debts securities issued)	(28,435,744)	(20,661,534)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

1 BACKGROUND INFORMATION

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance and basis of preparation

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

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

The consolidated financial statements as at 31 December 2019 comprise the Bank and its subsidiaries.

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

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

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

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

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

The consolidated financial statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

(b) Change in accounting policies

The Group has adopted the following new and revised IFRS 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-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements to IFRSs 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.

Other than as explained below regarding the impact of IFRS 16 Leases, the application of the new and revised standards has had no significant financial effect on these Financial Statements. The nature and impact of IFRS 16 are described below:

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 to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. 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 has been applied retrospectively with the cumulative effect of initial adoption recognised 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.

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 leases of low value assets (elected on a lease by lease basis) and leases with a lease term of 12 months or less (“short-term leases”) (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

As the standard is expected to have no material impact on financial position and operating results of the Group, the relevant items are not adjusted in the unaudited report.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

(a) Measurement of the expected credit loss allowance

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

(b) Fair value of financial instruments

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

(c) Income taxes

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account tax legislation. Deferred tax assets are recognised for tax loss not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(d) Impairment of non-financial assets

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

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

(e) Depreciation and amortisation

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

(f) Determination of control over investees

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

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

(g) Defined benefit plan

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

5 NET FEE AND COMMISSION INCOME

	For the year ended 31 December	
	2019	2018
Fee and commission income		
Agency services fees	56,580	211,284
Settlement and clearing fees	84,903	231,747
Wealth management service fees	185,297	251,683
Underwriting and advisory fees	49,422	86,970
Bank card service fees	11,683	13,002
Others	46,775	47,437
	<u>434,660</u>	<u>842,123</u>
Subtotal		
Fee and commission expense		
Settlement and clearing fees	42,909	42,938
Others	147,666	41,657
	<u>190,575</u>	<u>84,595</u>
Subtotal		
Net fee and commission income	<u>244,085</u>	<u>757,528</u>

6 NET TRADING GAINS

	For the year ended 31 December	
	2019	2018
Trading financial instruments		
- Debt securities	2,579,567	1,261,231
- Derivative financial instruments	(111)	725
- Precious metals	1	-
	<u>2,579,457</u>	<u>1,261,956</u>
Subtotal		
Financial instruments designated at fair value through profit or loss	734,513	229,144
	<u>3,313,970</u>	<u>1,491,100</u>
Total		

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

7 OPERATING EXPENSES

	For the year ended	
	31 December	
	2019	2018
Staff costs		
– Salaries and bonuses	1,323,419	1,263,408
– Social insurance	262,299	261,511
– Housing allowances	110,868	97,165
– Staff welfares	55,075	71,386
– Supplementary retirement benefits	1,212	1,961
– Other long-term staff welfares	1,322	38,529
– Others	94,195	49,704
	<hr/>	<hr/>
Subtotal	1,848,390	1,783,664
	<hr/>	<hr/>
Premises and equipment expenses		
– Depreciation of property and equipment	348,492	324,116
– Rental and property management expenses	95,089	112,512
– Amortisation of other long-term assets	89,685	66,625
– Amortisation of intangible assets	44,883	36,545
	<hr/>	<hr/>
Subtotal	578,149	539,798
	<hr/>	<hr/>
Tax and surcharges	281,934	200,414
Other general and administrative expenses (Note)	1,031,420	1,062,770
	<hr/>	<hr/>
Total	3,739,893	3,586,646
	<hr/> <hr/>	<hr/> <hr/>

Note: Auditors' remuneration for the year of 2019 was RMB8.14 million (2018: RMB6.52 million).

8 IMPAIRMENT LOSSES ON ASSETS

	For the year ended	
	31 December	
	2019	2018
Loans and advances to customers	14,821,589	17,489,929
Deposits and placements with banks and other financial institutions	167,982	37,920
Financial assets held under resale agreements	–	(47)
Financial assets at fair value through other comprehensive income	1,735	(25,522)
Financial assets measured at amortised cost	6,556,289	4,768,271
Finance lease receivables	401,339	202,614
Credit commitments	(907,609)	1,185,636
Others	11,646	24,917
	<hr/>	<hr/>
Total	<u>21,052,971</u>	<u>23,683,718</u>

9 INCOME TAX CREDIT

(a) *Income tax credit:*

	For the year ended	
	31 December	
	2019	2018
Current tax expense	4,010,581	3,522,024
Deferred tax expense	(4,495,762)	<u>(4,971,078)</u>
Total	<u>(485,181)</u>	<u>(1,449,054)</u>

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

	For the year ended	
	31 December	
	2019	2018
Loss before tax	(1,547,388)	(5,987,165)
Statutory tax rate	25%	25%
Income tax calculated at statutory tax rate	(386,847)	(1,496,791)
Non-deductible expenses		
- Staff costs	250	325
- Others	16,440	<u>106,785</u>
Subtotal	<u>16,690</u>	<u>107,110</u>
Non-taxable income		
- Interest income from the PRC government bonds	(28,036)	(34,481)
- Others	(86,988)	(23,574)
Utilisation of tax loss	-	<u>(1,318)</u>
Total	<u>(485,181)</u>	<u>(1,449,054)</u>

10 BASIC AND DILUTED LOSSES PER SHARE

	For the year ended	
	31 December	
	2019	2018
Net loss attributable to equity shareholders of the Bank	(1,125,317)	(4,593,447)
Less: Net profit attributable to other equity holders of the Bank	<u>—</u>	<u>(632,891)</u>
Net loss attributable to equity shareholders of the Bank	(1,125,317)	(5,226,338)
Weighted average number of ordinary shares (in thousands)	<u>7,781,616</u>	<u>6,809,013</u>
Basic and diluted losses per share attributable to equity shareholders of the Bank (in RMB)	<u><u>(0.14)</u></u>	<u><u>(0.77)</u></u>

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

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the Reporting Period.

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

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2019	2018
Debt securities held for trading (a)	33,274,507	5,713,274
Interbank certificates of deposit	386,387	2,974,136
Beneficial interest transfer plans (b)	12,663,815	32,778,216
Debt funds	—	7,558,886
Balance with a bank	405,214	200,581
Wealth management products issued by financial institutions	200,129	251,000
	<hr/>	<hr/>
Subtotal	46,930,052	49,476,093
Financial assets designated at fair value through profit or loss (c)	8,599,548	16,586,787
	<hr/>	<hr/>
Total	<u>55,529,600</u>	<u>66,062,880</u>

(a) Debt securities held for trading

	As at 31 December	
	2019	2018
Issued by institutions in Mainland China		
- Banks and other financial institutions	<u>30,947,187</u>	<u>3,423,652</u>
Issued by institutions outside Mainland China		
- Banks and other financial institutions	<u>2,327,320</u>	<u>2,289,622</u>
Total	<u><u>33,274,507</u></u>	<u><u>5,713,274</u></u>
Listed	<u>5,570,864</u>	3,415,253
Unlisted	<u>27,703,643</u>	<u>2,298,021</u>
Total	<u><u>33,274,507</u></u>	<u><u>5,713,274</u></u>

As at the end of the Reporting Period, some of the debt securities held for trading and interbank 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, 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.

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December	
	2019	2018
Debt instruments issuers in Mainland China		
- Government	2,747,714	2,208,490
- Banks and other financial institutions	7,975,166	38,524,754
- Corporations	473,621	712,079
Subtotal	<u>11,196,501</u>	<u>41,445,323</u>
Equity investments		
- Unlisted	<u>1,231,496</u>	<u>609,330</u>
Add: Interests receivable	<u>131,846</u>	<u>802,930</u>
Total	<u><u>12,559,843</u></u>	<u><u>42,857,583</u></u>

At the end of Reporting Period, some of the investments of debt securities in Mainland China are used for the pledge of repurchase agreements.

Note 1: Provision for impairment of financial investments 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 assets presented in the consolidated statement of financial position is not reduced.

Note 2: The Group chose to designate non-trading equity investments as financial assets at fair value through other comprehensive income on the transition date. As at 31 December 2019, the amount for these non-trading equity investments was RMB1,231.50 million (2018: RMB609.33 million). During the Reporting Period, the dividend income from these non-trading equity investments amounted to RMB1.20 million (2018: RMB0.88 million) and was included in profit or loss. As at the end of the Reporting Period, 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 were RMB24.45 million (2018: RMB22.11 million) for the year 2019.

13 FINANCIAL ASSETS MEASURED AT AMORTISED COST

	At 31 December	
	2019	2018
Debt securities issued by the following institutions in Mainland China		
- Government	1,989,281	4,069,833
- Banks and other financial institutions	1,240,000	1,340,000
- Corporations	19,956	19,897
Subtotal	3,249,237	5,429,730
Issuers outside Mainland China		
- Corporate	1,882,848	1,715,800
Beneficial interest transfer plans	214,159,222	283,324,352
Add: Interest receivable	5,452,565	1,895,511
Less: Provision for impairment losses	(15,785,307)	(9,229,018)
Total	208,958,565	283,136,375

At the end of the Reporting Period, certain debt securities issued by the Government, banks and other financial institutions in Mainland China are used for the pledge of repurchase agreements.

14 APPROPRIATION OF PROFITS

- (a) In accordance with the resolution of the Bank's 2018 annual general meeting on 18 October 2019, the proposed profit appropriations for the year ended 31 December 2018 is listed as follows:
- Appropriate general reserve amounted to RMB1,984 million.
- (b) In accordance with the resolution of the Bank's Board of directors meeting on 28 August 2018, the Bank's overseas preference shares distribution plan, which was distributed on 27 October 2018, is listed as follows:
- Declaration of preference stock dividend to holders of overseas preference shares of USD91.42 million, approximately RMB633 million.

15 SEGMENT REPORTING

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

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

Corporate banking business

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

Retail banking business

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

Treasury business

This segment covers the Group’s treasury operations, including inter-bank money market transactions, repurchases transactions, investments and trades in debt securities, foreign currency trading for its own accounts. The treasury business segment also covers customer-driven foreign currency trading, as well as management of the Group’s overall liquidity position, including the issuance of debts securities.

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

(a) *Segment results, assets and liabilities*

	For the year ended 31 December 2019				
	Corporate	Retail	Treasury	Other	
	banking	banking	business	business and	
	business	business	business	undistributed	Total
				project	
Operating income					
External net interest income/(expense)	23,722,705	(10,381,693)	6,125,585	–	19,466,597
Internal net interest income/(expense)	(11,092,319)	11,863,547	(771,228)	–	–
Net interest income	12,630,386	1,481,854	5,354,357	–	19,466,597
Net fee and commission income	44,132	178,984	20,969	–	244,085
Net trading gains	–	–	3,313,970	–	3,313,970
Dividend income	–	–	1,200	–	1,200
Net gains arising from investment securities	–	–	240,382	–	240,382
Foreign exchange losses	(13)	(3)	(42,262)	–	(42,278)
Other net operating income	–	–	–	21,520	21,520
Total operating income	<u>12,674,505</u>	<u>1,660,835</u>	<u>8,888,616</u>	<u>21,520</u>	<u>23,245,476</u>
Operating expenses	(1,484,369)	(1,140,133)	(954,214)	(161,177)	(3,739,893)
Operating profit/(loss) before impairment	11,190,136	520,702	7,934,402	(139,657)	19,505,583
Impairment losses on assets	(14,168,590)	(146,729)	(6,737,652)	–	(21,052,971)
(Loss)/profit before tax	<u>(2,978,454)</u>	<u>373,973</u>	<u>1,196,750</u>	<u>(139,657)</u>	<u>(1,547,388)</u>
Segment assets	408,087,293	11,303,981	399,014,264	6,078,189	824,483,727
Deferred tax assets	–	–	–	11,822,824	11,822,824
Total assets	<u>408,087,293</u>	<u>11,303,981</u>	<u>399,014,264</u>	<u>17,901,013</u>	<u>836,306,551</u>
Segment liabilities	164,907,992	246,595,913	360,046,471	4,602,221	776,152,597
Dividend payable	–	–	–	347,743	347,743
Total liabilities	<u>164,907,992</u>	<u>246,595,913</u>	<u>360,046,471</u>	<u>4,949,964</u>	<u>776,500,340</u>
Other segment information					
– Depreciation and amortisation	171,121	78,151	226,179	7,609	483,060
– Capital expenditure	299,133	131,922	401,296	14,621	846,972

	For the year ended 31 December 2018				
	Corporate banking business	Retail banking business	Treasury business	Other business and undistributed project	Total
Operating income					
External net interest income/(expense)	10,682,484	(6,686,581)	15,105,169	—	19,101,072
Internal net interest income/(expense)	(3,090,880)	8,556,251	(5,465,371)	—	—
Net interest income	7,591,604	1,869,670	9,639,798	—	19,101,072
Net fee and commission income	443,093	281,115	33,320	—	757,528
Net trading gains	—	—	1,491,100	—	1,491,100
Dividend income	—	—	880	—	880
Net gains arising from investment securities	—	—	100,234	—	100,234
Foreign exchange net profit/(losses)	4,029	255	(171,968)	(15,976)	(183,660)
Other net operating income	—	—	—	16,045	16,045
Total operating income	<u>8,038,726</u>	<u>2,151,040</u>	<u>11,093,364</u>	<u>69</u>	<u>21,283,199</u>
Operating expenses	(1,342,424)	(359,350)	(1,882,192)	(2,680)	(3,586,646)
Operating profit/(loss) before impairment	6,696,302	1,791,690	9,211,172	(2,611)	17,696,553
Impairment losses on assets	(18,481,150)	(460,936)	(4,741,632)	—	(23,683,718)
(Loss)/profit before tax	<u>(11,784,848)</u>	<u>1,330,754</u>	<u>4,469,540</u>	<u>(2,611)</u>	<u>(5,987,165)</u>
Segment assets	345,609,993	11,353,537	473,361,112	8,124,688	838,449,330
Deferred tax 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>
Other segment information					
- Depreciation and amortisation	(143,397)	(67,810)	(189,202)	(26,877)	(427,286)
- Capital expenditure	275,271	130,172	363,201	51,593	820,237

(b) Geographical information

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

Non-current assets include property and equipment, 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.

	Operating Income	
	Year ended 31 December	
	2019	2018
Jinzhou Region	16,985,964	16,871,441
Other Northeastern China Region	3,874,491	2,382,459
Northern China Region	2,385,021	2,029,299
Total	<u>23,245,476</u>	<u>21,283,199</u>

	Non-current Assets	
	31 December	31 December
	2019	2018
Jinzhou Region	3,446,516	2,801,676
Other Northeastern China Region	3,564,798	3,381,635
Northern China Region	654,193	695,045
Total	<u>7,665,507</u>	<u>6,878,356</u>

16 COMMITMENTS AND CONTINGENT LIABILITIES

(a) *Credit commitments*

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

The contractual amounts of loans and credit card commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. 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.

	31 December 2019	31 December 2018
Loan commitments		
- Original contractual maturity within one year	2,334,308	666,784
- Original contractual maturity more than one year	25,599	4,502,295
Credit card commitments	837,508	1,174,794
Subtotal	<u>3,197,415</u>	<u>6,343,873</u>
Acceptances	119,543,175	219,978,680
Letters of guarantees	99,443	525,856
Letters of credit	4,496,980	18,172,538
Total	<u><u>127,337,013</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) Operating lease commitments

As at the end of the Reporting Period, the Group's future minimum lease payments under non-cancellable operating leases for properties are as follows:

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

(c) Capital commitments

As at the end of the Reporting Period, the Group's authorised capital commitments are as follows:

	31 December 2019	31 December 2018
Contracted but not provided for		
- Purchase of property and equipment	<u>339,795</u>	<u>407,225</u>
Total	<u><u>339,795</u></u>	<u><u>407,225</u></u>

(d) Outstanding litigations and disputes

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

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

7. RELEASE OF UNAUDITED CONSOLIDATED FINANCIAL INFORMATION AND FURTHER RELEASE OF AUDITED CONSOLIDATED FINANCIAL INFORMATION AND ANNUAL REPORT

This announcement of unaudited consolidated financial information was published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.jinzhoubank.com). Following the completion of the auditing process, the Bank will issue further announcement(s) in relation to (i) the Audited Consolidated Financial Information for the year ended 31 December 2019; (ii) the proposed payment of confirmed final dividend for the year ended 31 December 2019 (if any); (iii) the proposed date on which to pay final dividend, book closure period and share registration date; and (iv) the proposed date of the annual general meeting, book closure period and share registration date. In addition, if there are other significant progresses in the completion of auditing process, the Bank will issue further announcement when necessary. The 2019 annual report prepared in accordance with the Listing Rules and the IFRSs will be released on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.jinzhoubank.com), and will be dispatched to the holders of H shares of the Bank in due course.

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

The financial information contained in this announcement in respect of the annual results of the Bank has not yet been confirmed by the auditors. Shareholders and potential investors of the Bank are advised to exercise caution when dealing in the shares of the Bank.

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

Jinzhou, Liaoning Province, the PRC
31 March 2020

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

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