九台农商银行
JIUTAI RURAL COMMERCIAL BANK

JILIN JIUTAI RURAL COMMERCIAL BANK CORPORATION LIMITED *

吉 林 九 台 農 村 商 業 銀 行 股 份 有 限 公 司 *

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

(Stock Code: 6122)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2019

The board of directors (the "**Board**" or "**Board of Directors**") of Jilin Jiutai Rural Commercial Bank Corporation Limited (the "**Bank**") is pleased to announce the unaudited interim results (the "**Interim Results**") of the Bank and its subsidiaries (the "**Group**") for the six months ended June 30, 2019 (the "**Reporting Period**") prepared in accordance with the International Financial Reporting Standards (the "**IFRSs**") promulgated by the International Accounting Standards Board. The Board and its audit committee have reviewed and confirmed the Interim Results.

1. BASIC INFORMATION OF THE BANK

Registered Name in Chinese:	吉林九台農村商業銀行股份有限公司 (abbreviated as "九台農商銀行")
Registered Name in English:	Jilin Jiutai Rural Commercial Bank Corporation Limited (abbreviated as "Jiutai Rural Commercial Bank")
Legal Representative:	Gao Bing
Authorized Representatives:	Gao Bing, Lau Kwok Yin
Board Secretary:	Yuan Chunyu
Joint Company Secretaries:	Yuan Chunyu, Lau Kwok Yin
Registered Office Address of the Bank:	No. 504 Xinhua Main Street, Jiutai District, Changchun, Jilin Province, the People's Republic of China ("**PRC**")
Principal Office Address of the Bank:	No. 2559 Wei Shan Road, High-tech Zone, Changchun, Jilin Province, the PRC

Customer Service Hotline:	+86 (431) 96888
Telephone:	+86 (431) 8925 0628
Facsimile:	+86 (431) 8925 0628
Company Website:	www.jtnsh.com
Principal Place of Business in Hong Kong:	Room 15, 11th Floor, Tower 2, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong
H Share Disclosure Websites:	The Stock Exchange of Hong Kong Limited's website at www.hkexnews.hk The Bank's website at www.jtnsh.com
Listing Place:	The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**")
Stock Short Name:	JIUTAI RCB
Stock Code:	06122
H Share Registrar:	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
PRC Legal Adviser:	King & Wood Mallesons 20/F, East Tower World Financial Center 1 Dongsanhuan Zhonglu Chaoyang District, Beijing, the PRC
Hong Kong Legal Adviser:	Latham & Watkins LLP 18/F, One Exchange Square 8 Connaught Place Central, Hong Kong

Auditors of the Bank:	***Domestic Auditor:*** ShineWing Certified Public Accountants LLP 9/F, Block A, Fu Hua Mansion No. 8 Chao Yang Men Bei Da Jie Dong Cheng District, Beijing, the PRC ***International Auditor:*** SHINEWING (HK) CPA Limited 43/F, Lee Garden One 33 Hysan Avenue, Causeway Bay Hong Kong

2. FINANCIAL SUMMARY

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2019	2018	Change in percentage (%)	Year ended December 31, 2018
Operating results				
Interest income	**4,171.2**	4,362.3	(4.4)	8,602.6
Interest expenses	**(2,257.3)**	(2,608.7)	(13.5)	(5,082.5)
Net interest income	**1,913.9**	1,753.6	9.1	3,520.1
Fee and commission income	**102.5**	141.2	(27.4)	407.2
Fee and commission expenses	**(14.0)**	(13.8)	1.4	(31.6)
Net fee and commission income	**88.5**	127.4	(30.5)	375.6
Net trading gains	**350.8**	385.3	(9.0)	914.5
Dividend income	**64.2**	76.5	(16.1)	82.2
Net gains arising from investment securities	**7.7**	7.3	5.5	11.8
Losses on deemed disposals of subsidiaries	**—**	(6.2)	(100.0)	(6.2)
Net exchange gains/(losses)	**3.4**	11.4	(70.2)	15.0
Other operating (expense) income, net	**(1.5)**	21.6	(106.9)	124.6
Operating income	**2,427.0**	2,376.9	2.1	5,037.6
Operating expenses	**(1,156.5)**	(1,288.3)	(10.2)	(2,851.4)
Impairment losses on assets	**(678.9)**	(555.4)	22.2	(890.2)
Operating profit	**591.6**	533.2	11.0	1,296.0
Share of profits of associates	**18.1**	35.9	(49.6)	143.7
Profit before tax	**609.7**	569.1	7.1	1,439.7
Income tax expense	**(110.3)**	(94.6)	16.6	(256.1)
Profit for the period/end of year	**499.4**	474.5	5.2	1,183.6
Profit for the year attributable to:				
— Owners of the Bank	**454.7**	370.2	22.8	982.9
— Non-controlling interests	**44.7**	104.3	(57.1)	200.7
Profit for the period/end of year	**499.4**	474.5	5.2	1,183.6
Basic earnings per share (RMB)	**0.11**	0.09	22.2	0.23
Diluted earnings per share (RMB)	**0.11**	0.09	22.2	0.23

(Expressed in millions of RMB, unless otherwise stated)	**As at June 30, 2019**	As at December 31, 2018	Change in percentage (%)
Major indicators of assets/liabilities			
Total assets	**163,535.8**	164,253.2	(0.4)
Of which: loans and advances to customers	**84,694.7**	75,354.5	12.4
Total liabilities	**148,638.8**	149,145.7	(0.3)
Of which: deposits from customers	**112,374.0**	109,521.2	2.6
Total equity	**14,897.0**	15,107.5	(1.4)

	Six months ended June 30,		Change in percentage (%)
	2019	2018	
Profitability indicators (%)			
Return on assets[1][15]	**0.61%**	0.55%	10.9
Return on capital[2][15]	**6.66%**	6.17%	7.9
Net interest spread[3][15]	**2.61%**	2.03%	28.6
Net interest margin[4][15]	**2.56%**	1.98%	29.3
Net fee and commission income to operating income ratio[5]	**3.65%**	5.36%	(31.9)
Cost-to-income ratio[6]	**46.56%**	52.27%	(10.9)

	As at June 30, 2019	As at December 31, 2018	Change in percentage (%)	As at June 30, 2018
Capital adequacy indicators (%)				
Core tier-one capital adequacy ratio[7]	**8.85%**	9.40%	(5.9)	8.85%
Tier-one capital adequacy ratio[8]	**8.94%**	9.50%	(5.9)	8.93%
Capital adequacy ratio[9]	**11.25%**	11.83%	(4.9)	11.23%
Shareholders' equity to total assets ratio	**9.11%**	9.20%	(1.0)	8.88%
Assets quality indicators (%)				
Non-performing loan ratio[10]	**1.85%**	1.75%	5.7	1.91%
Provision coverage ratio[11]	**161.49%**	160.41%	0.7	155.04%
Provision to total loan ratio[12]	**2.98%**	2.80%	6.4	2.96%
Other indicators[13] (%)				
Loan to deposit ratio[14]	**77.68%**	70.79%	9.7	65.29%

Notes:

(1) Calculated by dividing the net profit for the period/year by the average balance of total assets at the beginning and the end of that period/year.

(2) Calculated by dividing the net profit for the period/year by the average balance of total equity at the beginning and at the end of that period/year.

(3) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.

(4) Calculated by dividing net interest income by average interest-earning assets.

(5) Calculated by dividing net fee and commission income by operating income.

(6) Calculated by dividing total operating expenses (net of tax and surcharges) by operating income.

(7) Core tier-one capital adequacy ratio = (core tier-one capital – corresponding capital deductions)/risk-weighted assets.

(8) Tier-one capital adequacy ratio = (tier-one capital – corresponding capital deductions)/risk-weighted assets.

(9) Capital adequacy ratio = (total capital – corresponding capital deductions)/risk-weighted assets.

(10) Non-performing loan ratio = non-performing loans and advances to customers/gross loans and advances to customers.

(11) Provision coverage ratio = provision for impairment losses on loans/total non-performing loans and advances to customers.

(12) Provision to total loan ratio = provision for impairment losses on loans/gross loans and advances to customers.

(13) These indicators refer to ratios we report to the China Banking and Insurance Regulatory Commission ("**CBIRC**") and calculated in accordance with PRC GAAP and relative requirements of the CBIRC regarding the financial data.

(14) According to the revised PRC Commercial Banking Law which became effective on October 1, 2015, loan to deposit ratio is no longer applicable to the PRC Commercial Banks as a regulatory ratio.

(15) Ratios for the six months ended June 30, 2018 and 2019 are calculated on an annualized basis.

3. MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Environment and Outlook

In the first half of 2019, although facing a complex and volatile macroeconomic situation where global political, economic and trading rules were under major adjustments and the uncertainties in the external environment have increased, with the support of relevant policies such as tax and surcharge reduction and improvement of business and financing environments, the general economy in China maintained steady growth and was well positioned for a healthy and sound development.

During the course of high-quality development, financial institutions in the banking industry will also face pressure from the needs of structural adjustment, business transformation and risk control. Yet, under the support of the proactive financial policies and flexible monetary policies, the operational outlook will be promising. Benefitting from a series of reform measures and full implementation of real economic supporting policies, the supply-side structural reform will be further promoted, and the transformation and upgrade of the industry will be accelerated. Coupled with the revitalization strategy of the Northeastern China and the implementation of "one dome, six double-pillars" (一主六雙), the overall industrial planning of Jilin Province, new opportunities and platforms will be provided for the development and transformation of the banking service sector in order to better serve the regional economy.

In the future, the Bank will effectively identify the actual situation and the new trend of the macro economy with the target of serving real economy. The Bank will focus on financial services for the three rurals and communities, cooperation platforms and public charity and emphasize the optimization of its operational structure, promotion of transformation and development and effective control of financial risks. All of the above will help the Bank to strike a balance between scale and revenue, progress and quality as well as profit and risks in terms of business development and to achieve sustainable development with high quality.

3.2 Development Strategies

The Group's strategic goal is to establish its footprint across China while headquartered in Jilin Province, and position itself as a professional financial services provider with unique values and strong competitive advantages. The Group also aims to build itself as a modern PRC rural commercial banking group with strong brand value. To achieve its goal, the Group plans to: (i) reinforce advantages in banking services for the "three rurals" and micro, small and medium-sized enterprises ("**SMEs**"); (ii) exploit the growth potential of personal financial services to promote the growth of its retail banking business; (iii) develop emerging businesses to promote the transformation of the growth model; (iv) further strengthen the Group's risk management and internal control; and (v) attract, develop, retain and motivate high-quality talent.

3.3 Overall Business Review

In the first half of 2019, in the face of multiple challenges including the changing macro environment and difficulties in the real economy, the Group proactively implemented various regulatory policies, maintained steady growth, adjusted the structure, and prevented and controlled risks in a coordinated manner. The Group maintained sound operation and management with steady development.

The Group recorded a total operating income of RMB2,427.0 million for the six months ended June 30, 2019, representing an increase of 2.1% as compared to RMB2,376.9 million for the six months ended June 30, 2018. The Group's net profit increased by 5.2% from RMB474.5 million for the six months ended June 30, 2018 to RMB499.4 million for the six months ended June 30, 2019.

As at June 30, 2019, the Group's total assets amounted to RMB163,535.8 million, representing a decrease of 0.4% as compared with the beginning of the year; net loans and advances to customers amounted to RMB84,694.7 million, representing an increase of 12.4% as compared with the beginning of the year; the non-performing loan ratio remained at a reasonable level of 1.85%; total deposits from customers amounted to RMB112,374.0 million, representing an increase of 2.6% as compared with the beginning of the year.

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

	Six months ended June 30,			
(Expressed in millions of RMB, unless otherwise stated)	**2019**	2018	Change in amount	Change in percentage (%)
Interest income	**4,171.2**	4,362.3	(191.1)	(4.4)
Interest expense	**(2,257.3)**	(2,608.7)	351.4	(13.5)
Net interest income	**1,913.9**	1,753.6	160.3	9.1
Fee and commission income	**102.5**	141.2	(38.7)	(27.4)
Fee and commission expenses	**(14.0)**	(13.8)	(0.2)	1.4
Net fee and commission income	**88.5**	127.4	(38.9)	(30.5)

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2019	2018	Change in amount	Change in percentage (%)
Net trading gains	**350.8**	385.3	(34.5)	(9.0)
Dividend income	**64.2**	76.5	(12.3)	(16.1)
Net gains arising from investment securities	**7.7**	7.3	0.4	5.5
Losses on deemed disposals of subsidiaries	**—**	(6.2)	6.2	(100.0)
Net exchange gains/(losses)	**3.4**	11.4	(8.0)	(70.2)
Other operating (expense) income, net	**(1.5)**	21.6	(23.1)	(106.9)
Operating income	**2,427.0**	2,376.9	50.1	2.1
Operating expenses	**(1,156.5)**	(1,288.3)	131.8	(10.2)
Impairment losses on assets	**(678.9)**	(555.4)	(123.5)	22.2
Operating profit	**591.6**	533.2	58.4	11.0
Share of profits of associates	**18.1**	35.9	(17.8)	(49.6)
Profit before tax	**609.7**	569.1	40.6	7.1
Income tax expense	**(110.3)**	(94.6)	(15.7)	16.6
Profit for the period	**499.4**	474.5	24.9	5.2
Profit for the period attributable to:				
— Owners of the Bank	**454.7**	370.2	84.5	22.8
— Non-controlling interests	**44.7**	104.3	(59.6)	(57.1)
Profit for the period	**499.4**	474.5	24.9	5.2

In the first six months of 2019, the Group's operating income was RMB2,427.0 million, representing a year-on-year increase of 2.1%; profit before tax was RMB609.7 million, representing a year-on-year increase of 7.1%; profit for the period was RMB499.4 million, representing a year-on-year increase of 5.2%. It was mainly due to the increase in net interest income of the Group.

(i) Net interest income

Net interest income was the largest component of the Group's operating income, representing 73.8% and 78.9% of operating income for the six months ended June 30, 2018 and 2019, respectively. The table below sets forth the interest income, interest expense and net interest income for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2019	2018	Change in amount	Change in percentage (%)
Interest income	**4,171.2**	4,362.3	(191.1)	(4.4)
Interest expenses	**(2,257.3)**	(2,608.7)	351.4	(13.5)
Net interest income	**1,913.9**	1,753.6	160.3	9.1

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

	Six months ended June 30, 2019			Six months ended June 30, 2018		
(Expressed in millions of RMB, unless otherwise stated)	**Average Balance**	**Interest income**	**Average yield (%)**	Average Balance	Interest income	Average yield (%)
Interest-earning assets						
Loans and advances to customers	**83,371.8**	**2,968.6**	**7.12**	85,463.4	2,628.9	6.15
Investment securities and other financial assets[(1)]	**29,682.7**	**788.6**	**5.31**	43,157.2	1,124.0	5.21
Deposits with banks and other financial institutions	**17,818.2**	**237.6**	**2.67**	19,907.3	322.2	3.24
Financial assets held under resale agreements	**2,806.2**	**40.9**	**2.91**	8,087.9	137.7	3.41
Deposits with the central bank[(2)]	**13,709.8**	**96.4**	**1.41**	18,770.9	122.6	1.31
Placements with banks and other financial institutions	**2,132.5**	**39.1**	**3.67**	1,484.6	26.9	3.62
Total interest-earning assets	**149,521.2**	**4,171.2**	**5.58**	176,871.3	4,362.3	4.93

(Expressed in millions of RMB, unless otherwise stated)	**Six months ended June 30, 2019**			Six months ended June 30, 2018		
	Average balance	**Interest expense**	**Average cost (%)**	Average balance	Interest expense	Average cost (%)
Interest-bearing liabilities						
Deposits from customers	**111,488.2**	**1,559.5**	**2.80**	134,385.2	1,681.4	2.50
Financial assets sold under repurchase agreements	**10,679.7**	**118.6**	**2.22**	15,260.4	220.4	2.89
Deposits from banks and other financial institutions	**5,721.8**	**98.6**	**3.45**	8,298.2	171.5	4.13
Debt securities issued(3)	**21,475.8**	**438.5**	**4.08**	19,873.3	514.5	5.18
Placements from banks and other financial institutions	**960.8**	**10.0**	**2.08**	1,924.5	15.0	1.56
Borrowing from the central bank	**951.3**	**14.3**	**3.01**	420.3	5.9	2.81
Lease liabilities	**817.1**	**17.8**	**4.36**	—	—	—
Total interest-bearing liabilities	**152,094.7**	**2,257.3**	**2.97**	180,161.9	2,608.7	2.90
Net interest income		**1,913.9**			1,753.6	
Net interest spread(4)			**2.61**			2.03
Net interest margin(5)			**2.56**			1.98

Notes:

(1) In accordance with the accounting standards, interest income generated from financial assets at fair value through profit or loss of the Group is credited to the net profit and loss of trading activities. The figures for the same period of last year were adjusted on the same basis for comparison purpose. Investment securities and other financial assets include the financial assets at fair value through other comprehensive income and financial assets at amortized cost.

(2) Primarily consist of statutory deposit reserves, surplus deposit reserves and fiscal deposit reserves.

(3) Primarily consist of tier-two capital bonds, subordinated fixed rate bonds and interbank certificates.

(4) Represents the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.

(5) Calculated by dividing net interest income by the average balance of interest-earning assets (based on the daily average of the interest-earning assets).

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2019 vs 2018		
	Volume(1)	**Interest rate**(2)	**Net Increase/ (decrease)**(3)
Interest-earning Assets			
Loans and advances to customers	(74.5)	414.2	339.7
Investment securities and other financial assets	(358.0)	22.6	(335.4)
Financial assets held under resale agreements	(77.0)	(19.8)	(96.8)
Deposits with banks and other financial institutions	(27.9)	(56.7)	(84.6)
Deposits with the central bank	(35.6)	9.4	(26.2)
Placements with banks and other financial institutions	11.9	0.3	12.2
Changes in interest income	(561.1)	370.0	(191.1)
Interest-bearing Liabilities			
Deposits from customers	(320.3)	198.4	(121.9)
Financial assets sold under repurchase agreements	(50.9)	(50.9)	(101.8)
Deposits from banks and other financial institutions	(44.4)	(28.5)	(72.9)
Debt securities issued	32.7	(108.7)	(76.0)
Placements from banks and other financial institutions	(10.0)	5.0	(5.0)
Borrowing from the central bank	8.0	0.4	8.4
Lease liabilities	17.8	—	17.8
Changes in interest expense	(367.1)	15.7	(351.4)
Changes in net interest income	(194.0)	354.3	160.3

Notes:

(1) Represents the average balance for the period minus the average balance for the previous period, multiplied by the average yield/cost for the period.

(2) Represents the average yield/cost for the period minus the average yield/cost for the previous period, multiplied by the average balance for the previous period.

(3) Represents interest income/expense for the period minus interest income/expense for the previous period.

(ii) Interest income

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2019		2018	
	Amount	**% of total**	Amount	% of total
Loans and advances to customers	**2,968.6**	**71.2**	2,628.9	60.2
Investment securities and other financial assets	**788.6**	**18.9**	1,124.0	25.8
Deposits with banks and other financial institutions	**237.6**	**5.7**	322.2	7.4
Financial assets held under resale agreements	**40.9**	**1.0**	137.7	3.2
Deposits with the central bank	**96.4**	**2.3**	122.6	2.8
Placements with banks and other financial institutions	**39.1**	**0.9**	26.9	0.6
Total	**4,171.2**	**100.0**	4,362.3	100.0

The Group's interest income decreased by 4.4% from RMB4,362.3 million for the six months ended June 30, 2018 to RMB4,171.2 million for the six months ended June 30, 2019, primarily due to a decrease in the average balance of interest-earning assets from RMB176,871.3 million for the six month ended June 30, 2018 to RMB149,521.2 million for the six months ended June 30, 2019, which was partially offset by an increase in the average yield on interest-earning assets from 4.93% for the six months ended June 30, 2018 to 5.58% for the six months ended June 30, 2019. The decrease in the average balance of interest-earning assets was primarily due to the decreases in the average balance of loans and advances to customers, investment securities and other financial assets, deposits with banks and other financial institutions, financial assets held under resale agreements and deposits with the central bank, which was partially offset by an increase in the average balance of placements with banks and other financial institutions. The increase in the average yield on interest-earning assets was primarily due to an increase in the average yield on loans and advances to customers, investment securities and other financial assets, deposits with the central bank and placements with banks and other financial institutions, which was partially offset by a decrease in the average yield on deposits with banks and other financial institutions and financial assets held under resale agreements.

(A) Interest income from loans and advances to customers

Interest income from loans and advances to customers represented 60.2% and 71.2% of the Group's total interest income for the six months ended June 30, 2018 and 2019, respectively. The table below sets forth the average balance, interest income and average yield of loans and advances to customers by product for the periods indicated.

	Six months ended June 30,					
	2019			2018		
(Expressed in millions of RMB, unless otherwise stated)	**Average balance**	**Interest income**	**Average yield (%)**	Average balance	Interest income	Average yield(%)
Corporate loans	**61,853.1**	**2,215.4**	**7.16**	64,904.8	1,967.0	6.06
Retail loans	**21,196.8**	**748.5**	**7.06**	20,500.5	660.4	6.44
Discounted bills	**321.9**	**4.7**	**2.92**	58.1	1.5	5.16
Gross loans and advances to customers	**83,371.8**	**2,968.6**	**7.12**	85,463.4	2,628.9	6.15

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

Interest income from investment securities and other financial assets decreased by 29.8% from RMB1,124.0 million for the six months ended June 30, 2018 to RMB788.6 million for the six months ended June 30, 2019, primarily due to a decrease in the average balance of investment securities and other financial assets from RMB43,157.2 million for the six months ended June 30, 2018 to RMB29,682.7 million for the six months ended June 30, 2019, which was partially offset by an increase in the average yield on investment securities and other financial assets from 5.21% for the six months ended June 30, 2018 to 5.31% for the six months ended June 30, 2019.

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

Interest income from deposits with banks and other financial institutions decreased by 26.3% from RMB322.2 million for the six months ended June 30, 2018 to RMB237.6 million for the six months ended June 30, 2019, primarily due to a decrease in the average balance of deposits with banks and other financial institutions from RMB19,907.3 million for the six months ended June 30, 2018 to RMB17,818.2 million for the six months ended June 30, 2019 and a decrease in average yield from 3.24% for the six months ended June 30, 2018 to 2.67% for the six months ended June 30, 2019.

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

Interest income from financial assets held under resale agreements decreased by 70.3% from RMB137.7 million for the six months ended June 30, 2018 to RMB40.9 million for the six months ended June 30, 2019, primarily due to a decrease in the average balance of financial assets held under resale agreements from RMB8,087.9 million for the six months ended June 30, 2018 to RMB2,806.2 million for the six months ended June 30, 2019 and a decrease in the average yield on those assets from 3.41% for the six months ended June 30, 2018 to 2.91% for the six months ended June 30, 2019.

(E) Interest income from deposits with the central bank

Interest income from deposits with the central bank decreased by 21.4% from RMB122.6 million for the six months ended June 30, 2018 to RMB96.4 million for the six months ended June 30, 2019, primarily due to a decrease in the average balance of deposits with the central bank from RMB18,770.9 million for the six months ended June 30, 2018 to RMB13,709.8 million for the six months ended June 30, 2019, which was partially offset by an increase in the average yield on deposits with the central bank from 1.31% for the six months ended June 30, 2018 to 1.41% for the six months ended June 30, 2019. The decrease in the average balance of deposits with the central bank was primarily due to a decrease in the surplus deposit reserves.

(iii) Interest expenses

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

	Six months ended June 30,			
	2019		2018	
(Expressed in millions of RMB, unless otherwise stated)	**Amount**	**% of total**	Amount	% of total
Deposits from customers	**1,559.5**	**69.1**	1,681.4	64.5
Financial assets sold under repurchase agreements	**118.6**	**5.3**	220.4	8.4
Deposits from banks and other financial institutions	**98.6**	**4.4**	171.5	6.6
Debt securities issued	**438.5**	**19.4**	514.5	19.7
Placements from banks and other financial institutions	**10.0**	**0.4**	15.0	0.6
Borrowings from the central bank	**14.3**	**0.6**	5.9	0.2
Lease liabilities	**17.8**	**0.8**	—	—
Total	**2,257.3**	**100.0**	2,608.7	100.0

(A) Interest expenses on deposits from customers

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

	Six months ended June 30,					
	2019			2018		
(Expressed in millions of RMB, unless otherwise stated)	**Average balance**	**Interest expense**	**Average cost (%)**	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time	**16,592.9**	**322.2**	**3.88**	20,224.3	392.1	3.88
Demand	**25,307.5**	**123.6**	**0.98**	31,955.2	250.9	1.57
Subtotal	**41,900.4**	**445.8**	**2.13**	52,179.5	643.0	2.46
Retail deposits						
Time	**50,306.5**	**978.6**	**3.89**	61,252.2	976.9	3.19
Demand	**19,281.3**	**135.1**	**1.40**	20,953.5	61.5	0.59
Subtotal	**69,587.8**	**1,113.7**	**3.20**	82,205.7	1,038.4	2.53
Total deposits from customers	**111,488.2**	**1,559.5**	**2.80**	134,385.2	1,681.4	2.50

Interest expenses on deposits from customers decreased by 7.2% from RMB1,681.4 million for the six months ended June 30, 2018 to RMB1,559.5 million for the six months ended June 30, 2019, primarily due to a decrease in the average balance of deposits from customers from RMB134,385.2 million for the six months ended June 30, 2018 to RMB111,488.2 million for the six months ended June 30, 2019, which was partially offset by an increase in the average cost of deposits from customers from 2.50% for the six months ended June 30, 2018 to 2.80% for the six months ended June 30, 2019.

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

Interest expenses on financial assets sold under repurchase agreements decreased by 46.2% from RMB220.4 million for the six months ended June 30, 2018 to RMB118.6 million for the six months ended June 30, 2019, primarily due to a decrease in the average balance of financial assets sold under repurchase agreements from RMB15,260.4 million for the six months ended June 30, 2018 to RMB10,679.7 million for the six months ended June 30, 2019 and a decrease of average cost from 2.89% for the six months ended June 30, 2018 to 2.22% for the six months ended June 30, 2019.

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

Interest expenses on deposits from banks and other financial institutions decreased by 42.5% from RMB171.5 million for the six months ended June 30, 2018 to RMB98.6 million for the six months ended June 30, 2019, mainly due to a decrease in the average balance of those liabilities from RMB8,298.2 million for the six months ended June 30, 2018 to RMB5,721.8 million for the six months ended June 30, 2019 and a decrease in the average cost from 4.13% for the six months ended June 30, 2018 to 3.45% for the six months ended June 30, 2019.

(D) Interest expenses on debt securities issued

Interest expenses on debt securities issued decreased by 14.8% from RMB514.5 million for the six months ended June 30, 2018 to RMB438.5 million for the six months ended June 30, 2019, mainly due to a decrease in the average cost of such liabilities from 5.18% for the six months ended June 30, 2018 to 4.08% for the six months ended June 30, 2019, which was partially offset by an increase in the average balance of such liabilities from RMB19,873.3 million for the six months ended June 30, 2018 to RMB21,475.8 million for the six months ended June 30, 2019.

(iv) Net interest spread and net interest margin

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

Net interest spread increased by 0.58 percentage point from 2.03% for the six months ended June 30, 2018 to 2.61% for the six months ended June 30, 2019, and net interest margin increased by 0.58 percentage point from 1.98% for the six months ended June 30, 2018 to 2.56% for the six months ended June 30, 2019, primarily due to an increase in the average yield on interest-earning assets by 0.65 percentage point from 4.93% for the six months ended June 30, 2018 to 5.58% for the six months ended June 30, 2019, which was partially offset by an increase in the average cost of interest-bearing liabilities by 0.07 percentage point from 2.90% for the six months ended June 30, 2018 to 2.97% for the six months ended June 30, 2019.

(v) Non-interest income

(A) Net fee and commission income

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2019	2018	Change in amount	Change in percentage (%)
Fee and commission income				
Advisory fees	**22.1**	21.8	0.3	1.4
Syndicated loan service fees	**46.9**	67.5	(20.6)	(30.5)
Settlement and clearing fees	**8.8**	26.5	(17.7)	(66.8)
Agency services fees	**8.0**	10.7	(2.7)	(25.2)
Wealth management service fees	**0.6**	8.6	(8.0)	(93.0)
Bank card service fees	**1.9**	3.1	(1.2)	(38.7)
Others[1]	**14.2**	3.0	11.2	373.3
Subtotal	**102.5**	141.2	(38.7)	(27.4)
Fee and commission expense	**(14.0)**	(13.8)	(0.2)	1.4
Net fee and commission income	**88.5**	127.4	(38.9)	(30.5)

Note:

(1) Primarily consist of fee and commission income from miscellaneous or contingent activities, such as safe deposit, underwriting and agency services.

Net fee and commission income decreased by 30.5% from RMB127.4 million for the six months ended June 30, 2018 to RMB88.5 million for the six months ended June 30, 2019, primarily due to a decrease in syndicated loan service fees, settlement and clearing fees, agency service fees, wealth management service fees and bank card service fees as affected by factors such as market demand conditions.

Advisory fees income increased by 1.4% from RMB21.8 million for the six months ended June 30, 2018 to RMB22.1 million for the six months ended June 30, 2019, which basically remained flat when compared with the same period of last year.

Syndicated loan service fees income decreased by 30.5% from RMB67.5 million for the six months ended June 30, 2018 to RMB46.9 million for the six months ended June 30, 2019, mainly due to the decreased transactions of syndicated loan business.

Settlement and clearing fees income decreased by 66.8% from RMB26.5 million for the six months ended June 30, 2018 to RMB8.8 million for the six months ended June 30, 2019, mainly due to the decreased transactions of settlement business.

Agency service fees income decreased by 25.2% from RMB10.7 million for the six months ended June 30, 2018 to RMB8.0 million for the six months ended June 30, 2019, mainly due to the decreased transactions of agency business.

Wealth management service fees income decreased by 93.0% from RMB8.6 million for the six months ended June 30, 2018 to RMB0.6 million for the six months ended June 30, 2019, mainly due to the decreases in issuance scale and average yield of wealth management products as a result of the implementation of new regulations governing asset management.

Bank card service fees income decreased by 38.7% from RMB3.1 million for the six months ended June 30, 2018 to RMB1.9 million for the six months ended June 30, 2019, mainly due to a decrease in transaction amount of bank cards.

Fee and commission expenses mainly included fees paid to third parties for settlement, clearing and agency services. Fee and commission expenses increased by 1.4% from RMB13.8 million for the six months ended June 30, 2018 to RMB14.0 million for the six months ended June 30, 2019, which basically remained flat when compared with the same period of last year.

(B) Net gains arising from investment securities

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

Net gains arising from investment securities increased by 5.5% from RMB7.3 million for the six months ended June 30, 2018 to RMB7.7 million for the six months ended June 30, 2019. The increase was mainly due to an increase in trading profit from investment assets, such as bonds, as a result of the changes in market interest rates.

(C) Dividend income

Dividend income decreased by 16.1% from RMB76.5 million for the six months ended June 30, 2018 to RMB64.2 million for the six months ended June 30, 2019. The decrease was mainly due to a decrease in actual distribution of dividends by non-controlling rural commercial banks and other entities invested by the Bank.

(D) Net trading gains

Net trading gains decreased by 9.0% from RMB385.3 million for the six months ended June 30, 2018 to RMB350.8 million for the six months ended June 30, 2019, mainly due to a decrease in the interest income generated from financial assets at fair value through profit or loss, which was partially offset by an increase in the change of the fair value of the asset management plans held by the Group as at the end of the period when compared with the same period of last year.

(E) Net exchange gains

Net exchange gains mainly included net gains arising out of foreign exchange settlement and foreign exchange transactions. The Group had net exchange gains of RMB3.4 million and RMB11.4 million for the six months ended June 30, 2019 and 2018, respectively, primarily reflecting the fluctuation of foreign exchange rates.

(F) Other operating (expense) income, net

Other operating (expense) income, net mainly included government subsidies and non-recurring income such as insurance claim, net of non-recurring expenses such as charitable donation. Other operating (expense) income, net decreased by 106.9% from RMB21.6 million for the six months ended June 30, 2018 to RMB(1.5) million for the six months ended June 30, 2019, which was mainly due to the decreases in government subsidies received and insurance claims and an increase in charitable donation expenses during the period.

(vi) Operating expenses

Operating expenses decreased by 10.2% from RMB1,288.3 million for the six months ended June 30, 2018 to RMB1,156.5 million for the six months ended June 30, 2019. The decrease was primarily due to the decreases in staff costs, property and equipment expenses, general management and administrative expenses, taxes and surcharges.

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2019	2018	Change in amount	Change in percentage (%)
Staff costs	**668.1**	731.3	(63.2)	(8.6)
Property and equipment expenses	**293.4**	320.3	(26.9)	(8.4)
General management and administrative expenses	**168.4**	190.8	(22.4)	(11.7)
Taxes and surcharges	**26.6**	45.9	(19.3)	(42.0)
Total	**1,156.5**	1,288.3	(131.8)	(10.2)

(A) Staff costs

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2019	2018	Change in amount	Change in percentage (%)
Salaries and bonuses	**437.9**	486.5	(48.6)	(10.0)
Social insurance	**140.1**	151.3	(11.2)	(7.4)
Staff welfares	**37.8**	37.5	0.3	0.8
Housing allowances	**42.7**	45.4	(2.7)	(5.9)
Labor union and staff education expenses	**9.6**	10.6	(1.0)	(9.4)
Total staff costs	**668.1**	731.3	(63.2)	(8.6)

Staff costs decreased by 8.6% from RMB731.3 million for the six months ended June 30, 2018 to RMB668.1 million for the six months ended June 30, 2019. The decrease was primarily due to a decrease in staff cost of the Group because the Four Rural Commercial Banks[1] were no longer consolidated into the financial statements of the Group during the period when compared with the corresponding period of last year.

[1] The Four Rural Commercial Banks refer to Changbai Mountain Rural Commercial Bank Co., Ltd., Jilin Dehui Rural Commercial Bank Co., Ltd., Jilin Gongzhuling Rural Commercial Bank Co., Ltd. and Jilin Chuncheng Rural Commercial Bank Co., Ltd.

(B) Property and equipment expenses

Property and equipment expenses decreased by 8.4% from RMB320.3 million for the six months ended June 30, 2018 to RMB293.4 million for the six months ended June 30, 2019. The decrease in property and equipment expenses was mainly due to a decrease in depreciation of property and equipment because the Four Rural Commercial Banks were no longer consolidated into the financial statements of the Group during the period when compared with the corresponding period of last year.

(C) General management and administrative expenses

General management and administrative expenses mainly included business promotion fees, transportation fee in relation to the delivery of cash, repair expenses and others. General management and administrative expenses decreased by 11.7% from RMB190.8 million for the six months ended June 30, 2018 to RMB168.4 million for the six months ended June 30, 2019. The decrease in general management and administrative expenses was mainly due to the fact that the Four Rural Commercial Banks were no longer consolidated into the financial statements of the Group during the period when compared with the corresponding period of last year.

(D) Taxes and surcharges

Taxes and surcharges decreased by 42.0% from RMB45.9 million for the six months ended June 30, 2018 to RMB26.6 million for the six months ended June 30, 2019. The decrease in taxes and surcharges were primarily due to the reduction of taxes and surcharges and a decrease in the value-added taxes and land appreciation tax actually paid by the Group because the Four Rural Commercial Banks were no longer consolidated into the financial statements of the Group during the period when compared with the corresponding period of last year.

(vii) Impairment losses on assets

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2019	2018	Change in amount	Change in percentage (%)
Loans and advances to customers, net	**455.9**	387.3	68.6	17.7
Financial assets at fair value through other comprehensive income	**2.7**	(0.9)	3.6	(400.0)
Financial assets at amortized cost	**222.9**	149.0	73.9	49.6
Deposits with banks and other financial institutions	**(1.3)**	5.8	(7.1)	(122.4)
Placements with banks and other financial institutions	**0.1**	0.6	(0.5)	(83.3)
Other receivables and repossessed assets	**(1.4)**	13.6	(15.0)	(110.3)
Property and equipment	**—**	—	—	—
Financial assets held under resale agreements	**—**	—	—	—
Total	**678.9**	555.4	123.5	22.2

Impairment losses on assets increased by 22.2% from RMB555.4 million for the six months ended June 30, 2018 to RMB678.9 million for the six months ended June 30, 2019, mainly due to an increase in the provision for impairment losses on loans as a result of increased loans and advances to customers and the provision for impairment losses on assets of financial assets at amortized cost by the Group in response to possible impacts from the adverse economic environment.

(viii) Income tax expense

Income tax expense increased by 16.6% from RMB94.6 million for the six months ended June 30, 2018 to RMB110.3 million for the six months ended June 30, 2019. The increase in income tax expense was primarily due to the increases in profit before tax and effective tax rates. Effective tax rates were 18.1% and 16.6% for the six months ended June 30, 2019 and 2018, respectively. The effective tax rate increased in the first half of 2019, which was mainly due to a decrease in the percentage of non-taxable income (including dividend income, interest income from treasury bonds and local government bonds and interest income from small loans to rural households).

(b) Analysis of the Consolidated Statement of Financial Position

(i) Assets

As of June 30, 2019 and December 31, 2018, the Group's total assets amounted to RMB163,535.8 million and RMB164,253.2 million, respectively. Major components of total assets include (i) loans and advances to customers; (ii) investment securities and other financial assets; (iii) deposits with banks and other financial institutions; and (iv) cash and deposits with the central bank. The table below sets forth the components of total assets as of the dates indicated.

	As of June 30, 2019		As of December 31, 2018	
(Expressed in millions of RMB, unless otherwise stated)	**Amount**	**% of total**	Amount	% of total
Assets				
Gross loans and advances to customers	**87,296.8**	**53.4**	77,527.7	47.2
Provision for impairment losses	**(2,602.1)**	**(1.6)**	(2,173.2)	(1.3)
Loans and advances to customers, net	**84,694.7**	**51.8**	75,354.5	45.9
Investment securities and other financial assets[(1)]	**40,388.5**	**24.7**	46,453.7	28.3
Deposits with banks and other financial institutions	**9,126.1**	**5.6**	9,884.4	6.0
Cash and deposits with the central bank	**17,578.5**	**10.7**	22,458.1	13.7
Financial assets held under resale agreements	**194.0**	**0.1**	—	—
Placements with banks and other financial institutions	**1,851.6**	**1.1**	1,698.6	1.0
Other assets[(2)]	**9,702.4**	**6.0**	8,403.9	5.1
Total assets	**163,535.8**	**100.0**	164,253.2	100.0

Notes:

(1) Include financial assets at amortized cost, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

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

(A) Loans and advances to customers

As of June 30, 2019, the Group's gross loans and advances to customers was RMB87,296.8 million, representing an increase of 12.6% as compared to December 31, 2018. Net loans and advances to customers accounted for 51.8% of the Group's total assets, representing an increase of approximately 5.9 percentage points as compared to December 31, 2018.

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

(Expressed in millions of RMB, unless otherwise stated)	**As of June 30, 2019** Amount	% of total	As of December 31, 2018 Amount	% of total
Corporate loan and advances				
— Loan	**62,957.3**	**72.1**	55,288.3	71.3
— Finance leases loan	**2,512.0**	**2.9**	1,559.9	2.0
Retail loans	**21,827.5**	**25.0**	20,668.6	26.7
Discounted bills	**—**	**—**	10.9	0.0
Gross loans and advances to customers	**87,296.8**	**100.0**	77,527.7	100.0

Loans and advances to customers are the largest component of total assets. The Group offers a variety of loan products, substantially all of which are denominated in Renminbi. Loans and advances to customers, net of provision for impairment losses, represented 51.8% and 45.9% of total assets as of June 30, 2019 and December 31, 2018, respectively.

The Group's corporate loans increased by 15.2% from RMB56,848.2 million as of December 31, 2018 to RMB65,469.3 million as of June 30, 2019, primarily due to an increase in market demand for corporate loans and new branches set up by the Bank.

The Group's retail loans mainly comprise of personal business loans, personal consumption loans and residential and commercial mortgage loans. The Group's retail loans increased by 5.6% from RMB20,668.6 million as of December 31, 2018 to RMB21,827.5 million as of June 30, 2019, primarily due to an increase in loans as a result of the Group's enhanced credit support for the three rurals and individual industrial and commercial households.

Loans by Collateral

Collateralized loans, pledged loans and guaranteed loans in the aggregate represented 97.0% and 96.1% of gross loans and advances to customers as of June 30, 2019 and December 31, 2018, respectively. If a loan is secured by more than one form of collateral, the classification is based on the primary form of collateral. The table below sets forth loans and advances to customers by the type of collateral as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	**As of June 30, 2019**		As of December 31, 2018	
	Amount	**% of total**	Amount	% of total
Collateralized loans	**35,272.3**	**40.4**	30,665.6	39.6
Pledged loans	**9,104.2**	**10.4**	7,694.9	9.9
Guaranteed loans	**40,293.5**	**46.2**	36,121.7	46.6
Unsecured loans	**2,626.8**	**3.0**	3,045.5	3.9
Gross loans and advances to customers	**87,296.8**	**100.0**	77,527.7	100.0

Collateralized loans and pledged loans are the largest component of gross loans and advances to customers. Collateralized loans and pledged loans as a percentage of gross loans and advances to customers were 49.5% as of December 31, 2018 and 50.8% as of June 30, 2019, respectively.

The Group has adopted more stringent credit assessment criteria for extending guaranteed loans. Corporate loans are generally guaranteed by listed companies or guarantee companies. The Bank and each subsidiary bank consider the size, credit history and risk-resistance level of a guarantee company to decide whether or not to accept its guarantees. Guaranteed loans as a percentage of gross loans and advances to customers was 46.6% as of December 31, 2018 and 46.2% as of June 30, 2019.

The Bank and each subsidiary bank extend unsecured loans to customers with relatively high credit ratings based on their internal credit risk rating system. As of December 31, 2018 and June 30, 2019, unsecured loans represented 3.9% and 3.0% of gross loans and advances to customers.

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

(Expressed in millions of RMB, unless otherwise stated)	**June 30, 2019**	December 31, 2018
As at the beginning of the period/year	**2,173.2**	2,335.0
Provision made in respect of the adoption of new standard for financial instruments	**—**	297.8
Charge for the period/year	**455.9**	670.9
Reverse for the period/year	**—**	(157.1)
Amounts written off as uncollectible	**(28.7)**	(44.8)
Recoveries of loans and advances previously written off	**1.7**	23.8
Acquisition of subsidiaries	**—**	—
Derecognised on demand disposals of subsidiaries	**—**	(952.4)
As of June 30/December 31	**2,602.1**	2,173.2

Provision for impairment losses on loans and advances to customers increased by 19.7% from RMB2,173.2 million as of December 31, 2018 to RMB2,602.1 million as of June 30, 2019, primarily due to an increase in the provision for impairment losses as a result of increased loans and advances to customers.

(B) Investment securities and other financial assets

As of June 30, 2019 and December 31, 2018, the Group had investment securities and other financial assets of RMB40,388.5 million and RMB46,453.7 million, respectively, representing 24.7% and 28.3% of its total assets, respectively.

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

(Expressed in millions of RMB, unless otherwise stated)	**As of June 30, 2019**		As of December 31, 2018	
	Amount	**% of total**	Amount	% of total
Debt securities investments				
Financial assets at fair value through other comprehensive income	**3,861.1**	**9.6**	5,880.4	12.7
Financial assets at amortized cost	**6,915.2**	**17.1**	6,871.8	14.8
Subtotal	**10,776.3**	**26.7**	12,752.2	27.5
Asset management plans and trust plans				
Asset management plans	**19,377.4**	**48.0**	22,867.7	49.2
Trust plans	**8,374.2**	**20.7**	8,981.1	19.3
Subtotal	**27,751.6**	**68.7**	31,848.8	68.5
Funds	**698.6**	**1.7**	690.6	1.5
Subtotal	**698.6**	**1.7**	690.6	1.5
T+0 clearing and advances	**—**	**—**	0.1	0.0
Subtotal	**—**	**—**	0.1	0.0
Equity investments				
Financial assets at fair value through other comprehensive income	**144.6**	**0.4**	144.6	0.3
Financial assets at fair value through profit or loss	**1,017.4**	**2.5**	1,017.4	2.2
Subtotal	**1,162.0**	**2.9**	1,162.0	2.5
Total investment securities and other financial assets, net	**40,388.5**	**100.0**	46,453.7	100.0

Investment securities and other financial assets decreased by 13.1% from RMB46,453.7 million as of December 31, 2018 to RMB40,388.5 million as of June 30, 2019. The decreases in investment securities and other financial assets were primarily due to the fact that according to the regulatory policies and market condition, investment strategy was adjusted timely, resulting in a decrease in the investment in bonds, asset management plans and trust plans.

(ii) Liabilities

As of June 30, 2019 and December 31, 2018, total liabilities amounted to RMB148,638.8 million and RMB149,145.7 million, respectively. Major components of liabilities include (i) deposits from customers; (ii) debt securities issued; (iii) financial assets sold under repurchase agreements; and (iv) deposits from banks and other financial institutions. The table below sets forth the components of total liabilities as of the dates indicated.

	As of June 30, 2019		As of December 31, 2018	
(Expressed in millions of RMB, unless otherwise stated)	**Amount**	**% of total**	Amount	% of total
Deposits from customers	**112,374.0**	**75.6**	109,521.2	73.4
Debt securities issued	**21,605.5**	**14.5**	20,552.2	13.8
Financial assets sold under repurchase agreements	**4,934.2**	**3.3**	8,406.7	5.6
Deposits from banks and other financial institutions	**3,341.3**	**2.2**	4,711.3	3.2
Borrowing from the central bank	**1,376.4**	**0.9**	2,376.5	1.6
Placements from banks and other financial institutions	**904.8**	**0.6**	1,106.5	0.7
Other liabilities[(1)]	**4,102.6**	**2.9**	2,471.3	1.7
Total liabilities	**148,638.8**	**100.0**	149,145.7	100.0

Note:

(1) Primarily consist of accrued staff costs, taxes payable, interests payable and leased liabilities.

(A) Deposits from customers

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

(Expressed in millions of RMB, unless otherwise stated)	**As of June 30, 2019**		As of December 31, 2018	
	Amount	**% of total**	Amount	% of total
Corporate deposits				
Demand deposits	**23,378.1**	**20.8**	26,708.2	24.4
Time deposits	**13,561.8**	**12.1**	13,758.5	12.6
Subtotal	**36,939.9**	**32.9**	40,466.7	37.0
Retail deposits				
Demand deposits	**19,158.3**	**17.0**	19,116.3	17.5
Time deposits	**53,037.6**	**47.2**	46,650.8	42.6
Subtotal	**72,195.9**	**64.2**	65,767.1	60.1
Others[(1)]	**3,238.2**	**2.9**	3,287.4	2.9
Total deposits from customers	**112,374.0**	**100.0**	109,521.2	100.0

Note:

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

Total deposits from customers increased by 2.6% from RMB109,521.2 million as of December 31, 2018 to RMB112,374.0 million as of June 30, 2019. The increase was primarily due to an increase in the number of branches of the Group and increasing efforts in marketing of the deposit business.

(B) Debts securities issued

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

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

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

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

From January 1, 2019 to June 30, 2019, the Bank issued 10 tranches of zero-coupon interbank certificates, with an aggregate face value of RMB6,140.0 million. The interbank certificates have a term of one year and bear interest at effective rates between 3.15% and 3.50%.

(iii) Shareholders' equity

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

	As of June 30, 2019		As of December 31, 2018	
(Expressed in millions of RMB, unless otherwise stated)	**Amount**	**% of total**	Amount	% of total
Share capital	**3,984.8**	**26.7**	3,984.8	26.4
Capital reserve	**5,338.5**	**35.8**	5,331.2	35.3
Investment revaluation reserve	**(8.7)**	**(0.1)**	(30.4)	(0.2)
Surplus reserve	**724.7**	**4.9**	724.7	4.8
General reserve	**1,571.2**	**10.5**	1,571.2	10.4
Retained earnings	**1,111.9**	**7.5**	1,374.5	9.1
Non-controlling interests	**2,174.6**	**14.7**	2,151.5	14.2
Total equity	**14,897.0**	**100.0**	15,107.5	100.0

(c) Assets Quality Analysis

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

The non-performing loans of the Group are classified into loans and advances to customers of substandard, doubtful and loss. As of June 30, 2019, the Group's non-performing loans amounted to RMB1,611.3 million. The following table sets forth loans and advances to customers by loan classification as of the dates indicated.

	As of June 30, 2019		As of December 31, 2018	
(Expressed in millions of RMB, unless otherwise stated)	**Amount**	**% of total**	Amount	% of total
Normal	**82,902.9**	**95.0**	75,021.0	96.8
Special mention	**2,782.6**	**3.2**	1,151.9	1.5
Substandard	**574.6**	**0.7**	363.6	0.5
Doubtful	**1,001.0**	**1.1**	965.0	1.2
Loss	**35.7**	**0.0**	26.2	0.0
Gross loans and advances to customers	**87,296.8**	**100.0**	77,527.7	100.0
Non-performing loan and non-performing loan ratio[(1)]	**1,611.3**	**1.85**	1,354.8	1.75

Note:

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

As of June 30, 2019 and December 31, 2018, the Group's non-performing loan ratio was 1.85% and 1.75%, respectively. The slight increase in non-performing loan ratio of the Group as of June 30, 2019 as compared to that of December 31, 2018 was primarily due to the operating difficulties of certain customers as affected by the changes in macro-economic and financial conditions, slowdown in economic growth and structural adjustments.

(ii) Concentration of loans

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

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

(Expressed in millions of RMB, unless otherwise stated)	**As of June 30, 2019**				As of December 31, 2018			
	Loan amount	**% of total**	**Non-performing loan amount**	**Non-performing loan ratio (%)**	Loan amount	% of total	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans								
Wholesale and retail	**13,839.9**	**15.9**	**318.4**	**2.30**	15,583.5	20.1	291.4	1.87
Manufacturing	**13,266.9**	**15.2**	**356.3**	**2.69**	12,886.4	16.6	317.3	2.46
Leasing and business services	**8,543.2**	**9.8**	**8.7**	**0.10**	3,164.6	4.1	41.1	1.30
Construction	**6,086.7**	**7.0**	**161.8**	**2.66**	5,769.8	7.4	88.7	1.54
Agriculture, forestry, animal husbandry and fishery	**5,740.4**	**6.6**	**87.1**	**1.52**	4,496.6	5.8	77.1	1.71
Transportation, storage and postal services	**4,444.5**	**5.1**	**38.5**	**0.87**	2,853.6	3.7	26.5	0.93
Real estate	**3,577.3**	**4.1**	**127.6**	**3.57**	3,396.6	4.4	127.0	3.74
Scientific research, technical services and geological prospecting	**2,054.8**	**2.4**	**4.0**	**0.19**	439.7	0.6	—	—
Electricity, gas and water production and supply	**1,780.5**	**2.0**	**5.4**	**0.30**	1,755.0	2.3	25.6	1.46
Education	**1,740.8**	**2.0**	**—**	**—**	1,641.6	2.1	—	—
Information transmission, computer services and software	**1,041.9**	**1.2**	**—**	**—**	850.8	1.1	—	—
Health and social services	**957.2**	**1.1**	**—**	**—**	986.0	1.3	—	—
Accommodation and catering	**831.2**	**1.0**	**31.5**	**3.79**	928.3	1.2	34.3	3.69
Cultural, sports and entertainment	**505.7**	**0.4**	**—**	**—**	320.6	0.4	—	—
Water, environment and public facility management	**447.2**	**0.5**	**—**	**—**	333.8	0.4	—	—
Resident and other services	**346.6**	**0.4**	**12.3**	**3.55**	684.4	0.9	9.7	1.42
Public administration, social security and social organizations	**158.0**	**0.2**	**—**	**—**	—	—	—	—
Mining	**84.6**	**0.1**	**2.6**	**3.07**	109.3	0.1	29.9	27.36
Finance	**21.9**	**0.0**	**—**	**—**	647.6	0.8	—	—
Retail loans	**21,827.5**	**25.0**	**457.1**	**2.09**	20,668.6	26.7	286.2	1.38
Discounted bills	**—**	**—**	**—**	**—**	10.9	0.0	—	—
Total	**87,296.8**	**100.0**	**1,611.3**	**1.85**	77,527.7	100.0	1,354.8	1.75

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

Loans to borrowers in the wholesale and retail, manufacturing, leasing and business services, construction, agriculture, forestry, animal husbandry and fishery, transportation, storage and postal services industries represented the largest components of the Group's corporate loan portfolio. Loans to these industries accounted for 79.3% and 78.7% of total corporate loans as of June 30, 2019 and December 31, 2018, respectively.

As of June 30, 2019, the non-performing loans of the Group's corporate loans were mainly concentrated in the accommodation and catering industry, the real estate industry, resident and other services industry and mining industry, with the ratio of non-performing loans of 3.79%, 3.57%, 3.55% and 3.07%, respectively.

(B) Borrower concentration

(i) Indicators of Concentration

Major regulatory indicators	Regulatory Standard	**As of June 30, 2019**	As of December 31, 2018
Loan concentration ratio for the largest single customer (%)	≦10	**7.14%**	9.48%
Loan concentration ratio for the top ten customers (%)	≦50	**45.43%**	42.79%

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

(ii) Loans to the 10 Largest Single Borrowers

The table below sets forth the balance of loans to the 10 largest single borrowers (excluding group borrowers) (on a consolidated or group basis) as of June 30, 2019, and such loans was classified as normal.

(Expressed in millions of RMB, unless otherwise stated)		As of June 30, 2019		
Customer	**Industry**	**Amount**	**% of total loan**	**% of regulatory capital**
Borrower A	Wholesale and retail	**1,105.0**	**1.27**	**7.14**
Borrower B	Wholesale and retail	**821.3**	**0.94**	**5.31**
Borrower C	Health and social services	**739.8**	**0.85**	**4.78**
Borrower D	Manufacturing	**697.3**	**0.80**	**4.50**
Borrower E	Wholesale and retail	**666.0**	**0.76**	**4.30**
Borrower F	Scientific research and technical services	**646.7**	**0.74**	**4.18**
Borrower G	Wholesale and retail	**620.9**	**0.71**	**4.01**
Borrower H	Transportation, storage and postal services	**605.0**	**0.69**	**3.91**
Borrower I	Wholesale and retail	**600.0**	**0.69**	**3.88**
Borrower J	Education	**529.6**	**0.61**	**3.42**
Total		**7,031.6**	**8.06**	**45.43**

(C) Distribution of non-performing loans by product

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

(Expressed in millions of RMB, unless otherwise stated)	**As of June 30, 2019**			As of December 31, 2018		
	Loan amount	**Non-performing loan amount**	**Non-performing loan ratio (%)**	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans						
Small and micro enterprises[(1)]	**43,388.5**	**799.6**	**1.84**	38,694.6	718.9	1.86
Medium enterprises[(1)]	**13,863.8**	**342.9**	**2.47**	11,650.4	338.0	2.90
Large enterprises[(1)]	**7,406.6**	**—**	**—**	5,800.8	—	—
Others[(2)]	**810.4**	**11.7**	**1.44**	702.4	11.7	1.67
Subtotal	**65,469.3**	**1,154.2**	**1.76**	56,848.2	1,068.6	1.88
Retail loans						
Personal business loans	**16,045.3**	**405.1**	**2.52**	14,655.4	243.3	1.66
Personal consumption loans	**2,699.7**	**48.1**	**1.78**	3,621.8	40.0	1.10
Residential and commercial mortgage loans	**3,062.4**	**3.9**	**0.13**	2,374.2	2.9	0.12
Credit card overdrafts	**20.1**	**0.0**	**0.00**	17.2	—	—
Subtotal	**21,827.5**	**457.1**	**2.09**	20,668.6	286.2	1.38
Discounted bills	**—**	**—**	**—**	10.9	—	—
Total loans	**87,296.8**	**1,611.3**	**1.85**	77,527.7	1,354.8	1.75

Notes:

(1) The classification for large, medium, small and micro enterprises is based on the Provisions on the Standards for the Classification of Small and Medium Enterprises (《中小企業劃型標準規定》).

(2) Mainly consist of government entities and public services institutions.

The non-performing loan ratio of corporate loans decreased from 1.88% as of December 31, 2018 to 1.76% as of June 30, 2019, primarily due to an increase in the size of corporate loans of the Group.

The non-performing loan ratio of retail loans increased from 1.38% as of December 31, 2018 to 2.09% as of June 30, 2019, primarily because certain customers experienced operating difficulties under the impacts of slowdown in economic growth and structural adjustment.

(D) Loan aging schedule

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

(Expressed in millions of RMB, unless otherwise stated)	**As of June 30, 2019**		As of December 31, 2018	
	Amount	**% of total**	Amount	% of total
Loans not overdue	**83,575.0**	**95.8**	75,002.8	96.7
Loans past due for:				
1 to 90 days	**1,749.6**	**2.0**	896.2	1.2
91 days to 1 year	**524.1**	**0.6**	565.2	0.7
1 to 3 years	**883.4**	**1.0**	632.5	0.8
3 years or more	**564.7**	**0.6**	431.0	0.6
Subtotal	**3,721.8**	**4.2**	2,524.9	3.3
Gross loans and advances to customers	**87.296.8**	**100.0**	77,527.7	100.0

(d) Segment Information

(i) Summary of geographical segment information

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

(Expressed in millions of RMB, unless otherwise stated)	**Six months ended June 30,**			
	2019		2018	
	Amount	**% of total**	Amount	% of total
Jilin Province	**2,082.5**	**85.8**	2,060.2	86.7
Other Regions[(1)]	**344.5**	**14.2**	316.7	13.3
Total operating income	**2,427.0**	**100.0**	2,376.9	100.0

Note:

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

(ii) Summary of business segments

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

(Expressed in millions of RMB, unless otherwise stated)	**Six months ended June 30,**			
	2019		2018	
	Amount	**% of total**	Amount	% of total
Corporate banking	**1,512.9**	**62.3**	1,108.4	46.6
Retail banking	**723.5**	**29.8**	1,057.3	44.5
Treasury operations	**125.4**	**5.2**	107.9	4.5
Others(1)	**65.2**	**2.7**	103.3	4.4
Total	**2,427.0**	**100.0**	2,376.9	100.0

Note:

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

(e) Off-balance Sheet Commitments

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

(Expressed in millions of RMB, unless otherwise stated)	**As of June 30, 2019**	As of December 31, 2018
Credit commitments:		
Bank acceptances(1)	**1,755.0**	1,977.0
Letters of credit(2)	**75.0**	195.7
Letters of guarantee(2)	**2,678.6**	2,665.2
Unused credit card limits	**148.7**	140.0
Subtotal	**4,657.3**	4,977.9
Operating lease commitments	**—**	963.0
Capital commitments	**52.7**	53.8
Total	**4,710.0**	5,994.7

Notes:

(1) Bank acceptances refer to the Group's undertakings to pay bank bills drawn on its customers.

(2) The Group issues letters of credit and guarantee to third parties to guarantee its customers' contractual obligations.

Off-balance sheet commitments decreased by 19.7% from RMB5,862.6 million as of December 31, 2018 to RMB4,710.0 million as of June 30, 2019. The decrease in off-balance sheet commitments was mainly due to a decrease in the letters of credit and bank acceptances businesses as a result of the lower customer demand and the fact that no operating lease commitment is required to be disclosed at the end of the period as a result of the adoption of IFRS 16 — Leases.

3.4 Business Review

(a) Corporate Banking

The Group offers corporate customers a broad range of financial products and services, including loans, bill discounting, deposits and fee- and commission-based products and services. The Group's corporate customers primarily include state-owned enterprises, private enterprises, foreign-invested enterprises, government authorities, financial institutions, public services institutions and non-profit organizations. As of June 30, 2019, the Group had approximately 2,676 corporate borrowers with loans totalling RMB65,469.3 million. For the six months ended June 30, 2019 and 2018, operating income from the Group's corporate banking business accounted for 62.3% and 46.6% of total operating income, respectively.

The Group seeks to grow with its corporate customers, especially SMEs with strong growth potential, and the Group focuses on developing long-term customer relationships. As of June 30, 2019, the Group had 2,550 SME customers with loans totalling RMB57,252.3 million. The Group also collaborates with other financial institutions, such as securities companies, fund companies, trust companies, insurance companies, private equity funds and financial leasing companies, to provide one-stop financial services to corporate customers. The table below sets forth the financial performance of the Group's corporate banking for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		
	2019	2018	Change in percentage (%)
External interest (expenses)/income, net[(1)]	**1,830.7**	1,341.1	36.5
Inter-segment interest (expenses)/income, net[(2)]	**(400.6)**	(324.7)	23.4
Net interest income	**1,430.1**	1,016.4	40.7
Net fee and commission income	**82.8**	92.0	(10.0)
Operating income	**1,512.9**	1,108.4	36.5
Operating expenses	**(677.6)**	(594.5)	14.0
Impairment reversed/(losses) on assets	**(277.6)**	(254.5)	9.1
Profit before tax	**557.7**	259.4	115.0

Notes:

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

(2) Refers to inter-segment expenses and consideration of transfers.

(i) Corporate loans

The Group offers loans to corporate customers to satisfy their capital needs for operations, machinery and equipment procurement and for infrastructure and real estate development. As of June 30, 2019 and December 31, 2018, the Group's corporate loans totalled RMB65,469.3 million and RMB56,848.2 million, respectively, accounting for 75.0% and 73.3% of the Group's gross loans and advances to customers, respectively.

(ii) Discounted bills

The Group purchases bank and commercial acceptance bills at discounted prices from corporate customers to fund their working capital needs. These discounted bills generally have a remaining maturity of less than one year. The Group may re-discount these bills to the People's Bank of China ("**PBOC**") or other financial institutions. As of June 30, 2019, the Group had a balance of nil in discounted bills.

(iii) Corporate deposits

The Group accepts time and demand deposits from corporate customers in Renminbi and major foreign currencies, such as U.S. dollars and Euros. The terms of corporate time deposits generally range from three months to three years. The Group's corporate deposit customers include state-owned enterprises, financial and government authorities and institutions, private enterprises, foreign-invested enterprises and non-profit organizations. As of June 30, 2019 and December 31, 2018, the Group's corporate deposits totalled RMB36,939.9 million and RMB40,466.7 million, respectively, accounting for 32.9% and 37.0% of total deposits from customers, respectively.

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

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

(A) Consulting and financial advisory services

The Group's consulting and financial advisory services primarily include financing solution structuring and asset management services to corporate customers. For the six months ended June 30, 2019 and 2018, the Group's income from consulting and financial advisory services was RMB22.1 million and RMB21.8 million, respectively.

(B) Syndicated loans services

The Group acts as lead manager, agent and lender bank for syndicated loans to corporate customers to meet their larger financing needs. For the six months ended June 30, 2019 and 2018, the Group earned service fees for syndicated loans of RMB46.9 million and RMB67.5 million, respectively.

(C) Settlement and clearing services

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

(D) Entrusted loans

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

(E) Agency services

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

(F) Wealth management services

The Bank offers corporate customers a variety of wealth management products based on their risk and return appetites, including principal-guaranteed wealth management products and non-principal-guaranteed wealth management products. Such wealth management products primarily invest in bonds, interbank deposits, money market instruments and investment portfolios of other fixed-income products. For the six months ended June 30, 2019 and 2018, the Bank's sales of wealth management products to corporate customers totalled RMB59.5 million and RMB295.1 million, respectively.

(b) Retail Banking

The Group offers a broad range of products and services to retail customers, including loans, deposits, debit cards and fee- and commission-based products and services. As of June 30, 2019, the Group had 47,543 retail borrowers with gross loans and advances to customers of RMB21,827.5 million. For the six months ended June 30, 2019 and 2018, the operating income from the Group's retail banking business amounted to RMB723.5 million and RMB1,057.3 million, respectively, accounting for 29.8% and 44.5% of total operating income of the Group, respectively. The table below sets forth the financial performance of the Group's retail banking for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2019	2018	Change in percentage (%)
External interest income/(expenses), net[1]	**(436.8)**	(394.0)	10.9
Inter-segment interest (expenses)/income, net	**1,155.2**	1,440.2	(19.8)
Net interest income	**718.4**	1,046.2	(31.3)
Net fee and commission income	**5.1**	11.1	(54.1)
Operating income	**723.5**	1,057.3	(31.6)
Operating expenses	**(394.1)**	(555.4)	(29.0)
Impairment reversed/(losses) on assets	**(178.3)**	(132.9)	34.2
Profit before tax	**151.1**	369.0	(59.1)

Note:

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

(i) Retail loans

Net interest income of the Group's retail bank business as of June 30, 2019 decreased when compared with that of June 30, 2018, which was mainly due to an increase in net interest expenses paid to retail customers as a result of market changes and the allocation structure of assets and liabilities of the segment, and a decrease in inter-segment net interest income due to factors such as the allocation of funds among segments of the Group.

Retail loans consist primarily of personal business loans, personal consumption loans and residential and commercial mortgage loans. As of June 30, 2019 and December 31, 2018, the Group's retail loans totalled RMB21,827.5 million and RMB20,668.6 million, respectively, accounting for 25.0% and 26.7% of gross loans and advances to customers, respectively.

(ii) Retail deposits

The Group offers retail customers a variety of demand deposit and time deposit products denominated in Renminbi and foreign currencies. The Group's retail time deposits denominated in Renminbi generally have maturities ranging from three months to five years. Retail time deposits denominated in foreign currencies (primarily U.S. dollars and Euros) have maturities ranging from one month to two years. As of June 30, 2019 and December 31, 2018, the Group's retail deposits totalled RMB72,195.9 million and RMB65,767.1 million, respectively, accounting for 64.2% and 60.1% of total deposits from customers, respectively.

(iii) Bank cards services

(A) Debit cards

The Group issues Renminbi-denominated debit cards to retail customers who maintain deposit accounts with the Group. Customers may use debit cards for a variety of financial services, including cash deposits and withdrawal, transfers, settlement and bill payment. The Group's debit cards are classified into platinum, gold and basic cards based on customers' daily average financial asset balances. The Group also issues specialized debit cards with added features such as theme cards for different market segments and co-branded cards offering preferential value-added services. The Bank cooperates with Changchun Federation of Trade Unions ("長春市總工會") to offer trade union member cardholders comprehensive financial services, including membership management, subsidies and allowances. As of June 30, 2019, the Group had issued approximately 3.72 million debit cards.

(B) Credit cards

Since the issuance of Renminbi UnionPay credit cards, the Bank has continued to pay attention to the needs of credit card customers, and the service quality has been continuously improved. The Bank actively responded to the financial needs of customers and issued a new credit card product, the "Instal-Card (分唄卡)". To provide customers with more convenient online card services, the Bank developed the "Jiutai Rural Commercial Bank Credit Card" WeChat official account and "Jiushang Credit Card" mobile APP, which were put into use successively, and the business model has changed from card management to APP management. While improving credit card services, the Bank also issued cards to high-quality customer group and closely monitored and effectively prevented risks relating to credit card business. As of June 30, 2019, the non-performing ratio of credit card overdraft of the Bank was zero.

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

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

(A) Wealth management services

The Bank offers retail customers a variety of wealth management products based on their risk and return appetites, primarily including principal-guaranteed wealth management products and non-principal-guaranteed wealth management products. The Bank also sells insurance products and has obtained the license to engage in fund sales business in February 2016. Funds raised from wealth management products are primarily invested in bonds, interbank deposits, money market instruments and other fixed-income products. For the six months ended June 30, 2019 and 2018, the Bank's sales of wealth management products to retail customers totalled RMB9,284.0 million and RMB21,081.4 million, respectively.

(B) Private banking service

The Bank's private banking department provides one-stop financial services tailored for individual customers. These products and services primarily include wealth planning and customized wealth management products. For the six months ended June 30, 2019 and 2018, the Bank's sales of wealth management products to private banking customers totalled RMB2,408.1 million and RMB2,478.7 million, respectively. The Bank also provides private banking customers with various value-added services, primarily including priority banking services, one-on-one consultancy services, bank fee discounts and health consultancy services offered in cooperation with third parties.

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

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

(c) Treasury Operations

The Group's treasury operations consist primarily of money market transactions, investments in securities and other financial assets and treasury operations conducted on behalf of customers. For the six months ended June 30, 2019 and 2018, operating income from the Group's treasury operations was RMB125.4 million and RMB107.9 million, respectively, accounting for 5.2% and 4.5% of its total operating income, respectively. The table below sets forth the financial performance of the Group's treasury operations for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2019	2018	Change in percentage (%)
External interest (expenses)/income, net[(1)]	**520.9**	806.5	(35.4)
Inter-segment interest income/(expenses), net[(2)]	**(754.6)**	(1,115.5)	(32.4)
Net interest income	**(233.7)**	(309.0)	(24.4)
Net fee and commission income	**0.6**	24.3	(97.5)
Net income from other businesses[(3)]	**358.5**	392.6	(8.7)
Operating income	**125.4**	107.9	16.2
Operating expenses	**(59.3)**	(72.2)	(17.9)
Impairment reversed/(losses) on assets	**(224.4)**	(154.4)	45.3
Profit before tax	**(158.3)**	(118.7)	33.4

Notes:

(1) Refers to net income from third parties.

(2) Refers to inter-segment expenses and consideration of transfers.

(3) Primarily includes net trading gains and losses and net gains/(expenses) from financial assets investments.

(i) Money market transactions

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

In 2019, the Bank was selected as one of the Top 300 Trading Banks in the Interbank RMB Market in 2018 and one of the Top 100 Banks in the Interbank RMB and Foreign Exchange Market in 2018 in each case by the China Foreign Exchange Trade System and National Interbank Funding Center.

(A) Interbank deposits

The Group accepts deposits from banks and other financial institutions and deposit funds in other financial institutions to adjust its asset and liability structure. As of June 30, 2019 and December 31, 2018, the Group's deposits from banks and other financial institutions totalled RMB3,341.3 million and RMB4,711.3 million, respectively, and the Group's deposits at banks and other financial institutions totalled RMB9,126.1 million and RMB9,884.4 million, respectively.

(B) Interbank placement

As of June 30, 2019 and December 31, 2018, the Group's placements with banks and other financial institutions totalled RMB1,851.6 million and RMB1,698.6 million, respectively, and the Group's placements from banks and other financial institutions totalled RMB904.8 million and RMB1,106.5 million, respectively.

(C) Interbank repurchase and reverse repurchase transactions

The securities underlying the Group's repurchase and reverse repurchase transactions are mainly RMB-dominated treasury bonds and policy-oriented financial bonds. As of June 30, 2019 and December 31, 2018, the Group's financial assets held under resale agreements totalled RMB194.0 million and nil, respectively, and the Group's financial assets sold under repurchase agreements totalled RMB4,934.2 million and RMB8,406.7 million, respectively.

(ii) Investments in securities and other financial assets

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

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

(A) Securities investment by holding purpose of the Group

(Expressed in millions of RMB, unless otherwise stated)	**As of June 30, 2019**		As of December 31, 2018	
	Amount	**% of total**	Amount	% of total
Financial assets at fair value through profit or loss	**12,288.2**	**30.4**	16,387.6	35.2
Financial assets at fair value through other comprehensive income	**4,327.9**	**10.7**	6,349.7	13.7
Financial assets at amortized cost	**23,772.4**	**58.9**	23,716.4	51.1
Total investment securities and other financial assets	**40,388.5**	**100.0**	46,453.7	100.0

Total investment securities and other financial assets decreased by 13.1% from RMB46,453.7 million as of December 31, 2018 to RMB40,388.5 million as of June 30, 2019.

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

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

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

	As of June 30, 2019		As of December 31, 2018	
(Expressed in millions of RMB, unless otherwise stated)	**Amount**	**% of total**	Amount	% of total
Immediately due	**1,624.5**	**4.0**	515.3	1.1
Due in 3 months	**7,985.9**	**19.8**	10,880.7	23.4
Due between 3 and 12 months	**16,479.5**	**40.8**	16,488.9	35.5
Due between 1 and 5 years	**7,103.2**	**17.6**	9,286.9	20.0
Due over 5 years	**6,033.4**	**14.9**	8,119.9	17.5
Undefined	**1,162.0**	**2.9**	1,162.0	2.5
Total	**40,388.5**	**100.0**	46,453.7	100.0

The Bank's securities investment with a remaining maturity of between three months and 12 months represented the largest portion.

(C) Holding of government bonds

As of June 30, 2019, the balance of face value of the government bonds held by the Bank amounted to RMB7,572.9 million. The table below sets out the top 10 government bonds with the highest face value held by the Group as of June 30, 2019.

Name of the bond	**Face value (RMB in millions)**	**Interest rate per annum (%)**	**Maturity date**
16 Interest-bearing treasury bond 10 (16附息國債10)	1,800.0	2.90	May 5, 2026
16 Interest-bearing treasury bond 17 (16附息國債17)	1,420.0	2.74	August 4, 2026
15 Interest-bearing treasury bond 19 (15附息國債19)	440.0	3.14	September 8, 2020
15 Interest-bearing treasury bond 16 (15附息國債16)	360.0	3.51	July 16, 2025
16 Jilin bond 02 (16吉林債02)	320.0	2.98	June 21, 2021
15 Interest-bearing treasury bond 26 (15附息國債26)	230.0	3.05	October 22, 2022
15 Jilin bond 04 (15吉林債04)	220.0	3.58	June 12, 2025
16 Interest-bearing treasury bond 20 (16附息國債20)	200.0	2.75	September 1, 2023
15 Zhejiang bond 03 (15浙江債03)	200.0	3.54	June 10, 2022
15 Jilin bond 03 (15吉林債03)	190.0	3.52	June 12, 2022

(D) Holding of financial bonds

As of June 30 2019, the balance of face value of the financial bonds (mainly the financial bonds and interbank certificates issued by policy-oriented banks, banks and other financial institutions in China) held by the Group amounted to RMB2,471.1 million. The table below sets out the 10 financial bonds with the highest face value held by the Group as of June 30, 2019.

Name of the bond	Face value (RMB in millions)	Interest rate per annum (%)	Maturity date
15 Nong Fa 05 (15農發05)	310.0	3.97	February 27, 2025
16 Guo Kai 05 (16國開05)	310.0	3.80	January 25, 2036
19 Jiaotong Bank CD130 (19交通銀行CD130)	200.0	3.20	April 26, 2020
19 Guo Kai 05 (19國開05)	200.0	3.48	January 8, 2029
16 Nong Fa 05 (Additional Issuance) (16農發05 (增發))	200.0	3.33	January 6, 2026
15 Guo Kai 09 (Additional Issuance) (15國開09 (增發))	200.0	4.25	April 13, 2022
14 Guo Kai 11 (14國開11)	130.0	5.67	April 8, 2024
16 Nong Fa 18 (16農發18)	120.0	3.58	April 22, 2026
16 Nong Fa 05 (16農發05)	100.9	3.33	January 6, 2026
16 Nong Fa 21 (16農發21)	100.0	2.96	July 27, 2021

(iii) Treasury operations conducted on behalf of customers

In the Bank's treasury operations conducted on behalf of customers, the Bank manages funds received from the issuance of wealth management products to corporate and retail customers. For the six months ended June 30, 2019 and 2018, the Bank sold wealth management products totalling RMB9,343.5 million and RMB21,376.5 million, respectively.

(d) Distribution Network

(i) Physical outlets

As of June 30, 2019, the Group had an aggregate of 334 outlets, of which 139 outlets, including three branches in Changchun, Songyuan and Tonghua, were operated by the Bank and the rest by the Group's subsidiary banks under their own names.

The Bank was the first rural commercial bank in China and first financial institution in Jilin Province to provide robot bank lobby managers and 3-D printing, and was also the first financial institution in Jilin's rural credit bank system to offer 24-hour automatic safe deposit boxes and remote video self-service loan application machines.

(ii) Electronic banking

(A) Self-service banking

The Group provides convenient banking services to customers at lower operation costs by using self-service facilities. Self-service facilities are available at service outlets, self-service zones, commercial complexes, hospitals, schools and other public places. As of June 30, 2019, the Group had 390 self-service outlets, 102 self-service zones and 1,140 self-service facilities.

(B) Telephone and SMS banking

The Group provides customers with account management, status reminders, transfer and remittance and consultation and other services around the clock through an interactive self-service voice system, live customer service, and SMS interaction. As of June 30, 2019, the Group had 1,721,653 phone and SMS banking customers.

(C) Internet banking

The Group provides customers with account management, transfer and remittance, interbank receipt, online loan application and online payment services through the Internet. As of June 30, 2019, the Group had 378,676 Internet banking customers.

(D) Mobile phone banking

The Group provides customers with mobile phone banking services, including account inquiry and management, transfer and remittance, fee payment and other services. As of June 30, 2019, the Group had 691,755 mobile phone banking customers.

(E) WeChat banking

Through WeChat, the Group's customers can access information relating to its products, services and promotions, manage accounts, search for its outlet locations and reserve counter services. As of June 30, 2019, the Group had 139,105 WeChat banking customers.

(F) Remote video banking

The Group offers remote self-serviced video banking with ancillary customer services for retail customers.

(e) Information on the Subsidiaries

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

The Bank, as the main promoter, established Jilin Jiuyin Financial Leasing Co., Ltd. ("**Jilin Jiuyin**") after obtaining approval from the CBIRC. The registered address of Jilin Jiuyin is in Changchun of Jilin Province, and its registered capital amounts to RMB500.0 million, RMB300.0 million of which is contributed by the Bank, accounting for 60%. Jilin Jiuyin obtained the business license on February 20, 2017 from the Administration for Industry and Commerce of Jilin Province. Its scope of business includes financial leasing business, transferring assets under financial leases as transferor and transferee, fixed-income securities investment business, accepting deposits as guarantee from the lessee, taking deposits of 3 months or above from non-bank shareholders, interbank placements, obtaining loans from financial institutions, offshore lending, disposal and handling of leased articles and economic consulting. As at June 30, 2019, total assets of Jilin Jiuyin amounted to RMB2,869.7 million. For the six months ended June 30, 2019, the operating income from Jilin Jiuyin amounted to RMB50.8 million, accounting for 2.1% of total operating income of the Group.

(ii) Rural commercial banks

As of June 30, 2019, the Bank controlled and consolidated one rural commercial bank that was restructured from rural credit cooperatives the Bank acquired. The rural commercial bank offers a broad range of financial products and services to corporate and retail customers, including commercial and consumer loans, bill discounting, deposits from customers and fee- and commission-based products and services, such as settlement services, remittance services and bank card services, and is also involved in money market transactions and investment in debt securities. As at June 30, 2019, the total assets, total deposits and total loans of such rural commercial bank amounted to RMB5,367.6 million, RMB4,209.3 million and RMB3,345.2 million. For the six months ended June 30, 2019, operating income of such rural commercial bank amounted to RMB79.4 million, accounting for 3.3% of the total operating income of the Group.

(iii) Village and township banks

As of June 30, 2019, the Bank controlled and consolidated a total of 33 village and township banks in Jilin province, Heilongjiang, Hebei, Tianjin, Shandong, Anhui, Hubei, Shaanxi, Guangdong and Hainan.

As of June 30, 2019, these village and township banks had total assets of RMB44,314.2 million, total deposits of RMB36,166.9 million and total loans of RMB24,649.7 million. For the six months ended June 30, 2019, the operating income of these village and township banks was RMB781.8 million, accounting for 32.2% of the Group's total operating income.

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

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

(f) Operation and Safety of IT Systems

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

(i) Continuous enhancement of technological governance

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

(ii) Sound protection of information security

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

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

(iii) Consolidation of infrastructure

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

(iv) Strengthening team development

In order to meet the development needs of the information technology service system and to solve problems efficiently, a science and technology coordination team was set up. Special training sessions were organized to improve skills so to ensure that the responsible personnel mastered the corresponding skills and became familiar with various regulations to support daily technological operation and maintenance in an effective manner. Professional training programs were also formulated to improve the working skills of technicians and to promote exchange of knowledge and information among employees. In the first half of 2019, 8 trainings courses were carried out according to relevant plans.

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

3.5 Risk Management

(a) Risk Management of the Bank

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

(i) Credit risk management

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

The Bank's credit risk management organization includes its president and Risk Management Committee, persons-in-charge of branches and sub-branches, Credit Approval Committees or groups and its risk management, front desk business and internal audit departments.

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

The Bank uses the following mechanisms to manage credit risks:

- Customer screening mechanism — The Bank determines the target customers based on its market positioning and screen credit customers based on its credit policies.

- Credit exit mechanism — The Bank regularly reassesses its outstanding credit risk based on customer, industry and market conditions. The Bank reassesses the credit rating for short-term loans if there are interest payment defaults. The Bank reassesses the credit rating for medium- and long-term loans annually. The Bank also adopts measures to manage potential credit risk, including increasing the frequency of post-disbursement examination, requesting additional collateral or guarantees, and ceasing to extend new loans. The Bank determines whether or not to exit a credit based on the severity of adverse changes in the borrower's circumstances, such as its (1) financial condition; (2) substantial shareholders; (3) key managers and technicians; (4) customers quality; (5) payment ability; and (6) business environment.

- Risk alert mechanism — The Bank continually monitors outstanding credit and overall credit quality. The Bank carries out standardized management of risk alerts through the use of the post-disbursement management function of its credit system and promptly provides advice to deal with the issue.

- Non-performing asset disposal mechanism — The Bank has established an accountability mechanism for the disposal of non-performing assets.

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

In the first half of 2019, the Bank seriously complied with the national industrial policy and various regulatory requirements to mainly adjust credit structure and focus on preventing and mitigating credit risks. Through clarifying credit direction, optimizing operational procedures and carrying out risk obligations, the Bank strengthened its credit risk management. Continuous efforts were made to enhance its insights and initiatives of risk prevention and control. On the one hand, the Bank strived to focus on principal business and traditional values. It also prioritized economic transformation and upgrade and supply-side structural reform in order to improve its ability and level of serving the real economy. On the other hand, the Bank optimized its operational procedures and tightened credit management to ensure the quality of new loans. In addition, monitoring and analysis of credit risks were carried out in great depth and credit risk management work was supervised promptly to ensure effective risk control. In addition, the Bank further improved its operation mechanism, strengthened the implementation of risk mitigation measures and carried out its risk management obligations to continuously enhance its credit risk management abilities.

(ii) Market risk management

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

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

In the first half of 2019, the Bank further improved its market risk management by proactively and duly responded to changes in conditions. Firstly, the Bank paid close attention to the market trend and further strengthened the identification, evaluation and prevention of market risk regarding the capital and credit businesses. Early alerts and effective measures on potential risks were adopted in advance, which prevented the occurrence of market risk effectively. Secondly, based on the risk appetite for market risk and pursuant to the direction of business transformation, the Bank adjusted its investment strategies flexibly, optimized the annual plans for authorization, internal approval and limit of market risk, and reinforced the monitoring of the implementation of authorization and limits. Thirdly, the Bank expanded the database and improved the monitoring and analysis of market risk, which facilitated prompt adjustment of risk analysis and measurement approaches for timely alert and stop-loss measures.

(A) Interest rate risk management

Interest rate risk is the risk of economic loss to commercial banks due to adverse changes in interest rates. Based on its sources, interest rate risk can be categorized into re-pricing risk, yield curve risk, benchmark risk and optionality risk. The interest rate risk of the Bank mainly includes re-pricing risk (also known as maturity mismatch risk), which is due to the difference between the maturity dates of assets, liabilities and off-balance sheet positions of the Bank (for fixed interest rate) and the re-pricing period (for floating interest rate). Due to the mismatches in re-pricing, the revenue or internal economic value of the Bank will change when the interest rate changes. The interest rate management of the Bank aims to control interest rate risk within a reasonable range.

The Bank has established a governance structure compatible with its interest rate risk management, which comprised the Board and its Risk Management Committee, the senior management and its Asset and Liability Management Committee, departments at the front and middle offices, branches and subsidiaries. Such governance structure is also under the supervision of the board of supervisors ("**Board of Supervisors**") and subject to audit by the audit department. The senior management is responsible for the specific management of the interest rate risk of the Bank, while the Asset and Liability Management Committee of the Head Office performes relevant, functions as authorized by senior management, including the formulation, evaluation, supervision and implementation of interest rate risk preferences and interest rate risk management strategies, policies and procedures. Each management level has clear division of work, ensuring that the interest rate risk management can be carried out independently and effectively with sufficient resources.

In the first half of 2019, the Bank further improved its interest rate risk management policies and systems and aptimized its interest rate risk management system. The Bank strengthened the identification, measurement, monitoring and control of the banking book interest rate risk to reduce its impact on the businesses of the Bank. More effective and insightful measures for banking book interest rate risk management were carried out, contributing to comprehensive improvement of the Bank's banking book interest rate risk management level.

(B) Exchange rate risk management

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

In addition, the Bank regulates transactions that have high exchange rate risks and monitor foreign exchange positions on a real-time basis. The Bank promptly closes positions from major transactions and revalues non-monetary balance sheet items daily to prevent exchange rate risks.

The Bank has continued to strengthen its exchange rate risk management and ensured the reasonable use of foreign exchange funds to further improve its risk management of foreign exchange exposure and the management level of foreign exchange assets and liabilities. The exchange rate risk management level of the Bank can be extensively improved.

(iii) Operational risk management

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

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

In the first half of 2019, the Bank implemented various measures to continuously optimize the operational risk management and enhance its risk management and control capability. Firstly, the Bank provided intensive trainings for key personnel of business lines, branches and sub-branches. The trainings focused on the explanation of the establishment of operational risk management system, major operational risk management and the application of the three key tools of operational risk, including supervision, loss and assessment of operational risk. The evaluation of operational risks was carried out quarterly. By performing a consolidated analysis on the aspects and procedures of the Bank that may have potential operational risk, the performance of the management members and the capability of the front-line staff to identify and address the operational risk have been enhanced. Secondly, the Bank strengthened the regulatory education for all employees, the execution of the system and the awareness and proactiveness of all employees in performing their duties in accordance with the rules. For the front-line staff, morning and evening meetings were held for introduction of illustrative examples to enhance their consciousness of compliance. Thirdly, the Bank implemented a rotation system for key positions. By formulating a rotation system for key positions, all departments and outlets have been required to strictly implement the rotation system. Implementation of the inspection work of the rotation and departure of staff for key positions was carried out in a timely manner. The occurrence of major risk cases caused by the employees' non-compliance in operations was prevented effectively. Fourthly, the Bank intensified the depth and frequency of supervision and inspection. The Bank prevented and eliminated potential operational risks in a timely basis through performing specialized inspections on key positions, key procedures and key businesses, off-site inspections and a combination of self-inspection and audits inspection.

(iv) Liquidity risk

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

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

The Bank continued to improve its liquidity risk management measures, tools and approaches. The Bank further improved the assets and liabilities structure, maintained reasonable growth of assets, expanded the sources of funding, and properly increased its quality assets to improve liquidity risk indicators and adapt to changes in market conditions. The Bank continued to strengthen the measurement, identification and predictability of liquidity risk for better prevention and management of liquidity risk.

In the first half of 2019, based on the economic policy trend and its actual situation, the Bank enhanced its liquidity risk management on the basis of the principles of safety, liquidity and efficiency and in strict compliance with the macro and prudent management and regulatory requirements. Firstly, the Bank continued to improve its liquidity risk management system. The Bank established a long-term liquidity risk control system in response to the market environment and business changes. The monitoring of liquidity indicators was strengthened to improve the alertness of prevention of liquidity risk. Secondly, the structure of assets and liabilities was actively adjusted to ensure adequate liquidity, while asset and liability structure was further optimized by strengthening the management of asset and liability portfolio, quota and maturity mismatch. In addition, the channels of liabilities sources were broadened continuously and the proportion of stable liabilities was increased, which further improved the stability of liabilities. Thirdly, stress test was conducted regularly to measure liquidity risk. The Bank carried out stress test for liquidity risk on a periodic and timely basis in accordance with the actual situation in order to ensure sufficient response capacity of the Bank. The Bank adjusted the strategies and methods of liquidity management appropriately based on the results of stress test so as to improve and enhance the management of liquidity risk.

(v) Reputational risk management

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

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

In the first half of 2019, the Bank formulated a reputational risk emergency response plan which stipulates the responsible departments, reporting process and handling measures to improve its response ability. The Bank monitored information on the Bank as published by various media and identified problems and hidden issues in a timely manner, and minimized the factors that would trigger reputational risks. In addition, the Bank revised and improved customer complaint management methods to improve customer service quality and efficiency.

(vi) Legal and compliance risk management

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

The Bank prioritizes legal and compliance risk management in the development of its corporate culture as well as its comprehensive risk management system in order to establish a top-down compliance risk management system. In 2019, adhering to the principle of achieving growth in compliance with the regulations, the Bank prioritized internal control and further improved the effectiveness of its compliance management. Firstly, the Bank established a regular review mechanism for internal control system. At the beginning of the year, according to the changes in regulatory policies and the needs of business innovation and development, the Bank analyzed and improved existing rules and regulations, and revised and established more than 40 sets of regulations. Secondly, the Bank implemented the authorization mechanism for operation and management. The Bank adopted differentiated authorizations for relevant business functions, branches and key positions within the statutory business scope to strengthen internal supervision and prevent and control risks. Thirdly, the Bank highlighted the importance of compliance and implemented the risk investigation mechanism. The Company conducted specific corporate governance investigations, including the "Consolidation of Achievements from Investigation of Chaos for Compliance Construction" in 2019, investigation and rectification of unlawful fund-raising risk, case risk investigation and special fight against evil force. The Bank also carried out activities such as the promotion and education for prevention of unlawful fund-raising and warnings and education through cases. Through investigation and rectification as well as promotion and education, the compliance management of the Bank was fully enhanced.

(vii) IT risk management

IT risk refers to the operational, legal, reputational and other risks arising from natural factors, human factors, technical loopholes and management deficiencies in the application of information technology. The Bank's IT risk management aims to identify, measure, monitor and control IT risk through the development of effective systems. In doing so, the Bank seeks to ensure its safe, sustainable and stable operation, promote business innovation, enhance the application of information technology and strengthen its core competitiveness and sustainable development.

The Bank has included IT risks in its comprehensive risk management system. IT Committee under the operation management is responsible for overseeing and guiding the work of IT while the IT department is responsible for the daily management of IT risks.

In the first half of 2019, the Bank continued to improve the management of IT risk and safety awareness through various measures such as improving process management, conducting emergency drills, and strengthening safety training in order to facilitate the real-time monitoring and control of IT risks. On the one hand, the Bank improved the operation and maintenance management processes and adopted stringent process management mechanism in order to prevent, monitor and trace IT risks. It monitored the risk of operation systems through an integrated monitoring platform and identified and prevented information security risk through early warning mechanism. The safe and smooth operation of information system was effectively secured. On the other hand, emergency drills such as virtualized system, server room of information center, core database and perimeter firewall were conducted to improve the emergency response mechanism and enhance the capability of response and reaction to emergency. In addition, the Bank organized various training programs on project management system, operation and maintenance of information center and network to enhance the awareness of IT staff on risk and information safety and improve their technical skills and management level.

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

In the first half of 2019, the Bank put high emphasis on risks and duly performed its duties and obligations on anti-money laundering. Firstly, pursuant to the relevant policies of the PBOC, the Bank commenced self-evaluation of money laundering risks throughout the Bank to enhance the effectiveness of anti-money laundering and anti-terrorism financing. Secondly, the Bank issued to all of its individual customers the Announcement on Further Improving Individual to Customers Information (《關於進一步完善個人客戶資訊的公告》) to further strengthen the identity identification of all individual customers of the Bank. Thirdly, the Bank conducted anti-money laundering training programs on financial business in 2019 under the organization of the PBOC. All senior management, heads of departments or divisions and front-line staffs participated in the training programs. Through the training programs, the awareness of the management at different levels on anti-money laundering and their management capability were enhanced and the awareness of front-line staff on anti-money laundering and their business skills were effectively improved. Fourthly, the Bank commenced the activities for the promotion month of anti-money laundering for a wide range of customers. Various promotion campaigns of anti-money laundering were launched and public awareness on anti-money laundering was enhanced in a practical manual.

(ix) Internal audit

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

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

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

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

(b) Risk Management of the Subsidiaries

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

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

(i) Credit risk management

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

(ii) Market risk management

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

(iii) Operational risk management

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

(iv) Liquidity risk management

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

(v) Reputational risk management

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

(vi) Legal and compliance risk management

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

(vii) IT risk management

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

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

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

(ix) Internal audit

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

3.6 Analysis on Capital Adequacy Ratio

All commercial bank in China are required to comply with the CBIRC's capital adequacy ratio requirements. Since January 1, 2013, the Group has calculated and disclosed capital adequacy ratios in accordance with the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), which required commercial banks in China (except systematically important banks) to maintain (i) minimum capital adequacy ratios of 9.3%, 9.7%, 10.1%, 10.5%, and 10.5%, (ii) minimum tier-one capital adequacy ratios of 7.3%, 7.7%, 8.1%, 8.5%, and 8.5%, and (iii) minimum core tier-one capital adequacy ratios of 6.3%, 6.7%, 7.1%, 7.5%, and 7.5%, respectively, as of June 30, 2015, 2016, 2017, 2018 and 2019.

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

(Expressed in millions of RMB, unless otherwise stated)	June 30, 2019	December 31, 2018
Core capital		
Paid-up capital	**3,984.8**	3,984.8
Qualifying portion of capital reserve	**5,338.5**	5,331.2
Surplus reserve	**724.7**	724.7
General risk reserve	**1,571.2**	1,571.2
Investment revaluation reserve	**(8.7)**	(30.4)
Retained earnings	**1,111.9**	1,374.5
Qualifying portions of non-controlling interests	**1,027.5**	974.2
Core tier-one capital deductions[(1)]	**(1,581.6)**	(1,562.4)
Net core tier-one capital	**12,168.3**	12,367.8
Other tier-one capital[(2)]	**135.7**	128.7
Net tier-one capital	**12,304.0**	12,496.5
Tier-two capital		
Qualifying portion of tier-two capital instruments issued	**1,910.0**	1,980.0
Surplus reserve for loan impairment	**990.7**	818.4
Qualifying portion of non-controlling interests	**274.2**	258.9
Net capital	**15,478.9**	15,553.8
Total risk-weighted assets	**137,554.3**	131,516.3
Core tier-one capital adequacy ratio (%)	**8.85%**	9.40%
Tier-one capital adequacy ratio (%)	**8.94%**	9.50%
Capital adequacy ratio (%)	**11.25%**	11.83%

Notes:

(1) Primarily includes other intangible assets excluding land use rights, goodwill and deferred tax recognized for tax losses.

(2) Primarily includes tier-one capital instruments such as preferred shares and their premiums and eligible portion of non-controlling interests.

4. ISSUE OF SECURITIES

4.1 Issuance of Equity Securities

The Bank has not conducted any fundraising activities in relation to issuance of equity securities during the Reporting Period.

4.2 Issuance of Bonds

(1) Bonds issued during the Reporting Period

From January 1, 2019 to June 30, 2019, the Bank issued 10 tranches of zero-coupon interbank certificates, with an aggregate face value of RMB6,140.0 million. The interbank certificates have a term of one year and bear effective interest rates between 3.15% and 3.50%.

(2) Proposed issuance of bonds

As resolved by the Board and considered and approved by the shareholders at the 2018 annual general meeting of the Bank (the "**AGM**") held on June 20, 2019, the Bank proposes to issue capital supplementary bonds of up to RMB4.0 billion. The initial term shall be no less than 5 years, and the capital bonds with no fixed term shall have no fixed expiry date before the Bank exercises its redemption right. The actual interest rate of the issuance will be determined based on market rates. Proceeds from the issuance of bonds will be used to replenish other tier-one capital or tier-two capital of the Bank. As at the date of this announcement, the Bank has not issued any capital supplementary bonds. The Bank will make timely disclosure on the latest development on the issuance of capital supplementary bonds in accordance with the relevant laws and regulations and the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Hong Kong Listing Rules**").

5. OTHER INFORMATION

5.1 Corporate Governance

The Bank firmly believes that maintaining good corporate governance with high standards is the key to enhance the Bank's core competitiveness and to develop a modern rural commercial bank. Therefore, the Bank has been committed to a high level corporate governance, and actively follows the best corporate governance practices, domestic and overseas, in order to safeguard the interest of shareholders and enhance the corporate value.

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

The Bank has applied the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules (the "**Corporate Governance Code**") and the Guidelines on Corporate Governance of Commercial Banks issued by the CBIRC (the "**Guidelines**") into the Bank's governance structure and policies. The Corporate Governance Code and Guidelines are fully reflected in the Articles of Association, and the rules of procedures of the shareholders' general meeting, the Board and the committee under the Board. The Bank's shareholders' general meeting, the Board and the Board of Supervisors duly perform their duties to maintain good corporate governance. The Bank closely supervises its operation to ensure the compliance of applicable laws, regulations, codes, guidelines and the Bank's internal policies.

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

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

5.2 Securities Transaction of Directors, Supervisors and Senior Management

The Bank has adopted a code of conduct on Directors, Supervisors and senior management engaging in securities transaction, which is no less strict than the standards set out in Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Hong Kong Listing Rules (the "**Model Code**").

The Bank, after making specific enquiries to all Directors, Supervisors and senior management, confirms that they had complied with the Model Code during the Reporting Period.

5.3 Profit and Dividend

The revenues of the Bank during the Reporting Period and the financial position of the Bank as of June 30, 2019 are set out in the financial report of this announcement.

The profit distribution plan of the Bank for 2018 was considered and approved by the shareholders at the AGM held on June 20, 2019. The Bank distributed cash dividends of approximately RMB717,263,584.56 in total (tax inclusive) for 2018. Based on the number of shares on the record date for dividend distribution, the Bank distributed a cash dividend of RMB0.18 (tax inclusive) for each share. The final dividend payable for 2018 were denominated in Renminbi, and were paid to holders of domestic shares in Renminbi and holders of H shares in Hong Kong dollars. The exchange rate (i.e. RMB0.880052 against HK$1.00) adopted for dividend payable in Hong Kong dollars was based on the central parity rate of the average exchange rate of Renminbi to Hong Kong dollars as announced by the PBOC on the five working days preceding the date of declaration of the dividend at the annual general meeting on June 20, 2019 (inclusive). Accordingly, the final dividend for 2018 payable for each H share was HK$0.204533 (tax inclusive). The Bank has completed the payment of final dividend for 2018 in August 2019.

The Board does not recommend the distribution of interim dividend for 2019.

5.4 Plan of Capital Reserve Capitalization

As resolved by the Board and considered and approved by the shareholders at the AGM, the first domestic share class meeting of 2019 and the first H share class meeting of 2019 held on June 20, 2019, the Bank issued new shares by way of capitalization of capital reserve to the holders of domestic shares and H shares whose names appeared on the share register of the Bank at the close of business on Tuesday, July 2, 2019 on the basis of 5 new shares for every 100 existing shares held by the shareholders (the "**Capitalization Issue**"). Based on the 3,984,797,692 shares of the Bank in issue as at December 31, 2018, the total number of new shares issued by way of capitalization of capital reserve is 199,239,885 shares, including 161,289,885 shares issued to holders of domestic shares and 37,950,000 shares issued to holders of H shares. Upon completion of the Capitalization Issue, the total number of shares in issue of the Bank is 4,184,037,577 shares, including 3,387,087,577 domestic shares and 796,950,000 H shares. The listing and trading of the new H shares under the Capitalization Issue has been approved by the Hong Kong Stock Exchange, and the Capitalization Issue has been approved by the CBIRC. The listing and trading of the new H shares on the Hong Kong Stock Exchange commenced on August 16, 2019.

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

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

The share capital of the Bank as at June 30, 2019 is set out below:

Description of shares	**Number of shares**	**Approximate percentage of issued shares (%)**
Domestic shares	3,225,797,692	81.0
H shares	759,000,000	19.0
Total	**3,984,797,692**	**100.0**

The share capital of the Bank upon completion of the Capitalization Issue as at the date of this announcement is set out below:

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

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

5.6 Change of Directors

As elected by the shareholders of the Bank at the AGM and approved by the CBIRC, Mr. Cui Qiang has become a non-executive Director of the Bank and a member of the Remuneration Committee under the Board with effect from August 6, 2019. Following the appointment of Mr. Cui Qiang, Ms. Guo Yan has ceased to serve as a non-executive Director of the Bank and a member of the Remuneration Committee under the Board.

In addition, Mr. Li Beiwei has tendered his resignation as an independent non-executive Director of the Bank and the chairman of the Remuneration Committee, a member of each of the Risk Management Committee, the Nomination Committee and the Three Rurals Financial Services Committee under the Board. As the resignation of Mr. Li Beiwei will result in the number of members of the Board falling below the quorum, Mr. Li Beiwei will, in accordance with the relevant laws and regulations and the Articles of Association, continue to perform his duties as a director and related duties as a member of special committees under the Board until the new Director officially takes office. The Board has nominated Ms. Zhang Qiuhua as a candidate for independent non-executive Director of the Bank. The resolution has been approved at the AGM, but is still subject to the approval by the CBIRC.

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

5.7 Amendments to the Articles of Association

Due to the establishment of new special committees under the Board and for the purpose of standardizing the shareholders' pledge of the Bank's shares, the Bank amended certain articles in the Articles of Association. Such amendments were approved by the shareholders at the second extraordinary general meeting of 2017 held on November 8, 2017.

In addition, according to the spirit of the documents including the Constitution of the

Communist Party of China, the Guiding Opinions on Deepening the Reforms of State-owned Enterprises issued by the Central Committee of the Communist Party of China and the State Council, the Several Opinions on Upholding the Party's Leadership and Strengthening the Party's Construction in Deepening the Reforms of State-owned Enterprises issued by the General Office of the CPC Central Committee, and the Notice regarding the Promotion of the Requirements of Incorporation of Party Building Work into the Articles of Association of State-owned Enterprises issued by the Organization Department of the CPC Central Committee and Party Committee of the State-owned Assets Supervision and Administration Commission of the State Council, the Bank incorporated the party building-related articles into the Articles of Association. Such amendments were approved by the shareholders at the first extraordinary general meeting of 2018 held on February 5, 2018.

The above amendments were approved by the CBIRC on March 29, 2019 and became effective from the same day.

5.8 Proposed Non-Public Issuance of Offshore Preference Shares

At the Board meeting held on August 28, 2017, the Board approved the proposed issuance of offshore preference shares (the "**Non-public Issuance of Offshore Preference Shares**"). The Bank planned to conduct a non-public issuance of not more than 50,000,000 offshore preference shares to raise proceeds not exceeding RMB5.0 billion or its equivalent to replenish the Bank's additional tier-one capital. The offshore preference shares would be issued by way of non-public issuance in accordance with the relevant rules on issuance and should be issued in a single or multiple series in accordance with the relevant procedures after being approved by regulatory authorities.

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

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

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

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

(1) Private Placement of Domestic Shares

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

(2) Non-public Issuance of H Shares

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

The resolutions in relation to the Private Placement of Domestic Shares and the Non-public Issuance of H Shares were approved at the second extraordinary general meeting of 2018, the first domestic share class meeting of 2018 and the first H share class meeting of 2018 held on September 5, 2018. For details of the Private Placement of Domestic Shares and the Non-public Issuance of H Shares, please refer to the announcement dated July 12, 2018 and the circular dated August 15, 2018 of the Bank, respectively.

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

5.10 Review by Audit Committee

The audit committee of the Bank is composed of one non-executive Director, namely Mr. Wang Baocheng, and two independent non-executive Directors, namely Mr. Jiang Ning and Mr. Yang Jinguan. Mr. Yang Jinguan serves as the chairman of the committee. The audit committee of the Bank has reviewed the unaudited consolidated interim financial data for the six months ended June 30, 2019 of the Group.

5.11 Event after the Reporting Period

On August 16, 2019, the Bank issued 199,239,885 ordinary shares by way of Capitalization Issue, following which the total ordinary shares of the Bank has been increased to 4,184,037,577. For further details, please refer to the section headed "5.4 Plan of Capital Reserve Capitalization" of this announcement.

6. FINANCIAL REPORT

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Period Ended 30 June 2019

	Notes	Six months ended 30 June **2019**	2018
		(Unaudited)	*(Unaudited)*
		RMB'000	*RMB'000*
Interest income		**4,171,188**	4,362,325
Interest expenses		**(2,257,320)**	(2,608,701)
Net interest income	5	**1,913,868**	1,753,624
Fee and commission income		**102,461**	141,176
Fee and commission expenses		**(13,959)**	(13,768)
Net fee and commission income	6	**88,502**	127,408
Net trading gains	7	**350,785**	385,344
Dividend income		**64,248**	76,512
Net gains arising from investment securities	8	**7,748**	7,303
Losses on deemed disposals of subsidiaries		**—**	(6,204)
Net exchange gains		**3,444**	11,368
Other operating (expense) income, net	9	**(1,587)**	21,487
Operating income		**2,427,008**	2,376,842
Operating expenses	10	**(1,156,539)**	(1,288,253)
Impairment losses on assets	11	**(678,876)**	(555,418)
Operating profit		**591,593**	533,171
Share of profits of associates		**18,112**	35,937
Profit before tax		**609,705**	569,108
Income tax expense	12	**(110,291)**	(94,629)
Profit for the period		**499,414**	474,479
			(Restated)
Earnings per share			
— Basic and diluted (RMB cents)	13	**10.87**	8.85

	Six months ended 30 June	
	2019	2018
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Profit for the period	**499,414**	474,479
Other comprehensive (expense) income for the period:		
Items that will not be reclassified subsequently to profit or loss:		
Financial assets at fair value through other comprehensive income		
— Fair value loss on investments in equity investments at fair value through other comprehensive income	**—**	(17,304)
Items that may be reclassified subsequently to profit or loss:		
— Financial assets at fair value through other comprehensive income		
— Fair value gain on debt investments at fair value through other comprehensive income	**27,215**	187,835
— Reclassified to the profit or loss upon disposal	**(2,651)**	1,141
— Income tax relating to item that may be reclassified subsequently	**(6,168)**	(47,244)
— Changes in allowance for expected credit loss	**2,665**	(865)
— Release of reserve upon deemed disposal of subsidiaries	**—**	6,204
— Share of other comprehensive income of associates	**667**	593
	21,728	130,360
Total comprehensive income for the period	**521,142**	604,839
Profit for the period attributable to:		
— Owners of the Bank	**454,684**	370,207
— Non-controlling interests	**44,730**	104,272
	499,414	474,479
Total comprehensive income for the period attributable to:		
— Owners of the Bank	**476,378**	488,576
— Non-controlling interests	**44,764**	116,263
	521,142	604,839

Condensed Consolidated Statement of Financial Position

At 30 June 2019

	Notes	**At 30 June 2019**	At 31 December 2018
		(Unaudited) ***RMB'000***	*(Audited)* *RMB'000*
Assets			
Cash and deposits with the central bank		**17,578,455**	22,458,129
Deposits with banks and other financial institutions		**9,126,132**	9,884,358
Placements with banks and other financial institutions		**1,851,568**	1,698,580
Financial assets held under resale agreements	14	**194,000**	—
Financial assets at fair value through profit or loss	15	**12,288,187**	16,387,635
Interest receivable		**1,110,178**	750,735
Loans and advances to customers	16	**84,694,710**	75,354,549
Financial assets at fair value through other comprehensive income	17	**4,327,933**	6,349,689
Financial assets measured at amortised costs	18	**23,772,419**	23,716,352
Interests in associates		**2,192,576**	2,203,249
Right-of-use assets		**873,616**	—
Property and equipment		**4,015,848**	4,009,412
Goodwill		**401,335**	401,335
Deferred tax assets		**497,688**	405,626
Other assets		**611,163**	633,627
Total assets		**163,535,808**	164,253,276
Liabilities and equity			
Liabilities			
Borrowings from the central bank		**1,376,400**	2,376,520
Deposits from banks and other financial institutions		**3,341,299**	4,711,266
Placements from banks and other financial institutions		**904,786**	1,106,496
Financial assets sold under repurchase agreements		**4,934,200**	8,406,720
Deposits from customers		**112,373,997**	109,521,161
Accrued staff costs		**65,478**	163,083
Taxes payable		**60,120**	64,664
Interests payable		**1,881,201**	1,749,748
Debts securities issued	19	**21,605,547**	20,552,182
Lease liabilities		**787,253**	—
Other liabilities		**1,308,561**	493,798
Total liabilities		**148,638,842**	149,145,638

	At 30 June 2019	At 31 December 2018
	(Unaudited) *RMB'000*	*(Audited)* *RMB'000*
Equity		
Share capital	**3,984,797**	3,984,797
Capital reserve	**5,338,491**	5,331,249
Investment revaluation reserve	**(8,598)**	(30,292)
Surplus reserve	**724,671**	724,671
General reserve	**1,571,192**	1,571,192
Retained earnings	**1,111,937**	1,374,517
Total equity attributable to owners of the Bank	**12,722,490**	12,956,134
Non-controlling interests	**2,174,476**	2,151,504
Total equity	**14,896,966**	15,107,638
Total liabilities and equity	**163,535,808**	164,253,276

Condensed Consolidated Statement of Changes in Equity

For the Period Ended 30 June 2019

	Attributable to owners of the Bank								
	Share Capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Sub-total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019 (Audited)	**3,984,797**	**5,331,249**	**(30,292)**	**724,671**	**1,571,192**	**1,374,517**	**12,956,134**	**2,151,504**	**15,107,638**
Profit for the period	—	—	—	—	—	**454,684**	**454,684**	**44,730**	**499,414**
Other comprehensive income for the period	—	—	**21,694**	—	—	—	**21,694**	**34**	**21,728**
Total comprehensive income for the period	—	—	**21,694**	—	—	**454,684**	**476,378**	**44,764**	**521,142**
Changes in ownership in a subsidiary without changes in control	—	**7,242**	—	—	—	—	**7,242**	**26,543**	**33,785**
Appropriation of profits									
— Dividends recognised as distribution	—	—	—	—	—	**(717,264)**	**(717,264)**	—	**(717,264)**
— Dividends paid to non-controlling interests	—	—	—	—	—	—	—	**(48,335)**	**(48,335)**
At 30 June 2019 (Unaudited)	**3,984,797**	**5,338,491**	**(8,598)**	**724,671**	**1,571,192**	**1,111,937**	**12,722,490**	**2,174,476**	**14,896,966**

	Attributable to owners of the Bank								
	Share Capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Sub-total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017 (Audited)	3,984,797	5,315,803	(299,747)	631,095	1,538,170	1,381,593	12,551,711	4,098,941	16,650,652
Change in accounting policy for adoption of IFRS 9 and IFRS 15	—	—	(4,087)	—	—	(142,294)	(146,381)	(146,047)	(292,428)
As 1 January 2018 (Restated)	3,984,797	5,315,803	(303,834)	631,095	1,538,170	1,239,299	12,405,330	3,952,894	16,358,224
Profit for the period	—	—	—	—	—	370,207	370,207	104,272	474,479
Other comprehensive income for the period	—	—	118,369	—	—	—	118,369	11,991	130,360
Total comprehensive income for the period	—	—	118,369	—	—	370,207	488,576	116,263	604,839
Changes in ownership in subsidiaries without changes in control	—	3,205	—	—	—	—	3,205	7,350	10,555
Deemed disposal of subsidiaries	—	—	—	—	—	—	—	(1,969,005)	(1,969,005)
Appropriation of profits									
— Dividends recognised as distribution	—	—	—	—	—	(717,264)	(717,264)	—	(717,264)
— Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(157,326)	(157,326)
Release of reserve upon deemed disposal of subsidiaries	—	—	—	—	(92,293)	92,293	—	—	—
At 30 June 2018 (Unaudited)	3,984,797	5,319,008	(185,465)	631,095	1,445,877	984,535	12,179,847	1,950,176	14,130,023

Condensed Consolidated Statement of Cash Flows

For the Period Ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
Profit before tax	**609,705**	569,108
Adjustments for:		
Depreciation of property and equipment	**159,632**	184,919
Depreciation of right-of-use assets	**91,418**	—
Amortisation of long-term deferred expenses and land use rights	**12,974**	5,533
Impairment losses on assets	**678,876**	555,418
Interest income from impaired loans and advances to customers and impaired financial assets measured at amortised cost	**168,372**	16,345
Interest expense on debts securities issued	**438,536**	514,504
Dividend income	**(64,248)**	(76,512)
(Gains) losses on disposal of property and equipment	**(350)**	31
Net unrealised trading losses	**35,624**	60,951
Net gains arising from investment securities	**(7,748)**	(7,303)
Interest expenses on lease liabilities	**17,830**	—
Losses on deemed disposal of subsidiaries	**—**	6,204
Government grants	**(7,757)**	(20,012)
Interest income from financial investments	**(788,625)**	(1,124,095)
Share of profits of associates	**(18,112)**	(35,937)
	1,326,127	649,154
Changes in operating assets		
Net (increase) decrease in deposits with the central bank	**(1,188,583)**	2,646,960
Net decrease (increase) in deposits and placements with the banks and other financial institutions	**469,756**	(3,948,680)
Net decrease in financial assets at fair value through profit or loss	**4,063,824**	1,043,519
Net increase in loans and advances to customers	**(9,820,748)**	(10,741,733)
Net increase in interest receivable	**(228,641)**	(146,627)
Net increase in other assets	**(104,197)**	(182,367)
	(6,808,589)	(11,328,928)

	Six months ended 30 June	
	2019	2018
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Changes in operating liabilities		
Net (decrease) increase in borrowing from central bank	**(1,000,120)**	279,130
Net (decrease) increase in deposits from banks and other financial institutions	**(1,369,967)**	3,882,157
Net (decrease) increase in placements from banks and other financial institutions	**(201,710)**	84,000
Net decrease in financial assets sold under repurchase agreements	**(3,472,520)**	(749,545)
Net increase in deposits from customers	**2,852,836**	3,243,944
Net decrease in accrued staff costs	**(97,605)**	(148,595)
Net increase in interests payable	**113,670**	92,986
Net increase (decrease) in other liabilities	**97,352**	(116,190)
	(3,078,064)	6,567,887
Cash used in operations	**(8,560,526)**	(4,111,887)
Income tax paid	**(213,065)**	(242,955)
NET CASH USED IN OPERATING ACTIVITIES	**(8,773,591)**	(4,354,842)
INVESTING ACTIVITIES		
Proceeds from disposal of financial investments	**7,129,727**	4,118,890
Proceeds from disposal of land use right	**18,030**	—
Interest income from financial investments	**514,132**	1,088,743
Dividend received from associates	**29,452**	54,078
Dividend income received	**60,669**	76,512
Proceeds from disposal of property and equipment	**11,830**	4,792
Payments on acquisition of financial investments	**(5,354,661)**	(149,930)
Payments on acquisition of property and equipment	**(177,548)**	(239,166)
Net cash outflow arising on deemed disposals of subsidiaries	**—**	(2,236,343)
NET CASH GENERATED FROM INVESTING ACTIVITIES	**2,231,631**	2,717,576

	Six months ended 30 June	
	2019	2018
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
FINANCING ACTIVITIES		
Proceeds from disposal of interests in subsidiaries without loss in control	**33,785**	10,555
Interest paid on lease liabilities	**(17,830)**	—
Government grants received	**7,757**	20,012
Net proceeds from issue of new debt securities	**5,942,490**	6,709,218
Repayment of lease liabilities	**(77,160)**	—
Repayment of debt securities issued	**(5,260,000)**	(7,419,598)
Interest paid on debts securities issued	**(49,878)**	(50,253)
Dividends paid to non-controlling interests	**(48,185)**	(147,032)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**530,979**	(877,098)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(6,010,981)**	(2,514,364)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**16,095,980**	16,354,589
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**10,084,999**	13,840,225
Interest received (including interest income from financial assets at FVTPL)	**4,160,545**	4,245,190
Interest paid (excluding interest expense on debts securities issued)	**(2,093,772)**	(2,953,422)

1. GENERAL

The Bank, formerly known as Jiutai Rural Credit Cooperative Union, is a joint stock commercial bank established on 16 December 2008 with approval of the China Banking Regulatory Commission (the "**CBRC**") (YinFu 2008 No. 320) on 15 December 2008.

The Bank obtained its finance permit No. B1001H222010001 from the CBRC Jilin Bureau. The Bank obtained its business license (Unified Social Credit Code: 912200001243547911) from Jilin Administration of Industry and Commerce. The legal representative is Gao Bing and the address of the registered office is No. 504 Xinhua Main Street, Jiutai District, Changchun, the People's Republic of China (the "**PRC**").

As at 30 June 2019, the Bank has established 3 branches and 65 sub-branches. The Bank has 35 subsidiaries. The principal activities of the Bank and its subsidiaries (collectively referred to as the "**Group**") are the provision of corporate and retail deposits, loans and advances, payment and settlement services, as well as other banking services as approved by the CBRC. The Group operates in mainland China.

On 12 January 2017, the Bank's H shares were listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (Stock code: 6122).

The condensed consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Bank and its subsidiaries.

2. BASIS OF PREPARATION

The condensed consolidated financial statement of the Group for the six months ended 30 June 2019 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange, and with International Accounting Standard 34, "Interim Financial Reporting" ("**IAS 34**"), issued by the International Accounting Standards Board ("**IASB**").

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2018 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of new IFRSs, the accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018.

In the current interim period, the Group has applied, for the first time, the following new and revised IFRSs, which include IFRSs, International Accounting Standards ("**IAS(s)**"), amendments and related Interpretations ("**IFRICs**"), issued by the International Accounting Standards Board (the "**IASB**") which are effective for the Group's financial year beginning 1 January 2019.

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

The adoption of IFRS 16 resulted in changes in the Group's accounting policies and adjustments to the amounts recognised in the condensed consolidated financial statements. The new accounting policies are set out in note 4 below. The application of other new and amendments to IFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3.1 Impacts on adoption of IFRS 16 Leases

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 4. The Group has applied IFRS 16 Leases retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 January 2019, and has not restated comparatives for the 2018 reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 17 Leases.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC-4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

The major impacts of the adoption of IFRS 16 on the Group's condensed consolidated financial statements are described below.

The Group as lessee

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.51%.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liability, adjusted by the amount of any prepaid lease payments — the Group applied this approach to all other leases.

The following table summarises the impact of transition to IFRS 16 at 1 January 2019. Line items that were not affected by the adjustments have not been included.

	Notes	Carrying amount previously reported at 31 December 2018	Impact on adoption of IFRS 16	**Carrying amount as restated at 1 January 2019**
		RMB'000	*RMB'000*	***RMB'000***
Right-of-use assets	(a), (b), (c)	—	965,650	**965,650**
Long-term deferred expenses (included in other assets)	(b)	133,673	(92,868)	**40,805**
Land use rights (included in other assets)	(c)	25,783	(25,783)	**—**
Lease liabilities	(a)	—	846,999	**846,999**

Notes:

(a) As at 1 January 2019, right-of-use assets were measured at an amount of approximately RMB846,999,000 and lease liabilities were measured at an amount of approximately RMB846,999,000. The adoption of IFRS 16 has had no material impact on the retained earnings of the Group.

(b) Long-term deferred expenses of approximately RMB92,868,000 which represents prepaid rent as at 31 December 2018 were adjusted to right-of-use assets.

(c) Land use rights of approximately RMB25,783,000 which represents upfront payments for leashold lands in the PRC as at 31 December 2018 were adjusted to right-of-use assets.

Differences between operating lease commitment as at 31 December 2018, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 January 2019 are as follow:

	RMB'000
Operating lease commitment disclosed as at 31 December 2018	963,018
Less: Short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(3,136)
	959,882
Discounted using the incremental borrowing rate and lease liabilities recognised at 1 January 2019	846,999

Practical expedients applied

On the date of initial application of IFRS 16, the Group has used the following practical expedients permitted by the standard:

- Not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC-4 Determining whether an Arrangement contains a Lease;

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;

- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;

- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and

- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

4. CHANGE IN ACCOUNTING POLICIES

Leases

Definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as leasee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;

- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;

- the amount expected to be payable by the lessee under residual value guarantees;

- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and

- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is presented as a separate line in the condensed consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under IAS 37 "Provision, Contingent Liabilities and Contingent Assets". The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the condensed consolidated statement of financial position, the same line item as that within which the corresponding underlying assets would be presented if they were owned.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the "Property, plant and equipment" policy as stated in the Group's annual consolidated financial statements for the year ended 31 December 2018.

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

5. NET INTEREST INCOME

	Six months ended 30 June	
	2019	2018
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Interest income arising from		
— Deposits with the central bank	**96,360**	122,611
— Deposits with banks and other financial institutions	**237,594**	322,171
— Placements with banks and other financial institutions	**39,127**	26,931
— Financial assets at FVTOCI	**112,145**	188,548
— Financial assets measured at amortised costs	**676,480**	935,547
— Loans and advances to customers:		
— Corporate loans and advances	**2,152,343**	1,921,916
— Finance lease loans	**63,028**	45,064
— Personal loans and advances	**748,537**	660,302
— Discounted bills	**4,698**	1,535
— Financial assets held under resale agreements	**40,876**	137,700
	4,171,188	4,362,325
Less: Interest expenses arising from		
— Borrowings from the central bank	**(14,254)**	(5,911)
— Deposits from banks and other financial institutions	**(98,587)**	(171,502)
— Placements from banks and other financial institutions	**(10,020)**	(15,032)
— Deposits from customers:		
Corporate customers	**(445,706)**	(643,010)
Individual customers	**(1,113,813)**	(1,038,344)
— Financial assets sold under repurchase agreements	**(118,574)**	(220,398)
— Debts securities issued	**(438,536)**	(514,504)
— Lease liabilities	**(17,830)**	—
	(2,257,320)	(2,608,701)
	1,913,868	1,753,624

6. NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2019	2018
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Fee and commission income		
— Advisory fees	**22,104**	21,839
— Settlement and clearing fees	**8,777**	26,475
— Wealth management service fees	**572**	8,598
— Agency service fees	**7,957**	10,729
— Syndicated loan service fees	**46,919**	67,427
— Bank card service fees	**1,935**	3,102
— Others	**14,197**	3,006
	102,461	141,176
Fee and commission expenses		
— Settlement and clearing fees	**(11,104)**	(10,378)
— Others	**(2,855)**	(3,390)
	(13,959)	(13,768)
	88,502	127,408

7. NET TRADING GAINS

	Six months ended 30 June	
	2019	2018
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Financial assets at FVTPL		
— Unlisted equity investments	**—**	(3,352)
— Debt securities	**(35,585)**	(24,163)
Investment income from financial asset at FVTPL (Note)	**386,370**	412,859
	350,785	385,344

Note: The investment income from financial assets at FVTPL includes interest income from financial assets at FVTPL of approximately RMB386,370,000 (2018: RMB432,030,000) for the period ended 30 June 2019.

8. NET GAINS ARISING FROM INVESTMENT SECURITIES

	Six months ended 30 June	
	2019	2018
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Net gains on disposal of financial assets measured at amortised cost	**3,672**	5,536
Net gains on disposal of financial assets at FVTOCI	**1,425**	2,908
Net revaluation gains (losses) reclassified from other comprehensive income on disposal	**2,651**	(1,141)
	7,748	7,303

9. OTHER OPERATING (EXPENSES) INCOME, NET

	Six months ended 30 June	
	2019	2018
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Government grants (Note)	**7,757**	20,012
Gains (losses) on disposal of property and equipment	**350**	(31)
Others operating (expenses) income	**(9,694)**	1,506
	(1,587)	21,487

Note: Government grants recognised as other income are awarded to the Group by the PRC government as incentives primarily to encourage the development of the Group and the contribution to the local economic development. The government grants are one-off with no specific condition attached.

10. OPERATING EXPENSES

	Six months ended 30 June	
	2019	2018
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Staff costs (including directors' and supervisors' emoluments)		
— Salaries and bonuses	**437,923**	486,493
— Staff welfares	**37,830**	37,478
— Social insurance	**140,145**	151,301
— Housing allowances	**42,694**	45,417
— Labour union and staff education expenses	**9,582**	10,635
	668,174	731,324
Premises and equipment expenses		
— Depreciation of property and equipment	**159,632**	184,919
— Amortisation of long-term deferred expenses	**12,974**	5,099
— Amortisation of land use rights	**—**	434
— Rental and property management expenses	**29,375**	129,884
— Depreciation of right-of-use assets	**91,418**	—
	293,399	320,336
Other tax and surcharges	**26,592**	45,815
Other general and administrative expenses (Note)	**168,374**	190,778
	1,156,539	1,288,253

Note: Auditor's remuneration for the period ended 30 June 2019 was RMB1,928,000 (2018: RMB1,885,000).

11. IMPAIRMENT LOSSES ON ASSETS

	Six months ended 30 June	
	2019	2018
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Loans and advances to customers	**455,906**	387,363
Financial assets measured at amortised costs	**222,935**	148,963
Financial assets at FVTOCI	**2,665**	(865)
Placements with banks and other financial institutions	**111**	613
Other receivables and repossessed assets	**(1,385)**	13,612
Deposits with bank and other financial institutions	**(1,353)**	5,760
Credit commitments and financial guarantees	**(3)**	9
Financial assets held under resale agreements	**—**	(37)
	678,876	555,418

12. INCOME TAX EXPENSE

Income tax:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Current tax:		
— Mainland China Enterprise Income Tax	**207,614**	195,930
Under provision in prior period:		
— Mainland China Enterprise Income Tax	**907**	8,996
Deferred taxation		
— Current year	**(98,230)**	(110,297)
	110,291	94,629

Under the Law of the Mainland China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the Mainland China companies is 25%. During the period ended 30 June 2018, certain branches with operations in a subsidiary, Changbai Mountain Rural Commercial Bank Co., Ltd. ("長白山農村商業銀行股份有限公司", "Changbai Mountain Rural Commercial Bank") obtained approvals from tax authorities to adopt the preferential income tax rate of 15%.

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Bank is based on the following data:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	*(Unaudited and restated)*
	RMB'000	*RMB'000*
Profit for the period attributable to owners of the Bank (RMB'000)	**454,684**	370,207
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000)	**4,184,037**	4,184,037

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share has been adjusted for the share capitalisation on 16 August 2019.

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the period ended 30 June 2019 and 2018.

14. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by type and location of counterparty

	At 30 June 2019	At 31 December 2018
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
In Mainland China		
— Banks	**194,000**	—

(b) Analysed by type of security held

	At 30 June 2019	At 31 December 2018
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Debt securities		
— Banks and other financial institutions	**194,000**	—

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2019	At 31 December 2018
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Unlisted equity investments measured at FVTPL	**1,017,382**	1,017,382
Other debt instruments (Note)	**11,270,805**	15,370,253
	12,288,187	16,387,635

Note:

Other debt instruments

	At 30 June 2019	At 31 December 2018
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Trusts plans	**—**	481,775
Asset management plans	**11,270,805**	14,888,478
	11,270,805	15,370,253

16. LOANS AND ADVANCES TO CUSTOMERS

	At 30 June 2019	At 31 December 2018
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Gross loans and advances to customers		
Corporate loans and advances		
— Loans	**62,957,359**	55,288,224
— Finance lease loans	**2,511,985**	1,559,929
	65,469,344	56,848,153
Personal loans and advances		
— Personal business loans	**16,045,267**	14,655,473
— Personal consumption loans	**2,699,696**	3,621,813
— Credit card overdrafts	**20,100**	17,161
— Residential and commercial mortgage loans	**3,062,355**	2,374,172
	21,827,418	20,668,619
Discounted bills	**—**	10,899
	87,296,762	77,527,671
Less: Provision for impairment losses		
— Individually assessed	**(835,784)**	(811,371)
— Collectively assessed	**(1,766,268)**	(1,361,751)
	(2,602,052)	(2,173,122)
	84,694,710	75,354,549

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 30 June 2019	At 31 December 2018
	(Unaudited) ***RMB'000***	*(Audited)* *RMB'000*
Debt securities issued by the following institutions in Mainland China		
— Government	**1,799,600**	3,131,872
— Banks and other financial institutions	**1,317,784**	2,073,041
— Corporations	**743,721**	675,508
	3,861,105	5,880,421
Asset management plans	**322,211**	324,651
Unlisted equity investments measured at FVTOCI	**144,617**	144,617
	466,828	469,268
	4,327,933	6,349,689
Analysed as:		
Listed outside Hong Kong	**3,861,105**	5,880,421
Unlisted outside Hong Kong	**466,828**	469,268
	4,327,933	6,349,689

At 1 January 2018, the Group made an irrevocable election to present changes in the fair value of certain of its equity investments and debt investments (previously classified as available-for-sale equity investments and available-for-sale debt investments respectively) in other comprehensive income.

All financial assets at FVTOCI are traded on the China Interbank Bond Market and are included in "Listed outside Hong Kong".

At 30 June 2019 and 31 December 2018, parts of financial assets at FVTOCI were pledged as security for repurchase agreement.

At 30 June 2019 and 31 December 2018, the Group classifies all financial assets at fair value through other comprehensive income in Stage 1, and measures the loss allowance equal to 12-month ECL.

18. FINANCIAL ASSETS MEASURED AT AMORTISED COST

	At 30 June 2019	At 31 December 2018
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Debt securities issued by the following institutions in Mainland China		
— Government	**5,751,112**	5,518,559
— Banks and other financial institutions	**1,164,792**	1,353,901
	6,915,904	6,872,460
Trust plans	**8,938,978**	9,021,324
Asset management plans	**7,916,387**	7,761,214
Investment funds	**717,151**	698,111
	24,488,420	24,353,109
Less: Provision for impairment losses	**(716,001)**	(636,757)
	23,772,419	23,716,352
Analysed as:		
Listed outside Hong Kong	**6,915,234**	6,871,790
Unlisted outside Hong Kong	**16,857,185**	16,844,562
	23,772,419	23,716,352

Notes:

(a) The Group had an objective to hold these investments in order to collect contractual cash flows and had measured them at their amortised cost.

(b) All debt securities are traded on the China Interbank Bond Market and are included in "Listed outside Hong Kong".

(c) At 30 June 2019 and 31 December 2018, parts of financial assets at amortised cost were pledged as security for repurchase agreement.

19. DEBTS SECURITIES ISSUED

	30 June 2019	31 December 2018
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Fixed rate subordinated debts/tier-two capital bonds issued (Note (i))	**2,395,589**	2,395,187
Interbank deposits (Note (ii))	**19,209,958**	18,156,995
	21,605,547	20,552,182

Notes:

(i) Fixed rate subordinated debts/tier-two capital bonds issued

(a) Fixed rate subordinated debts at a face value of RMB700,000,000 with a term of ten years were issued on 31 December 2012. The coupon rate is 7.00%. The effective interest rate per annum on the Group's fixed rate subordinated debts issued is 7.06%. As at 30 June 2019, the outstanding balance of this fixed rate subordinated debts issued is RMB698,949,000 (31 December 2018: RMB698,800,000).

(b) Fixed rate tier-two capital bonds at a face value of RMB800,000,000 with a term of ten years were issued on 13 April 2015. The coupon rate is 6.30%. The Group has an option to redeem the debts on 13 April 2020 at the nominal amount. The effective interest rate per annum on the Group's tier-two capital bonds issued is 6.35%. As at 30 June 2019, the outstanding balance of this fixed rate tier-two capital bonds issued is approximately RMB798,612,000 (31 December 2018: approximately RMB798,493,000).

(c) Fixed rate tier-two capital bonds at a face value of RMB900,000,000 with a term of ten years were issued on 20 October 2016. The coupon rate is 4.20%. The Group has an option to redeem the debts on 20 October 2021 at the nominal amount. The effective interest rate per annum on the Group's tier-two capital bonds issued is 4.24%. As at 30 June 2019, the outstanding balance of this fixed rate tier-two capital bonds issued is approximately RMB898,028,000 (31 December 2018: approximately RMB897,894,000).

(ii) Interbank deposits

(a) For the period ended 30 June 2019, the Bank issued a number of zero coupon interbank deposits with total nominal amount of RMB6,140,000,000 and duration of 1 year. As at 30 June 2019, the outstanding balance of interbank deposits issued during the current period is approximately RMB6,014,329,000. The ranges of effective interest rates per annum on the Group's interbank deposits issued are 3.15% to 3.50%.

(b) For the year ended 31 December 2018, the Bank issued a number of zero coupon interbank deposits with total nominal amount of RMB20,480,000,000 and duration between 3 months to 1 year. As at 30 June 2019, the outstanding balance of interbank deposits issued by the Group in 2018 is approximately RMB13,195,629,000 (31 December 2018: RMB18,156,995,000). The ranges of effective interest rates per annum on the Group's interbank deposits issued are 3.50% to 5.32%.

20. SEGMENT REPORTING

The Group manages its business by business lines and geographical areas. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations and government agencies. These products and services include corporate loans and advances, deposit taking activities, agency services, consulting and advisory services, remittance and settlement services and guarantee services.

Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans and deposit taking activities, bank card business, personal wealth management services and remittance services.

Treasury operations

This segment covers the Group's treasury operations. The treasury operations enters into inter-bank money market transactions, repurchases transactions and investments. It also trades in debt securities. The treasury segment also covers management of the Group's overall liquidity position, including the issuance of debts.

Others

These represent assets, liabilities, income and expenses which cannot directly attributable or cannot be allocated to a segment on a reasonable basis.

Measurement of segment assets and liabilities and of segment income, expenses and results is based on the Group's accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income/(expense)". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest (expense)/income".

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

Segment results, assets and liabilities

	Period ended 30 June 2019				
	Corporate banking	**Retail banking**	**Treasury operations**	**Others**	**Total**
	(Unaudited) RMB'000	*(Unaudited) RMB'000*	*(Unaudited) RMB'000*	*(Unaudited) RMB'000*	*(Unaudited) RMB'000*
Operating income					
External net interest income/(expense)	**1,830,607**	**(436,756)**	**520,904**	**(887)**	**1,913,868**
Internal net interest (expense)/income	**(400,577)**	**1,155,184**	**(754,607)**	**—**	**—**
Net interest income/(expense)	**1,430,030**	**718,428**	**(233,703)**	**(887)**	**1,913,868**
Net fee and commission income	**82,799**	**5,121**	**582**	**—**	**88,502**
Net trading gains	**—**	**—**	**350,785**	**—**	**350,785**
Dividend income	**—**	**—**	**—**	**64,248**	**64,248**
Net gains arising from investment securities	**—**	**—**	**7,748**	**—**	**7,748**
Net exchange gains	**—**	**—**	**—**	**3,444**	**3,444**
Other operating expense, net	**—**	**—**	**—**	**(1,587)**	**(1,587)**
Operating income	**1,512,829**	**723,549**	**125,412**	**65,218**	**2,427,008**
Operating expenses	**(677,631)**	**(394,057)**	**(59,319)**	**(25,532)**	**(1,156,539)**
Impairment losses on assets	**(277,649)**	**(178,254)**	**(224,358)**	**1,385**	**(678,876)**
Operating profit/(loss)	**557,549**	**151,238**	**(158,265)**	**41,071**	**591,593**
Share of profits of associates	**—**	**—**	**—**	**18,112**	**18,112**
Profit before tax	**557,549**	**151,238**	**(158,265)**	**59,183**	**609,705**
Other segment information					
— Depreciation and amortisation	**159,707**	**87,492**	**11,383**	**5,442**	**264,024**
— Capital expenditure	**104,281**	**49,173**	**13,509**	**10,585**	**177,548**

	At 30 June 2019				
	Corporate banking	**Retail banking**	**Treasury operations**	**Others**	**Total**
	(Unaudited) RMB'000	*(Unaudited) RMB'000*	*(Unaudited) RMB'000*	*(Unaudited) RMB'000*	*(Unaudited) RMB'000*
Segment assets	**66,784,292**	**23,125,604**	**66,683,004**	**6,445,220**	**163,038,120**
Deferred tax assets	**—**	**—**	**—**	**497,688**	**497,688**
Total assets	**66,784,292**	**23,125,604**	**66,683,004**	**6,942,908**	**163,535,808**
Segment liabilities	**41,388,817**	**73,721,630**	**32,355,098**	**455,877**	**147,921,422**
Dividend payable	**—**	**—**	**—**	**717,420**	**717,420**
Total liabilities	**41,388,817**	**73,721,630**	**32,355,098**	**1,173,297**	**148,638,842**

	Period ended 30 June 2018				
	Corporate banking	Retail banking	Treasury operations	Others	Total
	(Unaudited) RMB'000	*(Unaudited) RMB'000*	*(Unaudited) RMB'000*	*(Unaudited) RMB'000*	*(Unaudited) RMB'000*
Operating income					
External net interest income/(expense)	1,341,134	(394,002)	806,492	—	1,753,624
Internal net interest (expense)/income	(324,732)	1,440,247	(1,115,515)	—	—
Net interest income/ (expense)	1,016,402	1,046,245	(309,023)	—	1,753,624
Net fee and commission income	91,994	11,065	24,349	—	127,408
Net trading gains	—	—	385,344	—	385,344
Dividend income	—	—	—	76,512	76,512
Net gains arising from investment securities	—	—	7,303	—	7,303
Loss on deemed disposal of subsidiaries	—	—	—	(6,204)	(6,204)
Net exchange gains	—	—	—	11,368	11,368
Other operating income, net	—	—	—	21,487	21,487
Operating income	1,108,396	1,057,310	107,973	103,163	2,376,842
Operating expenses	(594,467)	(555,377)	(72,154)	(66,255)	(1,288,253)
Impairment losses on assets	(254,488)	(132,883)	(154,435)	(13,612)	(555,418)
Operating profit/(loss)	259,441	369,050	(118,616)	23,296	533,171
Share of profits of associates	—	—	—	35,937	35,937
Profit before tax	259,441	369,050	(118,616)	59,233	569,108
Other segment information					
— Depreciation and amortisation	92,579	78,136	7,283	12,454	190,452
— Capital expenditure	127,616	74,062	13,812	23,676	239,166

	At 31 December 2018				
	Corporate banking	Retail banking	Treasury operations	Others	Total
	(Unaudited) RMB'000	*(Unaudited) RMB'000*	*(Unaudited) RMB'000*	*(Unaudited) RMB'000*	*(Unaudited) RMB'000*
Segment assets	58,221,504	20,766,392	74,652,618	10,207,136	163,847,650
Deferred tax assets	—	—	—	405,626	405,626
Total assets	58,221,504	20,766,392	74,652,618	10,612,762	164,253,276
Segment liabilities	44,556,674	66,920,498	37,382,582	285,878	149,145,632
Dividend payable	—	—	—	6	6
Total liabilities	44,556,674	66,920,498	37,382,582	285,884	149,145,638

7. PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND 2019 INTERIM REPORT

This interim results announcement is published on the HKEXnews website of Hong Kong Stock Exchange (www.hkexnews.hk) and website of the Bank (www.jtnsh.com). The 2019 Interim Report of the Bank prepared in accordance with the Hong Kong Listing Rules and the IFRSs will be published on the HKEXnews website of Hong Kong Stock Exchange (www.hkexnews.hk) and website of the Bank (www.jtnsh.com) and will be despatched to the holders of H shares of the Bank in due course.

By order of the Board
Jilin Jiutai Rural Commercial Bank Corporation Limited*
Gao Bing
Chairman

Changchun, China
August 23, 2019

As at the date of this announcement, the Board of the Bank comprises Mr. Gao Bing, Mr. Liang Xiangmin and Mr. Yuan Chunyu as executive Directors; Mr. Cui Qiang, Mr. Wu Shujun, Mr. Zhang Xinyou, Mr. Wang Baocheng and Mr. Zhang Yusheng as non-executive Directors; and Dr. Fu Qiong, Mr. Jiang Ning, Mr. Li Beiwei, Mr. Chung Wing Yin and Mr. Yang Jinguan as independent non-executive Directors.

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