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

**鄭州銀行股份有限公司\***

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

**(H Shares Stock Code: 6196)**

**(Preference Shares Stock Code: 4613)**

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

The board of directors (the “**Board**”) of Bank of Zhengzhou Co., Ltd.\* (the “**Bank**”) is pleased to announce the unaudited consolidated interim results (the “**Interim Results**”) of the Bank and its subsidiaries for the six months ended June 30, 2019. This results announcement, containing the full text of the 2019 interim report of the Bank, complies with the relevant content requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to preliminary announcements of Interim Results. The Board and the audit committee of the Board have reviewed and confirmed the Interim Results.

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Bank ([www.zzbank.cn](http://www.zzbank.cn)). The printed version of the interim report for the six months ended June 30, 2019 will be dispatched to the shareholders of the Bank and will be available on the above websites in September 2019.

By order of the Board  
**Bank of Zhengzhou Co., Ltd.\***  
**Wang Tianyu**  
*Chairman*

Zhengzhou, Henan, the PRC  
August 21, 2019

*As at the date of this announcement, the Board comprises Mr. WANG Tianyu, Mr. SHEN Xueqing and Mr. FENG Tao as executive directors, Mr. FAN Yutao, Mr. ZHANG Jingguo, Mr. LIANG Songwei, Mr. JI Hongjun and Mr. WANG Shihao as non-executive directors, and Mr. XIE Taifeng, Mr. WU Ge, Ms. CHAN Mei Bo Mabel and Ms. LI Yanyan as independent non-executive directors.*

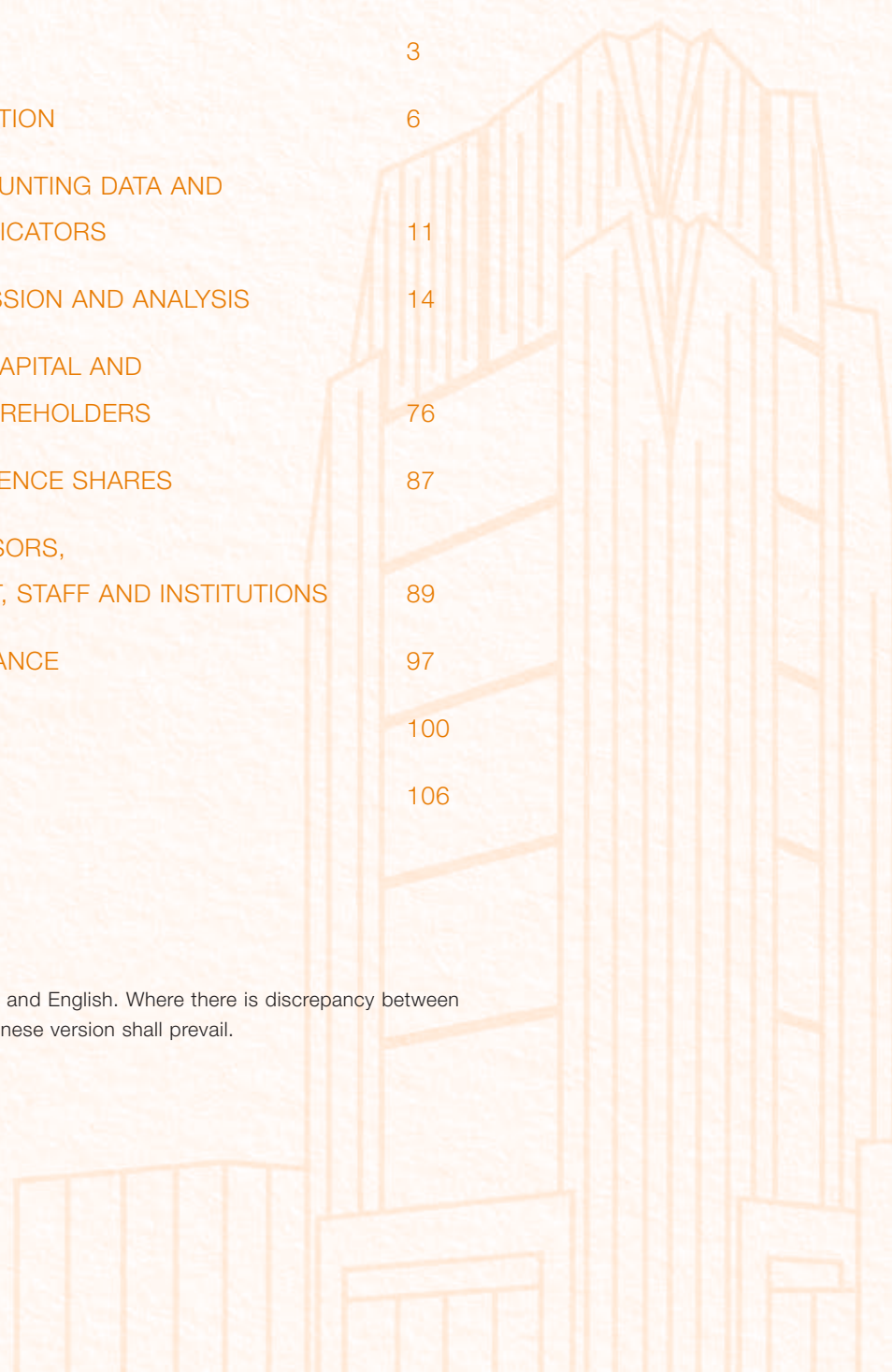
\* *The Bank is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking and/or deposit-taking business in Hong Kong.*



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\* This report was prepared in both Chinese and English. Where there is discrepancy between the Chinese and English versions, the Chinese version shall prevail.



# IMPORTANT NOTICE

The Board of Directors, Board of Supervisors and Directors, Supervisors and senior management of the Bank hereby warrant the truthfulness, accuracy and completeness of the contents of this interim report and that there are no false representations, misleading statements or material omissions, and jointly and severally assume liability for the information in this interim report.

The 2019 half year interim report (the “**Report**”) and the interim results announcement were approved at the Bank’s sixth meeting of the sixth session of the Board on 20 August 2019. 12 Directors were eligible to attend the meeting and 12 of them attended in person, with several Supervisors of the Bank being in attendance.

Unless otherwise specified, the financial information set out in this Report represents data from the consolidated financial statements of the Bank and its subsidiaries, namely Henan Jiuding Financial Leasing Co., Ltd., Fugou Zhengyin County Bank Co., Ltd., Xinmi Zhengyin County Bank Co., Ltd., Xunxian Zhengyin County Bank Co., Ltd. and Queshan Zhengyin County Bank Co., Ltd..

The Bank prepared the unaudited 2019 interim financial report in accordance with the accounting principles generally accepted in the PRC (the “**PRC GAAP**”) and International Financial Reporting Standards, which was reviewed by KPMG Huazhen LLP and KPMG in accordance with the PRC and Hong Kong standards, respectively.

Mr. WANG Tianyu, the legal representative and chairman, Mr. SHEN Xueqing, the president, Mr. FU Chunqiao, the person in charge of accounting, and Mr. ZHANG Zhiyong, the head of accounting department of the Bank hereby declare and warrant the truthfulness, accuracy and completeness of the financial report in this Report.

The Bank proposed not to distribute cash dividend or bonus shares, or convert capital reserve into share capital for the first half of 2019.

Forward-looking statements such as future plans mentioned in this Report do not constitute actual commitments of the Bank to investors. Investors and parties concerned should be fully aware of the risks, and understand the differences among plans, estimates and commitments.

During the Reporting Period, the Bank was not aware of any material risk that would adversely affect its future development strategies and business targets. The major risks to which the Bank was exposed in its operations and management and the corresponding measures adopted by the Bank are detailed in this Report. For further information, please refer to the relevant information in the section headed “Risk Management” in the chapter headed “Management Discussion and Analysis” of this Report.

# DEFINITIONS

## DEFINITIONS

In this Report, unless the context otherwise requires, the following terms shall have the meanings set forth below:

“2018 AGM”	the annual general meeting of the Bank convened on 24 May 2019
“Articles of Association”	the articles of association of the Bank, as amended from time to time
“A Share(s)”	ordinary shares with a nominal value of RMB1.00 each in the share capital of the Bank, which are listed and traded on the Small and Medium Enterprise (SME) Board of the SZSE (stock code: 002936)
“Bank”, “Bank of Zhengzhou”, or “We”	Bank of Zhengzhou Co., Ltd.* (鄭州銀行股份有限公司), a joint stock company incorporated in the PRC with limited liability on 16 November 1996 in accordance with the PRC laws, and, if the context requires, includes its predecessors, subsidiaries, branches and sub-branches
“Board” or “Board of Directors”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“CBIRC”	China Banking and Insurance Regulatory Commission
“CBIRC Henan Office”	China Banking and Insurance Regulatory Commission Henan Office
“Company Law”	Company Law of the People’s Republic of China
“Corporate Governance Code”	Corporate Governance Code set out in Appendix 14 to the Stock Exchange Listing Rules
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Bank
“Former CBRC”	the former China Banking Regulatory Commission
“Former CBRC Henan Office”	the former China Banking Regulatory Commission Henan Office
“Fugou Zhengyin County Bank”	Fugou Zhengyin County Bank Co., Ltd.
“Group”	the Bank and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

## DEFINITIONS

“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“H Share(s)”	overseas-listed shares in the share capital of the Bank, with a nominal value of RMB1.00 each, which are listed and traded on the Main Board of the Hong Kong Stock Exchange (stock code: 6196)
“Jiuding Financial Leasing Company”	Henan Jiuding Financial Leasing Co., Ltd. (河南九鼎金融租賃股份有限公司)
“Latest Practicable Date”	19 August 2019, being the latest practicable date prior to the printing of this Report for the purpose of ascertaining certain information contained in this Report
“Macao”	Macao Special Administrative Region of the PRC
“MOF”	the Ministry of Finance of the People's Republic of China
“Offshore Preference Shares”	59,550,000 shares of non-cumulative perpetual offshore preference shares with a nominal value of RMB100 each issued by the Bank and listed on the Hong Kong Stock Exchange (stock code: 4613)
“PBoC” or “Central Bank”	the People's Bank of China
“PRC” or “China”	the People's Republic of China, and for the purpose of this Report only, excluding Hong Kong, Macao and Taiwan regions
“Queshan Zhengyin County Bank”	Queshan Zhengyin County Bank Co., Ltd.
“Reporting Period”	the six months period from 1 January 2019 to 30 June 2019
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Securities Law”	Securities Law of the People's Republic of China
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)” or “Ordinary Share(s)”	the A Shares and the H Shares
“Stock Exchange Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Bank
“SZSE”	Shenzhen Stock Exchange
“SZSE Listing Rules”	Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange

## DEFINITIONS

“Xinmi Zhengyin County Bank” Xinmi Zhengyin County Bank Co., Ltd.

“Xinzheng Zhengyin County Bank” Xinzheng Zhengyin County Bank Co., Ltd.

“Xunxian Zhengyin County Bank” Xunxian Zhengyin County Bank Co., Ltd.

“Yanling Zhengyin County Bank” Yanling Zhengyin County Bank Co., Ltd.

“Zhongmu Zhengyin County Bank” Zhongmu Zhengyin County Bank Co., Ltd.

\* *The Bank is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), and not subject to the supervision of the Hong Kong Monetary Authority, nor being authorized to carry out banking and/or deposit-taking business in Hong Kong.*



# CHAPTER I CORPORATE INFORMATION

## 1 BASIC INFORMATION

Legal name in Chinese:	鄭州銀行股份有限公司 (Abbreviation: 鄭州銀行)
Legal name in English:	Bank of Zhengzhou Co., Ltd. (Abbreviation: BANK OF ZHENGZHOU)
Legal representative:	Mr. WANG Tianyu
Authorized representatives:	Mr. WANG Tianyu and Mr. FU Chunqiao
Board secretary and contact details:	Mr. FU Chunqiao Contact address: 22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province, China Tel: +86-371-6700 9199 Fax: +86-371-6700 9898 E-mail: ir@zzbank.cn
Joint company secretaries:	Mr. FU Chunqiao and Ms. LEUNG Wing Han Sharon
Securities affairs representative and contact details:	Mr. CHEN Guang Contact address: 22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province, China Tel: +86-371-6700 9199 Fax: +86-371-6700 9898 E-mail: ir@zzbank.cn
Places of listing, stock short names and codes:	A Shares: SZSE BANK OF ZHENGZHOU 002936 H Shares: Hong Kong Stock Exchange BANK OF ZHENGZHOU 6196 Offshore Preference Shares: Hong Kong Stock Exchange ZZBNK 17USDPREF 4613
Unified Social Credit Code:	914100001699995779
Financial license number:	B1036H241010001
Registered address and office address:	22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province, China
Postal code of the registered address and office address:	450018



## CHAPTER I CORPORATE INFORMATION

Principal place of business in Hong Kong:	40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong
Contact address:	22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province, China
Telephone:	+86-371-6700 9199
Fax:	+86-371-6700 9898
E-mail:	ir@zzbank.cn
Website:	www.zzbank.cn
Newspapers for information disclosure:	Securities Times, China Securities Journal, Shanghai Securities News, and Securities Daily
Websites for information disclosure:	Website designated by the CSRC for publishing the half yearly report for A Shares: www.cninfo.com.cn Website designated by the Hong Kong Stock Exchange for publishing the interim report for H Shares: www.hkexnews.hk
Place where the half yearly report can be obtained:	The General Office of the Board and principal place of business of the Bank
Domestic auditor:	KPMG Huazhen LLP
Address of domestic auditor:	8th Floor, KPMG Tower, Oriental Plaza, 1 East Chang An Avenue, Beijing, China
Undersigned accountants:	HE Qi, HUANG Menglin
International auditor:	KPMG
Address of international auditor:	8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong
Sponsor for continuous supervision:	China Merchants Securities Co., Ltd.
Address of sponsor for continuous supervision:	38-45F, Block A, Jiangsu Building, Yitian Road, Futian District, Shenzhen, China
Sponsor representatives:	WU Yuhui and LV Yingxia
Continuous supervision period:	From 19 September 2018 to 31 December 2020
PRC legal advisor:	King & Wood Mallesons (Beijing)
Hong Kong legal advisor:	King & Wood Mallesons
Registrar for A Shares:	China Securities Depository and Clearing Corporation Limited, Shenzhen Branch
Registrar for H Shares:	Computershare Hong Kong Investor Services Limited



# CHAPTER I CORPORATE INFORMATION

## 2 COMPANY PROFILE

Bank of Zhengzhou is a regional joint stock commercial bank incorporated in November 1996 upon the approval by the PBoC, based on 48 city credit cooperatives in Zhengzhou City. The Bank was renamed as Zhengzhou Commercial Bank Co., Ltd. in December 2000 and Bank of Zhengzhou Co., Ltd. in October 2009. The Bank was listed on the Hong Kong Stock Exchange in December 2015 and the SZSE in September 2018. The Bank became the first domestic city commercial bank with both its A Shares and H Shares listed. The Bank has established Jiuding Financial Leasing Company and manages seven county banks at Zhongmu, Xinmi, Yanling, Fugou, Xinzheng, Xunxian and Queshan and its comprehensive business operation has proceeded steadily.

The principal activities of the Bank include taking deposits from the public, extending short-term, medium-term and long-term loans, effecting domestic and foreign settlements, accepting and discounting bills, issuing financial bonds, acting as the issuing agent, cashing agent and the underwriting of government bonds, trading government bonds and financial bonds, engaging in interbank borrowings, taking foreign exchange deposits, providing foreign loans and remittance and foreign currency exchange services, engaging in banking card business, providing letters of credit and guarantees, collecting and making payments as agent and acting as insurance agent, providing safe-deposit box service, conducting other businesses approved by the banking regulatory authorities under the State Council (business activities subject to approval according to law may be carried out only after being approved by the competent authorities).

As at the end of the Reporting Period, the Bank had 4,676 employees and 166 institutions for conducting external business, comprising 12 branches, 153 sub-branches (including the operation division of the headquarters) and one specialized institution. The asset size amounted to RMB479,796 million and balance of loans amounted to RMB177,557 million, and there was no material change in the major assets of the Bank during the Reporting Period. With its balance of liabilities amounting to RMB440,280 million, balance of deposits amounting to RMB271,595 million, and its capital adequacy ratio of 12.74%, non-performing loan (“**NPL**”) ratio of 2.39% and allowance to NPL ratio of 158.44%, the Bank met all requirements in respect of major indicators. In the list of Top 1,000 World Banks 2019 published by the UK magazine The Banker, the Bank ranked 227th, moving up 18 places up as compared to the previous year. The Bank also received an award for the “Best Financial Innovation Award” in the “2019 China’s Financial Innovation Awards” organized by The Chinese Banker.

## 3 ANALYSIS OF CORE COMPETITIVENESS

Building the Bank into a “commerce and logistics bank” by leveraging its regional advantages: Zhengzhou is an integrated transportation hub which connects the domestic and overseas markets and expands to the eastern, central and western part of China, and a confluence of Eurasia Continental Bridge passageway and Beijing-Guangzhou High-Speed Railway under the national Two Horizontal and Three Vertical Urbanization Plan (兩橫三縱城市化戰略格局). It is also the core city of the Central Plains economic zone, an important node city of the Belt and Road initiative. As a local bank with a strong presence, the Bank makes full use of its geographical advantages to construct a “Five Clouds” platform covering cloud trading, cloud financing, cloud logistics, cloud business and cloud service in accordance with the guiding principles of “standardized logistics services”, “professional logistics finance”, “diversified value-added services”, “convenient credit services” and “integrated domestic and international trade”, and initiate the establishment, operation and maintenance of the Commerce and Logistics Bank Alliance, thus promoting the building of the Bank into a commerce and logistics bank.

## CHAPTER I CORPORATE INFORMATION

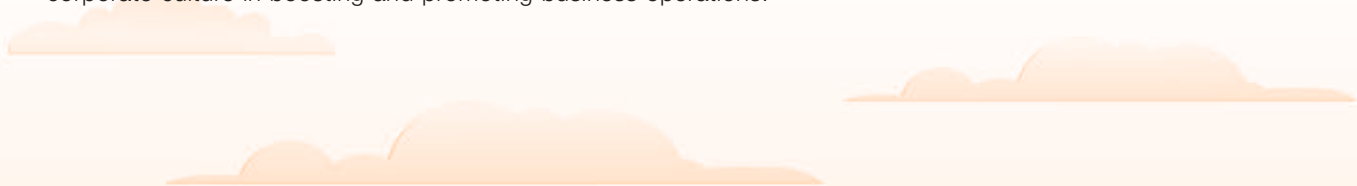
Richly cultivating the local economy to become a “financing expert for small and medium enterprises (“SMEs”). With its primary base in the local market, the Bank continues to serve the real economy and focuses on delivering diverse, one-stop financing services to quality SMEs. With a professional and exclusive management approach, it delivers diverse products and services to meet the financing needs of different customers, effectively solves the financing problem of micro and small enterprises, and provides actual assistance to the development of private enterprises, striving to become a “financing expert for SMEs” which is primarily based in Zhengzhou and expands to the Central Plains.

Offering inclusive finance to build the Bank into a “boutique bank for residents”. The Bank has been committed to serving the local economy, SMEs and urban residents as its fundamental policy. We constantly improve the vertical management system of inclusive finance, and develop more services to satisfy the necessities of residents, such as clothing, food, housing and transportation. We optimize our service system, improve the service quality, and create new service models by implementing measures such as subdividing the functions of its retail outlets, offering innovative convenience products and expanding scenarios for the application of bank cards, thus building the Bank into a “boutique bank for residents” with ingenuity.

Managing compliance risks prudently to safeguard stable operations. The Bank has always upheld the risk management philosophy of “prudent, rational and stable”. Establishing a sound comprehensive risk management system, and introducing differentiated risk management tools, the Bank strives a balance between risks and returns as well as control and efficiency, thus creating a good culture of compliance and risk control, improving our corporate governance and internal control on an on-going basis, realizing an operational mechanism where ownership and operational rights, and management rights and supervision rights are separated with checks and balances, laying a solid foundation for risk resistance, return maximization and sustainable development.

Speeding up the innovative production and strengthening the supporting function of technology. The Bank has established a data management department and an innovative center as important vehicles to incubate innovative practices and effectively support the implementation of innovative projects, accelerating the accumulation of financial technology for innovative output. We utilize advanced financial technology such as big data and artificial intelligence to steadily enhance our integrated financial service capabilities, thus providing consumers with quality, safe and convenient financial experience, and satisfying their increasing demand for diversified financial needs.

Nurturing corporate culture and crafting an outstanding brand. The Bank strives to build the “Featured Zhengzhou Bank” corporate culture with the pursuit of excellence and resilience against hardships and difficulties by constantly improving our corporate culture system. In terms of style build-up, we have proposed “10 Initiatives and 10 Oppositions”. In the aspect of learning and innovation, we have proposed “4 Remarks and 4 Stresses”. As for capacity reinforcement, the Bank has proposed “3 Reinforces and 3 Supports” with the launch of strong head office build-up activities to effectively expand the role of corporate culture in boosting and promoting business operations.



# CHAPTER I CORPORATE INFORMATION

## 4 MAJOR AWARDS IN THE FIRST HALF OF 2019

In February 2019, the Bank was awarded the title of “Enterprise with Outstanding Contribution to Industrial Development of Zhengdong New District in 2018” (2018年度鄭東新區產業發展突出貢獻單位) by Zhengzhou Zhengdong New District Management Committee (鄭州市鄭東新區管理委員會).

In March 2019, the Bank was awarded the title of “2019 China’s Best Supply Chain Financial Institutions” (2019中國供應鏈金融最佳金融機構) jointly by the Financial Research Institute of 10000 link Supply Chain (萬聯供應鏈金融研究院) and the Supply Chain Strategic Management Research Center of Renmin University of China (中國人民大學中國供應鏈戰略管理研究中心).

In March 2019, the Bank was awarded the title of “2018 Active Trader in the Interbank Local Currency Market” (2018年度銀行間本幣市場活躍交易商) by the National Interbank Funding Center.

In May 2019, the Bank was awarded the “Best Financial Innovation” comprehensive award and the “Top Ten FinTech Innovation Award” (十佳金融科技創新獎) by The Chinese Banker.

In May 2019, the Bank was awarded the “2019 Brand Value List of Chinese Listed Companies-Top 50 New Firms” (2019中國上市公司品牌價值榜·新銳榜TOP 50) by National Business Daily.

In June 2019, the Bank was awarded the “2018 Target Advanced Unit among Municipal Enterprises” (2018年度市管企業目標先進單位) by Zhengzhou State-owned Assets Supervision and Administration Commission.

# CHAPTER II HIGHLIGHTS OF ACCOUNTING DATA AND MAJOR FINANCIAL INDICATORS

## 1 MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

The financial data and indicators set forth in this Report are prepared in accordance with the International Financial Reporting Standards. Unless otherwise specified, such information represents the data of the Group stated in RMB.

Unit: RMB'000

For the six months ended 30 June				
Major accounting data	2019	2018	Change for the Reporting Period as compared to the same period of the previous year (%)	2017
<b>Operating results</b>				
Operating income <sup>(1)</sup>	6,231,585	5,136,378	21.32	4,859,827
Profit before tax	3,058,914	3,036,601	0.73	3,007,725
Net profit attributable to shareholders of the Bank	2,469,317	2,366,553	4.34	2,271,396
Net cash flows used in operating activities	(4,299,941)	(3,042,722)	41.32	(13,135,567)
<b>Calculated on a per Share basis (RMB/Share)</b>				
Basic earnings per Share <sup>(2)</sup>	0.42	0.44	(4.55)	0.43
Diluted earnings per Share	0.42	0.44	(4.55)	0.43
<b>Scale indicators</b>	<b>As at 30 June 2019</b>	<b>As at 31 December 2018</b>	<b>Increase/decrease as at the end of the Reporting Period as compared to the end of the previous year (%)</b>	<b>As at 31 December 2017</b>
Total assets	479,795,566	466,142,418	2.93	435,828,887
Gross loans and advances to customers (excluding accrued interest)	177,557,152	159,572,792	11.27	128,456,478
Provision for impairment losses on loans and advances to customers <sup>(3)</sup>	6,731,152	6,097,376	10.39	4,000,536
Total liabilities	440,280,452	428,278,919	2.80	402,389,522
Total deposits from customers (excluding accrued interest)	271,595,248	264,130,934	2.83	255,407,398
Share capital	5,921,932	5,921,932	–	5,321,932
Shareholders' Equity	39,515,114	37,863,499	4.36	33,439,365
Including: equity attributable to shareholders of the Bank	38,260,665	36,649,739	4.40	32,205,887
Net assets per Share attributable to ordinary shareholders of the Bank <sup>(4)</sup> (RMB/share)	5.14	4.87	5.54	4.58
Net capital <sup>(5)</sup>	47,718,002	45,958,462	3.83	41,614,453
Including: net tier-one capital <sup>(5)</sup>	38,140,611	36,618,138	4.16	32,262,545
Net risk-weighted assets <sup>(5)</sup>	374,558,345	349,504,822	7.17	307,474,718

## CHAPTER II HIGHLIGHTS OF ACCOUNTING DATA AND MAJOR FINANCIAL INDICATORS

Major financial indicators	As at 30 June 2019	As at 31 December 2018	Change as at the end of the Reporting Period as compared to the end of the previous year	As at 31 December 2017
<b>Capital adequacy ratio (%)</b>				
Core tier-one capital adequacy ratio <sup>(5)</sup>	8.07	8.22	(0.15)	7.93
Tier-one capital adequacy ratio <sup>(5)</sup>	10.18	10.48	(0.30)	10.49
Capital adequacy ratio <sup>(5)</sup>	12.74	13.15	(0.41)	13.53
<b>Asset quality indicators (%)</b>				
Non-performing loan ratio <sup>(6)</sup>	2.39	2.47	(0.08)	1.50
Allowance to non-performing loans <sup>(6)</sup>	158.44	154.84	3.60	207.75
Allowance to total loans <sup>(6)</sup>	3.79	3.82	(0.03)	3.11
Ratio of loans with principal or interest overdue for more than 90 days to non-performing loans	83.67	95.36	(11.69)	171.13
<b>For the six months ended 30 June</b>				
	2019	2018	Change for the Reporting Period as compared to the same period of the previous year	2017
<b>Profitability indicators (%)</b>				
Weighted average return on net assets <sup>(2)</sup> (annualized)	16.50	18.84	(2.34)	20.50
Return on total assets <sup>(7)</sup> (annualized)	1.06	1.08	(0.02)	1.19
Cost-to-income ratio <sup>(8)</sup>	26.66	26.99	(0.33)	22.60
Net interest spread <sup>(9)</sup> (annualized)	1.88	1.58	0.30	2.05
Net interest margin <sup>(10)</sup> (annualized)	1.86	1.48	0.38	2.20
	As at 30 June 2019	As at 31 December 2018	Change as at the end of the Reporting Period as compared to the end of the previous year	As at 31 December 2017
<b>Other financial indicators (%)</b>				
Leverage ratio <sup>(11)</sup>	6.85	6.79	0.06	6.49
Liquidity ratio <sup>(11)</sup>	39.63	56.39	(16.76)	61.72
Liquidity coverage ratios <sup>(11)</sup>	172.91	304.42	(131.51)	225.20
Loan-to-deposit ratio <sup>(11)</sup>	70.67	66.06	4.61	50.29
Percentage of loans to the single largest customer <sup>(11)</sup>	3.98	4.13	(0.15)	3.12
Percentage of loans to the top ten single customers <sup>(11)</sup>	22.37	21.46	0.91	22.01
Percentage of credit granted to the single largest group customer <sup>(11)</sup>	6.04	6.02	0.02	4.66
Normal loan migration ratio <sup>(11)</sup>	2.19	8.81	(6.62)	10.35
Special mention loan migration ratio <sup>(11)</sup>	20.18	55.14	(34.96)	58.55
Substandard loan migration ratio <sup>(11)</sup>	76.97	76.71	0.26	29.46
Doubtful loan migration ratio <sup>(11)</sup>	0.65	0.14	0.51	0.07

## CHAPTER II HIGHLIGHTS OF ACCOUNTING DATA AND MAJOR FINANCIAL INDICATORS

Notes:

1. Operating income includes net interest income, net fee and commission income, net trading gains/(losses), net gains arising from investments and other operating income.
2. Basic earnings per Share and weighted average return on net assets were calculated according to Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No. 9): Calculation and Disclosure of Rate of Return on Equity and Earnings per Share (2010 Revision). In the first half of 2019, the Bank did not distribute dividends on the Preference Shares. In calculating the basic earnings per Share and weighted average return on net assets, no dividend of the Preference Shares for the Reporting Period has to be deducted from the “net profit attributable to shareholders of the Bank”, and net proceeds raised from the Preference Shares issuance were deducted from the “weighted average net assets”.
3. Including the provision for impairment losses on the loans and advances to customers measured at amortized costs and the loans and advances to customers at fair value through other comprehensive income.
4. Representing the equity attributable to ordinary shareholders of the Bank after deducting other equity instruments divided by the number of ordinary Shares at the end of the period.
5. Calculated based on the “Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)” published by the former CBRC on 7 June 2012.
6. Non-performing loan ratio was calculated by dividing total non-performing loan principal (excluding accrued interests) by gross loan and advance principal to customers (excluding accrued interest); the allowance to non-performing loans was calculated by dividing allowance for impairment losses on loans and advances to customers by total non-performing loan principal (excluding accrued interest); and the allowance to total loans was calculated by dividing allowance for impairment losses on loans and advances to customers by gross loan and advance principal to customers (excluding accrued interest).
7. Representing the net profit for the Reporting Period as a percentage to the average balance of the total assets as at the beginning and end of the Reporting Period.
8. Calculated by dividing total operating expenses (excluding tax and surcharges) by operating income.
9. Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities, calculated based on daily average of the interest-earning assets and the interest-bearing liabilities.
10. Calculated by dividing net interest income by the daily average balance of total interest-earning assets.
11. Percentage of loans to the single largest customer and percentage of loans to the top ten single customers were recalculated in accordance with regulatory criteria based on reviewed data. Other indicators represent data reported to regulatory authorities. Loan migration ratio was based on the criteria of the parent of the Bank.

### 2 DIFFERENCE IN ACCOUNTING DATA UNDER DOMESTIC AND INTERNATIONAL ACCOUNTING STANDARDS

There is no difference between the Bank's net assets as at the end of the Reporting Period calculated in accordance with the PRC GAAP and International Financial Reporting Standards and the net profit during the Reporting Period.

# Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

## 1 REVIEW OF THE ECONOMY AND ENVIRONMENT

In the first half of 2019, China's economy continued to perform within a reasonable range, and sustained a stable growth of development. The gross domestic product ("GDP") reached RMB45,093.3 billion, representing a year-on-year increase of 6.3%. Industrial production was generally stable with high-tech manufacturing accounting for a larger share. The value added of the industrial enterprises above the designated size in China increased year-on-year by 6.0%, yet the growth rate of such indicator decreased by 0.5 percentage point as compared with the first quarter of 2019. The service sector grew rapidly and modern service industries performed well. The value added of the tertiary industry accounted for 54.9% of the GDP, representing 0.5 percentage point higher than the same period of the previous year, contributing 60.3% to GDP growth. The final consumption expenditure contributed 60.1% to GDP growth. Investment saw steady growth and the investment in high-tech industries grew rapidly. The investment in fixed assets (excluding rural households) reached RMB29,910.0 billion, representing a year-on-year increase of 5.8%. In particular, the private investment reached RMB18,028.9 billion, representing a year-on-year increase of 5.7%. The total investment in real estate development was RMB6,160.9 billion, representing a year-on-year increase of 10.9%, declining by 0.9 percentage point in terms of growth rate as compared with the first quarter of 2019. Imports and exports grew slightly and the trade structure continued to optimize. The total value of imports and exports of goods was RMB14,667.5 billion, representing a year-on-year increase of 3.9%, accelerating by 0.2 percentage point in terms of growth rate as compared with the first quarter of 2019.

In the first half of 2019, the prudent monetary policy was neither too tight nor too loose. The PBoC made timely and appropriate counter-cyclical adjustments through macro policies, kept liquidity reasonably adequate, carried out preemptive adjustment and fine tuning, enhanced financial support for the real economy, especially for private businesses and small and micro enterprises, pressed ahead with structural deleveraging, prevented and defused financial risks while facilitating high-quality development, and made solid progress in financial risk prevention in key sectors. The outstanding aggregate financing to the real economy ("AFRE") grew to RMB213.26 trillion, representing a year-on-year increase of 10.9%, declining by 0.2 percentage point in terms of growth rate as compared with the same period of the previous year. The AFRE (flow) was RMB13.23 trillion, representing a year-on-year increase of RMB3.18 trillion. The broad money supply (M2) stood at RMB192.14 trillion, representing a year-on-year increase of 8.5%, accelerating by 0.5 percentage point in terms of growth rate as compared with the same period of the previous year. Outstanding RMB loans grew to RMB145.97 trillion, representing a year-on-year increase of 13%, accelerating by 0.3 percentage point in terms of growth rate as compared with the same period of the previous year. RMB loans increased by RMB9.67 trillion, representing a year-on-year increase of RMB644.0 billion. The weighted average rate for interbank lending stood at 1.7%, declining by 1.03 percentage points as compared with the same period of the previous year. The weighted average interest rate for bond pledged repos was 1.74%, declining by 1.15 percentage points as compared with the same period of the previous year.



## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2019, Henan Province's economy sustained a stable growth with a higher momentum, vitality and potential, whereby high-quality development advanced steadily. The province's GDP was RMB2,420,380 million, representing a increase of 7.7%, which was 1.4 percentage points higher than the national average. Industrial production was generally stable and 90% of the industries saw growth. The value added of the industrial enterprises above the designated size in the province increased by 8.3%, which was 2.3 percentage points higher than the national average. The investment in fixed assets saw steady growth with a rebound in industrial investment. The province's investment in fixed assets grew by 8.2%, which was 2.4 percentage points higher than the national average. The economic structure continued to optimize with rapid growth in new momentum. The service sector accounted for 46.0% of the nation's gross domestic product (GDP), 1.7 percentage points higher as compared with the same period of the previous year, contributing 45.9% to GDP growth, 0.9 percentage point higher than the contribution of the industrial sector. The investment structure continued to improve. The investment in technological transformation made by industrial enterprises increased by 73.1% and accounted for 9.4% of the investment in fixed assets. The investment in the service sector increased by 10.7% and accounted for 66.4% of the investment in fixed assets, 9.2 percentage points higher year-on-year. The supply-side reform was underway. Investment in ecological protection and environmental governance increased by 140.2%, and investment in public facility management increased by 18.1%. New industries grew rapidly. The value added of strategic emerging industries increased by 10.1%.

In the first half of 2019, the banking industry in China performed steadily with good momentum. The banking industry refocused on the core business under its regulation-guided philosophy for development. Assets and liabilities grew at a reasonable rate. As the banks made an effort to increase effective supply, loans grew rapidly. The profit growth was generally stable and the quality of credit assets was sound. The indicators such as capital adequacy ratio, the allowance to NPL ratio and the liquidity coverage ratio were good and the risk compensation capability was sufficient. Small and medium financial institutions were an integral part of the financial industry in China. Their operations were stable as a whole with good momentum.



# Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

## 2 BUSINESS OVERVIEW

Striving to ensure the stability of our operation. During the Reporting Period, the Bank continued to seek progress while maintaining stability. We strengthened our risk prevention and control measures, focused on featured development, and pushed forward quality development. The scale indicators achieved steady development. As at the end of the Reporting Period, the Bank's asset size increased by 2.93% to RMB479,796 million from the beginning of the year; balance of deposits increased by 2.83% to RMB271,595 million from the beginning of the year; loan balance increased by 11.27% to RMB177,557 million from the beginning of the year. The profitability indicators significantly improved. During the Reporting Period, the Bank recorded operating income of RMB6,232 million, representing a year-on-year increase of 21.32%. Profit before provision was RMB4,544 million, representing a year-on-year increase of 21.73%. Net profit was RMB2,510 million, representing a year-on-year increase of 5.34%. Net interest margin was 1.86%, representing a year-on-year increase of 0.38 percentage point. Cost-to-income ratio was 26.66%, representing a year-on-year decrease of 0.33 percentage point. The risk indicators decreased at a steady pace. As at the end of the Reporting Period, NPL ratio was 2.39%, representing a decrease of 0.08 percentage point from the beginning of the year. Ratio of loans overdue for more than 90 days to NPL was 83.67%, representing a decrease of 11.69 percentage points from the beginning of the year. Allowance to NPL ratio was 158.44%, representing an increase of 3.60 percentage points from the beginning of the year. The Bank met all regulatory requirements in respect of major regulatory indicators.

Continuously enhancing our asset and liability management. During the Reporting Period, the Bank comprehensively streamlined our operational budget, capital, pricing, and liquidity management system. We established an evaluation system for six major indicators, namely "net profit, net interest margin, risk assets ratio, cost-to-income ratio, intermediary business income, and NPL ratio". The evaluation for each indicator was implemented throughout all level of line departments, branches and sub-branches. Annual operational budgets were adjusted to quarterly rolling budgets. The evaluation was strictly reviewed to further improve the asset and liability management system, and strengthen management efficiency, thus giving a clearer direction to our quality development.

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

Promoting the credit risk prevention and control. During the Reporting Period, the Bank adjusted the organization and structure of the Risk Management Committee at the senior management level, formulated and amended 8 systems such as the management measures on the credit facility to group customers, the unified release of loans, and credit record administration; formulated a concentration limit management scheme, through which the customers whose credit facilities were cut down or turned down for further action were listed explicitly; enhanced the building of the risk management team, established teams of independent credit approval officers and internal instructors, accelerated the assignment of risk managers, issued a list of responsibilities for the internal control vice presidents of the branches and sub-branches and the general manager of the risk management department, strengthening horizontal and vertical risk management on an on-going basis; promoted intelligence risk management, established a set of integrated risk management projects, introduced external data base, embedded the internal auditing and compliance information into our pre-alert system, and completed the development of an online credit database for the corporate and the marketing operation, while perfecting our big data risk control system.

Continuously deepening our featured positioning establishment. During the Reporting Period, the Bank was committed to its fundamental policy of serving the local economy, SMEs and urban residents and continued to promote the positioning of “three featured businesses”. In respect of providing financial services for the commercial sector, the Bank made good progress in the operation of “Five-Clouds” products. The Bank registered the trademark of “Five-Clouds”, researched and developed an upstream and downstream corporate service graph system, completed the construction of phase I and Phase II of the “1+N” online marketing collaboration platform, and launched the cloud logistics mobile APP. In respect of providing financial services for residents, the Bank established comprehensive retail, bank-wide participation, whole-process and all-rounded asset quality management, collectively a “four fullness” marketing sales administration, launched an online mall equipped with a point system and a marketing calendar, pushed forward the establishment of the sales administration system, established a dedicated retail supervisory team and a telemarketing team, and set up a retail digitalization factory. For small and micro finance, the Bank introduced various products such as the Micro Second Loan (微秒貸), E Tax Financing (E稅融) and online Senior Loans (優先貸), launched the Easy Subsidy (樂享E貼), formed a small and micro finance team, organized a team of “knowledge transfer trainers”, formulated measures to elevate the capability of the small and micro finance team, and commenced training on specialized products.



# Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

## 3 FINANCIAL STATEMENT ANALYSIS

### 3.1 Income Statement Analysis

During the Reporting Period, under the leadership of the Board, the Bank actively responded to the market. Adhering to the “three featured business positioning” of “financial services to the commercial sector, financial services for residents, and small and micro finance”, the Bank pursued a unique and differentiated development path to serve the real economy. During the Reporting Period, the Bank recorded operating income and net profit of RMB6,232 million and RMB2,510 million, respectively, representing an increase of 21.32% and 5.34%, respectively, as compared to the same period of the previous year. Major items of and changes in the Bank’s income statement are set out as follows:

Unit: RMB’000

Item	For the six months ended 30 June			
	2019	2018	Change	Rate of change (%)
Net interest income	3,939,595	2,821,624	1,117,971	39.62
Non-interest income	2,291,990	2,314,754	(22,764)	(0.98)
Operating income	6,231,585	5,136,378	1,095,207	21.32
Less: Operating expenses	1,716,342	1,429,585	286,757	20.06
Less: Credit impairment losses	1,485,424	696,523	788,901	113.26
Operating profit	3,029,819	3,010,270	19,549	0.65
Share of profits of associates	29,095	26,331	2,764	10.50
Profit before taxation	3,058,914	3,036,601	22,313	0.73
Less: Income tax expenses	548,880	653,836	(104,956)	(16.05)
Net profit	2,510,034	2,382,765	127,269	5.34
Of which: Shareholders of the Bank	2,469,317	2,366,553	102,764	4.34
Non-controlling interests	40,717	16,212	24,505	151.15

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.1.1 Net Interest Income, Net Interest Spread and Net Interest Margin

During the Reporting Period, the Bank recorded net interest income of RMB3,940 million, representing a year-on-year increase of RMB1,118 million or 39.62% and accounting for 63.22% of the operating income. Specifically, business scale increment resulted in an increase of RMB902 million in net interest income and changes in yield or cost rate resulted in an increase of RMB216 million in net interest income.

The following table sets forth the average balance of the Bank's interest-earning assets and interest-bearing liabilities, interest income and expenses from these assets and liabilities, average yield of these interest-earning assets and average cost rate of these interest-bearing liabilities during the Reporting Period:

Unit: RMB'000

Item	For the six months ended 30 June					
	Average balance <sup>(5)</sup>	Interest income/expenses	Annualized average yield/interest rate (%)	Average balance <sup>(5)</sup>	Interest income/expenses	Annualized average yield/interest rate (%)
<b>Interest-earning assets</b>						
Loans and advances to customers	172,125,881	4,903,978	5.70	131,755,511	3,758,227	5.70
Investment securities and other financial assets	193,353,193	4,622,181	4.78	178,916,367	4,200,893	4.70
Deposits with central bank	31,504,736	237,603	1.51	35,606,404	265,786	1.49
Amounts due from banks and other financial institutions <sup>(1)</sup>	14,030,778	170,134	2.43	23,860,624	357,429	3.00
Finance lease receivables	13,522,107	384,916	5.69	12,258,860	338,414	5.52
<b>Total interest-earning assets</b>	<b>424,536,695</b>	<b>10,318,812</b>	<b>4.86</b>	<b>382,397,766</b>	<b>8,920,749</b>	<b>4.67</b>
<b>Interest-bearing liabilities</b>						
Deposits from customers	274,975,432	3,637,155	2.65	245,785,991	2,730,884	2.22
Amounts due to banks and other financial institutions <sup>(2)</sup>	56,028,017	963,109	3.44	71,457,118	1,596,611	4.47
Debt securities issued	93,489,392	1,708,829	3.66	75,145,304	1,742,630	4.64
Amounts due to central bank	4,272,802	70,124	3.28	1,791,556	29,000	3.24
<b>Total interest-bearing liabilities</b>	<b>428,765,643</b>	<b>6,379,217</b>	<b>2.98</b>	<b>394,179,969</b>	<b>6,099,125</b>	<b>3.09</b>
Net interest income		3,939,595			2,821,624	
Net interest spread <sup>(3)</sup> (annualized)			1.88			1.58
Net interest margin <sup>(4)</sup> (annualized)			1.86			1.48

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

*Notes:*

1. Consisting of deposits and placements with banks and other financial institutions and financial assets held under resale agreements.
2. Consisting of deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements.
3. Calculated as the difference between the average yield on total interest-earning assets and the average cost rate of total interest-bearing liabilities based on the average daily interest-earning assets and interest-bearing liabilities.
4. Calculated by dividing the net interest income by the average balance of total interest-earning assets based on the average daily interest-earning assets.
5. Calculated as the average daily balance of the Bank.

During the Reporting Period, changes in the volume and interest rate of the Bank led to changes in interest income and interest expenses. Changes in volume are measured by changes in the average balance of the interest-earning assets and interest-bearing liabilities while changes in rate are measured by changes in the average rate of the interest-earning assets and interest-bearing liabilities. Combined effects of changes in volume and rate were included in changes in interest.

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

Unit: RMB'000

Item	For the six months ended 30 June		
	2019 vs. 2018		Net increase/ (decrease) <sup>(3)</sup>
	Increasing/(decreasing) due to Volume <sup>(1)</sup>	Rate <sup>(2)</sup>	
<b>Interest-earning assets</b>			
Loans and advances to customers	1,151,534	(5,783)	1,145,751
Investment in securities and other financial assets	338,972	82,316	421,288
Deposits with central bank	(30,617)	2,434	(28,183)
Amounts due from banks and other financial institutions	(147,250)	(40,045)	(187,295)
Finance lease receivables	34,873	11,629	46,502
<b>Changes in interest income</b>	<b>1,347,512</b>	<b>50,551</b>	<b>1,398,063</b>
<b>Interest-bearing liabilities</b>			
Deposits from customers	324,319	581,952	906,271
Amounts due to banks and other financial institutions	(344,742)	(288,760)	(633,502)
Debt securities issued	425,402	(459,203)	(33,801)
Amounts due to central bank	40,164	960	41,124
<b>Change in interest expenses</b>	<b>445,143</b>	<b>(165,051)</b>	<b>280,092</b>

Notes:

1. Represents the average balance for the Reporting Period minus the average balance for the previous period, multiplied by the average yield/cost rate for the previous period.
2. Represents the average revenue/(expenses) for the Reporting Period minus the average revenue/(expenses) for the previous period, multiplied by the average balance for the Reporting Period.
3. Represents interest income/(expenses) for the Reporting Period minus interest income/(expenses) for the previous period.



## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### *Net interest spread and net interest margin*

During the Reporting Period, the Bank's net interest spread amounted to 1.88%, representing an increase of 0.30 percentage point as compared to the same period of the previous year, while the Bank's net interest margin amounted to 1.86%, representing an increase of 0.38 percentage point as compared to the same period of the previous year. The main reasons for the rise in net interest spread and net interest margin are: (1) the increase in scale and percentage of loans and advances to customers, resulting in a year-on-year increase in the yield of interest-bearing assets; and (2) the optimization of product pricing model and control in cost of liabilities, resulting in a year-on-year decrease in the average cost of interest-bearing liabilities.

### **3.1.2 Interest Income**

During the Reporting Period, the Bank achieved interest income of RMB10,319 million, representing an increase of RMB1,398 million or 15.67% as compared to the same period of the previous year, mainly due to the expansion of interest-earning assets and the enhancement of asset structure.

### *Interest income from loans*

During the Reporting Period, the Bank steadily promoted credit granting. The average balance of loans and advances to customers issued by the Bank increased by RMB40,370 million as compared to the same period of the previous year. The interest income from loans amounted to RMB4,904 million, representing an increase of RMB1,146 million or 30.49% as compared to the same period of the previous year.

Set out below are the average balance, interest income and average yield for each component of the Bank's loans and advances to customers for the Reporting Period:

*Unit: RMB'000*

Item	For the six months ended 30 June					
	2019			2018		
	Average balance	Interest income	Annualized average yield (%)	Average balance	Interest income	Annualized average yield (%)
Corporate loans	115,107,053	3,316,743	5.76	91,692,516	2,614,727	5.70
Personal loans	46,975,847	1,368,875	5.83	36,020,395	1,065,934	5.92
Discounted bills	10,042,981	218,360	4.35	4,042,600	77,566	3.84
Gross loans and advances to customers	172,125,881	4,903,978	5.70	131,755,511	3,758,227	5.70

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### *Interest income from investment in securities and other financial assets*

During the Reporting Period, interest income from investment in securities and other financial assets amounted to RMB4,622 million, representing an increase of RMB421 million or 10.03% as compared to the same period of the previous year, which was principally attributable to the increase of RMB14,437 million in the average balance of investment in securities and other financial assets.

### *Interest income from amounts due from banks and other financial institutions*

During the Reporting Period, the Bank's interest income from amounts due from banks and other financial institutions decreased by RMB187 million to RMB170 million year-on-year, which was primarily attributable to the decrease in the size of such assets and the decrease in average yield.

### *Interest income from finance lease receivables*

During the Reporting Period, interest income from finance lease receivables increased by RMB47 million or 13.74% to RMB385 million as compared to the same period of the previous year, which was primarily attributable to the increase of RMB1,263 million in the average balance of finance lease receivables of Jiuding Financial Leasing Company, a subsidiary of the Bank.

### **3.1.3 Interest Expenses**

During the Reporting Period, the Bank's interest expense amounted to RMB6,379 million, representing an increase of RMB280 million or 4.59% as compared to the same period of the previous year, which was primarily attributable to the increase in interest-bearing liabilities.

### *Interest expenses on deposits from customers*

During the Reporting Period, the Bank's interest expense on deposits from customers amounted to RMB3,637 million, representing an increase of RMB906 million or 33.19% as compared to the same period of the previous year, accounting for 57.02% of all interest expenses. The increase was mainly due to the continuous growth of the Bank's deposit business as a result of the Bank's strengthened customer development and expansion of its network of branches and sub-branches. The increase in the average cost of deposits from customers was mainly due to fluctuations in market interest rates and a decrease in the percentage of demand deposits.

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

Unit: RMB'000

Item	For the six months ended 30 June					
	2019			2018		
	Average balance	Interest expenses	Annualized average cost rate (%)	Average balance	Interest expenses	Annualized average cost rate (%)
<b>Corporate deposits</b>						
Demand	77,395,376	201,978	0.52	82,919,436	222,392	0.54
Time	90,217,194	2,090,763	4.63	78,934,033	1,717,969	4.35
Subtotal	167,612,570	2,292,741	2.74	161,853,469	1,940,361	2.40
<b>Personal deposits</b>						
Demand	19,466,495	69,670	0.72	17,063,940	43,673	0.51
Time	66,826,814	1,152,668	3.45	47,135,728	622,708	2.64
Subtotal	86,293,309	1,222,338	2.83	64,199,668	666,381	2.08
<b>Others</b>	21,069,553	122,076	1.16	19,732,854	124,142	1.26
<b>Total deposits from customers</b>	<b>274,975,432</b>	<b>3,637,155</b>	<b>2.65</b>	<b>245,785,991</b>	<b>2,730,884</b>	<b>2.22</b>

### *Interest expense on amounts due to banks and other financial institutions*

During the Reporting Period, the Bank's interest expense on amounts due to banks and other financial institutions amounted to RMB963 million, representing a decrease of RMB634 million or 39.68% as compared to the same period of the previous year, which was primarily attributable to the decrease in such liabilities and the decrease in average cost rate.

### *Interest expenses on debt securities issued*

During the Reporting Period, the Bank's interest expense on debt securities issued amounted to RMB1,709 million, representing a decrease of RMB34 million as compared to the same period of the previous year, which was primarily attributable to the increase in proportion of interbank deposits with lower cost rate during the Reporting Period.

### *Interest expense arising from amounts due to Central Bank*

During the Reporting Period, interest expense arising from amounts due to Central Bank amounted to RMB70 million, representing an increase of RMB41 million as compared to the same period of the previous year, which was primarily attributable to an increase in medium-term lending facilities during the Reporting Period.

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.1.4 Non-interest Income

During the Reporting Period, the Bank achieved non-interest income of RMB2,292 million, representing a year-on-year decrease of RMB23 million or 0.98% and accounting for 36.78% of the operating income. Such income includes net fee and commission income of RMB776 million, down by RMB183 million as compared to the same period of the previous year. The Bank recorded other non-interest income of RMB1,516 million, up by RMB160 million as compared to the same period of the previous year.

#### Net fee and commission income

Unit: RMB'000

Item	For the six months ended 30 June			
	2019	2018	Change	Rate of change (%)
<b>Fee and commission income</b>				
Agency and custody services fees	573,216	652,304	(79,088)	(12.12)
Securities underwriting and advisory fees	121,764	228,347	(106,583)	(46.68)
Acceptance and guarantee services fees	67,249	61,117	6,132	10.03
Bank card services fees	65,488	46,071	19,417	42.15
Others	12,768	6,152	6,616	107.54
<b>Subtotal</b>	<b>840,485</b>	993,991	(153,506)	(15.44)
<b>Fee and commission expenses</b>	<b>64,909</b>	35,415	29,494	83.28
<b>Net fee and commission income</b>	<b>775,576</b>	958,576	(183,000)	(19.09)

During the Reporting Period, the Bank proactively adapted to the new regulations on asset management and market changes, and made steady progress in the transformation and upgrade of intermediary business. The net fee and commission income amounted to RMB776 million, representing a decrease of RMB183 million or 19.09% as compared to the same period of the previous year, which was primarily attributable to a decrease in the size of the agency business and securities underwriting business.

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### Other non-interest income

Unit: RMB'000

Item	For the six months ended 30 June			
	2019	2018	Change	Rate of change (%)
Net trading gains/(losses)	326,170	(71,054)	397,224	(559.05)
Net investment gains	1,176,162	1,416,422	(240,260)	(16.96)
Other operating income	14,082	10,810	3,272	30.27
<b>Total</b>	<b>1,516,414</b>	<b>1,356,178</b>	<b>160,236</b>	<b>11.82</b>

During the Reporting Period, other non-interest income amounted to RMB1,516 million, representing an increase of RMB160 million or 11.82% as compared to the same period of the previous year, which was primarily attributable to the movements in the exchange rate of RMB against USD and the increase in investment income from held-for-trading bonds.

### 3.1.5 Operating Expenses

During the Reporting Period, the Bank continued to consolidate its investment in strategic transformation, incurring an operating expenses of RMB1,716 million, representing an increase of RMB287 million or 20.06% as compared to the same period of the previous year. During the Reporting Period, the Bank's staff costs amounted to RMB1,048 million, representing an increase of RMB246 million as compared to the same period of the previous year, which was primarily attributable to the continuous growth of business, which included the establishment of new branches and sub-branches and employment of new staff. On 1 January 2019, the Bank implemented IFRS 16 – Leasing (the “**New Leasing Standards**”), which was issued by the International Accounting Standards Board (“**IASB**”) in 2016. The switch to the New Leasing Standards resulted in a year-on-year increase of 60.41% in depreciation and amortization, and a year-on-year decrease of 61.71% in rental and property management expenses during the Reporting Period.

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

Unit: RMB'000

Item	For the six months ended 30 June			
	2019	2018	Change	Rate of change (%)
Staff costs	1,048,403	802,725	245,678	30.61
Depreciation and amortization	237,150	147,843	89,307	60.41
Rental and property management expenses	37,314	97,448	(60,134)	(61.71)
Office expenses	24,759	27,132	(2,373)	(8.75)
Tax and surcharges	54,730	43,398	11,332	26.11
Others	313,986	311,039	2,947	0.95
<b>Total operating expenses</b>	<b>1,716,342</b>	<b>1,429,585</b>	<b>286,757</b>	<b>20.06</b>

The following table sets forth the major components of staff costs of the Bank during the Reporting Period:

Unit: RMB'000

Item	For the six months ended 30 June			
	2019	2018	Change	Rate of change (%)
Salaries, bonuses and allowances	769,770	564,625	205,145	36.33
Social insurance and annuity	125,397	110,743	14,654	13.23
Supplementary retirement benefits	9,549	3,485	6,064	174.00
Staff welfare	83,200	74,580	8,620	11.56
Housing allowances	40,402	33,067	7,335	22.18
Others	20,085	16,225	3,860	23.79
<b>Total</b>	<b>1,048,403</b>	<b>802,725</b>	<b>245,678</b>	<b>30.61</b>

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.1.6 Credit impairment losses

During the Reporting Period, the Bank's credit impairment losses amounted to RMB1,485 million, representing an increase of RMB789 million or 113.26% as compared to the same period of the previous year. This is mainly due to the continuous increase in provision for asset impairment, which was made with reference to the operating condition of the market and changes in asset structure, as appropriately carried out in accordance with the principle of prudent operation, so as to further enhance its ability to resist risk. Specifically, the impairment losses on loans and advances to customers amounted to RMB1,008 million, representing an increase of RMB505 million or 100.30% as compared to the same period of the previous year.

Unit: RMB'000

Item	For the six months ended 30 June			
	2019	2018	Change	Rate of change (%)
Impairment losses on loans and advances to customers	1,008,260	503,387	504,873	100.30
Impairment losses on financial investments measured at amortized cost	440,868	140,647	300,221	213.46
Impairment losses on financial investments at fair value through other comprehensive income	284	(564)	848	(150.35)
Impairment losses on finance lease receivables	20,000	74,772	(54,772)	(73.25)
Impairment losses on off-balance sheet credit commitments	17,316	(21,922)	39,238	(178.99)
Others <sup>(Note)</sup>	(1,304)	203	(1,507)	(742.36)
<b>Total provision for credit impairment losses</b>	<b>1,485,424</b>	<b>696,523</b>	<b>788,901</b>	<b>113.26</b>

Note: Others consist of impairment losses on items such as deposits with banks, financial assets held under resale agreements and placements with banks and other financial institutions.



## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.1.7 Income Tax Expenses

During the Reporting Period, the Bank's income tax expenses amounted to RMB549 million, representing a decrease of RMB105 million or 16.05% as compared to the same period of the previous year. During the Reporting Period, the Bank's effective tax rate was 17.94%, lower than the statutory tax rate of 25%, which was mainly due to the fact that the interest income from PRC government bonds and local government bonds held by the Bank was tax-exempt income according to the tax law.

Unit: RMB'000

For the six months ended 30 June				
Item	2019	2018	Change	Rate of change (%)
Current tax	758,201	537,303	220,898	41.11
Deferred tax	(305,423)	172,480	(477,903)	(277.08)
Adjustments to income tax for prior years	96,102	(55,947)	152,049	(271.77)
<b>Total income tax expenses</b>	<b>548,880</b>	653,836	(104,956)	(16.05)

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.2 Balance Sheet Analysis

#### 3.2.1 Assets

As at end of the Reporting Period, the Bank's total assets amounted to RMB479,796 million, representing an increase of RMB13,653 million or 2.93% from the end of 2018. The increase of total assets was mainly due to the increase in loans and advances to customers and investments in financial assets. The balances (after provision) and breakdowns of the components of the Bank's total assets are as follows:

Unit: RMB'000

Item	As at 30 June 2019		As at 31 December 2018		Change	
	Amount	% of total (%)	Amount	% of total (%)	Amount	% of total (%)
<b>Assets</b>						
Cash and deposits with central bank	32,434,297	6.76	46,224,453	9.92	(13,790,156)	(3.16)
Deposits with banks and other financial institutions	2,730,217	0.57	2,156,931	0.46	573,286	0.11
Placements with banks and other financial institutions	3,699,478	0.77	3,768,759	0.81	(69,281)	(0.04)
Derivative financial assets	18,253	–	231,551	0.05	(213,298)	(0.05)
Financial assets held under resale agreements	120,904	0.03	3,452,125	0.74	(3,331,221)	(0.71)
Loans and advances to customers	171,511,442	35.75	153,999,381	33.04	17,512,061	2.71
Financial investments						
– Financial investments at fair value through profit or loss	61,012,165	12.71	60,032,975	12.88	979,190	(0.17)
– Financial investments at fair value through other comprehensive income	11,403,168	2.38	8,175,758	1.75	3,227,410	0.63
– Financial investments at amortized cost	176,270,740	36.74	167,830,054	36.00	8,440,686	0.74
Finance lease receivables	13,044,695	2.72	13,710,666	2.94	(665,971)	(0.22)
Investments in associates	350,176	0.07	321,081	0.07	29,095	–
Property and equipment	2,242,672	0.47	2,081,350	0.45	161,322	0.02
Deferred tax assets	2,242,755	0.47	1,947,787	0.42	294,968	0.05
Other assets	2,714,604	0.56	2,209,547	0.47	505,057	0.09
<b>Total assets</b>	<b>479,795,566</b>	<b>100.00</b>	<b>466,142,418</b>	<b>100.00</b>	<b>13,653,148</b>	

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### Loans and advances to customers

As at the end of the Reporting Period, the Bank's total loans and advances to customers amounted to RMB177,557 million, representing an increase of RMB17,984 million or 11.27% from the end of 2018. The Bank's loans and advances to customers were mainly composed of corporate loans, personal loans and discounted bills. Set out below is a breakdown of the Bank's loans by business line:

Unit: RMB'000

Item	As at 30 June 2019		As at 31 December 2018	
	Amount	% of total (%)	Amount	% of total (%)
Corporate loans <sup>(1)</sup>	114,459,130	64.46	107,861,781	67.60
Personal loans	51,296,532	28.89	43,919,211	27.52
Discounted bills	11,801,490	6.65	7,791,800	4.88
<b>Total loans and advances to customers</b>	<b>177,557,152</b>	<b>100.00</b>	159,572,792	100.00
Add: Accrued interest	612,966		489,560	
Less: Provision for impairment losses <sup>(2)</sup>	6,658,676		6,062,971	
<b>Book value of loans and advances to customers</b>	<b>171,511,442</b>		153,999,381	

Notes:

1. Forfeiting is included in the corporate loans.
2. Excluding provision for impairment losses on forfeiting and discounted bills, which was included in other comprehensive income.

#### (1) Corporate loans

Corporate loan is the largest component of the Bank's loans and advances to customers. As at the end of the Reporting Period, the Bank's corporate loans amounted to RMB114,459 million, accounting for 64.46% of the Bank's total loans and advances to customers and representing an increase of RMB6,597 million or 6.12% from the end of 2018. The increase was mainly due to the fact that in an active response to changing credit needs, the Bank continued to meet the capital needs of the rapidly-growing wholesale and retail industry and provided loan services to small and micro enterprises in the principle of prudent credit granting and based on the three featured business positioning features of "finance for commerce and logistics, finance for small and micro enterprises, and finance for residents", thereby achieving steady growth in corporate loans. The following table sets forth a breakdown of the Bank's corporate loans by collateral:

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

Unit: RMB'000

Item	As at 30 June 2019		As at 31 December 2018	
	Amount	% of total (%)	Amount	% of total (%)
Unsecured loans	13,287,585	11.61	12,630,836	11.71
Guaranteed loans	50,621,910	44.23	46,328,650	42.95
Loans secured by mortgages	28,752,690	25.12	24,382,880	22.61
Loans secured by pledges	21,796,945	19.04	24,519,415	22.73
<b>Total corporate loan principal</b>	<b>114,459,130</b>	<b>100.00</b>	107,861,781	100.00

### (2) Personal loans

As at the end of the Reporting Period, the Bank's personal loans amounted to RMB51,297 million, accounting for 28.89% of the Bank's total loans and advances to customers and representing an increase of RMB7,377 million or 16.80% from the end of 2018. Personal business loans amounted to RMB19,272 million, representing an increase of 15.78% from the end of 2018; personal residential mortgage loans amounted to RMB22,113 million, representing an increase of 35.95% from the end of 2018, which were primarily attributable to the growth of personal business loans and personal residential mortgage loan businesses. The following table sets forth a breakdown of the Bank's personal loans by product type:

Unit: RMB'000

Item	As at 30 June 2019		As at 31 December 2018	
	Amount	% of total (%)	Amount	% of total (%)
Personal business loans	19,272,228	37.57	16,645,672	37.90
Personal residential mortgage loans	22,113,350	43.11	16,265,454	37.03
Personal consumption loans	5,858,635	11.42	7,114,105	16.20
Automotive loans	1,526,029	2.98	1,993,253	4.54
Credit card loans	2,526,290	4.92	1,900,727	4.33
<b>Total personal loan principal</b>	<b>51,296,532</b>	<b>100.00</b>	43,919,211	100.00

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### (3) Discounted bills

As at end of the Reporting Period, the Bank's discounted bills amounted to RMB11,801 million, representing an increase of RMB4,010 million or 51.46% from the end of 2018. During the Reporting Period, the Bank flexibly adjusted the scale of bill financing according to the needs of business development and the financing needs of customers.

### Investments in securities and other financial assets

As at the end of the Reporting Period, the Bank's total investments in securities and equity instruments amounted to RMB249,340 million, representing an increase of RMB13,175 million or 5.58% from the end of 2018. Details are set out as follows:

Unit: RMB'000

Item	As at 30 June 2019		As at 31 December 2018	
	Amount	% of total (%)	Amount	% of total (%)
Financial investments at amortized cost	177,133,327	71.04	168,129,541	71.19
Financial investments at fair value through other comprehensive income	11,194,365	4.49	8,002,724	3.39
Financial investments at fair value through profit or loss	61,012,165	24.47	60,032,975	25.42
<b>Total investments in securities and other financial assets</b>	<b>249,339,857</b>	<b>100.00</b>	236,165,240	100.00
Add: Accrued interest	1,513,704		1,600,167	
Less: Provision for impairment losses <sup>(Note)</sup>	2,167,488		1,726,620	
<b>Book value of investments in securities and other financial assets</b>	<b>248,686,073</b>		236,038,787	

Note: Excluding provision for impairment losses on financial investments at fair value which has been taken into account in other comprehensive income.

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

The Bank's investment securities are classified into debt instruments and equity instruments. Set out below is a breakdown of the Bank's investment securities by product:

Unit: RMB'000

Item	As at 30 June 2019		As at 31 December 2018	
	Amount	% of total (%)	Amount	% of total (%)
<b>Debt securities investments</b>				
Government bonds	28,309,117	11.36	28,870,802	12.23
Debt securities issued by policy banks	35,612,444	14.28	36,828,489	15.59
Debt securities issued by banks and other financial institutions	2,194,837	0.88	2,837,932	1.20
Debt securities issued by corporate issuers	6,851,883	2.75	8,261,101	3.50
<b>Subtotal</b>	<b>72,968,281</b>	<b>29.27</b>	76,798,324	32.52
Investment products under trust scheme	92,483,728	37.09	76,963,156	32.59
Investment products managed by securities companies	56,705,687	22.74	57,733,785	24.45
Others <sup>(Note)</sup>	27,173,761	10.90	24,661,575	10.44
<b>Total debt instruments</b>	<b>249,331,457</b>	<b>100.00</b>	236,156,840	100.00
Equity instruments	8,400		8,400	
<b>Total investments in securities and other financial assets</b>	<b>249,339,857</b>		236,165,240	

Note: Others consist of debt financing schemes, commercial refactoring and other investments.

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth a breakdown of the top ten financial bonds held by the Bank as at the end of the Reporting Period:

Unit: RMB'000

No.	Type of bonds	Nominal value balance	Interest rate (%)	Maturity date	Impairment
1	2016 Financial Bond	3,250,000	3.33	2026/02/22	162.64
2	2016 Financial Bond	2,490,000	3.33	2026/01/06	125.56
3	2016 Financial Bond	2,200,000	3.24	2023/02/25	110.44
4	2016 Financial Bond	1,900,000	3.32	2023/01/06	95.61
5	2015 Financial Bond	1,510,000	3.86	2022/02/05	–
6	2016 Financial Bond	1,150,000	3.18	2026/04/05	58.55
7	2018 Financial Bond	1,002,601	3.00	2019/09/17	–
8	2016 Financial Bond	1,000,000	3.37	2026/02/26	50.35
9	2016 Interest-bearing Government Bond	1,000,000	2.75	2023/09/01	25.23
10	2016 Financial Bond	1,000,000	3.28	2023/02/26	50.36

### Derivative financial instruments

During the Reporting Period, amid the two-way fluctuations in the exchange rate between the US dollar and RMB, the Bank rationally used forward foreign exchanges to effectively mitigate market risks with a sound trading style.

Unit: RMB'000

Derivative financial instrument	As at 30 June 2019			As at 31 December 2018		
	Contractual/ notional amount	Fair value of assets	Fair value of liabilities	Contractual/ notional amount	Fair value of assets	Fair value of liabilities
Currency swap contracts	-	-	-	3,019,808	164,337	-
Currency options contracts	-	-	-	3,431,600	-	(37,976)
Interest rate swap contracts	-	-	-	200,000	-	(525)
Forward foreign exchange contracts	7,699,664	18,253	(77,313)	10,294,800	67,214	-
<b>Total</b>	<b>7,699,664</b>	<b>18,253</b>	<b>(77,313)</b>	<b>16,946,208</b>	<b>231,551</b>	<b>(38,501)</b>

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.2.2 Liabilities

As at the end of the Reporting Period, the Bank's total liabilities amounted to RMB440,280 million, representing an increase of RMB12,002 million or 2.80% from the end of 2018, which was mainly due to the increase in liabilities such as debt securities issued, deposits from customers and financial assets sold under repurchase agreements.

Unit: RMB'000

Item	As at 30 June 2019		As at 31 December 2018		Change	
	Amount	% of total (%)	Amount	% of total (%)	Amount	% of total (%)
Borrowings from central bank	5,197,523	1.18	4,196,194	0.98	1,001,329	0.20
Deposits from banks and other financial institutions	19,594,468	4.45	27,398,665	6.40	(7,804,197)	(1.95)
Placements from banks and other financial institutions	13,742,459	3.12	13,652,888	3.19	89,571	(0.07)
Derivative financial liabilities	77,313	0.02	38,501	0.01	38,812	0.01
Financial assets sold under repurchase agreements	21,905,063	4.97	18,956,133	4.43	2,948,930	0.54
Deposits from customers	274,732,252	62.40	267,758,206	62.52	6,974,046	(0.12)
Tax payable	668,905	0.15	428,752	0.10	240,153	0.05
Debt securities issued	101,030,940	22.95	93,649,019	21.87	7,381,921	1.08
Other liabilities <sup>(Note)</sup>	3,331,529	0.76	2,200,561	0.50	1,130,968	0.26
<b>Total</b>	<b>440,280,452</b>	<b>100.00</b>	<b>428,278,919</b>	<b>100.00</b>	<b>12,001,533</b>	<b>-</b>

Note: Other liabilities primarily consist of other receivables, staff costs payable, dormant accounts and estimated liabilities.



## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### Deposits from customers

As at the end of the Reporting Period, the Bank's gross deposits from customers amounted to RMB271,595 million, representing an increase of RMB7,464 million or 2.83% from the end of 2018. The steady growth in the Bank's deposits from customers was mainly attributable to the Bank's continuous expansion of deposit customers and branch network. Set out below is a breakdown of the Bank's deposits from customers by product type and maturity profile:

Unit: RMB'000

Item	As at 30 June 2019		As at 31 December 2018	
	Amount	% of the total (%)	Amount	% of the total (%)
<b>Corporate deposits</b>				
Demand	84,411,734	31.08	82,621,581	31.28
Time	78,291,015	28.83	83,458,939	31.60
<b>Subtotal</b>	<b>162,702,749</b>	<b>59.91</b>	166,080,520	62.88
<b>Personal deposits</b>				
Demand	21,628,279	7.96	19,547,870	7.40
Time	64,403,678	23.71	60,168,717	22.78
<b>Subtotal</b>	<b>86,031,957</b>	<b>31.67</b>	79,716,587	30.18
<b>Other deposits</b>	<b>22,860,542</b>	<b>8.42</b>	18,333,827	6.94
<b>Gross deposits from customers</b>	<b>271,595,248</b>	<b>100.00</b>	264,130,934	100.00
<b>Add: Accrued interest</b>	<b>3,137,004</b>		3,627,272	
<b>Total deposits from customers</b>	<b>274,732,252</b>		267,758,206	

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.2.3 Shareholders' Equity

As at the end of the Reporting Period, the Bank's total shareholders' equity amounted to RMB39,515 million, representing an increase of RMB1,652 million or 4.36% from the end of 2018. The total equity attributable to shareholders of the Bank amounted to RMB38,261 million, representing an increase of RMB1,611 million or 4.40% from the end of 2018. The increase in shareholders' equity was mainly due to sustained profitability.

Unit: RMB'000

Item	As at 30 June 2019		As at 31 December 2018	
	Amount	% of the total (%)	Amount	% of the total (%)
<b>Shareholders' equity</b>				
Share capital	5,921,932	14.99	5,921,932	15.64
Capital reserve	5,163,655	13.07	5,163,655	13.64
Surplus reserve	2,356,214	5.96	2,356,214	6.22
General reserve	5,870,320	14.86	5,870,320	15.50
Investment revaluation reserve	67,859	0.17	38,590	0.10
Remeasurement of net defined benefit liability	(43,862)	(0.11)	(44,492)	(0.12)
Retained earnings	11,099,039	28.09	9,518,012	25.14
Other equity instruments	7,825,508	19.80	7,825,508	20.67
<b>Total equity attributable to shareholders of the Bank</b>	<b>38,260,665</b>	<b>96.83</b>	36,649,739	96.79
Non-controlling interests	1,254,449	3.17	1,213,760	3.21
<b>Total shareholders' equity</b>	<b>39,515,114</b>	<b>100.00</b>	37,863,499	100.00

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.2.4 Off-balance Sheet Commitments

The following table sets forth a breakdown of the Bank's off-balance sheet credit commitments as at the end of the Reporting Period:

Unit: RMB'000

Item	As at 30 June 2019	As at 31 December 2018
<b>Credit commitments</b>		
Bank acceptances	73,007,630	68,168,889
Letters of credit	9,979,787	9,294,124
Guarantees	3,471,569	3,993,775
Unused credit card commitments	2,517,523	1,778,943
<b>Total</b>	<b>88,976,509</b>	83,235,731

In addition, as at the end of the Reporting Period, there was no material litigation in which the Bank or any subsidiary of the Bank is a defendant. As at the date of this Report, the Bank had no significant contingent liabilities. Details of off-balance sheet commitments are disclosed in Note 41 to the financial statements under the chapter headed "Financial Report" in this Report.

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.3 Loan Quality Analysis

During the Reporting Period, the Bank continuously strengthened credit risk management and accelerated the disposal of non-performing loans, thus keeping the overall quality of loans under control. As at the end of the Reporting Period, the balance of non-performing loans amounted to RMB4,248 million, and the non-performing loan ratio was 2.39%, down by 0.08 percentage point from the end of 2018.

#### 3.3.1 Distribution of Loans by Five-Category Loan Classification

Unit: RMB'000

Item	As at 30 June 2019		As at 31 December 2018	
	Amount	% of the total (%)	Amount	% of the total (%)
Normal	169,046,800	95.21	150,934,330	94.59
Special mention	4,261,958	2.40	4,700,526	2.95
Substandard	2,200,391	1.24	2,859,261	1.79
Doubtful	2,026,690	1.14	1,073,407	0.67
Loss	21,313	0.01	5,268	–
<b>Total loans and advances to customers</b>	<b>177,557,152</b>	<b>100.00</b>	159,572,792	100.00
<b>NPLs and NPL ratio<sup>(Note)</sup></b>	<b>4,248,394</b>	<b>2.39</b>	3,937,936	2.47

Note: NPL ratio is calculated by dividing the total NPL principal (excluding accrued interest) by total loan and advance principal to customers (excluding accrued interest).

According to the five-category loan classification system, the Bank classified its NPLs into substandard, doubtful and loss categories.

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.3.2 Distribution of Loans and Non-Performing Loans by Product Type

Unit: RMB'000

Item	As at 30 June 2019				As at 31 December 2018			
	Amount	% of the total (%)	NPL amount	NPL ratio (%)	Amount	% of the total (%)	NPL amount	NPL ratio (%)
<b>Corporate loans</b>								
Short-term loans	51,215,150	28.84	1,767,319	3.45	55,266,716	34.64	1,951,014	3.53
Medium and long-term loans	63,243,980	35.62	1,513,667	2.39	52,595,065	32.96	1,223,517	2.33
<b>Subtotal</b>	<b>114,459,130</b>	<b>64.46</b>	<b>3,280,986</b>	<b>2.87</b>	<b>107,861,781</b>	<b>67.60</b>	<b>3,174,531</b>	<b>2.94</b>
<b>Discounted bills</b>	<b>11,801,490</b>	<b>6.65</b>	<b>-</b>	<b>-</b>	<b>7,791,800</b>	<b>4.88</b>	<b>-</b>	<b>-</b>
<b>Personal loans</b>								
Personal business loans	19,272,228	10.86	587,756	3.05	16,645,672	10.43	498,639	3.00
Personal residential mortgage loans	22,113,350	12.45	16,108	0.07	16,265,454	10.19	14,917	0.09
Personal consumption loans	5,858,635	3.30	178,496	3.05	7,114,105	4.46	169,006	2.38
Auto loans	1,526,029	0.86	145,946	9.56	1,993,253	1.25	63,465	3.18
Credit card loans	2,526,290	1.42	39,102	1.55	1,900,727	1.19	17,378	0.91
<b>Subtotal</b>	<b>51,296,532</b>	<b>28.89</b>	<b>967,408</b>	<b>1.89</b>	<b>43,919,211</b>	<b>27.52</b>	<b>763,405</b>	<b>1.74</b>
<b>Total</b>	<b>177,557,152</b>	<b>100.00</b>	<b>4,248,394</b>	<b>2.39</b>	<b>159,572,792</b>	<b>100.00</b>	<b>3,937,936</b>	<b>2.47</b>

During the Reporting Period, the Bank took the initiative to adjust the credit structure by imposing tighter control over the total credit granted to group customers, and restricting credit input for industries with overcapacity or uncertain prospects, thus further enhancing the risk aversion ability of credit assets. At the end of the Reporting Period, the NPL ratio of corporate loans (excluding discounted bills) dropped to 2.87%, down by 0.07 percentage point as compared to the end of 2018. However, the NPL ratio of personal loans rose to 1.89% at the end of the Reporting Period, up by 0.15 percentage point as compared to the end of 2018, which was due to, among other factors, regional constraints and the unsound credit system.

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.3.3 Distribution of Loans and Non-Performing Loans by Industry

Unit: RMB'000

Item	As at 30 June 2019				As at 31 December 2018			
	Amount	% of the Total (%)	NPL amount	NPL ratio (%)	Amount	% of the Total (%)	NPL amount	NPL ratio (%)
Wholesale and retail	33,136,606	18.66	1,181,453	3.57	36,467,388	22.85	909,599	2.49
Manufacturing	15,353,026	8.65	1,733,742	11.29	14,407,170	9.03	1,911,745	13.27
Construction	9,762,181	5.50	62,861	0.64	10,518,173	6.59	92,348	0.88
Real estate	23,175,466	13.05	1,635	0.01	18,098,412	11.34	32,235	0.18
Leasing and commercial services	7,377,077	4.15	51,543	0.70	5,994,122	3.76	12,954	0.22
Water, environment and public facility management	9,070,876	5.11	14,376	0.16	8,119,439	5.09	12,400	0.15
Agriculture, forestry, animal husbandry and fishery	1,632,716	0.92	175,708	10.76	1,876,474	1.18	98,317	5.24
Transportation, storage and postal services	2,135,600	1.20	11,491	0.54	1,927,392	1.21	10,000	0.52
Production and supply of electricity, heat, gas and water	1,924,781	1.08	-	-	2,312,929	1.45	-	-
Accommodation and catering	1,357,869	0.76	3,350	0.25	1,477,051	0.92	50,000	3.39
Mining	504,926	0.28	24,000	4.75	361,158	0.23	4,000	1.11
Culture, sports and entertainment	1,741,347	0.98	10,000	0.57	287,210	0.18	-	-
Others	7,286,659	4.12	10,827	0.15	6,014,863	3.77	40,933	0.68
<b>Total corporate loan</b>	<b>114,459,130</b>	<b>64.46</b>	<b>3,280,986</b>	<b>2.87</b>	<b>107,861,781</b>	<b>67.60</b>	<b>3,174,531</b>	<b>2.94</b>
<b>Total personal loans</b>	<b>51,296,532</b>	<b>28.89</b>	<b>967,408</b>	<b>1.89</b>	<b>43,919,211</b>	<b>27.52</b>	<b>763,405</b>	<b>1.74</b>
<b>Discounted bills</b>	<b>11,801,490</b>	<b>6.65</b>	<b>-</b>	<b>-</b>	<b>7,791,800</b>	<b>4.88</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>177,557,152</b>	<b>100.00</b>	<b>4,248,394</b>	<b>2.39</b>	<b>159,572,792</b>	<b>100.00</b>	<b>3,937,936</b>	<b>2.47</b>

As at the end of the Reporting Period, the non-performing corporate loans of the Bank were mainly concentrated in (1) the manufacturing industry, (2) the agriculture, forestry, animal husbandry and fishery industry, (3) mining; and (4) the wholesale and retail industry, with NPL ratios of 11.29%, 10.76%, 4.75% and 3.57%, respectively.

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.3.4 Distribution of Loans and Non-Performing Loans by Collateral

The following table sets forth a breakdown of the Bank's loans and non-performing loans by collateral:

Unit: RMB'000

Item	As at 30 June 2019				As at 31 December 2018			
	Amount	% of the Total (%)	NPL amount	NPL ratio (%)	Amount	% of the total (%)	NPL amount	NPL ratio (%)
Unsecured loans	20,814,053	11.72	168,005	0.81	20,781,632	13.02	72,205	0.35
Guaranteed loans	57,359,319	32.31	3,341,981	5.83	52,852,673	33.12	2,880,522	5.45
Loans secured by mortgages	66,316,775	37.35	633,498	0.96	54,390,463	34.09	860,413	1.58
Loans secured by pledges	33,067,005	18.62	104,910	0.32	31,548,024	19.77	124,796	0.40
<b>Total</b>	<b>177,557,152</b>	<b>100.00</b>	<b>4,248,394</b>	<b>2.39</b>	<b>159,572,792</b>	<b>100.00</b>	<b>3,937,936</b>	<b>2.47</b>

### 3.3.5 Borrower Concentration

As at the end of the Reporting Period, the Bank's loan balance to any single borrower did not exceed 10% of the Bank's net capital. The following table sets forth, as at the end of the Reporting Period, the Bank's loans (loan balance) to the ten largest single borrowers (excluding group borrowers), all of which were classified as normal.

Unit: RMB'000

Item	Industry	As at 30 June 2019		
		Principle balance	% of total loans (%)	% of net capital (%)
Borrower A	Water, environment and public facility management	1,900,000	1.07	3.98
Borrower B	Culture, sports and entertainment	1,105,000	0.62	2.32
Borrower C	Manufacturing	1,035,551	0.58	2.17
Borrower D	Financial services	1,000,000	0.56	2.10
Borrower E	Construction	990,000	0.56	2.07
Borrower F	Water, environment and public facility management	976,000	0.55	2.05
Borrower G	Water, environment and public facility management	974,200	0.55	2.04
Borrower H	Transportation, storage and postal services	957,538	0.54	2.01
Borrower I	Real estate	873,900	0.49	1.83
Borrower J	Leasing and commercial services	857,000	0.48	1.80
<b>Total</b>		<b>10,669,189</b>	<b>6.00</b>	<b>22.37</b>

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.3.6 Overdue Loans

Unit: RMB'000

Item	As at 30 June 2019		As at 31 December 2018	
	Amount	% of the Total (%)	Amount	% of the Total (%)
Current loans	171,111,738	96.37	152,523,448	95.58
Loans past due for <sup>(Note)</sup>				
1 to 90 days	2,890,630	1.63	3,294,319	2.07
91 to 360 days	2,234,199	1.26	2,087,694	1.31
361 days or more	1,320,585	0.74	1,667,331	1.04
<b>Subtotal</b>	<b>6,445,414</b>	<b>3.63</b>	<b>7,049,344</b>	<b>4.42</b>
<b>Gross loans</b>	<b>177,557,152</b>	<b>100.00</b>	<b>159,572,792</b>	<b>100.00</b>

Note: Representing the principal amount of the loans on which principal or interest is overdue.

As at the end of the Reporting Period, the Bank's overdue loans amounted to RMB6,445 million, representing a decrease of RMB604 million or 8.57% as compared with the end of 2018. Overdue loans accounted for 3.63% of the total loans, decreasing by 0.79 percentage point as compared with the end of 2018.

### 3.3.7 Provision and Write-off of Allowance for Impairment Losses on Loans

During the Reporting Period, the Bank made a total loan loss reserve of RMB1,008 million, with RMB970 million provided for loans and advances to customers measured at amortized cost, and RMB38 million for loans and advances to customers measured at fair value through other comprehensive income. RMB274 million of non-performing loans was written off, and RMB366 million of written-off loans was recovered. As at the end of the Reporting Period, the balance of the Bank's loan loss reserve was RMB6,731 million, of which the balance of impairment losses on loans and advances to customers measured at amortized cost was RMB6,659 million and the balance of impairment losses on loans and advances to customers measured at fair value through other comprehensive income was RMB72 million.



## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

Changes in provision for impairment losses on loans and advances to customers at amortized cost are set out as follows:

Unit: RMB'000

Item	As at 30 June 2019	As at 31 December 2018
Opening balance	6,062,971	4,328,284
Provision for the period	970,189	3,420,277
Write-off for the period	(273,540)	(1,779,584)
Recovery of written-off loans	366,327	93,994
Others	(467,271)	—
<b>Closing balance</b>	<b>6,658,676</b>	<b>6,062,971</b>

Changes in provision for impairment losses on loans and advances to customers at fair value through other comprehensive income are set out as follows:

Unit: RMB'000

Item	As at 30 June 2019	As at 31 December 2018
Opening balance	34,405	4,711
Provision for the period	38,071	29,694
<b>Closing balance</b>	<b>72,476</b>	<b>34,405</b>

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.4 Cash Flow Statement Analysis

During the Reporting Period, the Bank's net cash outflow from operating activities was RMB4,300 million, where the cash inflow was RMB29,335 million, representing a decrease of RMB872 million as compared to the same period of the previous year, mainly due to decrease in the net increase in financial assets sold under repurchase agreements; and the cash outflow was RMB33,635 million, representing an increase of RMB385 million as compared to the same period of the previous year, mainly due to the increase in loans and advances to customers.

During the Reporting Period, the Bank's net cash outflow from investing activities was RMB12,366 million, where the cash inflow was RMB80,564 million, representing a decrease of RMB3,937 million as compared to the same period of the previous year, mainly due to the decrease in cash flow received from the recovery of investments; the cash outflow was RMB92,929 million, representing an increase of RMB13,621 million as compared to the same period of the previous year, mainly due to the increase in cash outflow from investment payments.

During the Reporting Period, the Bank's net cash inflow from financing activities was RMB4,785 million, where the cash inflow was RMB51,618 million, representing an increase of RMB5,911 million as compared to the same period of the previous year, mainly due to the increase in cash inflows received from the issuance of bonds; the cash outflow was RMB46,833 million, representing an increase of RMB2,354 million as compared to the same period of the previous year, mainly due to the increase in cash outflows for the repayment of principal and interest of the bonds due.

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

Unit: RMB'000

Item	For the six months ended 30 June		
	2019	2018	Year-on-year change
Subtotal of cash inflows from operating activities	29,334,589	30,206,667	(872,078)
Subtotal of cash outflows from operating activities	33,634,530	33,249,389	385,141
<b>Net cash flows used in operating activities</b>	<b>(4,299,941)</b>	<b>(3,042,722)</b>	<b>(1,257,219)</b>
Subtotal of cash inflows from investing activities	80,563,619	84,501,051	(3,937,432)
Subtotal of cash outflows from investing activities	92,929,288	79,308,177	13,621,111
<b>Net cash flows (used in)/generated from investing activities</b>	<b>(12,365,669)</b>	<b>5,192,874</b>	<b>(17,558,543)</b>
Subtotal of cash inflows from financing activities	51,618,165	45,706,861	5,911,304
Subtotal of cash outflows from financing activities	46,833,364	49,187,836	(2,354,472)
<b>Net cash flows generated from/(used in) financing activities</b>	<b>4,784,801</b>	<b>(3,480,975)</b>	<b>8,265,776</b>
Effect of exchange rate changes on cash and cash equivalents	4,537	40,764	(36,227)
<b>Net decrease in cash and cash equivalents</b>	<b>(11,876,272)</b>	<b>(1,290,059)</b>	<b>(10,586,213)</b>

### 3.5 Business Segment Report

The following table sets forth the Bank's total operating income by business segment for the periods indicated.

Unit: RMB'000

Item	As at 30 June 2019		As at 31 December 2018	
	Amount	% of total (%)	Amount	% of total (%)
Corporate banking business	2,408,855	38.66	2,562,049	49.88
Retail banking business	817,044	13.11	1,071,617	20.86
Treasury business	2,991,604	48.01	1,491,902	29.05
Others <sup>(Note)</sup>	14,082	0.22	10,810	0.21
<b>Total operating income</b>	<b>6,231,585</b>	<b>100.00</b>	<b>5,136,378</b>	<b>100.00</b>

Note: This segment consists primarily of equity investment and the corresponding income, and any other businesses that on their own cannot constitute a reporting segment.

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.6 Significant Accounting Policies, Accounting Estimates and Accounting Methods

The Bank modified the accounting policies in accordance with the requirement of the New Leasing Standards, which was considered and approved by the Board of Directors. The Bank has implemented the New Leasing Standards since 1 January 2019, and the comparative figures as at the end of 2018 were not restated. The implementation of the standards does not have material effect on the Bank's financial report. For details, please refer to Note 3 "Changes in accounting policies" to the financial statements in the chapter headed "Financial Report" of this Report.

According to the relevant requirements of IASB, IFRIC 23, "Uncertainty over Income Tax Treatments", became effective on 1 January 2019. The adoption of the interpretation had no material impact on financial position and financial performance of the Group.

During the Reporting Period, the Bank did not have any major accounting errors corrected that need to be retrospectively restated. As compared to the financial report of the previous accounting period, the scope of consolidation of the financial statement has not changed.

### 3.7 Assets and Liabilities at Fair Value

Unit: RMB'000

Item	Opening balance	Gains and losses from changes in fair value for the period	Accumulated changes in fair value recognized in equity	Impairment accrued during the period	Closing balance
Financial investments at fair value through profit or loss (excluding derivative financial assets)	60,032,975	662,296	–	–	61,012,165
Derivative financial assets	231,551	–	–	–	18,253
Financial investments at fair value through other comprehensive income	8,175,758	–	25,556	(284)	11,403,168
<b>Subtotal of financial assets</b>	<b>68,440,284</b>	<b>662,296</b>	<b>25,556</b>	<b>(284)</b>	<b>72,433,586</b>
Derivative financial liabilities	38,501	525	–	–	77,313
<b>Subtotal of financial liabilities</b>	<b>38,501</b>	<b>525</b>	<b>–</b>	<b>–</b>	<b>77,313</b>

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.8 Major Statement Items and Financial Indicators with Changes of More Than 30% and the Main Reasons for the Changes

Unit: RMB'000

Item	For the six months ended 30 June			Analysis of the major reasons
	2019	2018	Changes compared to the same period of the previous year (%)	
Net interest income	3,939,595	2,821,624	39.62	Due to business growth.
Fee and commission expense	(64,909)	(35,415)	83.28	Due to business growth in the settlement and credit card business.
Net trading gain/(losses)	326,170	(71,054)	(559.05)	Due to the increase in exchange rate fluctuations between the US dollar and RMB, and increase in investment income from held-for-trading bonds.
Other operating income	14,082	10,810	30.27	Mainly due to the year-on-year increase in rental income of self-owned properties during the Reporting Period.
Credit impairment losses	(1,485,424)	(696,523)	113.26	Mainly due to the fact that the Bank included all loans overdue for more than 90 days in non-performing loans in accordance with regulatory requirements and made provision for non-performing loans.
Non-controlling interests	40,717	16,212	151.15	Mainly due to the increase of profits in subsidiaries.

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

Unit: RMB'000

Item	As at 30 June 2019	As at 31 December 2018	Changes compared to the end of the previous year (%)	Analysis of the major reasons
Financial assets held under resale agreements	120,904	3,452,125	(96.50)	The Bank adjusted the structure of such assets in consideration of asset-liability matching and market liquidity.
Derivative financial liabilities	77,313	38,501	100.81	During the Reporting Period, amid the two-way fluctuations in the exchange rate between the US dollar and RMB, the Bank rationally increased forward foreign exchanges to effectively mitigate market risks.
Tax payables	668,905	428,752	56.01	Due to the increase in corporate income tax payables as compared to the end of 2018.
Other liabilities	3,331,529	2,200,561	51.39	Mainly due to the New Leasing Standards implemented by the Bank on 1 January 2019, leading to the inclusion of operating leases in its balance sheet and the recognition of lease liability.
Investment revaluation reserves	67,859	38,590	75.85	Mainly due to the increase in loans and advances to customers at fair value through other comprehensive income as at the end of the Reporting Period, leading to an increased allowance for impairment losses.

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### 4 INVESTMENT ANALYSIS

#### 4.1 Overview

The following table sets out details of the Bank's equity investment as at the end of the Reporting Period:

*Unit: RMB'000*

Item	As at 30 June 2019	As at 31 December 2018	The Bank's share of the interest in the investee (%)
Jiuding Financial Leasing Company	1,020,000	1,020,000	51.00
Fugou Zhengyin County Bank	30,120	30,120	50.20
Xinmi Zhengyin County Bank	64,000	64,000	51.20
Xunxian Zhengyin County Bank	25,500	25,500	51.00
Queshan Zhengyin County Bank	25,500	25,500	51.00
Zhongmu Zhengyin County Bank	104,000	104,000	18.53
Yanling Zhengyin County Bank	18,000	18,000	30.00
Xinzheng Zhengyin County Bank	17,280	17,280	25.00
China UnionPay Co., Ltd.	8,000	8,000	0.27
Funds Clearing Centre for City Commercial Banks	400	400	1.29
Total	1,312,800	1,312,800	–

For details of the Bank's other investments as at the end of the Reporting Period, please refer to the paragraph headed "Balance Sheet Analysis" under the chapter headed "Management Discussion and Analysis" in this Report.

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### 4.2 Significant Equity Investments Made During the Reporting Period

During the Reporting Period, the Bank did not make any significant equity investment.

### 4.3 Significant Non-equity Investments in Progress During the Reporting Period

During the Reporting Period, the Bank did not have any significant non-equity investment in progress.

### 4.4 Use of Proceeds

During the Reporting Period, there was no use of proceeds for the Bank.

### 4.5 Significant Investments Funded by Non-Raised Proceeds

During the Reporting Period, the Bank did not have any significant non-raised fund investments.

### 4.6 Operations of Subsidiaries

#### 4.6.1 Operations of Subsidiaries

##### *Jiuding Financial Leasing Company*

As at the end of the Reporting Period, the Bank held 51% equity interest in Jiuding Financial Leasing Company, a subsidiary of the Bank with a registered capital of RMB2 billion. Jiuding Financial Leasing Company was established in China and carries on business in China. Its principal businesses include: (1) financial leasing business; (2) outward or inward transfer of financial leasing assets; (3) fixed income securities investment business; (4) acceptance of leasing deposits from lessees; (5) taking time deposits with a term of three months or more from non-banking shareholders; (6) interbank lending; (7) borrowing from financial institutions; (8) offshore borrowing; (9) sale and disposal of leased assets; (10) economic consultancy; and (11) other businesses approved by the CBRC (business activities subject to approval according to law may be carried out only after being approved by the competent authorities). As at the end of the Reporting Period, the total assets of Jiuding Financial Leasing Company amounted to RMB15,654 million, net assets amounted to RMB2,395 million, and balance of financial leasing amounted to RMB13,045 million. During the Reporting Period, it recorded operating income of RMB192 million, operating profit of RMB148 million and net profit of RMB109 million.



## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### *Fugou Zhengyin County Bank*

As at the end of the Reporting Period, the Bank held 50.2% equity interest in Fugou Zhengyin County Bank, a subsidiary of the Bank with a registered capital of RMB60 million. Fugou Zhengyin County Bank was established in China and carries on business in China. Its principal businesses include: (1) taking deposits from the public; (2) issuing short-term, medium-term and long-term loans; (3) domestic settlement; (4) bill acceptance and discounting; (5) interbank lending; (6) debit card business; (7) acting as issuing agent, cashing agent and underwriter of government bonds; (8) acting as collection and payment agent; and (9) other businesses approved by the banking regulatory authorities in the PRC (business activities requiring permits shall be carried out with valid permits or other qualification certificates). As at the end of the Reporting Period, the total assets of Fugou Zhengyin County Bank amounted to RMB609 million, net assets amounted to RMB54 million, book value of loans and advances to customers amounted to RMB355 million and book value of deposits from customers amounted to RMB451 million. During the Reporting Period, it recorded operating income of RMB11 million, operating loss of RMB11 million, and net loss of RMB11 million.

### *Xinmi Zhengyin County Bank*

As at the end of the Reporting Period, the Bank held 51.2% equity interest in Xinmi Zhengyin County Bank, a subsidiary of the Bank with a registered capital of RMB125 million. Xinmi Zhengyin County Bank was established in China, and carries on business in China. Its principal businesses include: (1) taking deposits from the public; (2) issuing short-term, medium-term and long-term loans; (3) domestic settlement; (4) bill acceptance and discounting; (5) interbank lending; (6) bank card business; (7) acting as issuing agent, cashing agent and underwriter of government bonds; (8) collecting and payment agent and insurance agent; and (9) other businesses approved by the banking regulatory authorities (business activities subject to approval according to law may be carried out only after being approved by the competent authorities). As at the end of the Reporting Period, the total assets of Xinmi Zhengyin County Bank amounted to RMB653 million, net assets amounted to RMB16 million, book value of loans and advances to customers amounted to RMB379 million and book value of deposits from customers amounted to RMB633 million. During the Reporting Period, it recorded operating income of RMB13 million, operating loss of RMB22 million, and net loss of RMB23 million.

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### *Xunxian Zhengyin County Bank*

As at the end of the Reporting Period, the Bank held 51% equity interest in Xunxian Zhengyin County Bank, a subsidiary of the Bank with a registered capital of RMB50 million. Xunxian Zhengyin County Bank was established in China, and carries on business in China. Its principal businesses include: (1) taking deposits from the public; (2) issuing short-term, medium-term and long-term loans; (3) domestic settlement; (4) bill acceptance and discounting; (5) acting as issuing agent, cashing agent and the underwriter of government bonds; (6) interbank lending; (7) debit-card business; (8) collecting and payment agent and insurance agent; and (9) other businesses approved by the banking regulatory authorities (business activities requiring permits shall be carried out after obtaining relevant permits from the competent authorities) (business activities subject to approval according to law may be carried out only after being approved by the competent authorities). As at the end of the Reporting Period, the total assets of Xunxian Zhengyin County Bank amounted to RMB528 million, net assets amounted to RMB49 million, book value of loans and advances to customers amounted to RMB362 million and book value of deposits from customers amounted to RMB446 million. During the Reporting Period, it recorded operating income of RMB13 million, operating profit of RMB8 million, and net profit of RMB8 million.

### *Queshan Zhengyin County Bank*

As at the end of the Reporting Period, the Bank held 51% equity interest in Queshan Zhengyin County Bank, a subsidiary of the Bank with a registered capital of RMB50 million. Queshan Zhengyin County Bank was established in China, and carries on business in China. Its principal businesses include: (1) taking deposits from the public; (2) issuing short-term, medium-term and long-term loans; (3) domestic settlements; (4) bill acceptance and discounting; (5) interbank lending; (6) bank card business; (7) acting as issuing agent, cashing agent and underwriter of government bonds; (8) collecting and payment agent and insurance agent; and (9) other businesses approved by the banking regulatory authorities (business activities subject to approval according to law may be carried out only after being approved by the competent authorities). As at the end of the Reporting Period, the total assets of Queshan Zhengyin County Bank amounted to RMB409 million, net assets amounted to RMB45 million, book value of loans and advances to customers amounted to RMB167 million and book value of deposits from customers amounted to RMB363 million. During the Reporting Period, it recorded operating income of RMB6 million, operating profit of RMB710,000, and net profit of RMB710,000.

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### **4.6.2 Operations of investee companies**

As at the end of the Reporting Period, the Bank held 18.53%, 30.00% and 25.00% equity interests in Zhongmu Zhengyin County Bank, Yanling Zhengyin County Bank and Xinzheng Zhengyin County Bank, respectively. The total assets of the three county banks amounted to RMB20,416 million, book value of loans and advances to customers amounted to RMB12,789 million and book value of deposits from customers amounted to RMB17,855 million.

Since the establishment of Zhongmu Zhengyin County Bank in 2009, Zhengyin county banks have always been committed to serving “agriculture, farmers and rural areas” with a market position targeting small and medium-size customers. Led by the gradual expansion of the asset size, a more balanced structure of deposits and loans and stronger support for the agriculture sector, the return on equity has improved year by year. Zhongmu Zhengyin County Bank is regarded as one of the leading players among all county banks in China in terms of comprehensive strength.

### **4.6.3 Acquisition and Disposal of Subsidiaries During the Reporting Period**

During the Reporting Period, the Bank did not acquire or dispose of any subsidiary.

## **4.7 Structured Entities Controlled by the Bank**

Details of the structured entities controlled by the Bank are set out in Note 42 to the financial statements of the chapter headed “Financial Report” of this Report.



## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### 5 CAPITAL MANAGEMENT

The Bank's goals of capital management include: (1) maintaining stable capital adequacy ratio level and solid capital base, supporting the development of the Bank's various businesses and the implementation of strategical planning, improving capability to resist risk, and realizing comprehensive, coordinated and sustainable development; (2) perfecting "economic-profit-centered" performance management system constantly, measuring and covering all types of risks accurately, and optimizing the Bank's resource allocation and operational management mechanism, so as to create the best return for shareholders; (3) utilizing a variety of capital instruments rationally, optimizing the total amount and structure of capital, and enhancing capital quality. The Bank's capital management mainly includes capital adequacy ratio management and capital financing management, etc.

Capital adequacy ratio management is at the core of the Bank's capital management. In accordance with the requirements of the CBIRC, the Bank monitors the capital adequacy ratio regularly and submits required information to the CBIRC Henan Bureau quarterly. The Bank carries out capital adequacy ratio prediction monthly to ensure that indicators meet regulatory requirements via stress tests. Through promoting the construction of comprehensive risk management, the Bank can further improve its risk identification and assessment capability and calculate risk weighted assets more accurately based on the business nature.

Capital financing management aims to further strengthen capital capacity, improve capital structure and enhance capital quality. The Bank focuses on capital's endogenous growth, strives to realize scale expansion, balances and coordinates profitability and capital restriction, replenishes capital via measures like profit growth, keeping surplus reserve and allocating sufficient provision for impairment losses on loans, optimizes capital structure and raises capital adequacy ratio level, so as to improve the Bank's capability to resist risk and the ability to support real economy's development.

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### 5.1 Capital Adequacy Ratio Analysis

The Bank continued to refine its business structure and strengthen its capital management. Set out below are the Bank's capital adequacy ratios as at the end of the Reporting Period and the end of 2018 calculated in accordance with the Administrative Measures for Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) issued by the Former CBRC in 2012 and other relevant requirements issued:

Unit: RMB'000

Item	As at 30 June 2019	As at 31 December 2018
<b>Core tier-one capital</b>		
Share capital	5,921,932	5,921,932
Valid portion of capital reserve	5,163,655	5,163,655
Other comprehensive income	23,997	(5,902)
Surplus reserve	2,356,214	2,356,214
General reserve	5,870,320	5,870,320
Retained earnings	11,099,039	9,518,012
Valid portion of minority interests	579,233	602,538
<b>Total core tier-one capital</b>	<b>31,014,390</b>	29,426,769
Core tier-one capital deductions	(775,457)	(714,478)
<b>Net core tier-one capital</b>	<b>30,238,933</b>	28,712,291
<b>Additional tier-one capital</b>	<b>7,901,678</b>	7,905,847
<b>Net tier-one capital</b>	<b>38,140,611</b>	36,618,138
<b>Tier-two capital</b>		
Qualifying portion of tier-two capital instruments issued	7,000,000	7,000,000
Surplus provision for loan impairment	2,422,669	2,179,647
Valid portion of minority interests	154,722	160,677
<b>Net tier-two capital</b>	<b>9,577,391</b>	9,340,324
<b>Net capital base</b>	<b>47,718,002</b>	45,958,462
<b>Total risk-weighted assets</b>	<b>374,558,345</b>	349,504,822
<b>Core tier-one capital adequacy ratio (%)</b>	<b>8.07</b>	8.22
<b>Tier-one capital adequacy ratio (%)</b>	<b>10.18</b>	10.48
<b>Capital adequacy ratio (%)</b>	<b>12.74</b>	13.15

Note: For details, please refer to the column headed "Financial Summary" under the "investor relations" section on the Bank's website.

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### 5.2 Leverage Ratio Analysis

Unit: RMB'000

Item	As at 30 June 2019	As at 31 March 2019	As at 31 December 2018	As at 30 September 2018
Net tier-one capital	39,624,410	39,049,910	37,906,989	38,666,795
Balance of on/off-balance sheet assets after adjustment	578,299,950	591,270,708	558,245,642	540,919,431
Leverage ratio (%)	6.85	6.60	6.79	7.15

*Note:* Indicators related to leverage ratio as at the end of the Reporting Period, the end of the first quarter of 2019, the end of 2018 and the end of the third quarter of 2018 are calculated based on the requirements of the Administrative Measures for Leverage Ratio Management of Commercial Banks (Amended) (《商業銀行槓桿率管理辦法(修訂)》) (Former CBRC Order [2015] No. 1) which came into effect on 1 April 2015 and which are consistent with the data reported to the regulatory authorities. For details, please refer to the column headed "Financial Summary" under the "investor relations" section of the Bank's website.

## 6 BUSINESS OPERATION

### 6.1 Corporate Banking Business

#### Corporate deposits

During the Reporting Period, the Bank continued to push forward the transition and upgrade of corporate business, raised the general level of corporate loan business product, targeting marketing initiatives at institutional customers, ensured the stable development of the Bank's deposit business. Meanwhile, the Bank actively bid for provincial and municipal projects put out to tender, and won the bid for projects such as the fixed deposit of funds from a provincial fiscal account, third party service institution of Henan provincial government bonds issuance, and Zhengzhou Airport Economy Zone (Zhengzhou Xinzheng Comprehensive Bonded Zone) (鄭州航空港經濟綜合實驗區(鄭州新鄭綜合保稅區)) Public Resources Trade Center land transfer deposit cooperative banks, strengthened the fund investment and management operations for institutional customers. As at the end of the Reporting Period, the Bank's principal balance of corporate deposits (excluding agreement and treasury deposits) amounted to RMB175,712 million, representing an increase of RMB5,997 million or 3.53% from the beginning of the year.

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### *Corporate loans*

During the Reporting Period, the Bank continued to enhance financing support to key areas while further increasing efforts in credit asset management by focusing on review mechanism improvement and risk prevention, continuing to optimize its unified credit system, enhancing group customer credit business management and strengthening the team of independent credit approval officers. Meanwhile, the Bank stepped up its efforts in withdrawing from industries with overcapacity, promoting industry transformation and upgrade, and advancing the construction of green credit system. As at the end of the Reporting Period, the total corporate loans of the Bank (including forfeiting and discounted bills) amounted to RMB126,261 million, representing an increase of RMB10,607 million or 9.17% from the end of 2018.

### **6.2 Commerce and Logistics Finance**

During the Reporting Period, the Bank continued to adhere to the unique positioning as a “commerce and logistics bank” and constructed a “Five-Clouds” platform to strengthen product and service innovation. Specifically, the Bank built a professional value-added “Cloud Service” platform by establishing the “Cloud Logistics” and “Cloud Business” product systems and improving the “Cloud Financing” and “Cloud Trading” functions to provide full-process and all-rounded financial services for customers and continuously enhance customer experience, so as to stimulate settlement deposits and broaden income sources of intermediary business.

#### *Cloud Trading*

“Cloud Trading” service system flexibly combines products such as corporate online banking, cash management, bank-enterprise direct link, interbank treasury management cloud platform and corporate settlement card to provide customers with “tailor-made” treasury solutions. As at the end of the Reporting Period, the Bank had provided cash management solutions to nearly one thousand large and medium-sized enterprises and public institutions, established direct links with over 60 large and medium-sized group customers, issued over 2,700 corporate settlement cards in total, and provided convenient financial services to multiple institutional customers including treasuries, social insurances, provident funds, courts and public resources trade centers.

#### *Cloud Financing*

With innovative products, expedient service, efficient response and leading technologies as core competencies, “Cloud Financing” provides full-process online financing service for upstream and downstream customers through system connection and information exchange with the online supply chain financing platform, the fund supervision system, core enterprises’ ERP system and the order systems, while also employing electronic signature law and electronic signature technology and drawing on the credit of core enterprises. As at the end of the Reporting Period, “Cloud Financing” had close to 150 partnering customers and over RMB6 billion in financing amount.

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### *Cloud Logistics*

“Cloud Logistics” employs treasury management, financing service and logistics support products to render integrated service for logistics scenes, to provide online registration, online ordering, online freight payment and other services to the consignors, provide entry application, online receipt of orders, logistics tracking, online entrusted collection of payments, branch fund management, loan payment and other services to the logistics companies, and to support the automation of fund management and online capacity of financing. During the Reporting Period, the Bank established the dual-channel access points with PC and APP versions of “Cloud Logistics”, linked with multiple logistics companies, and carried out 860,000 logistics payment transactions involving an amount of RMB1.3 billion.

### *Cloud Business*

The “Cloud Business” platform mainly serves the “Commerce and Logistics Bank Alliance”, and, by adhering to the philosophy of “joint discussion, joint development, sharing and win-win” and leveraging on technology empowerment, reconstructed the commercial model and built a financial ecosystem. The platform presents the assets and financing needs of customers in the major commerce and logistics industries, and realizes “complementary advantages, resource exchange and win-win results” among the members with financial support from qualified investors including banks and financial institutions. During the Reporting Period, the “Cloud Business” platform phase I was officially launched and the first core enterprise entered and conducted the first transaction, As at the end of the Reporting Period, “Cloud Business” platform opened “Ding e Xin” ( “鼎e信” ) amounting to at RMB73.10 million with financing amounting to RMB68.93 million.

### *Cloud Service*

As the public mobile product of the Bank for providing expedient services, the WeChat public account of “Zhengzhou Bank Trade Finance (鄭州銀行商貿金融)” focuses on publishing industry insight reports and forward-looking industry analysis for corporate customers and providing financial value-added services such as online appointment to open accounts, account alerts and bank-enterprise reconciliation. Based on the “Five-Clouds” development strategy, the Bank will develop the “Cloud Service” mobile application, provide financial and non-financial services to the enterprise customers and their staff, fully integrate “Five-Clouds” platform, form a financial ecosystem and enhance users’ experience.



## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### 6.3 Personal Banking Business

#### 6.3.1 Personal deposits

Adhering to its unique positioning as a “boutique bank for residents”, during the Reporting Period, the Bank continued to increase its efforts in the research and development of personal savings deposit products and constantly enrich product types; developed key customer base, drove the growth of basic deposits and optimized the structure of savings deposits; enhanced the cross-selling of products, actively carried out collection and payment businesses and enlarged its customer base; and constantly improved on users’ experience, consolidated the personal customer base and increased customer stickiness by leveraging the Bank’s products such as IC card, city card and union membership card. As at the end of the Reporting Period, the total personal deposits of the Bank amounted to RMB86,032 million, representing an increase of RMB6,315 million or 7.92% as compared with the end of 2018.

#### 6.3.2 Personal loans

During the Reporting Period, the Bank accelerated innovation in personal services and products, vigorously promoted the iterative upgrade of “House Pledged for Loan (房抵貸)” products, provided flexible loans according to customer needs and formulated differentiated pricing and loan amounts with specified reconsideration criteria based on existing home loan interest rate. Meanwhile, the Bank strengthened technical support, continued to promote system operation and maintenance and personal credit management, carried out new retail credit system project construction as well as adjustment and optimization to customer personal rating cards. As at the end of the Reporting Period, the Bank had personal loan balance of RMB51,297 million, representing an increase of RMB7,377 million or 16.80% as compared with the end of 2018.

#### 6.3.3 Bank cards

In addition to the basic version of debit cards such as Shangding Card (商鼎卡), the Bank continued to enrich the variety and perfected the functions. During the Reporting Period, the Bank issued special cards such as the Henan Province Union Membership Card (General Union of Xuchang City), Shangding Eye Protection Card (商鼎護眼卡) and the Puyang Longdu Card (濮陽龍都卡), with steady increases in new card issuances. As at the end of the Reporting Period, the Bank issued an aggregate number of 5,694,700 debit cards, representing an increase of 382,900 as compared with the end of 2018. During the Reporting Period, the Bank and Dahe Daily jointly issued the credit card, “Shangdingrui Card (商鼎瑞卡)” which offered exclusive rights to tourism, catering, supermarket and automobile service, providing all-around and one-stop service experience for customers. As at the end of the Reporting Period, the Bank cumulatively issued 383,355 cards, with total credit card spending of RMB9,993 million during the Reporting Period, resulting in the profit or loss of RMB75 million.

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### 6.4 Financial services for small and micro enterprises

During the Reporting Period, upholding the featured business positioning of providing “finance for small and micro enterprises”, the Bank continually improved its service quality for small and micro enterprises to assist with their development. Firstly, the Bank expanded the product array and launched products including Micro Second Loan (微秒貸) and online Senior Loan (優先貸), as well as E Tax Financing (E稅融), a short-term credit financing product. Secondly, the Bank integrated a diverse range of businesses to develop a rating model for small and micro enterprises, launched the “credit factory (信貸工廠)”, optimized the mobile platform workstation and comprehensively enhanced the financial service efficiency of small and micro enterprises. Thirdly, the Bank emphasized its due diligence and accountability system, formulated the incentiviveness and restriction system, and established a compliant and responsible positive incentive credit culture. Meanwhile, the Bank set out special payment performance rewards for inclusive financial businesses and vigorously promoted inclusive financial businesses. As at the end of the Reporting Period, the Bank’s balance of loans to small and micro enterprises (where credit facilities granted to each of them was RMB10 million (inclusive) or less) amounted to RMB25,966 million, representing an increase of 13.78% from the beginning of the year, 2.57 percentage points higher than the Bank’s loan growth rate. The number of small and micro enterprises receiving loans was 65,675, representing an increase of 9,234 from the beginning of the year. The regulatory objective performance pledge of “two increases” was successfully completed.

### 6.5 Treasury Business

#### 6.5.1 Money market transactions

During the Reporting Period, the Bank adopted a number of measures simultaneously to further expand the customer base of financing business, to enhance communication and cooperation with other banks, and to further improve the stickiness of interbank business and stability of monetary circulation through organizing interbank conferences and interbank strategic alliance as well as visits; reinforced salesperson training and enhanced their capabilities, expanded the debt financing channels; reasonably allocated the debt financing business structure and maturity mix, strived to lower the debt financing cost; aggressively grasped the market opportunities to improve capital efficiency and profitability while ensuring liquidity. As at the end of the Reporting Period, the Bank’s balance of interbank liabilities of the parent of the Bank (excluding accrued interest) amounted to RMB132,232 million, of which balance of deposits from other banks amounted to RMB20,084 million, accounting for 15.19%; interbank deposits amounted to RMB88,763 million, accounting for 67.13%; business sold under repurchase agreements amounted to RMB21,897 million, accounting for 16.56%; and interbank placements amounted to RMB1,488 million, accounting for 1.12%. During the Reporting Period, the accumulated number of interbank deposits issued by the Bank was 118, amounting to RMB57,230 million.

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### 6.5.2 *Investment in securities and other financial assets*

During the Reporting Period, the Bank paid close attention to changes in economic environment and the capital market, strengthened research and analysis of the capital market, regulatory policies and macroeconomic environment, promptly adjusted the direction of capital investment and the interbank debt financing business strategy, and strived to increase the interest margin of capital investment while keeping risk under control. Meanwhile, amid huge fluctuations in the bond market, the Bank reasonably allocated bonds with different durations, improved the structure and lowered the holding period risk while maintaining liquidity. As at the end of the Reporting Period, the Bank's investment in government bonds, policy bank financial bonds, local government bonds, and various credit bond assets (excluding accrued interest) amounted to RMB72,968 million. Balance of investment products under trust schemes, investment products managed by securities institutions, fund products, and interbank wealth management financial assets (excluding accrued interest) amounted to RMB176,363 million.

### 6.5.3 *Investment banking business*

During the Reporting Period, the issuance of non-financial corporate debt financing instruments that the Bank acted as the lead underwriter amounted to RMB5,500 million, ranking the eighth among the National Association of Financial Market Institutional Investors (NAFMII) bond underwriting ranking. The Bank achieved a breakthrough in Debt Financing Instrument (DFI) lead underwriting business in Henan by acting as a lead underwriter to the issuance of medium term notes under the DFI of Henan Provincial Toll for Debt Repayment Expressway Management Co., Ltd. (河南省收費還貸高速公路管理有限公司), and won the bids to act as the lead underwriter for the first tranche of 2019 ultra short-term financing bonds under the DFI of Henan Transport Investment Group Co., Ltd. (河南交通投資集團有限公司) and as one of the lead underwriters for the DFI of Henan Investment Group Co., Ltd. (河南投資集團有限公司). The Bank actively expanded the non-bidding investment business in certain infrastructure construction projects such as government's Public-Private Partnership (PPP) projects and shantytowns transformation projects, thus supporting local developments.



## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### 6.5.4 *Wealth management business*

During the Reporting Period, the Bank proactively adjusted the wealth management structure, improved the wealth management assets investment portfolio, and enhanced the return on assets. Retail non-principal guaranteed wealth management product reached record high at over RMB30,000 million, thus providing support to the development of the “financial services for residents” strategies of the Bank. By proactively improving the wealth management product structure and dynamically managing the assets investment portfolio, the Bank significantly cut down the scale of its interbank wealth management and principal-guaranteed wealth management. As at the end of the Reporting Period, outstanding balance of interbank wealth management product amounted to RMB13,380 million, decreasing by 27.55% year-on-year, and outstanding balance of principal guaranteed wealth management product amounted to RMB8,295 million, decreasing by 27.77% year-on-year. The Bank cut down the scale of existing wealth management products as planned, and actively promoted the issuance of new products. As at the end of the Reporting Period, the value of the Bank’s on-going NAV-based wealth management products reached RMB7,037 million, representing an increase of RMB6,837 million from the beginning of the year. In particular, the Bank launched 7 products from the “Dingxin” series with a balance of RMB3,606 million, the “Dingli No. 1”, the industry’s first closed NAV-based wealth management product with a balance of RMB200 million, and the “Zhengyin Bao”, the cash management NAV-based wealth management product with a balance of RMB3,231 million, thus further enriching the variety of the Bank’s wealth management products which earned wide recognition among the mass investors. During the Reporting Period, the total sales of our wealth management products amounted to RMB49,278 million. As at the end of the Reporting Period, outstanding balance of wealth management products of the Bank amounted to RMB50,655 million, increasing by RMB5,135 million or 11.28% year-on-year.

## 6.6 Distribution Channels

### 6.6.1 *Physical outlets*

As at the end of the Reporting Period, the Bank had established its head office in Zhengzhou, Henan, twelve branches in Nanyang, Xinxiang, Luoyang, Anyang, Xuchang, Shangqiu, Luohe, Xinyang, Puyang, Pingdingshan, Zhumadian and Kaifeng of Henan, and 153 sub-branches and one special entity in the province. The Bank improved its network of self-service outlets and established 154 on-site self-service outlets and 108 off-site self-service outlets, creating a better coverage in the area and providing 24-hour convenient services to its customers.

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### 6.6.2 Electronic banking

#### *Self-service banking*

Adhering to our customer-oriented strategy, we have been developing our self-service banking facilities with new functions, actively transforming and upgrading its self-service facilities. As at the end of the Reporting Period, the Bank had 1,381 self-service facilities, including 284 automatic teller machines, 367 automatic cash withdrawal and deposit machines, 318 smart counters, 250 online banking terminals and 162 easy payment terminals. During the Reporting Period, the automatic teller machines and withdrawal and deposit machines processed 3,699,100 transactions amounting to RMB9,585 million; the smart counters processed 972,700 transactions amounting to RMB12,278 million; the enquiring machines processed 12,500 transactions amounting to RMB3,416,200.

#### *Online banking*

Individual online banking segment of the Bank provided various functions, such as account management, transfer and remittance, online banking interconnections, bill payment, investment and wealth management, credit card business, individual loan, customer services. During the Reporting Period, the number of the Bank's individual online banking accounts increased by 189,700 or 14.05% year-on-year; the number of transfers involved amounted to 2,944,000, representing an increase of 42.99% year-on-year; the transaction amount reached RMB50,356 million, increasing by 23.37% year-on-year. As at the end of the Reporting Period, the total number of the Bank's individual online banking accounts reached 1,202,900.

The corporate online banking segment of the Bank provides prompt financial information and professional financial services to corporate clients, including online corporate account enquiries, transfer, electronic reconciliations, salary-paying, fund raising and financing services. During the Reporting Period, the number of the Bank's corporate online banking accounts increased by 2,828 or 20.96% year-on-year; the number of transfers involved amounted to 1,093,300, representing an increase of 25.17% year-on-year; the transaction amount reached RMB438,390 million, increasing by 43.34% year-on-year. As at the end of the Reporting Period, the total number of the Bank's corporate online banking accounts reached 30,900.



## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### *Mobile banking*

The mobile banking segment of the Bank provides safe and efficient financial and utilities services. Financial services include mobile payment, remittance express, wealth management supermarket, insurance supermarket, fund supermarket, credit card, personal loan, certificates of deposit, mobile banking Ritianli (日添利); utilities services include utility payments, business travels, education payment, healthcare, gas refilling and value top-up, charity donations, created a financial ecosystem with local characteristics. During the Reporting Period, the number of the mobile banking accounts increased by 240,000 or 12.94% year-on-year; the number of transactions involved amounted to 2,859,300 representing an increase of 61.54% year-on-year; the transaction amount reached RMB39,455 million, increasing by 29.54% year-on-year. As at the end of the Reporting Period, the total number of the mobile banking accounts reached 1,430,000.

### *Online payment*

The online payment business of the Bank covers mainstream payment platforms such as Alipay, Tenpay, Baifubao, JD.com Online and Yifubao (易付寶), which provides diversified payment means for the Bank's cards as well as enhanced customer's payment experience. During the Reporting Period, the number of the online payment accounts of the Bank increased by 359,900 or 12.89% year-on-year; the number of transactions involved amounted to 35,842,000, representing an increase of 76.98% year-on-year; the transaction amount reached RMB21,629 million, increasing by 159.65% year-on-year. As at the end of the Reporting Period, the total number of the online payment accounts reached 5,689,600.

### *Telephone banking*

We offer 7 days x 24 hours telephone banking services to our customers through the nation-wide customer service hotline 95097. Our services include account inquiries, loss reporting, bill payment, loan business, investment and wealth management, PIN services, credit card business, customer service inquiries and outbound calls. The customer service center actively expanded its service scope and continued to enhance user experience. The customer contact center obtained a record "five stars" recognition in the Customer Contact Center Standard (CCCS) rating. During the Reporting Period, the number of telephone banking calls reached 2,141,500, of which inbound calls amounted to 2,041,600, and outbound calls amounted to 99,900.

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### *WeChat Banking*

WeChat Banking of the Bank provides customers with extensive online functions, including individual account balance inquiry, transaction details inquiry, free account alerts, credit card inquiry and online application, personal loans online application and products inquiry, branches inquiry and reservation, form pre-filling services and union card area, and regularly releases information on our new businesses, new functions as well as promotion activities. As at the end of the Reporting Period, the clients who had linked their bank cards to the Bank's WeChat Banking reached 1,009,000.

### *Ding Rong Yi*

Relying on the "Internet plus", the Bank's internet financial service platform "Ding Rong Yi (鼎融易)" focuses on services for residents, trade and logistics, financial services to medium, small and micro-sized enterprises. It provides various diversified services such as online account opening, investment and wealth management, convenient payment, QR code payment, and online financing. During the Reporting Period, the total transaction made via Ding Rong Yi amounted to RMB17,533 million, and the aggregate number of transactions amounted to 912,400, thus realizing an intermediate business income of RMB4,597,600. As at the end of the Reporting Period, the total number of registered Ding Rong Yi accounts reached 645,200.

## 7 RISK MANAGEMENT

During the Reporting Period, based on internal and external circumstances, the Bank proactively responded to changes in regulatory and market environment and upheld the risk management philosophy of "prudent, rational and sound", in order to develop a healthy compliance and risk control culture. The Bank continually enhanced its comprehensive risk management, adhered to the strategic objectives of stabilizing profit growth, NPL ratio and featured businesses, increasing return on assets, controlling the cost of liabilities, and reducing capital consumption, optimized risk management structure and mechanism, improved risk management system and procedure, and thereby steadily improving its risk management capacity and safeguard the Bank's sustainable and healthy development. The primary risks faced by the Bank in its operation and risk management conditions are as follows:

### 7.1 Credit risk

Credit risk represents the potential loss to the Bank that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment. The credit risk of the Bank arises primarily from loans and investments portfolios, guarantees granted and other on-balance and off-balance exposures. We have built a credit risk management framework covering all credit business processes and developed policies and procedures to accurately identify, assess, measure, monitor, mitigate and control credit risks. During the Reporting Period, the Bank mainly adopted the following risk management measures:

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

Firstly, we strictly controlled credit access. Based on various factors such as the industry and business scale of the customers, the Bank set out differentiated financial indicators, and conducted initial screening in the credit application process; the Bank specified the selection of industries for investment which adheres to the national policy and strictly controlled credit granted to industries under national policy regulation; the Bank strictly implemented hierarchical review and approval, with the responsible personnel carrying out credit review based on stringent authorisation processes. Secondly, we enhanced concentration management. The Bank developed the concentration limit indicator and tightened the concentration limit, and intercepted the credit business in excess of the concentration limit in the unified credit system, regularly trimmed the group customers and formulated reduction plans for customers in excess of the concentration limit on a case-by-case basis. Thirdly, we conducted unified credit management. The Bank focused on the management model between the parent companies of the group customers and their subsidiaries and conducted comprehensive identification and judgment to the operating risks and related party transactions; the Bank set up a control and interception function for group customers in the unified credit system; the Bank modified the Management Approach for Credit Extended to Group Customers, refined its classifications and specified the customer classification and group credit extension model. Fourthly, we enhanced remote credit management. The Bank formulated the Management Approach for Remote Credit Extension, laying down system foundation for improving remote credit management. Fifthly, we continued to optimize the system. The Bank made constant improvements on the unified credit system, linked its information with customers of the corporate credit system, incorporating low-risk trade financing and investment banking business and small enterprise business into the unified credit system, while performing functions such as intercepting suspected groups by identifying related relationships, regulating concentration limit and identifying related parties, effectively preventing multiple credit extended for the same financing and excessive credit.

As at the end of the Reporting Period, the Bank's single customer loan concentration ratio was 3.98%, within the 10% cap stipulated by the CBIRC; the single group customer concentration ratio was 6.04%, within the 15% cap stipulated by the CBIRC; the loan balance of the top 10 customers was RMB10,669 million and the concentration ratio was 22.37%; the balance for single related party credit was RMB874 million, and the concentration ratio was 1.83%; the aggregate related party credit concentration ratio was 8.30%, within the 50% cap stipulated by the CBIRC.



## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### 7.2 Market Risk

Market risk refers to the risk of on- or off-balance-sheet loss arising from adverse changes in market prices. The market risks faced by the Bank are mainly interest rate risk and exchange rate risk. The Bank's market risk management covers the whole process of identifying, measuring and monitoring market risks. During the Reporting Period, the Bank mainly adopted the following measures:

Firstly, we improved the market risk management system. The Bank added and amended regulations such as the Measures for Exchange Rate Risk Management and the Management Approach to Market Risk Report. Secondly, we regularly monitored market risks. We analyze and summarized the changes and risks associated with the Bank's financial assets and control market risks as a whole. Thirdly, we formulated and published the Market Risk Management Policy, stipulating the market risk management objectives, management structure, risk preference and limit, the market risk identification, measuring and monitoring process and the market risk reporting process. Fourthly, we formulated the market risk limit management scheme for 2019, covering a total of 22 indicators concerning six aspects including venture capital, scale, stop loss, sensitivity, concentration and asset management, elevating the fineness and science in the management. Fifthly, we clarified the scope of management responsibility of market risk personnel, and initially formulated relevant systems to provide a basis for objective evaluation of the results and performance of market risk personnel.

### 7.3 Operational Risk

Operational risk refers to the risk of loss caused by imperfect or problematic internal procedures, personnel or information technology systems, or external events, mainly including internal and external fraud, workplace safety failures, business interruptions, damage of tangible assets and information technology system failures. For operational risk management, the Bank adhered to the route of capacity enhancement, emphasized eliminating shortcomings, adopted the measures for talent cultivation, systematic and procedural risk assessment and enhancement of technology control. By upholding the philosophy of "setting up rules, following rules and holding violations accountable", the Bank enhanced risk prevention through human factor, technology and mechanism, formulated an effective and feasible operational risk improvement plan and achieved "zero occurrence" of major non-compliance event or case during the Reporting Period. During the Reporting Period, the primary management measures were as follows:



## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

Firstly, we strengthened the quality of the risk management personnel. The Bank commenced its certification training program for International Financial Risk Officer, strengthened the quality of risk management personnel, and provided talent support for operational risk control. Secondly, we re-identified and re-evaluated systematic and procedural risks. The Bank made full use of operational risk management tools for identification and assessment, carried out re-identification and re-evaluation for systematic and procedural risks and made improvements to such processes on a timely basis to prevent operational risks. Thirdly, we enhanced the construction of technological systems. The Bank conducted in-depth exploration for the possibility of concentrated background work for complicated corporate businesses, increased efforts in risk control through intensive and systematic approaches, deepened the scope of acceptance for authorized businesses, carried out business continuity risk assessment and IT risk management capacity enhancement project and strengthened IT risk management. Fourthly, we deepened big data system building. Integrating both internal and external information, the Bank sorted out the risk characteristics of fraud cases, designed the model evaluation and upgrade mechanism, clarified the entry criteria for the risk list, optimized the review process for risk events, introduced knowledge mapping and smart modeling technology, enhanced the related relationship detection capability, promoted application development and improved pre-risk prevention capacity.

### 7.4 Liquidity Risk

Liquidity risk refers to the risk of failure to obtain sufficient funds in time or at a reasonable cost to pay off debts falling due, fulfil other payment obligations and meet other capital requirements for normal business operations. During the Reporting Period, the Bank returned to its primary business and dedicated itself to continually improve liquidity by actively adjusting the asset liability term structure and focusing on predicting the source of funding and changes in application. The Bank mainly adopted the following measures:

Firstly, we strengthened fund position management. The Bank continued to strengthen its daytime fund position management, increased capacity for fund position forecast, cash limits and interbank deposit management; closely monitored market changes for prediction, scientifically adjusted the structure of financing terms and safeguarded the security of fund position while satisfying all payment requirements; launched the fund position management system, achieved whole-process online operation for fund position forecast, calculation, analysis and assessment, and gradually stepped away from overreliance upon traditional means such as manual statistic analysis, monitoring and adjustment, and enhanced the fineness and efficiency in fund management. Secondly, we optimized asset and liability allocation. The Bank proactively adjusted the composition and maturity structure of assets and liabilities, increased loans granted, further absorbed general deposits while increasing highly liquid assets such as short-term loans, bills and bonds, moderately compressed interbank liabilities, extended the liability term and lowered the degree of mismatching. Thirdly, we enhanced liquidity management analysis and assessment. The Bank regularly convened liquidity management meetings to analyze market and the Bank's liquidity conditions, researched investment and financing plans and liquidity management strategies, and regularly evaluated the performance of risk limit indicators and monitoring indicators. Fourthly, we carried out risk stress tests. The Bank conducted ad hoc liquidity stress tests for mid-2019, analyzed issues and weaknesses in liquidity management and made adjustments to asset and liability structure while accounting for operation budgets.

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

As at the end of the Reporting Period, the liquidity ratio of the Bank was 39.63%, meeting the requirement of not less than 25% as stipulated by the CBIRC; the liquidity coverage ratio was 172.91%, meeting the requirement of not less than 100% as stipulated by the CBIRC; and the net stable capital ratio was 106.66%, meeting the requirement of not less than 100% as stipulated by the CBIRC. Overall, the Bank's liquidity indicators met regulatory requirements and liquidity risks as a whole was under control.

### 7.5 Information Technology Risk

Information technology risk refers to the operational, legal, reputational and other risks caused by natural factors, human factors, technical loopholes and flawed management in the course of applying information technology. The Bank focused on the establishment of information technology risk management system, enhanced the organization structure of information technology risk management, and gradually improved the information technology risk monitoring and control measures. During the Reporting Period, information technology system of the Bank maintained stable operation in general, and no significant information system failure events occurred. The measures are as follow:

Firstly, we gradually improved the information technology risk management system. The Bank amended the Measures on Information Technology Risk Management and three implementation rules for the information technology risk management, evaluation and monitoring, further identified the responsibilities; perfected the technology risk monitoring and indicator system, covering various aspects, such as information technology governance, safety, operation, development, and outsourcing. Secondly, we enriched the information technology risk management tools. The Bank streamlined the key risk areas, formulated risk descriptions, analysis and disposal strategies, formulated on-stage management tools, such as the Key Information Technology Project Initiative Risk Identification Table and Project Development Initiative Risk Identification Table. Thirdly, we carried out risk monitoring on a continuous basis. The Bank established monitoring indicators of information technology key risk areas, conducted quarterly indicator summary, analysis and report. Fourthly, we commenced in-depth technology risk evaluations and assessments. The Bank conducted risk assessments focusing on the information technology operation and key initiatives management, formulated the Information Technology Operation Assessment Report and the Significant Information Technology Initiative Assessment Report. Fifthly, we gradually carried out business continuity management. The Bank amended the Measures on the Business Continuity Management and three implementation rules concerning business influence analysis, risk assessment, and management appraisal, commenced training and evaluation on plan preparation and business continuity management training, organized and provided guideline for the preparation of significant business and insurance-related plans. Sixthly, the Bank commenced information technology audit. During the Reporting Period, the Bank commenced three information technology audit, including special inspection on rectification, tracking and verification of information technology issues, safety management of sensitive payment information and business continuity management.

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### 7.6 Reputational risk

Reputational risk refers to the risk of negative publicity and comments about the Bank due to our operations, management and other activities or external events. The Bank realized the identification, monitoring, control and elimination of reputational risk by establishing a positive, reasonable and effective mechanism for reputational risk management. During the Reporting Period, the Bank handled rumors in good manner, and maintained our good corporate image. The measures are as follows:

Firstly, we carried out collaborations between different corporate levels and established communication channels internally and externally. The reputational risk management related department of the Bank carried out collaborations, prepared contingency plan for public opinion related events, efficiently enhanced the effect of public opinion handling; the Bank strengthened the cooperation with news media and external companies, improving the public opinion monitoring and control. Secondly, We monitored public opinions and responded rapidly. The Bank collected information concerning the Bank from the public opinion monitoring system, newspapers and the Internet, paid close attention to news reports, and grasped public opinion and development in a timely manner and conducted “Early Alert, Early Solving” for sensitive information. Thirdly, the Bank enhanced promotion and training. As at the end of the Reporting Period, the Bank published 19 issues of Public Opinion Newsletter, promoted knowledge such as our measures for prevention and control of reputational risk and contingency plans for public opinion related events; improved the management of online commentators, and sent commentators to participate in Chinese banking training on news promotion, public opinion prevention and control, and brand building, creating an atmosphere of proactive bank-wide public opinion monitoring and reputational risk prevention.

### 7.7 Anti-Money Laundering Management

The Bank strictly complies to the Anti-Money Laundering Law of the PRC and other applicable laws and rule promulgated by the PBoC, adhered to the risk-based anti-money laundering measures, improved the organization structure, perfected the internal control system, enhanced the anti-money laundering operation system, conducted promotions and trainings continuously and implemented different anti-money laundering obligations. During the Reporting Period, the Bank formulated the Administration Measures on Anti-Money Laundering Promotion and Training, Administration Measures on Client Identification and Documentation for Client Identity Information and Transaction Record, and amended the Administration System on Anti-Money Laundering and Anti-Terrorism Financing, ensuring work were carried out on a reasonable basis; perfected the anti-money laundering monitoring and reporting system, and ensured the stable reporting of the anti-money laundering information; organized staff training by focusing on questions and difficulties in anti-money laundering operations and new regulatory requirements, raising the anti-money laundering awareness, knowledge and skills among the staff; through traditional promotion methods such as anti-money laundering enquiry desk, promotion boards, promotional materials release and media such as official website, official Weibo channel, electronic anti-counterfeit promotion platform, LED screens, popularized anti-money laundering and anti-terrorism knowledge and raised the public’s awareness of and activeness of participation in anti-money laundering practice.

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### 8 RECEIVING RESEARCH DELEGATIONS, COMMUNICATION AND INTERVIEW ACTIVITIES

During the Reporting Period, the Bank did not receive any research delegations, and had no communication and interview activities.

### 9 SOCIAL RESPONSIBILITY

#### 9.1 Material Environment Protection Events

The Bank and its subsidiaries are not key pollutant discharging enterprises promulgated by environmental protection authorities

#### 9.2 Fulfilment of Social Responsibility in Targeted Poverty Alleviation

##### 9.2.1 Targeted Poverty Alleviation Planning

During the Reporting Period, the Bank strictly complied with the relevant requirements on targeted poverty alleviation, adhered to the idea of “targeted poverty alleviation, targeted poverty relief”, focused on the key areas and weaknesses of the development of financial services, improved the adjustment of poverty alleviation credit policy, clarified the targeted poverty alleviation and service model, enhanced the quality of financial poverty alleviation services. The Bank strengthened its organization and structure, made full use of the function of the financial poverty alleviation team, arranged Bank-wide financial poverty alleviation operations; strengthened the process of the project handling, increased the investment in poverty alleviation credit fund, enlarged the scale of poverty alleviation initiatives; improved the guidance for promotion, commenced the promotion and training for the financial poverty alleviation credit policies, built connections between governors and poor rural households in rural areas, gave confidence to the poor in poverty relief; pushed forward the development of agricultural insurance, cooperated with agricultural insurance companies, explored reasonably priced insurance policies specially prepared for the poor, and increased their ability against risks.

##### 9.2.2 Overview the Targeted Poverty Alleviation for the Half Year

As at the end of the Reporting Period, the balance of financial targeted poverty alleviation loan of the Bank amounted to RMB301,330,000, of which, personal loan amounted to RMB102,340,000, corporate loan amounted to RMB198,990,000; the number of financial poverty alleviation loans granted amounted to 5,438, of which, the number of personal loan amounted to 5,426, the number of corporate loan amounted to 12; and loans were granted to 2,340 people under the financial targeted poverty alleviation, of which, loans were granted to 28 people under the industry-based targeted poverty alleviation, and 1,264 people of the registered poor population were assisted.

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### 9.2.3 Results of Targeted Poverty Alleviation

Indicator	Quantity/performance
I. Overview	
Including: 1. Funds	Outstanding RMB loans of RMB301,330,000
2. Materials	–
3. Number of registered poor population lifted out of poverty	1,264 people
II. Items	
1. Industrial poverty alleviation	Balance of loans under the industry-based targeted poverty alleviation amounted to RMB198,990,000, and loans were granted to 28 people under the industry-based targeted poverty alleviation
2. Poverty alleviation by transfer of employment	–
3. Relocation poverty alleviation	–
4. Educational poverty alleviation	–
5. Health poverty alleviation	–
6. Poverty alleviation by ecological protection	–
7. Basic living security	–
8. Social poverty alleviation	–
9. Other items	–
III. Awards (content, class)	–

### 9.2.4 Subsequent Plan for Targeted Poverty Alleviation

The Bank will stay on to service the community, expand our network and increase the number of our self-service banking facilities across the province and poverty-stricken areas, promote services such as money withdrawal assistance for farmers and migrant worker cards featured services, establish service counter for farmers-benefiting payment, provide one-stop, integrated and convenient financial services for farmers in poverty-stricken areas; actively put the “Puhuitong” APP platform into full service, bring diversity to the online inclusive credit products, promote the featured development in rural areas, elevate the service level of our financial based services; gradually explore the opportunities of including the land use rights, farmstead, forest rights, waters tidal flats use rights and large farming machineries underwritten by farm village into the scope of collaterals available for mortgage (pledge), make good use of farm village resources, assets and elements, ease their difficulties in fund raising and long-term insufficient of farming operation fund.

## Chapter III MANAGEMENT DISCUSSION AND ANALYSIS

### 10 OUTLOOK

The Bank will make good use of the transitional period, adhere to “three stabilities, one improvement, one control, one decrease” as our recent guidance, focus on “reducing old loans and controlling new loans” and “three featured strategies”, concentrate on comprehensive transformation and meticulous management, and accelerate the high quality development of the Bank. Firstly, the Bank will launch the responsibility mechanism, evaluation mechanism, and competition mechanism, work hard on “reducing old loans and controlling new loans”, implement the risk prevention and control to a high standard. Secondly, the Bank will continuously enrich our management tools and measures, strengthen the pricing, interest spread and budget management, enhance the loan structure adjustment, further elevate the capability of asset liability management. Thirdly, the Bank will deepen the building of the “three featured businesses”. The Bank will move ahead with the innovative implementation and expansion of the scale of “commercial and logistics banks strategies”, become a leading commercial and logistics bank of “Internet + Industry Chain Financing”. The Bank will explore new business and risk management models for the small and micro financial services, conduct online and batch processing small and micro financial services with the use of credit factory, assist the small and micro enterprises to expand, provide massive support to the real economic growth. With the aid of hi-tech methods, such as the comprehensive client identification system and big data calibrated marketing, the Bank will improve its marketing capabilities, create a network connecting different levels in the Bank and also private and public sectors, expand its client base, lift the quality of financial services which are closely related to the urban residents continuously, provide convenient, intelligent and abundant financial and utility-related services to the clients.



# CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

## 1 CHANGES IN THE ORDINARY SHARES

### 1.1 Table of Changes in Ordinary Shares

Unit: Shares

	As at 31 December 2018		Increase/reduction during the Reporting Period					As at 30 June 2019	
	Number	Proportion (%)	Issuance of new Shares	Bonus Shares	Shares converted from reserves	Others	Sub-total	Number	Proportion (%)
<b>I. Shares subject to trading moratorium</b>	<b>3,803,931,900</b>	<b>64.23</b>	-	-	-	-	-	<b>3,803,931,900</b>	<b>64.23</b>
1. State-owned Shares	504,133,149	8.51	-	-	-	-	-	504,133,149	8.51
2. Shares held by state-owned legal persons	1,269,772,953	21.44	-	-	-	-	-	1,269,772,953	21.44
3. Shares held by other domestic investors	2,030,025,798	34.28	-	-	-	-	-	2,030,025,798	34.28
Including: Shares held by domestic legal persons	1,973,882,037	33.33	-	-	-	(761,254)	(761,254)	1,973,120,783	33.32
Shares held by domestic natural persons	56,143,761	0.95	-	-	-	761,254	761,254	56,905,015	0.96
4. Shares held by foreign investors	-	-	-	-	-	-	-	-	-
Including: Shares held by overseas legal persons	-	-	-	-	-	-	-	-	-
Shares held by overseas natural persons	-	-	-	-	-	-	-	-	-
<b>II. Shares not subject to trading moratorium</b>	<b>2,118,000,000</b>	<b>35.77</b>	-	-	-	-	-	<b>2,118,000,000</b>	<b>35.77</b>
1. Ordinary Shares denominated in RMB	600,000,000	10.13	-	-	-	-	-	600,000,000	10.13
2. Domestically-listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas-listed foreign shares	1,518,000,000	25.64	-	-	-	-	-	1,518,000,000	25.64
4. Others	-	-	-	-	-	-	-	-	-
<b>III. Total</b>	<b>5,921,931,900</b>	<b>100.00</b>	-	-	-	-	-	<b>5,921,931,900</b>	<b>100.00</b>

As at the end of the Reporting Period, the issued Shares of the Bank amounted to 5,921,931,900 Ordinary Shares, including 4,403,931,900 A Shares and 1,518,000,000 H Shares.

### 1.2 Description of Changes in Ordinary Shares

Changes in ordinary Shares are mainly transfer out of Shares subject to trading moratorium from the Bank's securities account for unconfirmed holders upon the supplementary share registration by domestic natural persons.



# CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

## 2 ISSUANCE AND LISTING OF SECURITIES

Subsequent to the Reporting Period, in order to improve the capital adequacy ratio and capital structure of the Bank, refine the Bank's long-term capital management mechanism, and enhance the capability for sustainable development, the Board has resolved on 16 July 2019 to issue no more than 1,000,000,000 A Shares (inclusive) to no more than 10 specific target subscribers (including Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), Bridge Trust Co., Ltd., (百瑞信託有限責任公司) and Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)), and the total proceeds to be raised will not exceed RMB6,000,000,000 (inclusive). The number of A Shares to be issued under the non-public issuance (assuming fully issued) represents approximately 22.71% and 16.89% of the total number of issued A Shares and the total number of issued Shares of the Bank as at the Latest Practicable Date, respectively. The final number of A Shares to be issued pursuant to the non-public issuance will be determined by the Board and its authorized persons in accordance with the authorization granted at the 2019 first extraordinary general meeting ("**EGM**"), the 2019 first A Shareholders class meeting and 2019 first H Shareholders class meeting (collectively the "**Class Meetings**") to be held on 3 September 2019, with the sponsor (lead underwriter), and having regard to the approvals granted by the CSRC on matters such as the maximum number of A Shares to be issued, total proceeds to be raised, and the final issue price. The non-public issuance is conditional upon (including) (i) approval by the Shareholders at the EGM and Class Meetings; (ii) approval from the CBIRC Henan Office; and (iii) approval by the CSRC. Please refer to the Bank's announcements dated 17 July 2019 and 16 August 2019 as published on the website of CNINFO and the Bank's announcement dated 17 July 2019 and the circular dated 16 August 2019 as published on the website of Hong Kong Stock Exchange for further details of the non-public issuance (such as principles for determining the issue price, background information of the specific subscription targets, intended use of proceeds). The Bank will also disclose further details and progress of the non-public issuance of A shares in a timely manner.

There are no bonds of the Bank issued publicly and listed on securities exchanges.



# CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

## 3 INFORMATION ON ORDINARY SHAREHOLDERS

### Number of Ordinary Shareholders and Their Shareholdings

As at the end of the Reporting Period, the total number of ordinary shareholders of the Bank was 145,342, of whom 145,285 were holders of A Shares and 57 were holders of H Shares.

As at the end of the Reporting Period, the direct shareholdings of the top 10 ordinary shareholders of the Bank are set out as follows:

Unit: Shares

Name of shareholder	Nature of shareholder	Class of Shares	Shareholdings percentage (%)	Number of Shares held at the end of the Reporting Period	Changes over the Reporting Period (+/-)	Number of Shares held subject to trading moratorium	Number of Shares held not subject to trading moratorium	Pledged or frozen Status of Shares	
								Shares	Number
HKSCC Nominees Limited	Overseas legal person	H Shares	25.63	1,517,869,830	+1,000	-	1,517,869,830	Unknown	-
Zhengzhou Finance Bureau	State-owned	A Shares	8.29	490,904,755	-	490,904,755	-	Pledged	220,900,000
Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司)	Domestic non-state-owned legal person	A Shares	4.42	262,000,000	-	262,000,000	-	Pledged	262,000,000
Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司)	Domestic non-state-owned legal person	A Shares	4.22	250,000,000	-	250,000,000	-	Pledged	124,999,990
Zhongyuan Trust Co., Ltd. (中原信託有限公司)	State-owned legal person	A Shares	4.04	239,426,471	-	239,426,471	-	-	-
Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司)	Domestic non-state-owned legal person	A Shares	3.82	226,000,000	-	226,000,000	-	Pledged	135,600,000
Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	State-owned legal person	A Shares	3.64	215,678,764	-	215,678,764	-	-	-
Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	Domestic non-state-owned legal person	A Shares	3.36	199,046,474	-	199,046,474	-	Pledged	149,500,000
Bridge Trust Co., Ltd. (百瑞信託有限責任公司)	State-owned legal person	A Shares	1.94	114,697,149	-	114,697,149	-	-	-
Henan Shengrun Holding Group Co., Ltd. (河南盛潤控股集團有限公司)	Domestic non-state-owned legal person	A Shares	1.69	100,000,000	-	100,000,000	-	Pledged	25,000,000
Henan Zhenghong Properties Co., Ltd. (河南正弘置業有限公司)	Domestic non-state-owned legal person	A Shares	1.69	100,000,000	-	100,000,000	-	Frozen	75,000,000
								Pledged	49,990,000
Strategic investors or ordinary legal persons becoming top 10 ordinary shareholders by way of placing of new Shares (if any)				None					
Explanations on related relationships or parties acting in concert among the above shareholders				The Bank is not aware of any related relationship among the above shareholders or any parties acting in concert under the "Administration Measures on the Acquisition of Listed Companies (《上市公司收購管理辦法》)".					
Explanations on the participation of the top 10 ordinary shareholders in margin financing and securities lending (if any)				None					

## CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

As at the end of the Reporting Period, the direct shareholdings of the top 10 ordinary shareholders not subject to trading moratorium of the Bank are set out as follows:

Unit: Shares

Name of shareholder	Number of Shares held not subject to trading moratorium at the end of the Reporting Period	Type of Shares	
		Class of Shares	Number
HKSCC Nominees Limited	1,517,869,830	H Shares	1,517,869,830
XIA Chongyang (夏重陽)	9,800,000	A Shares	9,800,000
Agricultural Bank of China Limited-CSI500 Index Open-ended Fund (中國農業銀行股份有限公司－中證500交易型開放式指數證券投資基金)	6,210,742	A Shares	6,210,742
ZHANG Xubin (張旭彬)	4,664,200	A Shares	4,664,200
HUANG Yi (黃宜)	4,200,500	A Shares	4,200,500
Hong Kong Securities Clearing Company Limited	3,771,683	A Shares	3,771,683
XU Zhidi (許芝弟)	2,285,874	A Shares	2,285,874
CHENG Peng (程鵬)	2,188,800	A Shares	2,188,800
LIU Jinglan (劉靜蘭)	2,180,000	A Shares	2,180,000
YU Hualong (餘華龍)	1,706,000	A Shares	1,706,000
Description of connected relationships or concerted actions among the top 10 holders of Ordinary Shares not subject to trading moratorium, and between the top 10 holders of Ordinary Shares not subject to trading moratorium and the top 10 ordinary shareholders	The Bank is not aware of any connected relationship among top 10 holders of Ordinary Shares not subject to trading moratorium, and between the top 10 holders of Ordinary Shares not subject to trading moratorium and the top 10 ordinary shareholders or any act-in-concert parties under the "Administration Measures on the Acquisition of Listed Companies (《上市公司收購管理辦法》)".		

Notes:

- The data above is sourced from the register of shareholders of the Bank as at 30 June 2019.
- The Shares held by HKSCC Nominees Limited are held by it in the capacity of agent and represent the aggregate number of H shares held by all institutional and individual investors registered in HKSCC Nominees Limited as at the end of the Reporting Period.

During the Reporting Period, none of the top 10 ordinary shareholders and the top 10 holders of Ordinary Shares not subject to trading moratorium carried out any agreed buy-back transactions.

## CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

### 4 INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS

Based on the knowledge of the Directors, Supervisors and chief executive of the Bank, as at the end of the Reporting Period, the following persons, other than Directors, Supervisors and chief executive of the Bank, had, or were deemed or taken to have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Bank and the Hong Kong Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Bank under section 336 of the SFO were as follows:

Name of substantial shareholder	Class of Shares	Long/Short positions	Capacity	Number of Shares held directly or indirectly (Shares)	Percentage of issued Shares of the relevant class (%)	Percentage of total issued Ordinary Shares (%)
Zhengzhou Finance Bureau	A Shares	Long	Beneficial owner and interest of controlled corporation <sup>(1)</sup>	656,163,737	14.90	11.08
Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司)	A Shares	Long	Beneficial owner	262,000,000	5.95	4.42
Henan Yutai Investment and Development Co., Ltd. (河南省豫泰投資發展集團有限公司)	A Shares	Long	Interest of controlled corporation <sup>(2)</sup>	262,000,000	5.95	4.42
ZHANG Xinya (張欣雅)	A Shares	Long	Interest of controlled corporation <sup>(2)</sup>	262,000,000	5.95	4.42
Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司)	A Shares	Long	Beneficial owner	250,000,000	5.68	4.22
Henan Zensun Enterprise Development Group Co., Ltd. (河南正商企業發展集團有限公司)	A Shares	Long	Interest of controlled corporation <sup>(3)</sup>	250,000,000	5.68	4.22
Beijing Xiangcheng Investment Co., Ltd. (北京祥誠投資有限公司)	A Shares	Long	Interest of controlled corporation <sup>(3)</sup>	250,000,000	5.68	4.22
ZHANG Huiqi (張惠琪)	A Shares	Long	Interest of controlled corporation <sup>(3)</sup>	250,000,000	5.68	4.22
Zhongyuan Trust Co., Ltd. (中原信託有限公司)	A Shares	Long	Beneficial owner	239,426,471	5.44	4.04
Henan Zhongyuan Expressway Co., Ltd. (河南中原高速公路股份有限公司)	A Shares	Long	Interest of controlled corporation <sup>(4)</sup>	239,426,471	5.44	4.04
Henan Transport Investment Group Co., Ltd. (河南交通投資集團有限公司)	A Shares	Long	Interest of controlled corporation <sup>(4)</sup>	239,426,471	5.44	4.04
Henan Investment Group Co., Ltd. (河南投資集團有限公司)	A Shares	Long	Beneficial owner and interest of controlled corporation <sup>(5)</sup>	329,195,683	7.48	5.56
Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司)	A Shares	Long	Beneficial owner	226,000,000	5.13	3.82
DU Liling (杜麗玲)	A Shares	Long	Interest of controlled corporation <sup>(6)</sup>	226,000,000	5.13	3.82
WANG Meilan (王梅蘭)	A Shares	Long	Interest of controlled corporation <sup>(6)</sup>	226,000,000	5.13	3.82
China Goldjoy Securities Limited (中國金洋證券有限公司)	H Shares	Long	Custodian	377,174,000	24.84	6.37
Yunnan International Holding Group Limited	H Shares	Long	Beneficial owner	227,362,623	14.98	3.84
Yunnan Energy Investment (HK) Co. Limited	H Shares	Long	Interest of controlled corporation <sup>(7)</sup>	227,362,623	14.98	3.84
Yunnan Provincial Energy Investment Group Co., Ltd	H Shares	Long	Interest of controlled corporation <sup>(7)</sup>	227,362,623	14.98	3.84
Hong Kong Oriental Sage Limited (香港東智有限公司)	H Shares	Long	Beneficial owner	223,000,000	14.69	3.77
Oriental Sage Limited (東智有限公司)	H Shares	Long	Interest of controlled corporation <sup>(8)</sup>	223,000,000	14.69	3.77
Beijing Shang Finance Management Co., Ltd. (北京尚融資本管理有限公司)	H Shares	Long	Interest of controlled corporation <sup>(8)</sup>	129,000,000	8.50	2.18
WEI Lidong (尉立東)	H Shares	Long	Interest of controlled corporation <sup>(9)</sup>	129,000,000	8.50	2.18
Hong Kong Xingrui International Investment Co., Limited (香港興瑞國際投資有限公司)	H Shares	Long	Beneficial owner	100,000,000	6.59	1.69
Zhengzhou Airport Zone Xingrui Industrial Co., Limited (鄭州航空港區興瑞實業有限公司)	H Shares	Long	Interest of controlled corporation <sup>(10)</sup>	100,000,000	6.59	1.69
Zhengzhou Airport Zone Xinggang Investment Co., Limited (鄭州航空港興港投資集團有限公司) (formerly known as Zhengzhou Xinzhen Integrated Free Trade Zone (Zhengzhou Airport Zone))	H Shares	Long	Interest of controlled corporation <sup>(10)</sup>	100,000,000	6.59	1.69
Xinggang Investment and Development Co., Limited (鄭州新鄭綜合保稅區(鄭州航空港區)興港投資發展有限公司)						

## CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Name of substantial shareholder	Class of Shares	Long/Short positions	Capacity	Number of Shares held directly or indirectly (Shares)	Percentage of issued Shares of the relevant class (%)	Percentage of total issued Ordinary Shares (%)
Shenzhen Qianhai Ruimaotong Supply Chain Platform Service Co., Limited (深圳前海瑞茂通供應鏈平台服務有限公司)	H Shares	Long	Interest of controlled corporation <sup>(10)</sup>	100,000,000	6.59	1.69
Jiangsu Jinhe Electricity and Fuel Limited (江蘇晉和電力燃料有限公司)	H Shares	Long	Interest of controlled corporation <sup>(10)</sup>	100,000,000	6.59	1.69
Ruimaotong Supply Chain Management Co., Limited (瑞茂通供應鏈管理股份有限公司)	H Shares	Long	Interest of controlled corporation <sup>(10)</sup>	100,000,000	6.59	1.69
Zhengzhou Ruimaotong Supply Chain Management Company Limited (鄭州瑞茂通供應鏈有限公司)	H Shares	Long	Interest of controlled corporation <sup>(10)</sup>	100,000,000	6.59	1.69
Zhengzhou Zhongrui Industrial Group Co., Ltd. (鄭州中瑞實業集團有限公司) (formerly known as Henan Zhongrui Investment Company Limited (河南中瑞投資有限公司))	H Shares	Long	Interest of controlled corporation <sup>(10)</sup>	100,000,000	6.59	1.69
Zhengzhou Ruichang Enterprise Management Consulting Company Limited (鄭州瑞昌企業管理諮詢有限公司)	H Shares	Long	Interest of controlled corporation <sup>(10)</sup>	100,000,000	6.59	1.69
WAN Yongxing (萬永興)	H Shares	Long	Interest of controlled corporation <sup>(10)</sup>	100,000,000	6.59	1.69
Zhengzhou Zhengdong New District Construction Development Investment Co., Ltd. (鄭州市鄭東新區建設開發投資總公司)	H Shares	Long	Beneficial owner <sup>(11)</sup>	100,000,000	6.59	1.69
Haitong International Financial Products (Singapore) Pte. Ltd.	H Shares	Long	Person having a security interest <sup>(12)</sup>	128,003,000	8.43	2.16
Haitong International Securities Group (Singapore) Pte. Ltd.	H Shares	Long	Person having a security interest	128,003,000	8.43	2.16
Haitong International Securities Group Limited	H Shares	Long	Interest of controlled corporation <sup>(12)</sup>	145,003,000	9.55	2.45
Haitong International Holdings Limited	H Shares	Long	Person having a security interest	145,003,000	9.55	2.45
Haitong Securities Co., Ltd.	H Shares	Long	Interest of controlled corporation <sup>(13)</sup>	145,003,000	9.55	2.45
CITIC Securities Company Limited	H Shares	Long	Person having a security interest	445,879,130	29.37	7.53
Goncius I Limited	H Shares	Short	Interest of controlled corporation <sup>(14)</sup>	395,593,866	26.06	6.68
	H Shares	Long	Beneficial owner <sup>(15)</sup>	115,501,859	7.61	1.95
	H Shares	Short	Beneficial owner <sup>(15)</sup>	115,501,859	7.61	1.95
Huarong International Financial Holdings Limited	H Shares	Long	Beneficial owner <sup>(16)</sup>	90,957,714	5.99	1.54
China Huarong Asset Management Co., Ltd.	H Shares	Long	Interest of controlled corporation <sup>(16)</sup>	90,957,714	5.99	1.54

## CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

### Notes:

1. These 656,163,737 Shares are directly or indirectly held by Zhengzhou Finance Bureau, including 490,904,755 Shares directly held by Zhengzhou Finance Bureau, 65,258,982 Shares held by Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), 50,000,000 Shares held by Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司) and 50,000,000 Shares held by Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司). Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司) and Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司) are directly or indirectly wholly-owned by Zhengzhou Finance Bureau. By virtue of the SFO, Zhengzhou Finance Bureau is deemed to be interested in the Shares held by Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司) and Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司). Mr. FAN Yutao (樊玉濤), a non-executive Director, is the deputy director of Zhengzhou Finance Bureau.
2. Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司) is wholly-owned by Henan Yutai Investment & Development Co., Ltd. (河南省豫泰投資發展集團有限公司), which is in turn owned by Ms. ZHANG Xinya (張欣雅) as to 85%. By virtue of the SFO, both Henan Yutai Investment & Development Co., Ltd. (河南省豫泰投資發展集團有限公司) and Ms. ZHANG Xinya (張欣雅) are deemed to be interested in the Shares held by Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司).
3. Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司) is owned by Henan Zensun Enterprise Development (Group) Co., Ltd. (河南正商企業發展集團有限責任公司) as to 97.8%. Henan Zensun Enterprise Development (Group) Co., Ltd. (河南正商企業發展集團有限責任公司) is in turn owned by Beijing Xiangcheng Investment Co., Ltd. (北京祥誠投資有限公司) and Ms. ZHANG Huiqi (張惠琪) as to 90% and 9%, respectively. Beijing Xiangcheng Investment Co., Ltd. (北京祥誠投資有限公司) is owned by Ms. ZHANG Huiqi (張惠琪) as to 98%. By virtue of the SFO, Henan Zensun Enterprise Development (Group) Co., Ltd. (河南正商企業發展集團有限責任公司), Beijing Xiangcheng Investment Co., Ltd. (北京祥誠投資有限公司) and Ms. ZHANG Huiqi (張惠琪) are deemed to be interested in the Shares held by Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司). Ms. ZHANG Huiqi (張惠琪) is the daughter, being above the age of 18, of Mr. ZHANG Jiangguo (張敬國), a non-executive Director.
4. Zhongyuan Trust Co., Ltd. (中原信託有限公司) is owned by Henan Investment Group Co., Ltd. (河南投資集團有限公司) and Henan Zhongyuan Expressway Co., Ltd. (河南中原高速公路股份有限公司) as to approximately 58.97% and 31.91%, respectively. Henan Zhongyuan Expressway Co., Ltd. (河南中原高速公路股份有限公司) is owned by Henan Transport Investment Group Co., Ltd. (河南交通投資集團有限公司) as to approximately 45.09%. By virtue of the SFO, Henan Investment Group Co., Ltd. (河南投資集團有限公司), Henan Zhongyuan Expressway Co., Ltd. (河南中原高速公路股份有限公司) and Henan Transport Investment Group Co., Ltd. (河南交通投資集團有限公司) are deemed to be interested in the Shares held by Zhongyuan Trust Co., Ltd. (中原信託有限公司). Mr. JI Hongjun (姬宏俊), a non-executive Director, is the vice president of Zhongyuan Trust Co., Ltd. (中原信託有限公司).
5. These 329,195,683 Shares are directly and indirectly held by Henan Investment Group Co., Ltd. (河南投資集團有限公司), including 89,769,212 Shares directly held by Henan Investment Group Co., Ltd. (河南投資集團有限公司) and 239,426,471 Shares held by Zhongyuan Trust Co., Ltd. (中原信託有限公司). By virtue of the SFO, Henan Investment Group Co., Ltd. (河南投資集團有限公司) is deemed to be interested in the Shares held by Zhongyuan Trust Co., Ltd. (中原信託有限公司).
6. Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司) is owned as to 50% and 50% by Ms. DU Liling (杜麗玲) and Ms. WANG Meilan (王梅蘭) respectively. By virtue of the SFO, each of Ms. DU Liling (杜麗玲) and Ms. WANG Meilan (王梅蘭) is deemed to be interested in the Shares held by Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司).
7. These 227,362,623 Shares are directly held by Yunnan International Holding Group Limited, which is owned by Yunnan Energy Investment (HK) Co. Limited as to 40%, while in turn Yunnan Energy Investment (HK) Co. Limited is wholly-owned by Yunnan Provincial Energy Investment Group Co., Ltd. By virtue of the SFO, Yunnan Energy Investment (HK) Co. Limited and Yunnan Provincial Energy Investment Group Co., Ltd. are deemed to be interested in the Shares held by Yunnan International Holding Group Limited.
8. These 223,000,000 Shares are directly held by Hong Kong Oriental Sage Limited (香港東智有限公司), which is wholly-owned by Oriental Sage Limited (東智有限公司). By virtue of the SFO, Oriental Sage Limited (東智有限公司) is deemed to be interested in the Shares held by Hong Kong Oriental Sage Limited (香港東智有限公司).
9. Beijing Shang Finance Management Co., Ltd. (北京尚融資本管理有限公司) is owned as to 99.83% by Mr. WEI Lidong (尉立東) and Beijing Shang Finance Management Co., Ltd. (北京尚融資本管理有限公司) holds a total of 129,000,000 Shares through certain subsidiaries.



## CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

10. Hong Kong Xingrui International Investment Co., Limited (香港興瑞國際投資有限公司) (“**Hong Kong Xingrui**”) is wholly-owned by Zhengzhou Airport Zone Xingrui Industrial Co., Limited (鄭州航空港區興瑞實業有限公司) (“**Xingrui Industrial**”), being a state-owned company under the Zhengzhou Airport Zone Economic Integrated Experimental Zone (Zhengzhou Xinzheng Integrated Free Trade Zone) Management Committee (鄭州航空港經濟綜合實驗區(鄭州新鄭綜合保稅區)管理委員會), which was formerly known as Zhengzhou Xinzheng Integrated Free Trade Zone (Zhengzhou Airport Zone) Management Committee (鄭州新鄭綜合保稅區(鄭州航空港區)管理委員會)). Xingrui Industrial is owned as to 51% and 49% by Zhengzhou Airport Zone Xinggang Investment Co., Limited (鄭州航空港興港投資發展有限公司) (formerly known as: Zhengzhou Xinzheng Integrated Free Trade Zone (Zhengzhou Airport Zone) Xinggang Investment and Development Co., Limited (鄭州新鄭綜合保稅區(鄭州航空港區)興港投資發展有限公司)) (“**Zhengzhou Xinggang**”), and Shenzhen Qianhai Ruimaotong Supply Chain Platform Service Co., Limited (深圳前海瑞茂通供應鏈平台服務有限公司) (“**Ruimaotong**”). Ruimaotong is wholly-owned by Jiangsu Jinhe Electricity and Fuel Limited (江蘇晉和電力燃料有限公司) (“**Jiangsu Jinhe**”), which is in turn wholly owned by a company (being listed on the Shanghai Stock Exchange) under Ruimaotong Supply Chain Management Co., Limited (瑞茂通供應鏈管理股份有限公司) (“**Ruimaotong Supply Chain Management**”). Ruimaotong Supply Chain Management is owned as to 60.76% by Zhengzhou Ruimaotong Supply Chain Management Company Limited (鄭州瑞茂通供應鏈有限公司) (“**Zhengzhou Ruimaotong**”). Zhengzhou Ruimaotong is wholly-owned by Zhengzhou Zhongrui Industrial Group Co., Ltd. (鄭州中瑞實業集團有限公司) (formerly known as Henan Zhongrui Investment Company Limited (河南中瑞投資有限公司)) (“**Zhengzhou Zhongrui**”). Zhengzhou Zhongrui is owned as to 85% by Zhengzhou Ruichang Enterprise Management Consulting Company Limited (鄭州瑞昌企業管理諮詢有限公司) (“**Zhengzhou Ruichang**”), which is owned as to 70% by Mr. WAN Yongxing (萬永興). By virtue of the SFO, each of Xingrui Industrial, Zhengzhou Xinggang, Ruimaotong, Jiangsu Jinhe, Ruimaotong Supply Chain Management, Zhengzhou Ruimaotong, Zhengzhou Zhongrui, Zhengzhou Ruichang and Mr. WAN Yongxing is deemed to be interested in the Shares held by Hong Kong Xingrui.
11. Zhengzhou Zhengdong New District Construction Development Investment Co., Ltd. (鄭州市鄭東新區建設開發投資總公司) was established by the Zhengzhou Zhengdong New District Management Committee (鄭州鄭東新區管理委員會).
12. Haitong International Financial Products (Singapore) Pte. Ltd has a security interest in these 128,003,000 Shares. Haitong International Financial Products (Singapore) Pte. Ltd. is wholly-owned by Haitong International Securities Group (Singapore) Pte. Ltd., which is in turn wholly-owned by Haitong International (BVI) Limited. By virtue of the SFO, Haitong International Securities Group (Singapore) Pte. Ltd. and Haitong International (BVI) Limited are deemed to be interested in the Shares held by Haitong International Financial Products (Singapore) Pte. Ltd.
13. These 17,000,000 Shares are directly held by Haitong International Financial Solutions Limited, which is wholly-owned by Haitong International (BVI) Limited. By virtue of the SFO, Haitong International (BVI) Limited is deemed to be interested in the Shares held by Haitong International Financial Solutions Limited. As such, Haitong International (BVI) Limited is deemed to be interested in a total of 145,003,000 Shares. Haitong International (BVI) Limited is wholly-owned by Haitong International Securities Group Limited, which is held by Haitong International Holdings Limited as to 63.08%, which in turn is wholly-owned by Haitong Securities Co., Ltd. By virtue of the SFO, Haitong International Securities Group Limited, Haitong International Holdings Limited and Haitong Securities Co., Ltd. are deemed to be interested in the total of 145,003,000 Shares held by Haitong International Financial Products (Singapore) Pte. Ltd and Haitong International Financial Solutions Limited.
14. CITIC Securities Company Limited held 445,879,130 H Shares (long position) of the Bank and 395,593,866 H Shares (short position) of the Bank through certain of its wholly-owned subsidiaries. In addition, 396,460,130 H Shares (long position) and 395,593,866 H Shares (short position) involve derivatives in the classes below:
 

5,197,584 H Shares (long position) 391,262,546 H Shares (long position) and 395,593,866 H Shares (short position)	– Convertible instruments (on-exchange transaction) – Settled in cash (curb trading)
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## CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

15. These 115,501,859 H Shares (long position) and 115,501,859 H Shares (short position) held by Goncius I Limited involve derivatives in the classes below:

115,501,859 H Shares (long position)	– Convertible instruments (on-exchange transaction)
115,501,859 H Shares (short position)	– Settled in cash (curb trading)

16. Huarong International Financial Holdings Limited is owned as to 51% by Camellia Pacific Investment Holding Limited, which is wholly-owned by China Huarong International Holdings Limited. China Huarong International Holdings Limited is owned as to 88.10% and 11.90% by Huarong Real Estate Co., Ltd. (華融置業有限責任公司) and Huarong Zhiyuan Investment & Management Co., Ltd. respectively, while Huarong Real Estate Co., Ltd. (華融置業有限責任公司) and Huarong Zhiyuan Investment & Management Co., Ltd. are both wholly-owned by China Huarong Asset Management Co., Ltd. By virtue of the SFO, China Huarong Asset Management Co., Ltd. is deemed to be interested in the Shares held by Huarong International Financial Holdings Limited. Furthermore, such 90,957,714 H Shares (long position) involve derivatives in the class below:

90,957,714 H Shares (long position)	– Others (on-exchange transaction)
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Save as disclosed above, as at the end of the Reporting Period, the Bank is not aware of any other person (other than the Directors, Supervisors and the chief executive of the Bank) having any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Bank pursuant to section 336 of the SFO.

### 5 INFORMATION ON CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

As at the end of the Reporting Period, the Bank did not have any controlling shareholders or de facto controllers.

### 6 SUBSTANTIAL SHAREHOLDERS

#### 6.1 Holders with 5% or More Shareholding in the Bank

Zhengzhou Finance Bureau: Unified Social Credit Code is 11410100005252522X, and the person in charge is ZHAO Xinmin. As at the end of the Reporting Period, Zhengzhou Finance Bureau directly held 490,904,755 A Shares, accounting for 8.29% of the total issued Ordinary Shares of the Bank. In addition, Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司) and Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司), directly or indirectly wholly-owned by Zhengzhou Finance Bureau, held 165,258,982 A Shares in aggregate. These 656,163,737 A Shares in total accounted for 11.08% of the total issued Ordinary Shares of the Bank. Mr. FAN Yutao, a non-executive Director, is the deputy director of Zhengzhou Finance Bureau. Related parties of Zhengzhou Finance Bureau include Zhengzhou Finance Development Company (鄭州市財務開發公司), Zhengzhou City Sanitation & Cleaning Co., Ltd. and Zhengzhou Agricultural Machinery Corporation (鄭州市農業機械總公司). Zhengzhou Finance Bureau is the ultimate beneficiary of itself.



## CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Henan Investment Group Co., Ltd. (河南投資集團有限公司): The date of establishment is 18 December 1991, with a registered capital of RMB12 billion. Unified Social Credit Code is 914100001699542485, and the legal representative is LIU Xinyong. The main business scope includes investment management, investment in construction projects and lease of buildings. As at the end of the Reporting Period, Henan Investment Group Co., Ltd. directly held 89,769,212 A Shares, and Zhongyuan Trust Co., Ltd. (中原信託有限公司), a subsidiary of the Bank, directly held 239,426,471 A Shares. These 329,195,683 A Shares in total accounted for 5.56% of the total issued Ordinary Shares of the Bank. The controlling shareholder and de facto controller of Henan Investment Group Co., Ltd. is Henan Provincial Development and Reform Committee. Related parties include Zhongyuan Trust Co., Ltd., Zhongyuan Yuze Financial Leasing (Shanghai) Co., Ltd. (中原豫澤融資租賃(上海)有限公司) and Henan Investment Group Huirong Fund Management Co., Ltd. (河南投資集團匯融基金管理有限公司). Henan Investment Group Co., Ltd. is the ultimate beneficiary of itself.

### 6.2 Other Substantial Shareholders

According to the requirement of the Provisional Measures on the Management of the Equity of Commercial Banks (《商業銀行股權管理暫行辦法》)(Former CBRC Order [2018] No. 1), the information of other substantial shareholders is as follows:

Henan Xingye Real Estate Development Co., Ltd.: The date of establishment is 31 December 1998, with a registered capital of RMB200 million. Unified Social Credit Code is 914101001699781784, and the legal representative is HUANG Kefei. The main business scope includes development and operation of real estate (with certificate), sale of building materials and lease of buildings. As at the end of the Reporting Period, Henan Xingye Real Estate Development Co., Ltd. held 250,000,000 A Shares, accounting for 4.22% of the total issued Ordinary Shares of the Bank. The controlling shareholder of Henan Xingye Real Estate Development Co., Ltd. is Henan Zensun Enterprise Development (Group) Co., Ltd. (河南正商企業發展集團有限責任公司), and the de facto controller is Ms. ZHANG Huiqi. Ms. ZHANG Huiqi is the daughter, being above the age of 18, of Mr. ZHANG Jiangguo, a non-executive Director. Related parties include Henan Zensun Enterprise Development (Group) Co., Ltd., Henan Zensun Property Co., Ltd. (河南正商置業有限公司) and Henan Zhengyang Construction Engineering Group Co., Ltd. (河南正陽建設工程集團有限公司). Henan Xingye Real Estate Development Co., Ltd. is the ultimate beneficiary of itself.

Zhongyuan Trust Co., Ltd.: The date of establishment is 27 November 2002, with a registered capital of RMB3.65 billion. Unified Social Credit Code is 91410000169953018F, and the legal representative is CUI Zejun. The main business scope includes capital, movable property, real estate, marketable securities, other property or property rights trusts, engaging in investment fund business as the promoter of investment fund or fund management company. As at the end of the Reporting Period, Zhongyuan Trust Co., Ltd. held 239,426,471 A Shares, accounting for 4.04% of the total issued Ordinary Shares of the Bank. Mr. JI Hongjun, a non-executive Director, is the vice president of Zhongyuan Trust Co., Ltd. The controlling shareholder of Zhongyuan Trust Co., Ltd. is Henan Investment Group Co., Ltd., and the de facto controller is Henan Provincial Development and Reform Committee. Related parties include Henan Investment Group Co., Ltd., Henan Zhongyuan Expressway Co., Ltd. (河南中原高速公路股份有限公司) and Henan Yuliang Grain Group Co., Ltd. (河南省豫糧糧食集團有限公司). Zhongyuan Trust Co., Ltd. is the ultimate beneficiary of itself.

## CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司): The date of establishment is 25 October 2005, with a registered capital of RMB3.13 billion. Unified Social Credit Code is 91410100780545414U, and the legal representative is LIANG Songwei. The main business scope includes state-owned assets investment and management, real estate development and sales, and lease of buildings. As at the end of the Reporting Period, Zhengzhou Investment Holdings Co., Ltd. held 215,678,764 A Shares, accounting for 3.64% of the total issued Ordinary Shares of the Bank. Mr. LIANG Songwei, a non-executive Director, is the chairman and managing director of Zhengzhou Investment Holdings Co., Ltd. The controlling shareholder and de facto controller of Zhengzhou Investment Holdings Co., Ltd. is Zhengzhou State-owned Assets Supervision and Administration Commission. Related parties include Zhengzhou Pharmaceutical Co., Ltd. (鄭州醫藥股份有限公司), Zhengzhou Jinyang Electric Co., Ltd. (鄭州金陽電氣有限公司) and Zhengzhou SDIC Industrial Development Fund (Limited Partnership) (鄭州國投產業發展基金(有限合夥)). Zhengzhou Investment Holdings Co., Ltd. is the ultimate beneficiary of itself.

Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司): The date of establishment is 5 December 2005, with a registered capital of RMB200 million. Unified Social Credit Code is 91410100783405337J, and the legal representative is ZHU Zhihui. The main business scope includes sales of building materials and decorative materials, mechanical and electrical products (excluding automobiles), metal and electronic product, and lease of buildings. As at the end of the Reporting Period, Henan Guoyuan Trade Co., Ltd. held 199,046,474 A Shares, accounting for 3.36% of the total issued Ordinary Shares of the Bank. Mr. ZHU Zhihui, a Supervisor, is the chairman of Henan Guoyuan Trade Co., Ltd. The controlling shareholder and de facto controller of Henan Guoyuan Trade Co., Ltd. is Mr. ZHU Zhihui. Related parties include Henan Huida Jiarui Real Estate Co., Ltd. (河南暉達嘉睿置業有限公司), Henan Huida Construction Investment Co., Ltd. (河南暉達建設投資有限公司) and Huida Holdings Limited (暉達控股有限公司). Henan Guoyuan Trade Co., Ltd. is the ultimate beneficiary of itself.

### 7 RESTRICTIONS ON REDUCTION OF SHAREHOLDINGS OF CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLERS, PARTIES TO RESTRUCTURING OR OTHER ENTITIES WITH UNDERTAKINGS

During the Reporting Period, the Bank had no cases involving restrictions on reduction of shareholdings of controlling shareholders, de facto controllers, parties to restructuring or other entities with undertakings.

### 8 PLEDGE AND FREEZING OF SHARES OF THE BANK

As at the end of the Reporting Period, to the knowledge of the Bank, 1,549,440,282 Ordinary Shares of the Bank (accounting for 26.16% of the total issued Ordinary Shares) were subject to pledges and 109,281,830 Ordinary Shares were subject to freezing. No Shares were subject to judicial auction during the Reporting Period.

### 9 PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OR REDEEMABLE SECURITIES OF THE BANK

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

# CHAPTER V ISSUANCE OF PREFERENCE SHARES

## 1 ISSUANCE AND LISTING OF PREFERENCE SHARES

In order to further improve the comprehensive competitiveness of the Bank and enhance the capability of sustainable development, the Bank issued non-cumulative perpetual Offshore Preference Shares in the amount of USD1,191 million at a dividend rate of 5.50% on 18 October 2017 through a private offering in the overseas market according to the approval from the Former CBRC Henan Office (Yu Yin Jian Fu [2017] No. 154) and CSRC (Zheng Jian Xu Ke [2017] No. 1736). The Offshore Preference Shares (abbreviation of preference share: ZZBNK 17USDPRF; stock code: 04613) were listed on the Hong Kong Stock Exchange on 19 October 2017 with a nominal value of RMB100 per share at an offering price of USD20 per share. The total number of shares issued was 59,550,000, all of which were issued and fully paid in US dollars.

Based on the Renminbi central parity rate against the US dollar published by the China Foreign Exchange Trade System on 18 October 2017, the gross proceeds from the offering of the Offshore Preference Shares were approximately RMB7,860 million. Pursuant to applicable laws and regulations and approval from the CBIRC, the CSRC and other relevant regulatory authorities, the proceeds raised from the Offshore Preference Shares issuance, after deduction of the issuance expenses, have been fully used to replenish the additional tier 1 capital of the Bank, which is consistent with the specific use disclosed earlier.

For the issuance terms and relevant details of the Offshore Preference Shares, please refer to the relevant announcements and circulars of the Bank published on the websites of the Hong Kong Stock Exchange and the Bank.

## 2 NUMBER OF SHAREHOLDERS OF OFFSHORE PREFERENCE SHARES AND PARTICULARS OF SHAREHOLDING

As at the end of the Reporting Period, the total number of holders (or nominees) of Offshore Preference Shares of the Bank was one.

The following table sets out shareholdings of the top 10 shareholders of Offshore Preference Shares (or nominees) of the Bank as at the end of the Reporting Period:

Unit: Shares

Name of shareholder	Nature of shareholder	Shareholding percentage <sup>(a)</sup> (%)	Number of Shares held as at the end of the Reporting Period	Changes over the Reporting Period	Shares pledged or frozen Status of Shares	Number
The Bank of New York Depository (Nominees) Limited	Overseas legal person	100	59,550,000	–	Unknown	Unknown
Description of different requirements on other terms of preference shares held other than dividend distribution and residual property distribution		None				
Description of the related relationship or concerted action among top 10 shareholders of preference shares and between top 10 shareholders of preference shares and top 10 shareholders of Ordinary Shares		The Bank is not aware of any connected relation or acting in concert relationship (as defined in the Administration Measures on the Acquisition of Listed Companies (《上市公司收購管理辦法》)) between the aforesaid shareholders of Offshore Preference Shares and the top ten shareholders of Ordinary Shares.				

## CHAPTER V ISSUANCE OF PREFERENCE SHARES

Notes:

1. The above data are based on the register of the shareholders of Offshore Preference Shares of the Bank as at 30 June 2019.
2. The above Offshore Preference Shares were issued through a private offering, information of nominees of the allottees was recorded on the register of shareholders of Offshore Preference Shares.
3. “Shareholding percentage” refers to the percentage of Offshore Preference Shares held by shareholders of Offshore Preference Shares in the total number of Offshore Preference Shares.

### 3 PROFIT DISTRIBUTION OF OFFSHORE PREFERENCE SHARES

During the Reporting Period, there was no profit distribution in respect of Offshore Preference Shares issued by the Bank.

### 4 REPURCHASE OR CONVERSION OF OFFSHORE PREFERENCE SHARES

During the Reporting Period, there was no repurchase or conversion of the Offshore Preference Shares issued by the Bank.

### 5 RESUMPTION AND EXERCISE OF VOTING RIGHTS OF OFFSHORE PREFERENCE SHARES

During the Reporting Period, no voting rights of the Offshore Preference Shares were resumed and exercised by the Bank.

### 6 ACCOUNTING POLICIES ADOPTED FOR OFFSHORE PREFERENCE SHARES AND REASONS

In accordance with Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments, Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments and Rules on the Difference between Financial Liabilities and Equity Instruments and Relevant Accounting Treatment promulgated by the MOF, as well as IFRS 9, Financial instruments and International Accounting Standards No. 32 – Financial Instruments: Presentation formulated by the International Accounting Standards Board, the provisions of the issued and existing Offshore Preference Shares conform to the requirements as equity instruments, and will be calculated as equity instruments.

# CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

## 1 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THEIR DIRECT SHAREHOLDINGS

### Directors

Name	Gender	Date of birth	Position	Status	Term of Office	Class of Shares	Number of Shares held as at the beginning of the Reporting Period (Shares)	Increase in the number of Shares held during the Reporting Period (Shares)	Decrease in the number of Shares held during the Reporting Period (Shares)	Number of Shares held as at the end of the Reporting Period (Shares)	Number of Restricted Shares Granted as at the beginning of the Reporting Period (Shares)	Number of Restricted Shares Granted during the Reporting Period (Shares)	Number of Restricted Shares Granted as at the end of the Reporting Period (Shares)
WANG Tianyu (王天宇)	M	March 1966	Chairman Executive Director	In office	2011.3.9-2021.6.14 2005.12.16-2021.6.14	A Share	25,003	-	-	25,003	-	-	-
SHEN Xueqing (申學清)	M	July 1965	President Executive Director	In office	Since 2012.4.5 2012.7.12-2021.6.14	-	-	-	-	-	-	-	-
FENG Tao (馮濤)	M	September 1963	Vice Chairman Executive Director	In office	2016.8.4-2021.6.14 2016.8.4-2021.6.14	-	-	-	-	-	-	-	-
FAN Yutao (樊玉濤)	M	May 1966	Non-executive Director	In office	2015.9.8-2021.6.14	-	-	-	-	-	-	-	-
ZHANG Jingguo (張敬國)	M	July 1963	Non-executive Director	In office	2012.7.12-2021.6.14	-	-	-	-	-	-	-	-
Ji Hongjun (姬宏俊)	M	June 1963	Non-executive Director	In office	2012.7.12-2021.6.14	-	-	-	-	-	-	-	-
LIANG Songwei (梁嵩巍)	M	August 1968	Non-executive Director	In office	2012.7.12-2021.6.14	-	-	-	-	-	-	-	-
WANG Shihao (王世豪)	M	April 1950	Non-executive Director	In office	2018.7.5-2021.6.14	-	-	-	-	-	-	-	-
XIE Taifeng (謝太峰)	M	August 1958	Independent non-executive Director	In office	2015.9.8-2021.6.14	-	-	-	-	-	-	-	-
WU Ge (吳革)	M	May 1967	Independent non-executive Director	In office	2015.9.8-2021.6.14	-	-	-	-	-	-	-	-
CHAN Mei Bo (陳美寶)	F	November 1971	Independent non-executive Director	In office	2015.9.8-2021.6.14	-	-	-	-	-	-	-	-
LI Yanyan (李燕燕)	F	January 1968	Independent non-executive Director	In office	2018.7.5-2021.6.14	-	-	-	-	-	-	-	-

**Note:** The starting dates of the term of office represent the dates on which the relevant qualifications are approved by the banking regulatory authority.

# CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

## Supervisors

Name	Gender	Date of birth	Position	Status	Term of Office	Class of Shares	Number of Shares						
							held as at the beginning of the Reporting Period	Increase in the number of Shares held during the Reporting Period	Decrease in the number of Shares held during the Reporting Period	Number of Shares held as at the end of the Reporting Period	Number of Restricted Shares Granted as at the beginning of the Reporting Period	Number of Restricted Shares Granted during the Reporting Period	Number of Restricted Shares Granted as at the end of the Reporting Period
ZHAO Lijuan (趙麗娟)	F	September 1962	Chairwoman of the Board of Supervisors	In office	2016.6.17-2021.6.14	-	-	-	-	-	-	-	-
			Employee Supervisor		2018.6.15-2021.6.14								
ZHU Zhihui (朱志輝)	M	August 1969	Shareholder Supervisor	In office	2015.6.18-2021.6.14	-	-	-	-	-	-	-	-
MA Baojun (馬寶軍)	M	March 1963	External Supervisor	In office	2018.1.19-2021.6.14	-	-	-	-	-	-	-	-
SONG Ke (宋科)	M	April 1982	External Supervisor	In office	2017.5.19-2021.6.14	-	-	-	-	-	-	-	-
CHENG Jie (成潔)	F	December 1968	Employee Supervisor	In office	2018.6.15-2021.6.14	A Share	6,309	-	-	6,309	-	-	-
LI Huaibin (李懷斌)	M	September 1969	Employee Supervisor	In office	2018.6.15-2021.6.14	-	-	-	-	-	-	-	-

# CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

## Senior Management

Name	Gender	Date of birth	Position	Status	Term of Office	Class of Shares	Number of Shares held as at the beginning of the Reporting Period	Increase in the number of Shares held during the Reporting Period	Decrease in the number of Shares held during the Reporting Period	Number of Shares held as at the end of the Reporting Period	Number of Restricted Shares Granted as at the beginning of the Reporting Period	Number of Restricted Shares Granted during the Reporting Period	Number of Restricted Shares Granted as at the end of the Reporting Period
SHEN Xueqing (申學清)	M	July 1965	President	In office	Since 2012.4.5	-	-	-	-	-	-	-	-
XIA Hua (夏華)	M	August 1967	Vice President	In office	Since 2012.2.6	-	-	-	-	-	-	-	-
GUO Zhibin (郭志彬)	M	October 1968	Vice President	In office	Since 2015.12.30	A Share	37,320	-	-	37,320	-	-	-
SUN Haigang (孫海剛)	M	August 1977	Vice President	In office	Since 2018.2.28	-	-	-	-	-	-	-	-
ZHANG Wenjian (張文建)	M	June 1965	Vice President	In office	Since 2018.2.28	-	-	-	-	-	-	-	-
FU Chunqiao (傅春喬)	M	October 1973	Vice President	In office	Since 2019.3.29	-	-	-	-	-	-	-	-
			Secretary of the Board of Directors		Since 2013.10.18								
LI Lei (李磊)	M	August 1973	Assistant to President	In office	Since 2017.11.21	A Share	74,344	-	-	74,344	-	-	-
ZHANG Houlin (張厚林)	M	June 1976	Assistant to President	In office	Since 2017.11.21	-	-	-	-	-	-	-	-
LI Hong (李紅)	F	February 1973	Assistant to President	In office	Since 2019.3.29	-	26,746	-	-	26,746	-	-	-
LIU Jiuqing (劉久慶)	M	March 1978	Assistant to President	In office	Since 2019.3.29	-	-	-	-	-	-	-	-
JIANG Tao (姜濤)	M	April 1972	Chief Information Officer	In office	Since 2015.12.31	A Share	5,000	-	-	5,000	-	-	-
WANG Yanli (王豔麗)	F	October 1970	Chief Risk Officer	In office	Since 2018.2.12	A Share	111,515	-	-	111,515	-	-	-
WANG Zhaoqi (王兆琪)	F	November 1967	Chief Auditor	In office	Since 2018.3.8	A Share	70,617	-	-	70,617	-	-	-
MAO Yuezhen (毛月珍)	F	April 1963	Vice President	Resigned	2018.2.28-2019.5.5	A Share	10,647	-	-	10,647	-	-	-
			Chief Accountant		2011.10.21-2019.5.5								

**Note:** The starting dates of the term of office represent the dates on which the relevant qualifications are approved by the banking regulatory authority.

The table above discloses the Shares directly held by the Directors, the Supervisors and senior management of the Bank. For the interests and short positions that the Directors, the Supervisors and the chief executive have in the Bank under the SFO and according to the Stock Exchange Listing Rules, please refer to the paragraph headed “Interests and Short Positions of Directors, Supervisors and Chief Executive” in this chapter.

# CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

## 2 CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Type	Date	Reason
FU Chungqiao (傅春喬)	Vice President	Redeployed	2019.3.29	Work needs
LI Hong (李紅)	Assistant to President	Redeployed	2019.3.29	Work needs
LIU Jiuqing (劉久慶)	Assistant to President	Redeployed	2019.3.29	Work needs
MAO Yuezhen (毛月珍)	Vice President and Chief Accountant	Resigned	2019.5.5	Voluntary resignation due to age

As considered and approved at the Board meeting held on 27 January 2019, the Board decided to appoint Mr. FU Chungqiao as vice president of the Bank, and Ms. LI Hong and Mr. LIU Jiuqing as assistants to President of the Bank. The qualifications of the aforesaid persons were approved by the CBIRC Henan Office on 29 March 2019. For details, please refer to the announcements dated 28 January 2019 and 8 April 2019 as published by the Bank on the websites of CNINFO and the Hong Kong Stock Exchange.

On 5 May 2019, Ms. MAO Yuezhen resigned from vice president and chief accountant of the Bank due to age. For details, please refer to the announcements dated 10 May 2019 as published by the Bank on the websites of CNINFO and the Hong Kong Stock Exchange.

## 3 SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND RELEVANT EMPLOYEES

The Bank has adopted a code of conduct on terms no less exacting than the required standards in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Stock Exchange Listing Rules as its code of conduct governing securities transactions conducted by the Directors, Supervisors and relevant employees of the Bank. After having made inquiries to all Directors and Supervisors, they confirmed that they had complied with the above code during the Reporting Period. The Bank was not aware that any relevant employee had breached the code.

The Bank is not aware of any Director, Supervisor and senior management personnel violating the restrictive share trading requirements under the Guidelines for the Standardized Operation of Listed Companies on the SME Board of the SZSE and other standard documents.



## CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

### 4 INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at the end of the Reporting Period, the interests of Directors, Supervisors and chief executive officer in the Shares, underlying Shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in Appendix 10 to the Stock Exchange Listing Rules were set out as follows:

Name	Position	Class of Shares	Capacity	Number of Shares held directly or indirectly (Shares) (Long position)	Percentage of the relevant class of Shares in issue (%)	Percentage of all Ordinary Shares in issue (%)
WANG Tianyu	Director	A Share	Beneficial owner	25,003	0.00057	0.00042
ZHU Zhihui	Supervisor	A Share	Interest of controlled corporation <sup>(Note)</sup>	199,046,474	4.52	3.36
CHENG Jie	Supervisor	A Share	Beneficial owner	6,309	0.00014	0.00011

*Note:* 199,046,474 Shares of the Bank are held directly by Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司), which is owned as to 90% by Mr. ZHU Zhihui, a Supervisor of the Bank. By virtue of the SFO, Mr. ZHU Zhihui is deemed to be interested in the Shares held by Henan Guoyuan Trade Co., Ltd.

Save as disclosed above, none of the Directors, Supervisors or chief executive of the Bank held any interests or short positions in the Shares, underlying Shares and debentures of the Bank or its associated corporations as at the end of the Reporting Period.

### 5 STAFF

#### 5.1 Composition

As at the end of the Reporting Period, the Bank had 4,676 employees, and its subsidiaries had 253 employees. The Group had a total of 4,929 in-service employees.

##### *By department/function*

Job category	Number of employees	Percentage
Corporate banking	640	13%
Retail banking	1,359	28%
Risk management, internal audit and compliance	401	8%
Finance and accounting	1,357	27%
Information technology	191	4%
Business management and support	981	20%
<b>Total</b>	<b>4,929</b>	<b>100%</b>

## CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

### By age

Age group	Number of employees	Percentage
30 years old or below	2,153	44%
31 to 40 years old	1,807	36%
41 to 50 years old	828	17%
Over 50 years old	141	3%
<b>Total</b>	<b>4,929</b>	<b>100%</b>

### By level of education

Highest level of education	Number of employees	Percentage
Master's degree or above	920	19%
Bachelor's degree	3,519	71%
Non-degree tertiary	398	8%
Others	92	2%
<b>Total</b>	<b>4,929</b>	<b>100%</b>

### 5.2 Staff Training Plan

The Bank formulated the training plan based on the annual development strategies and the business development needs. The Bank strengthened the construction of the training management mechanism, providing a strong talent pool and institutional support for the long-term development of the Bank. During the Reporting Period, the Bank consolidated the three-level training resources at its headquarters, branches and sub-branches as well as launching leadership training for senior-/mid-level management, training camps for president of model bank in commercial logistics, training for professional officials, training on professional knowledge and marketing skills for junior staff, new staff training and reserve cadres training for head office staff according to the core business of each line. In addition, the Bank has remained committed to building mobile learning platforms and internal instructor teams, offering sound faculty and on-line platform support.

### 5.3 Remuneration Policy for Staff

The Bank adheres to the principles of “fairness, competition and incentivization” in formulating its remuneration policy. In other words, the remuneration policy shall be able to reflect external fairness, internal fairness and individual fairness of salary; it shall be conducive to enhancing our market competitiveness and attractiveness to talented people. When adjusting its remuneration structure, the Bank will increase the level of remuneration for positions whose remunerations are far below the market level by reference to market salary levels, so as to ensure the level of remuneration offered by us is competitive; and it shall also be able to make our salary more incentivized, namely to motivate our employees by incorporating floating wages and performance-linked bonus and other incentive components into our salary packages, and to provide employees at different positions with equal promotion opportunities by designing different promotion channels. The Bank makes social insurance contributions and housing provident fund contributions and provides other employee benefit packages for employees in accordance with applicable laws, rules and regulations of the PRC.

# CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

## 6 BASIC INFORMATION OF INSTITUTIONS UNDER THE BANK

The following table sets out the branches and sub-branches of the Bank as at the end of the Reporting Period:

Region	Name of branch	Business address (China)	Number of institutions under the Bank	Number of employees	Asset size (RMB'000)
Zhengzhou, Henan	Headquarters	22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou City, Henan Province	In charge of 116 branch institutions in districts of Zhengzhou for conducting external business and 50 institutions in other prefectural-level cities in Henan for conducting external business	4,676	463,689,603
Zhengzhou, Henan	Branch institutions in districts of Zhengzhou for conducting external business directly managed by the headquarters	–	99	3,443	398,615,952
Zhengzhou, Henan	Small Business Financial Service Centre	Room 102, 1-2/F and Room 301-309, 3/F, 4A, North of Longhu Zhonghuan South Road and East of Jiuru Road, Zhengdong New District, Zhengzhou City, Henan Province	In charge of 17 institutions for conducting external business	286	5,431,527
Nanyang, Henan	Nanyang	The junction of Zhongjing Road and Fanli Road, Wancheng District, Nanyang City, Henan Province	In charge of 10 institutions for conducting external business	159	7,359,450
Xinxiang, Henan	Xinxiang	No. 278, Xiangyang Road, Xinxiang City, Henan Province	In charge of seven institutions for conducting external business	118	3,528,672
Luoyang, Henan	Luoyang	Longan Building (隆安大廈), the junction of Guanlin Road and Houzaimen Street, Luolong District, Luoyang City, Henan Province	In charge of seven institutions for conducting external business	120	11,804,686
Anyang, Henan	Anyang	Yiwu International Business & Trade Mansion, the junction of Zhonghua Road and Delong Street, Andong New District, Anyang City, Henan Province	In charge of seven institutions for conducting external business	82	9,336,183

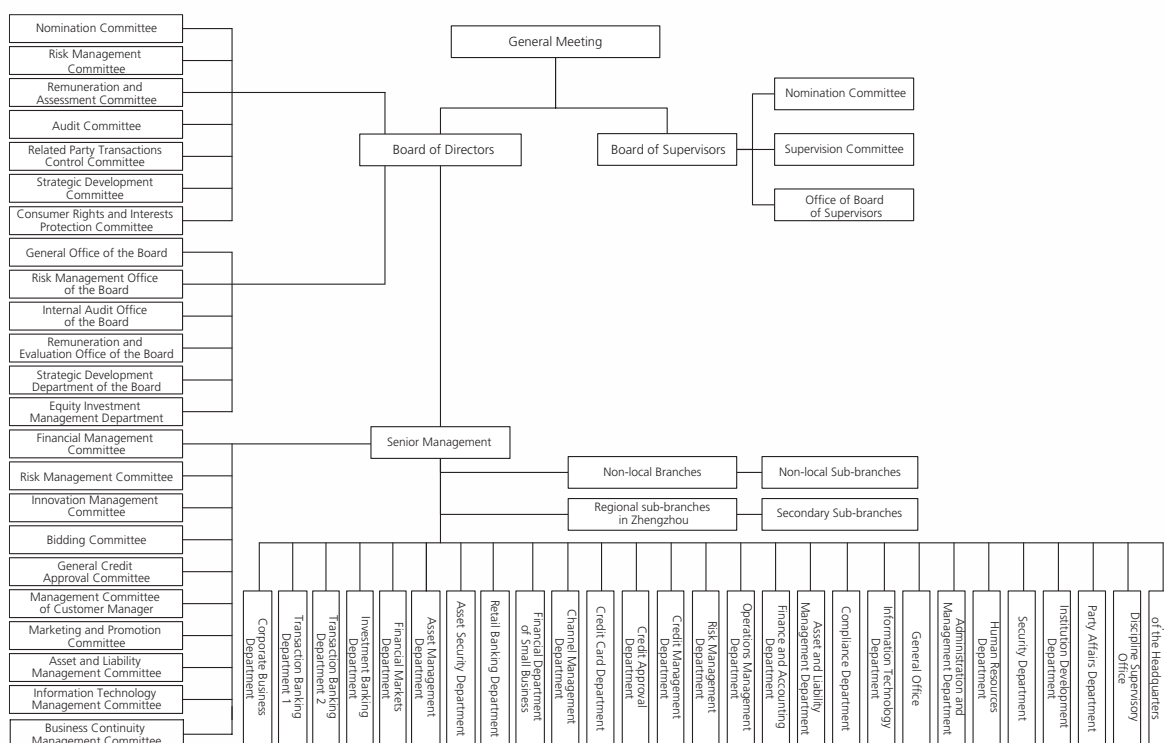
## CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

Region	Name of branch	Business address (China)	Number of institutions under the Bank	Number of employees	Asset size (RMB'000)
Shangqiu, Henan	Shangqiu	Floor A2B, Siji Harbour, Wenhua Road North and Zhongzhou Road East, Liangyuan District, Shangqiu City, Henan Province	In charge of five institutions for conducting external business	98	5,921,779
Xuchang, Henan	Xuchang	Juncheng International Building (亨通君成國際大廈), the junction of Liancheng Avenue and Weiwen Road, Weidu District, Xuchang City, Henan Province	In charge of three institutions for conducting external business	64	3,993,936
Luohe, Henan	Luohe	Floor 1-5, Changjian International (昌建國際), the junction of Songshan West Branch Road and Mudanjiang Road, Yancheng District, Luohe District, Henan Province	In charge of three institutions for conducting external business	49	2,224,233
Xinyang, Henan	Xinyang	Floor 1-2, Zhongle Baihua Mansion (中樂百花公館), the junction of Xinqi Avenue and Xinba Street, Yangshan New District, Xinyang City, Henan Province	In charge of four institutions for conducting external business	69	3,403,023
Puyang, Henan	Puyang	The northwest of junction of Renmin Road and Kaizhou Road, Hualong District, Puyang City, Henan Province	In charge of one institution for conducting external business	59	2,644,575
Pingdingshan, Henan	Pingdingshan	The southeast of junction of Kaiyuan Road and Qinggong Road, Zhanhe District, Pingdingshan City, Henan Province	In charge of one institution for conducting external business	44	4,208,488
Zhumadian, Henan	Zhumadian	The southwest of junction of Huaihe Avenue and Tianzhongshan Avenue, Zhumadian City, Henan Province	In charge of one institution for conducting external business	38	2,521,177
Kaifeng, Henan	Kaifeng	The southeast of junction of Jinming Avenue and Hanxing Road, Kaifeng City, Henan Province	In charge of one institution for conducting external business	47	2,695,922

**Note:** On 11 July 2019, the Bank opened its Zhoukou Branch. The business address is Southeast Corner, Intersection of Traffic Avenue and Bayi Avenue, Zhoukou City, Henan Province.

# CHAPTER VII CORPORATE GOVERNANCE

## 1 ORGANIZATIONAL STRUCTURE OF THE BANK



**Note:** During the Reporting Period, as approved by the Board, the Electronic Banking Department and the Internet Finance Department were closed down and merged into the Channel Management Department, the Science and Technology Development Department was renamed as the Information Technology Department, and the Asset and Liability Management Department was added.

## 2 OVERVIEW OF CORPORATE GOVERNANCE

The Bank has established a more comprehensive corporate governance structure in which the duties of the general meeting, the Board of Directors, the Board of Supervisors and senior management are clearly defined and performed separately, and with effective checks and balances in place to protect and safeguard the legitimate interests of domestic and foreign shareholders and other stakeholders. During the Reporting Period, the Bank continuously optimized its corporate governance structure, improved the corporate governance systems and enhanced the level of corporate governance in strict accordance with the requirements of the Company Law, the Securities Law, the Corporate Governance Guidelines for Listed Companies issued by the CSRC, the SZSE Listing Rules, the Guidelines for the Standardized Operation of Listing Companies on the SME Board of the SZSE, and the Stock Exchange Listing Rules, in combination with the Bank's corporate governance practice. There had been no inconsistency between the Bank's actual corporate governance and the relevant provisions of the Company Law and the CSRC, nor had the Bank received any documents on administrative or regulatory measures from the regulatory authorities requiring rectification within a time limit. Meanwhile, the Bank strictly abided by the code provisions of the Corporate Governance Code and the relevant listing rules on inside information disclosure. The Directors are not aware of any information indicating that the Bank had not complied with the code provisions set out in the Corporate Governance Code during the Reporting Period.

## CHAPTER VII CORPORATE GOVERNANCE

### 3 CONVENING OF GENERAL MEETING

Number and session	Investor participation ratio	Date of convening	Date of disclosure	Disclosure index
2018 AGM	59.25%	24 May 2019	24 May 2019	The website of the Hong Kong Stock Exchange ( <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> ) The website of the Bank ( <a href="http://www.zzbk.com.cn">www.zzbk.com.cn</a> )
			25 May 2019	The website of CNINFO ( <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> )

On 24 May 2019, the Bank held the 2018 AGM in Zhengzhou, Henan Province. In the meeting, 14 resolutions regarding, among other things, the Board of Directors' report, the Board of Supervisors' report, the Annual Final Accounts Report, the profit distribution plan, the Estimated Quota on Recurring Related Party Transactions for 2019, the amendments to the Articles of Association, and the general mandate to issue Shares were considered and approved. The convening of the general meeting, the notice, the holding and voting procedures were in line with the relevant provisions of the relevant laws and regulations and the Articles of Association.

During the Reporting Period, no preference shareholders of the Bank with voting rights resumed requested to convene an extraordinary general meeting, convened or chaired any general meetings or proposed any provisional proposals at a general meeting.

### 4 MEETINGS HELD BY THE BOARD OF DIRECTORS AND ITS SPECIAL COMMITTEES

During the Reporting Period, the Board of Directors held six meetings, at which 45 resolutions were considered and approved. The special committees of the Board of Directors held 18 meetings in total, at which 43 resolutions were considered and approved. Specifically, the Strategic Development Committee held two meetings at which three resolutions were considered and approved; the Risk Management Committee held two meetings at which nine resolutions were considered and approved; the Related Party Transactions Control Committee held four meetings at which eight resolutions were considered and approved; the Audit Committee held three meetings at which 16 resolutions were considered and approved; the Nomination Committee held four meetings at which four resolutions were considered and approved; the Remuneration and Assessment Committee held one meeting at which one resolution was considered and approved; and the Consumer Rights and Interests Protection Committee held two meetings at which two resolutions were considered and approved.

### 5 MEETINGS HELD BY THE BOARD OF SUPERVISORS AND ITS SPECIAL COMMITTEES

During the Reporting Period, the Board of Supervisors held a total of four meetings, at which 11 resolutions were considered and approved. The Nomination Committee of the Board of Supervisors held one meeting at which three resolutions were considered and approved.

### 6 AMENDMENTS TO THE ARTICLES OF ASSOCIATION

During the Reporting Period, the Bank, based on its actual conditions, had amended certain articles in the Articles of Association in compliance with laws and regulations including the Company Law and the Interim Measures for Management of Commercial Bank Equity, as well as the requirements of regulatory documents. The amendments were considered and approved at the 2018 AGM and obtained the approval from banking regulatory authorities. For details about the amendments, please refer to the announcements of the Bank published on the websites of CNINFO, on 29 March 2019, 2 April 2019, 30 April 2019, 25 May 2019 and 25 July 2019 and Hong Kong Stock Exchange on 29 March 2019, 2 April 2019, 24 May 2019 and 25 July 2019 and the circular dated 30 April 2019.

## CHAPTER VII CORPORATE GOVERNANCE

### 7 INTERNAL CONTROL AND INTERNAL AUDIT

#### Internal Control

During the Reporting Period, with focus on strengthening internal control, the Bank continuously improved various business processes and mechanisms and enhanced the guiding and promotional effect of the endogenous power of internal control compliance management. Firstly, the Bank promoted the construction of compliance culture to enhance the awareness of legal compliance. The Bank held the 2019 “Compliance Risk Culture Year” event to create the atmosphere of sound compliance culture, and ensured legal compliance and stability of its operation. It provided its staff with all-round and multi-level training and education, including induction training, on-going training and warning education in order to spread compliance concepts. In addition, the Bank compiled and issued the Special Issue on Legal Compliance (法律合規專刊), collected compliance advice and operated risk information on the WeChat communication platform, with an aim to consolidating the compliance management results. The Bank also selected “Advanced Compliance Management Units”, carried out legal compliance knowledge competition and implemented violation point assessment to create a compliant environment. Secondly, the Bank established regulations and systems and improved the internal control system. By constantly rationalizing the systems, internalizing regulatory rules and initiating post-event evaluation on the systems, the Bank effectively rectified the loopholes in the systems and made up for management weaknesses. Thirdly, the Bank rationalized the business processes and completed the internal control mechanism. It organized and commenced business processes rationalization and operational risk identification assessment, analyzing major business processes, identifying potential operational risks and the potential impacts, determining key control measures and assessing their effectiveness. Fourthly, the Bank firmly carried out internal control compliance inspections and built risk prevention and control barriers. It conducted off-site monitoring and early warning and normalized on-site compliance inspections. It dispatched five teams of full-time compliance managers to conduct daily inspections on various branches and sub-branches, carry out special inspections on key business areas, and report the identified internal control weaknesses to relevant departments and the senior management by ways of early warning, compliance recommendations, management reports, etc.

#### Internal Audit

In accordance with the requirements of the Guidelines on Internal Audit of Commercial Banks and Guidelines on Internal Control of Commercial Banks, the Bank has established an independent and vertical internal audit management system. The internal audit department of the Bank is subordinated to the Board of Directors and works under the specific guidance of the Audit Committee of the Board of Directors. Adhering to the principles of independence, objectivity and significance, the internal audit department conscientiously performs its duties, regularly reports to the Board of Directors and the Board of Supervisors on the progress of the audit work, and timely submits audit reports and informs the senior management in accordance with regulatory requirements and relevant system requirements. It establishes the overall planning and annual work plan for internal audit of the Bank, and makes arrangements for and implements the audit of various business activities, operation status and financial obligations of key staff members of the Bank during their tenure of service; inspects and evaluates the implementation of laws, regulations and rules and suggests improvements to the management.

# CHAPTER VIII SIGNIFICANT EVENTS

## 1 PROFIT DISTRIBUTION DURING THE REPORTING PERIOD

As considered and approved at the 2018 AGM held on 24 May 2019, the Bank had distributed the cash dividend for the year 2018 to the A shareholders whose names appeared on the register of members of A Shares of the Bank on 18 June 2019 and to the H shareholders whose names appeared on the register of members of H Shares of the Bank on 4 June 2019. A final dividend of RMB1.50 per 10 Shares (tax inclusive) was paid, with the total dividends distributed by the Bank amounting to approximately RMB888,290,000.

The Bank has no plan to distribute cash interim dividends and bonus Shares or transfer capital reserves fund into its capital for the first half of 2019.

## 2 ISSUANCE AND REPURCHASE OF BONDS

The Bank issued 10-year tier II capital bonds in 2014 with an aggregate principal of RMB2 billion and interest rate of 5.73% per annum. Such bonds will be due on 15 December 2024.

The Bank issued the tier II capital bonds in an amount of RMB3 billion with a fixed rate for a term of 10 years in the national interbank bond market on 19 December 2016. The Bank shall have a redemption right at the end of the fifth year and the coupon rate is 4.10%.

The Bank issued the tier II capital bonds in an amount of RMB2 billion with a fixed rate for a term of 10 years in the national interbank bond market on 30 March 2017. The Bank shall have a redemption right at the end of the fifth year and the coupon rate is 4.80%.

The Bank issued the first tranche of green financial bonds (Bonds code: 1720065) for a maturity term of three years and a coupon rate of 4.70% in the national interbank bond market through bookbuilding on 5 September 2017. The proceeds from the issuance of the bonds was specially used for green industry projects as defined in the List of Projects Supported by Green Financial Bonds (《綠色金融債券支持項目目錄》) formulated by the Green Finance Committee of China Society of Finance & Banking (中國金融學會綠色金融專業委員會).

The Bank issued the first tranche of green financial bonds (Bonds code: 1920043) for a maturity term of three years and a coupon rate of 3.70% in the national interbank bond market through bookbuilding on 3 June 2019. The proceeds from the issuance of the bonds was specially used for green industry projects as defined in the List of Projects Supported by Green Financial Bonds formulated by the Green Finance Committee of China Society of Finance & Banking.

## 3 MATTERS RELATING TO BANKRUPTCY REORGANIZATION

During the Reporting Period, the Bank has no matters relating to bankruptcy reorganization.

## 4 SIGNIFICANT LITIGATION AND ARBITRATION

The Bank was involved in certain litigation and arbitration matters arising from its ordinary course of business due to the recovery of borrowings and other reasons. It is expected that these litigations and arbitrations will not have a material adverse impact on the Bank's financial position or operating results. As at the end of the Reporting Period, the amount of the pending litigations and arbitrations in which the Bank as the plaintiff or the applicant was RMB2,340 million; the total amount of the pending litigation and arbitration of the Bank as the defendant or the respondent was RMB3 million.

## 5 GENERAL MEDIA QUERIES

During the Reporting Period, the Bank had no general media queries.



## CHAPTER VIII SIGNIFICANT EVENTS

### 6 SIGNIFICANT RELATED PARTY TRANSACTIONS

In accordance with the Administrative Measures for Related Party Transactions Between Commercial Banks and Insiders or Shareholders, the SZSE Listing Rules, the Accounting Standards for Business Enterprises, and other laws, administrative rules, departmental regulations and regulatory documents, the Bank continuously perfected the Administrative Measures for Related Party Transactions and other systems, improved the management mechanism of related party transactions, and prudently approved related party transactions in reliance on technology system, so as to prevent the risk of related party transactions. During the Reporting Period, related party transactions between the Bank and its related parties are conducted in the ordinary course of its business with terms and prices agreed in accordance with the principles of good faith and fairness as well as on conditions no better than non-related party transactions of the same type. Such related party transactions had no significant impact on the operation results and financial conditions of the Bank and the indicators on the control of related party transactions were in compliance with related regulations of regulatory authorities.

#### 6.1 Related Corporations Directly or Indirectly Holding 5% or more Shares of the Bank

Name of the related party	Relationship with the related party	Place of registration	Organization type	Registered capital	Legal representative	Principal business	Change(s) in the Reporting Period
Zhengzhou Finance Bureau (鄭州市財政局)	Shareholder	N/A	Government departments	N/A	N/A	N/A	Nil
Henan Investment Group Co., Ltd. (河南投資集團有限公司)	Shareholder	Zhengzhou, Henan	Company with limited liability (wholly state-owned)	RMB12 billion	LIU Xinyong	Investment management, investment in construction projects, industrial production information as well as machinery and equipment required for construction projects, sale of raw materials of products for investment projects (other than those subject to national specific regulations); housing lease (For any of the above-mentioned businesses which are subject to approval, the company is not allowed to operate such business before obtaining approval)	Nil

#### 6.2 Significant Related Party Transactions

In accordance with the relevant requirements of the Administrative Measures for Related Party Transactions Between Commercial Banks and Insiders or Shareholders and the Administrative Measures for Related Party Transactions of the Bank, the definitions of related party transactions are as follows:

A general related party transaction shall refer to a transaction between the Bank and a single related party with an amount of no more than 1% of the net capital of the Bank and the balance of the transactions between the Bank and the related party after such transaction shall constitute no more than 5% of the net capital of the Bank. A significant related party transaction shall refer to a transaction between the Bank and a single related party with an amount of more than 1% of the net capital of the Bank or the balance of the transactions between the Bank and the related party after such transaction shall constitute more than 5% of the net capital of the Bank. If the transaction is non-credit-grant-type, the transaction amount shall be the cumulative amount of all relevant transaction balances between the Bank and the same related party conducted within a consecutive 12-month period; if the transaction is credit-grant-type, the transaction amount shall be the credit balance between the Bank and the same related party; if the transaction involves both non-credit-grant-type and credit-grant-type, the transaction amount shall be summarized and calculated. In calculating the amount of transactions between a natural person related party and the Bank, the transactions between the person's close relatives and the Bank shall be aggregated; in calculating the amount of transactions between a legal person related party or other organizations and the Bank, the transactions between the legal persons or other organizations constituting a group client and the Bank shall be aggregated.

## CHAPTER VIII SIGNIFICANT EVENTS

### 6.3 Implementations of Related Party Transactions

The 2018 AGM of the Bank considered and approved the Resolution on the Estimated Quota on Recurring Related Party Transactions for 2019 of Bank of Zhengzhou Co., Ltd. During the Reporting Period, all related party transactions of the Bank were in compliance with the target and requirement of restriction on credit grant to related parties for 2019. Their details are as follows:

#### 6.3.1 Corporation-type related party transactions

Unit: RMB100 million

Number	Related group client	Estimated quota on recurring related party transactions	Actual total credit granted	Related legal persons	Credit granted
1	Henan Zhengyang Construction Engineering Group Co., Ltd. (河南正陽建設工程集團有限公司) and its related parties	25.00	15.50	Henan Zhengyang Construction Engineering Group Co., Ltd. (河南正陽建設工程集團有限公司) Henan Zensun Property Management Co., Ltd. (河南正商物業管理有限公司) Henan Hongguang Zensun Property Co., Ltd. (河南宏光正商置業有限公司) Zhengzhou Airport Economic Comprehensive Experimental Zone Zhenghui Micro-credit Ltd. (鄭州航空港經濟綜合實驗區正輝小額貸款有限公司) ZH International Holdings Limited (正恒國際控股有限公司)	4.20 2.10 1.70 0.50 (USD) 1.00
2	Henan Huida Jiarui Property Co., Ltd. (河南輝達嘉睿置業有限公司) and its related parties	29.00	22.00	Henan Huida Construction Investment Co., Ltd. (河南輝達建設投資有限公司) Zhengzhou Huida Industrial Development Co., Ltd. (鄭州輝達實業發展有限公司) Henan Xincheng Real Estate Co., Ltd. (河南新城置業有限公司) Zhengzhou Yingshou Trading Co., Ltd. (鄭州盈首商貿有限公司) Henan Yingshuo Construction Engineering Co., Ltd. (河南盈碩建築工程有限公司)	8.74 5.00 1.80 1.20 5.26
3	Henan Asset Management Company Limited (河南資產管理有限公司) and its related parties	19.00	13.90	Henan Asset Management Company Limited (河南資產管理有限公司)	13.90
4	Zhengzhou Construction Investment Group Co., Ltd. (鄭州市建設投資集團有限公司) and its related parties	20.00	11.90	Zhengzhou Construction Investment Group Co., Ltd. (鄭州市建設投資集團有限公司) Zhengzhou Transportation Construction Investment Co., Ltd. (鄭州交通建設投資有限公司) Zhengzhou Road and Bridge Construction Investment Group Co., Ltd. (鄭州路橋建設投資集團有限公司) Zhengzhou Highway Engineering Company (鄭州市公路工程公司)	5.00 3.00 1.90 2.00

**Note:** During the Reporting Period, before Resolution on the Estimated Quota on Recurring Related Party Transactions for 2019 of Bank of Zhengzhou Co., Ltd. was considered and approved at the 2018 AGM of the Bank, the Bank had granted credit of RMB50 million and USD100 million to Zhengzhou Airport Economic Comprehensive Experimental Zone Zhenghui Micro-credit Ltd. (鄭州航空港經濟綜合實驗區正輝小額貸款有限公司) and ZH International Holdings Limited (正恒國際控股有限公司), respectively (equivalent to approximately RMB700 million). For details, please refer to the announcements of the Bank dated 30 April 2019 and 25 May 2019 as published on the website of CNINFO and the circular dated 30 April 2019 and the announcement dated 24 May 2019 as published on the website of Hong Kong Stock Exchange.

## CHAPTER VIII SIGNIFICANT EVENTS

### 6.3.2 Related party transactions of subsidiaries

During the Reporting Period, the Bank granted credit of RMB100 million to each of Xinzheng Zhengyin County Bank and Yanling Zhengyin County Bank. As at the end of the Reporting Period, the Bank's balance of wealth management products purchased by the affiliated county banks of the Bank amounted to RMB2,630 million in total. The above transactions did not exceed the limit set out in the Estimated Quota on Recurring Related Party Transactions.

### 6.3.3 Related party transactions with natural person

During the Reporting Period, the Bank had no significant related party transaction with natural person related party.

## 7 PUNISHMENT AND REMEDIAL ACTIONS OF THE BANK AND THE DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OF THE BANK AND SHAREHOLDERS HOLDING MORE THAN 5% OF THE BANK'S SHARES

During the Reporting Period, none of the Bank, the current and former Directors, Supervisors, senior management personnel of the Bank or shareholders with shareholding of more than 5% was subject to investigation by competent authorities, enforcement actions by judiciary authorities or disciplinary departments, or brought before relevant judiciary authorities or being investigated for criminal responsibilities, investigations or administrative punishments by the CSRC, prohibitions against entry into or being identified as an inappropriate person for the securities markets, punishment by other administrative authorities or public reprimands by any stock exchange.

## 8 INTEGRITY OF THE BANK AND ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

As at the end of the Reporting Period, the Bank had no controlling shareholders or de facto controllers. During the Reporting Period, the Bank and its biggest shareholder had no failure to execute an effective court judgment, or any large amount of due outstanding debts.

## 9 UNDERTAKINGS FULLY PERFORMED BY THE BANK'S DE FACTO CONTROLLER, SHAREHOLDERS, RELATED PARTIES, PURCHASERS AND THE BANK DURING THE REPORTING PERIOD AND UNDERTAKINGS NOT FULLY PERFORMED AS AT THE END OF THE REPORTING PERIOD

All undertakings given by the de facto controller, shareholders, related parties, purchasers and the Bank as set out in the Bank's 2018 annual report were still being performed, and there were neither undertakings fully performed during the Reporting Period nor undertakings not fully performed as at the end of the Reporting Period.

## 10 SIGNIFICANT CONTRACTS AND INFORMATION ON THEIR PERFORMANCE

### 10.1 Entrustment, Contracting and Leasing Matters

During the Reporting Period, the Bank had no significant contracts on significant entrustment, contracting and leasing matters.

### 10.2 Significant Guarantees

During the Reporting Period, the Bank did not have any material guarantee that needed to be disclosed save for the financial guarantees within the business scope as approved by the PBoC and the CBIRC.

## CHAPTER VIII SIGNIFICANT EVENTS

### 10.3 Other Significant Contracts

During the Reporting Period, the Bank had no other significant contractual matters requiring disclosure, other than those disclosed in this Report, other announcements and circulars of the Bank.

### 11 AUDIT REVIEW

The unaudited financial statements for the six months ended 30 June 2019 prepared by the Bank according to the PRC GAAP/IFRS have been reviewed by KPMG Huazhen LLP/KPMG, Certified Public Accountants respectively. The reports have been reviewed by the Audit Committee of the Board and the Board of Directors of the Bank.

### 12 APPOINTMENT AND DISMISSAL OF AUDITORS

Upon consideration and approval at the 2018 AGM, the Bank reappointed KPMG Huazhen LLP and KPMG as the Bank's domestic and international auditors for 2019, respectively, whose term of office will end at the close of the Bank's annual general meeting for 2019.

### 13 SHARE OPTION SCHEME, EMPLOYEE SHARE OWNERSHIP SCHEME AND OTHER EMPLOYEE INCENTIVE MEASURES AND THEIR IMPLEMENTATIONS DURING THE REPORTING PERIOD

During the Reporting Period, the Bank did not implement any form of share option scheme, employee share ownership scheme or other employee incentive measures.

### 14 LOAN-AGREEMENTS OR FINANCIAL ASSISTANCE OF THE BANK

During the Reporting Period, the Bank did not provide any of its affiliated companies with any financial assistance or guarantees required to be disclosed under Rule 13.16 of the Stock Exchange Listing Rules. The Bank does not have a controlling shareholder or de facto controller, nor has it entered into any loan agreement with covenants relating to specific performance of the controlling shareholder or breached the terms of any loan agreement.

### 15 MISAPPROPRIATION OF FUNDS BY THE CONTROLLING SHAREHOLDERS AND OTHER RELATED PARTIES OF THE BANK FOR NON-OPERATING PURPOSES

There was no misappropriation of funds of the Bank by the controlling shareholders or other related parties of the Bank.

### 16 SPECIAL STATEMENT AND INDEPENDENT OPINION OF INDEPENDENT NON-EXECUTIVE DIRECTORS ON EXTERNAL GUARANTEES OF THE BANK AND MISAPPROPRIATION OF FUNDS BY THE CONTROLLING SHAREHOLDERS AND OTHER RELATED PARTIES OF THE BANK

Guarantee business is one of the regular banking businesses of the Bank, which is approved by the PBoC and the CBIRC. The Bank attached great importance to the risk management of this business, strictly implemented relevant operation processes and approval procedures and effectively controlled the risk of external guarantee business. During the Reporting Period, the Bank meticulously implemented the relevant requirements of notice Zhengjianfa [2003] No.56 issued by the CSRC and had no unlawful guarantees.

As at the end of the Reporting Period, there was no misappropriation of funds by the controlling shareholders or other related parties of the Bank.

## CHAPTER VIII SIGNIFICANT EVENTS

### 17 SIGNIFICANT ACQUISITION, DISPOSAL OR ABSORPTION OF ASSETS AND EQUITY

During the Reporting Period, the Bank had no significant acquisition, disposal or absorption of assets and equity.

### 18 RESTRICTION ON RIGHTS OF ASSETS AS AT THE END OF THE REPORTING PERIOD

As at the end of the Reporting Period, there was no circumstances under which the major assets of the Bank were seized, detained, frozen, mortgaged or pledged so that they could be realized only under certain conditions, or that they could not be realized or used to pay debts; neither were there any circumstances or arrangements under which the rights of occupation, application, beneficiary and disposal of such assets were subject to restriction.

### 19 EXPLANATION ON OTHER SIGNIFICANT EVENTS

During the Reporting Period, the Bank had no other significant events, other than those disclosed in the Report, other announcements and circulars of the Bank.

### 20 SIGNIFICANT EVENTS OF THE BANK'S SUBSIDIARIES

During the Reporting Period, the Bank's subsidiaries had no significant events.

### 21 SUBSEQUENT EVENTS

On 16 July 2019, the Board resolved to issue not more than 1,000,000,000 A shares (including principal) to not more than 10 (including principal) designated parties through private offering, with a proceed of not more than RMB6,000,000,000 (including principal). For details, please refer to the paragraph headed "Issuance and Listing of Securities" under the chapter of "Changes in Share Capital and Information on Shareholders" in this Report.





# CHAPTER IX FINANCIAL REPORT

## **Review report to the board of directors of Bank of Zhengzhou Co., Ltd.**

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

### **INTRODUCTION**

We have reviewed the interim financial report set out on pages 107 to 219 which comprises the consolidated statement of financial position of Bank of Zhengzhou Co., Ltd. (the “Bank”) and its subsidiaries (collectively the “Group”) as at 30 June 2019 and the related consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **SCOPE OF REVIEW**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

### **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

#### **KPMG**

*Certified Public Accountants*

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

20 August 2019

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019 – unaudited  
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2019 (unaudited)	2018 (unaudited)
Interest income		10,318,812	8,920,749
Interest expense		(6,379,217)	(6,099,125)
<b>Net interest income</b>	4	<b>3,939,595</b>	2,821,624
Fee and commission income		840,485	993,991
Fee and commission expense		(64,909)	(35,415)
<b>Net fee and commission income</b>	5	<b>775,576</b>	958,576
Net trading gains/(losses)	6	326,170	(71,054)
Net gains arising from investments	7	1,176,162	1,416,422
Other operating income	8	14,082	10,810
<b>Operating income</b>		<b>6,231,585</b>	5,136,378
Operating expenses	9	(1,716,342)	(1,429,585)
Impairment losses on assets	10	(1,485,424)	(696,523)
<b>Operating profit</b>		<b>3,029,819</b>	3,010,270
Share of profits of associates	20	29,095	26,331
<b>Profit before taxation</b>		<b>3,058,914</b>	3,036,601
Income tax expense	11	(548,880)	(653,836)
<b>Profit for the period</b>		<b>2,510,034</b>	2,382,765
<b>Net profit attributable to:</b>			
Equity shareholders of the Bank		2,469,317	2,366,553
Non-controlling interests		40,717	16,212
		<b>2,510,034</b>	2,382,765

The notes on pages 116 to 219 form part of this interim financial report.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2019 – unaudited  
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2019 (unaudited)	2018 (unaudited)
<b>Profit for the period</b>		<b>2,510,034</b>	2,382,765
<b>Other comprehensive income:</b>			
Other comprehensive income net of tax attributable to equity shareholders of the Bank			
Items that may be reclassified subsequently to profit or loss			
– Net gain from debt instruments measured at fair value through other comprehensive income		<b>29,269</b>	8,716
Items that will not be reclassified subsequently to profit or loss			
– Remeasurement of net defined benefit liability		<b>630</b>	12,895
Non-controlling interests		<b>(28)</b>	1,776
<b>Other comprehensive income net of tax</b>		<b>29,871</b>	23,387
<b>Total comprehensive income</b>		<b>2,539,905</b>	2,406,152
<b>Total comprehensive income attributable to:</b>			
Equity shareholders of the Bank		<b>2,499,216</b>	2,388,164
Non-controlling interests		<b>40,689</b>	17,988
		<b>2,539,905</b>	2,406,152
Basic and diluted earnings per share (in RMB)	12	<b>0.42</b>	0.44

The notes on pages 116 to 219 form part of this interim financial report.



# Consolidated Statement of Financial Position

at 30 June 2019 – unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	30 June 2019 (unaudited)	31 December 2018 (unaudited)
<b>Assets</b>			
Cash and deposits with central bank	13	32,434,297	46,224,453
Deposits with banks and other financial institutions	14	2,730,217	2,156,931
Placements with banks and other financial institutions	15	3,699,478	3,768,759
Derivative financial assets	27	18,253	231,551
Financial assets held under resale agreements	16	120,904	3,452,125
Loans and advances to customers	17	171,511,442	153,999,381
Financial investments:			
Financial investments at fair value through profit or loss	18	61,012,165	60,032,975
Financial investments at fair value through other comprehensive income	18	11,403,168	8,175,758
Financial investments measured at amortised cost	18	176,270,740	167,830,054
Finance lease receivables	19	13,044,695	13,710,666
Interest in associates	20	350,176	321,081
Property and equipment	21	2,242,672	2,081,350
Deferred tax assets	22	2,242,755	1,947,787
Other assets	23	2,714,604	2,209,547
<b>Total assets</b>		<b>479,795,566</b>	<b>466,142,418</b>
<b>Liabilities</b>			
Due to central bank	24	5,197,523	4,196,194
Deposits from banks and other financial institutions	25	19,594,468	27,398,665
Placements from banks and other financial institutions	26	13,742,459	13,652,888
Derivative financial liabilities	27	77,313	38,501
Financial assets sold under repurchase agreements	28	21,905,063	18,956,133
Deposits from customers	29	274,732,252	267,758,206
Tax payable		668,905	428,752
Debt securities issued	30	101,030,940	93,649,019
Other liabilities	31	3,331,529	2,200,561
<b>Total liabilities</b>		<b>440,280,452</b>	<b>428,278,919</b>

The notes on pages 116 to 219 form part of this interim financial report.

# Consolidated Statement of Financial Position

at 30 June 2019 – unaudited  
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	30 June 2019 (unaudited)	31 December 2018 (unaudited)
<b>Equity</b>			
Share capital	32	5,921,932	5,921,932
Other equity instruments			
Include: preference shares	35	7,825,508	7,825,508
Capital reserve	33	5,163,655	5,163,655
Surplus reserve	33	2,356,214	2,356,214
General reserve	33	5,870,320	5,870,320
Fair value reserve	33	67,859	38,590
Remeasurement of net defined benefit liability	33	(43,862)	(44,492)
Retained earnings	34	11,099,039	9,518,012
Total equity attributable to equity shareholders of the Bank		38,260,665	36,649,739
Non-controlling interests		1,254,449	1,213,760
<b>Total equity</b>		<b>39,515,114</b>	<b>37,863,499</b>
<b>Total liabilities and equity</b>		<b>479,795,566</b>	<b>466,142,418</b>

Approved and authorised for issue by the board of directors on 20 August 2019.

Wang Tianyu  
Chairman of the  
Board of Directors  
Executive Director

Shen Xueqing  
President  
Executive Director

Fu Chunqiao  
Chief accountant

Zhang Zhiyong  
General Manager of the Planning and  
Finance Department

(Company chop)

The notes on pages 116 to 219 form part of this interim financial report.

# Consolidated Statement of Changes in Equity

for the six months ended 30 June 2019 – unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

Attributable to equity shareholders of the Bank												
	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Sub-total	Non-controlling interests	Total equity
Balance at 31 December 2017		5,321,932	7,825,508	3,054,869	2,054,756	5,520,320	(22,667)	(52,614)	8,503,783	32,205,887	1,233,478	33,439,365
Changes in accounting policies		-	-	-	-	-	(1,266)	-	(890,801)	(892,067)	(62,891)	(954,958)
Balance at 1 January 2018 adjusted		5,321,932	7,825,508	3,054,869	2,054,756	5,520,320	(23,933)	(52,614)	7,612,982	31,313,820	1,170,587	32,484,407
Profit for the period		-	-	-	-	-	-	-	2,366,553	2,366,553	16,212	2,382,765
Other comprehensive income	33(d)(e)	-	-	-	-	-	8,716	12,895	-	21,611	1,776	23,387
Total comprehensive income		-	-	-	-	-	8,716	12,895	2,366,553	2,388,164	17,988	2,406,152
Balance at 30 June 2018 (unaudited)		5,321,932	7,825,508	3,054,869	2,054,756	5,520,320	(15,217)	(39,719)	9,979,535	33,701,984	1,188,575	34,890,559

The notes on pages 116 to 219 form part of this interim financial report.



# Consolidated Statement of Changes in Equity

for the six months ended 30 June 2019 – unaudited  
(Expressed in thousands of Renminbi, unless otherwise stated)

Attributable to equity shareholders of the Bank												
	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Sub-total	Non-controlling interests	Total equity
Balance at 1 July 2018		5,321,932	7,825,508	3,054,869	2,054,756	5,520,320	(15,217)	(39,719)	9,979,535	33,701,984	1,188,575	34,890,559
Profit for the period		-	-	-	-	-	-	-	692,278	692,278	26,413	718,691
Other comprehensive income	33(d)(e)	-	-	-	-	-	53,807	(4,773)	-	49,034	(1,228)	47,806
Total comprehensive income		-	-	-	-	-	53,807	(4,773)	692,278	741,312	25,185	766,497
Share capital invested by shareholders												
– Share capital invested by A-share holders		600,000	-	2,108,786	-	-	-	-	-	2,708,786	-	2,708,786
Appropriation of profit:												
– Appropriation to surplus reserve		-	-	-	301,458	-	-	-	(301,458)	-	-	-
– Appropriation to general reserve		-	-	-	-	350,000	-	-	(350,000)	-	-	-
– Cash dividends on preference shares	34(b)	-	-	-	-	-	-	-	(502,343)	(502,343)	-	(502,343)
Sub-total		600,000	-	2,108,786	301,458	350,000	53,807	(4,773)	(461,523)	2,947,755	25,185	2,972,940
Balance at 31 December 2018 (audited)		5,921,932	7,825,508	5,163,655	2,356,214	5,870,320	38,590	(44,492)	9,518,012	36,649,739	1,213,760	37,863,499

The notes on pages 116 to 219 form part of this interim financial report.

# Consolidated Statement of Changes in Equity

for the six months ended 30 June 2019 – unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Attributable to equity shareholders of the Bank										
		Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Sub-total	Non-controlling interests	Total equity
Balance at 1 January 2019		5,921,932	7,825,508	5,163,655	2,356,214	5,870,320	38,590	(44,492)	9,518,012	36,649,739	1,213,760	37,863,499
Profit for the period		-	-	-	-	-	-	-	2,469,317	2,469,317	40,717	2,510,034
Other comprehensive income	33(d)(e)	-	-	-	-	-	29,269	630	-	29,899	(28)	29,871
Total comprehensive income		-	-	-	-	-	29,269	630	2,469,317	2,499,216	40,689	2,539,905
Appropriation of profit:												
Cash dividends for the year 2018		-	-	-	-	-	-	-	(888,290)	(888,290)	-	(888,290)
Balance at 30 June 2019 (unaudited)		5,921,932	7,825,508	5,163,655	2,356,214	5,870,320	67,859	(43,862)	11,099,039	38,260,665	1,254,449	39,515,114

The notes on pages 116 to 219 form part of this interim financial report.

# Consolidated Cash Flow Statement

for the six months ended 30 June 2019 – unaudited  
(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2019 (unaudited)	2018 (unaudited)
<b>Cash flows from operating activities</b>		
Profit before tax	3,058,914	3,036,601
<i>Adjustments for:</i>		
Impairment losses on assets	1,485,424	696,523
Depreciation and amortisation	237,150	147,843
Unrealised foreign exchange losses	27,165	254,973
Net losses from disposal of long-term assets	115	2
Net trading gains of financial investments at fair value through profit or loss	(153,397)	(462,997)
Net gains arising from investments	(1,139,596)	(1,383,453)
Share of profits of associates	(29,095)	(26,331)
Interest expense on debt securities issued	1,708,829	1,742,630
Interest income on financial investments	(4,622,181)	(4,164,384)
	573,328	(158,593)
<i>Changes in operating assets</i>		
Net decrease in deposits with central bank	733,727	2,685,373
Net decrease in deposits and placements with banks and other financial institutions	675,106	7,204,457
Net decrease/(increase) in financial investments at fair value through profit or loss	4,922,793	(491,997)
Net increase in loans and advances to customers	(18,356,061)	(11,305,300)
Net decrease/(increase) in financial assets held under resale agreements	3,328,451	(5,735,273)
Net decrease/(increase) in finance lease receivables	661,880	(2,581,844)
Net (increase)/decrease in other operating assets	(395,813)	208,988
	(8,429,917)	(10,015,596)
<i>Changes in operating liabilities</i>		
Net increase/(decrease) in amounts due to central bank	982,500	(550)
Net decrease in deposits and placements from banks and other financial institutions	(7,476,850)	(5,459,568)
Net increase in financial assets sold under repurchase agreements	2,950,920	5,639,250
Net increase in deposits from customers	7,464,314	7,705,327
Net increase in other operating liabilities	235,346	261,326
	4,156,230	8,145,785
Cash used in operations	(3,700,359)	(2,028,404)
Income tax paid	(599,582)	(1,014,318)
<b>Net cash flows used in operating activities</b>	<b>(4,299,941)</b>	<b>(3,042,722)</b>

The notes on pages 116 to 219 form part of this interim financial report.



# Consolidated Cash Flow Statement

for the six months ended 30 June 2019 – unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

		Six months ended 30 June	
	Note	2019 (unaudited)	2018 (unaudited)
<b>Cash flows from investing activities</b>			
Proceeds from disposal and redemption of investments		74,459,313	79,278,323
Proceeds from disposal of property and equipment and other assets		8,842	6,514
Payments on acquisition of investments		(92,456,139)	(79,031,368)
Dividends and interest received		6,095,464	5,216,214
Payments on acquisition of property and equipment and other assets		(473,149)	(276,809)
<b>Net cash flows (used in)/generated from investing activities</b>		<b>(12,365,669)</b>	5,192,874
<b>Cash flows from financing activities</b>			
Proceeds received from debt securities issued		51,618,165	45,706,861
Repayment of debt securities issued		(44,220,987)	(46,944,776)
Interest paid on debt securities issued		(1,724,087)	(2,243,060)
Dividends paid		(888,290)	–
<b>Net cash flows generated from/(used in) financing activities</b>		<b>4,784,801</b>	(3,480,975)
<b>Net decrease in cash and cash equivalents</b>		<b>(11,880,809)</b>	(1,330,823)
<b>Cash and cash equivalents as at 1 January</b>		<b>22,521,114</b>	19,254,054
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>4,537</b>	40,764
<b>Cash and cash equivalents as at 30 June</b>	36	<b>10,644,842</b>	17,963,995
<b>Net cash flows generated from operating activities include:</b>			
Interest received		6,816,531	5,084,877
Interest paid		(5,328,574)	(4,524,156)

The notes on pages 116 to 219 form part of this interim financial report.

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 1 BACKGROUND INFORMATION

Bank of Zhengzhou Co., Ltd., formerly known as City Commercial Bank of Zhengzhou Co., Ltd., is a joint-stock commercial bank established with the approval of the People's Bank of China (the "PBoC") in accordance with the notice of JiyinFu [2000] No. 64. The Bank changed its name to Bank of Zhengzhou Co., Ltd. in October 2009. The registered address is No.22 Business Waihuan Road, Zhengdong New District, Zhengzhou City, Henan Province. The Bank operates in Henan Province of the PRC.

The Bank obtained its financial institution license No. B1036H241010001 from the former China Banking Regulatory Commission ("the former CBRC"), and obtained its business license No. 410000100052554 from the State Administration for Industry and Commerce of the People's Republic of China (the "PRC"). The Bank is regulated by the China Banking Insurance Regulatory Commission (the "CBIRC") authorized by the State Council.

In December 2015, the Bank's H-shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 06196). In September 2018, the Bank's A-share was listed on the SME Board of the Shenzhen Stock Exchange (Stock code: 002936).

The principal activities of the Bank and its subsidiaries (collectively the "Group") includes taking deposits from the public; extending short-term, medium-term and long-term loans; effecting domestic settlements; accepting and discounting bills; issuing financial bonds; acting as the issuing agent, cashing agent and the underwriting of government bonds; trading government bonds; engaging in interbank borrowings; financial leasing; offering guarantees; providing safe-deposit box service; collecting and making payments as agent and acting as insurance agent; accepting entrusted loans and other businesses approved by the banking regulatory authorities under the State Council.

For subsidiaries of the Bank, refer to note 20 for more information.

## 2 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (IAS) 34, Interim financial reporting, issued by the International Accounting Standards Board ("IASB").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial report. Details of any changes in accounting policies are set out in note 3.

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 accounting policies and the reported amounts of assets and liabilities, income and expense on a year to date basis. Actual results may differ from these estimates.



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 BASIS OF PREPARATION (CONTINUED)

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 interim financial statements and notes thereon do not include all the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants.

## 3 CHANGES IN ACCOUNTING POLICIES

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

### IFRS 16, Leases

The Group has initially adopted IFRS 16 Leases (“IFRS 16”) from 1 January 2019.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below:

#### Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease (“IFRIC 4”). The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are 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.

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### IFRS 16, Leases (Continued)

#### *Definition of a lease (Continued)*

The Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

#### *Significant accounting policies*

The Group leases many assets, including properties, electronic equipment, transportation, and other office equipment.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group includes all major leases in the balance sheet, and recognises right-of-use assets and lease liabilities.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The Group presents the right-of-use asset in other assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, the Group uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. The Group presents the lease liability in other liabilities.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

#### *Impacts on IFRS 16 transition*

As at 1 January 2019, the Group initially recognized lease liabilities of RMB474 million and right-of-use assets of RMB531 million. The Group chose to measure right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position immediately before the date of initial application. Thus the adoption of the new lease standards does not have any impact on the beginning balance of retained earnings.



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### IFRS 16, Leases (Continued)

#### *Impacts on IFRS 16 transition (Continued)*

The difference between the minimum lease payments in respect of operating leases as at 31 December 2018 and the lease liabilities recognised in the statement of financial position at 1 January 2019 for the Group and the bank is summarised below. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 4.00%.

	Group	Bank
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	565,004	548,270
Lease payments under IFRS 16 (without discounting)	565,004	548,270
Lease liabilities recognised as at 1 January 2019	474,214	458,724

### IFRIC 23, Uncertainty over income tax treatments

This Interpretation provides guidance on how to apply IAS 12, Income taxes when there is uncertainty over whether a tax treatment will be accepted by the tax authority.

Under the Interpretation, the key test is whether it is probable that the tax authority will accept the tax treatment.

If it is probable, then the entity should measure current and deferred tax consistently with the tax treatment in its tax return.

If it is not probable, then the entity should reflect the effect of uncertainty in its accounting for income tax by using the "expected value" approach or the "the most likely amount" approach – whichever better predicts the resolution of the uncertainty and in that case the tax amounts in the financial statements will not be the same as the amounts in the tax return.

The adoption of IFRIC 23 has no material effect on the financial position and financial performance of the Group.

The IASB has issued several other new standards that are first effective for the current accounting period of the Group. None of these standards has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

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

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 4 NET INTEREST INCOME

	Six months ended 30 June	
	2019	2018
<b>Interest income arising from</b>		
Deposits with central bank	237,603	265,786
Deposits and placements with banks and other financial institutions	94,517	214,405
Loans and advances to customers		
– Corporate loans and advances	3,316,743	2,614,727
– Personal loans and advances	1,368,875	1,065,934
– Discounted bills	218,360	77,566
Financial assets held under resale agreements	75,617	143,024
Financial investments	4,622,181	4,200,893
Finance lease receivables	384,916	338,414
Sub-total	10,318,812	8,920,749
<b>Interest expense arising from</b>		
Amounts due to central bank	(70,124)	(29,000)
Deposits and placements from banks and other financial institutions	(752,116)	(1,313,583)
Deposits from customers	(3,637,155)	(2,730,884)
Financial assets sold under repurchase agreements	(210,993)	(283,028)
Debt securities issued	(1,708,829)	(1,742,630)
Sub-total	(6,379,217)	(6,099,125)
<b>Net interest income</b>	<b>3,939,595</b>	<b>2,821,624</b>

- (a) Interest expense on financial liabilities with maturity over five years mainly included the interest expense on deposits from customers and debt securities issued.
- (b) Total interest income arising from financial assets that are not at fair value through profit or loss for the period ended 30 June 2019 amounted to RMB10,319 million (Six months ended 30 June 2018: RMB8,730 million).

The above interest expense related to financial instruments which are not measured at fair value through profit or loss.

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 5 NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2019	2018
<b>Fee and commission income</b>		
Agency and custody services fees	573,216	652,304
Underwriting and advisory fees	121,764	228,347
Acceptance and guarantee services fees	67,249	61,117
Bank card services fees	65,488	46,071
Others	12,768	6,152
Sub-total	840,485	993,991
<b>Fee and commission expense</b>	(64,909)	(35,415)
<b>Net fee and commission income</b>	775,576	958,576

## 6 NET TRADING GAINS/(LOSSES)

	Note	Six months ended 30 June	
		2019	2018
Net gains from debt securities and funds	(a)	350,551	158,723
Net foreign exchange losses	(b)	(24,357)	(229,454)
Net losses from interest rate swap		(24)	(323)
Total		326,170	(71,054)

(a) Net gains from debt securities and funds include gains arising from the buying and selling of, and changes in the fair value of financial assets and liabilities held for trading.

(b) Net foreign exchange losses mainly included losses from purchase and sale of foreign currency spot, net gains/(losses) arising from foreign currency derivatives, and translation of foreign currency monetary assets and liabilities into Renminbi.



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 7 NET GAINS ARISING FROM INVESTMENTS

	Six months ended 30 June	
	2019	2018
Net gains from interbank investments at fair value through profit or loss	1,093,267	1,371,660
Net gains from financial investments at fair value through other comprehensive income	64,672	4,756
Dividend income from equity investments designated as financial investments at fair value through other comprehensive income	1,200	—
Net (losses)/gains from financial investments measured at amortised cost	(19,543)	7,037
Others	36,566	32,969
Total	1,176,162	1,416,422

## 8 OTHER OPERATING INCOME

	Six months ended 30 June	
	2019	2018
Rental income	7,755	6,067
Government grants	1,331	971
Others	4,996	3,772
Total	14,082	10,810

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 9 OPERATING EXPENSES

	Six months ended 30 June	
	2019	2018
Staff costs		
– Salaries, bonuses and allowance	769,770	564,625
– Social insurance and annuity	125,397	110,743
– Supplementary retirement benefits	9,549	3,485
– Staff welfare	83,200	74,580
– Housing allowance	40,402	33,067
– Others	20,085	16,225
Sub-total	1,048,403	802,725
Depreciation and amortisation	237,150	147,843
– Depreciation of right-of-use assets	78,072	–
– Others	159,078	147,843
Rental and property management expenses	37,314	97,448
Office expenses	24,759	27,132
Tax and surcharges	54,730	43,398
Lease liabilities interest expense	9,452	–
Other general and administrative expenses	304,534	311,039
Total	1,716,342	1,429,585

## 10 IMPAIRMENT LOSSES ON ASSETS

	Six months ended 30 June	
	2019	2018
Loans and advances to customers measured at amortised cost	970,189	501,348
Loans and advances to customers at fair value through other comprehensive income	38,071	2,039
Financial investments measured at amortised cost	440,868	140,647
Financial investments at fair value through other comprehensive income	284	(564)
Finance lease receivables	20,000	74,772
Financial assets held under resale agreements	(1,929)	769
Placements with banks and other financial institutions	611	(195)
Deposits with banks and other financial institutions	14	(371)
Off-balance sheet credit commitments	17,316	(21,922)
Total	1,485,424	696,523

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 11 INCOME TAX EXPENSE

### (a) Income tax for the period:

	Note	Six months ended 30 June	
		2019	2018
Current tax		758,201	537,303
Deferred tax	22	(305,423)	172,480
Adjustment for prior years		96,102	(55,947)
Total		548,880	653,836

### (b) Reconciliations between income tax and accounting profit are as follows:

	Note	Six months ended 30 June	
		2019	2018
Profit before tax		3,058,914	3,036,601
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		764,728	759,150
Non-deductible expenses		1,197	1,452
Non-taxable income	(1)	(319,221)	(54,549)
Tax effect of unrecognised tax losses		6,074	3,730
Adjustment for prior period		96,102	(55,947)
Income tax		548,880	653,836

- (1) Non-taxable income consists of interest income from the PRC government bonds, investment return of securities investment fund, and share of profits of associates, which are exempted from income tax under the PRC tax regulations.



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 12 BASIC AND DILUTED EARNINGS PER SHARE

	Six months ended 30 June	
	2019	2018
Earnings:		
Net profit attributable to equity shareholders of the Bank	2,469,317	2,366,553
Profit for the year attributable to ordinary shareholders of the Bank	2,469,317	2,366,553
Shares:		
Weighted average number of ordinary shares (in thousand shares)	5,921,932	5,321,932
Basic and diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB)	0.42	0.44

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

## 13 CASH AND DEPOSITS WITH CENTRAL BANK

	Note	30 June 2019	31 December 2018
Cash on hand		739,300	663,758
Deposits with central bank			
– Statutory deposit reserves	(a)	27,650,667	28,057,980
– Surplus deposit reserves	(b)	3,656,929	16,788,883
– Fiscal deposits		387,401	713,815
– Interest accrued		–	17
Sub-total		31,694,997	45,560,695
Total		32,434,297	46,224,453

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 13 CASH AND DEPOSITS WITH CENTRAL BANK (CONTINUED)

- (a) The Bank and its subsidiaries place statutory deposit reserves with the PBoC in accordance with relevant regulations. As at the end of the relevant period, the statutory deposit reserve ratios applicable to the Bank were as follows:

	30 June 2019	31 December 2018
Reserve ratio for RMB deposits	10.0%	11.0%
Reserve ratio for foreign currency deposits	5.0%	5.0%

The statutory deposit reserves are not available for the Group's daily business.

- (b) The surplus deposit reserves are maintained with the PBoC for the purpose of clearing.

## 14 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	30 June 2019	31 December 2018
Deposits in mainland China		
– Banks	2,298,014	1,843,680
– Other financial institutions	300	6,902
Sub-total	2,298,314	1,850,582
Deposits outside mainland China		
– Banks	431,890	304,901
Sub-total	431,890	304,901
Total	2,730,204	2,155,483
Interest accrued	188	1,609
Less: provision for impairment losses	(175)	(161)
Total	2,730,217	2,156,931

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 15 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2019	31 December 2018
Placements in mainland China		
– Banks	2,915,507	2,078,177
– Other financial institutions	693,000	1,600,000
Placements outside mainland China		
– Banks	83,449	83,449
Total	3,691,956	3,761,626
Interest accrued	8,449	7,449
Less: provision for impairment losses	(927)	(316)
Total carrying amount	3,699,478	3,768,759



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 16 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

### (a) Analysed by type and location of counterparty

	30 June 2019	31 December 2018
In mainland China		
– Banks	120,900	400,769
– Other financial institutions	–	3,048,582
Total	120,900	3,449,351
Interest accrued	40	4,739
Less: provision for impairment losses	(36)	(1,965)
Total	120,904	3,452,125

### (b) Analysed by type of collateral

	30 June 2019	31 December 2018
Debt securities	120,900	3,449,351
Interest accrued	40	4,739
Less: provision for impairment losses	(36)	(1,965)
Total	120,904	3,452,125

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 17 LOANS AND ADVANCES TO CUSTOMERS

### (a) Analysed by nature

	30 June 2019	31 December 2018
Loans and advances to customers measured at amortised cost		
Corporate loans and advances	109,756,427	103,257,436
Personal loans and advances		
– Personal business loans	19,272,228	16,645,672
– Residential mortgage	22,113,350	16,265,454
– Personal consumption loans	5,858,635	7,114,105
– Auto loans	1,526,029	1,993,253
– Credit card	2,526,290	1,900,727
Sub-total	51,296,532	43,919,211
Total amount of loans and advances to customers measured at amortised cost	161,052,959	147,176,647
Loans and advances to customers measured at fair value through other comprehensive income		
– Corporate loans and advances-Forfeiting	4,702,703	4,604,345
– Discounted bills	11,801,490	7,791,800
Sub-total	16,504,193	12,396,145
Gross loans and advances to customers	177,557,152	159,572,792
Interest accrued	612,966	489,560
Less: Provision for impairment losses on loans and advances to customers measured at amortised cost	(6,658,676)	(6,062,971)
Net loans and advances to customers	171,511,442	153,999,381

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 17 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

### (b) Analysed by economic sector

	30 June 2019		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail	33,136,606	18.66%	14,531,990
Real estate	23,175,466	13.05%	14,367,769
Manufacturing	15,353,026	8.65%	3,731,284
Construction	9,762,181	5.50%	5,123,980
Water, environment and public facility management	9,070,876	5.11%	3,378,950
Leasing and commercial services	7,377,077	4.15%	3,369,423
Transportation, storage and postal services	2,135,600	1.20%	874,182
Production and supply of electric and heating power, gas and water	1,924,781	1.08%	444,565
Culture, sports and entertainment	1,741,347	0.98%	1,570,577
Agriculture, forestry, animal husbandry and fishery	1,632,716	0.92%	629,110
Accommodation and catering	1,357,869	0.76%	1,168,644
Mining	504,926	0.28%	89,500
Others	7,286,659	4.12%	1,269,663
Sub-total of corporate loans and advances	114,459,130	64.46%	50,549,637
Personal loans and advances	51,296,532	28.89%	39,324,666
Discounted bills	11,801,490	6.65%	9,509,479
Gross loans and advances to customers	177,557,152	100.00%	99,383,782



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 17 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

### (b) Analysed by economic sector (Continued)

	31 December 2018		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail	36,467,388	22.85%	17,140,067
Real estate	18,098,412	11.34%	11,576,934
Manufacturing	14,407,170	9.03%	3,456,366
Construction	10,518,173	6.59%	5,225,623
Water, environment and public facility management	8,119,439	5.09%	3,114,050
Leasing and commercial services	5,994,122	3.76%	3,569,398
Production and supply of electric and heating power, gas and water	2,312,929	1.45%	484,900
Transportation, storage and postal services	1,927,392	1.21%	599,355
Agriculture, forestry, animal husbandry and fishery	1,876,474	1.18%	698,136
Accommodation and catering	1,477,051	0.92%	1,289,970
Mining	361,158	0.23%	80,000
Culture, sports and entertainment	287,210	0.18%	215,700
Others	6,014,863	3.77%	1,451,798
Sub-total of corporate loans and advances	107,861,781	67.60%	48,902,297
Personal loans and advances	43,919,211	27.52%	31,391,695
Discounted bills	7,791,800	4.88%	5,644,495
Gross loans and advances to customers	159,572,792	100.00%	85,938,487

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 17 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

### (c) Analysed by type of collateral

	30 June 2019	31 December 2018
Unsecured loans	20,814,053	20,781,632
Guaranteed loans	57,359,319	52,852,673
Collateral loans		
– Loans secured by tangible assets other than monetary assets	66,316,775	54,390,463
– Loans secured by intangible assets or monetary assets	33,067,005	31,548,024
Gross loans and advances to customers	177,557,152	159,572,792
Interest accrued	612,966	489,560
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	(6,658,676)	(6,062,971)
Net loans and advances to customers	171,511,442	153,999,381

### (d) Overdue loans analysed by overdue period

	30 June 2019				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	133,982	141,237	16,449	–	291,668
Guaranteed loans	1,789,960	1,744,441	678,249	365,004	4,577,654
Loans secured by tangible assets other than monetary assets	438,163	306,482	163,241	76,972	984,858
Loans secured by intangible assets or monetary assets	528,525	42,039	20,670	–	591,234
Total	2,890,630	2,234,199	878,609	441,976	6,445,414
As a percentage of gross loans and advances to customers	1.63%	1.26%	0.49%	0.25%	3.63%



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 17 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

### (d) Overdue loans analysed by overdue period (Continued)

	31 December 2018				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	159,795	60,911	10,980	–	231,686
Guaranteed loans	1,800,337	1,689,914	854,083	254,175	4,598,509
Loans secured by tangible assets other than monetary assets	771,614	241,671	441,872	76,623	1,531,780
Loans secured by intangible assets or monetary assets	562,573	95,198	6,098	23,500	687,369
Total	3,294,319	2,087,694	1,313,033	354,298	7,049,344
As a percentage of gross loans and advances to customers	2.07%	1.31%	0.82%	0.22%	4.42%

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 17 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

### (e) Loans and advances and provision for impairment losses

	30 June 2019			
	Loans and advances that are assessed for 12-month ECL	Not credit-impaired loans and advances that are assessed for lifetime ECL	Credit-impaired loans and advances that are assessed for lifetime ECL	Total
Total loans and advances to customers measured at amortised cost	151,651,136	4,943,251	4,458,572	161,052,959
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	(2,328,023)	(1,414,157)	(2,916,496)	(6,658,676)
Carrying amount of loans and advances to customers measured at amortised cost (excluding accrued interest)	149,323,113	3,529,094	1,542,076	154,394,283
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income (excluding accrued interest)	16,504,193	–	–	16,504,193
Total carrying amount of loans and advances to customers (excluding accrued interest)	165,827,306	3,529,094	1,542,076	170,898,476

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 17 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

### (e) Loans and advances and provision for impairment losses (Continued)

	31 December 2018			Total
	Loans and advances that are assessed for 12-month ECL	Not credit-impaired loans and advances that are assessed for lifetime ECL	Credit-impaired loans and advances that are assessed for lifetime ECL	
Total loans and advances to customers measured at amortised cost	138,222,545	4,828,422	4,125,680	147,176,647
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	(1,971,808)	(1,244,144)	(2,847,019)	(6,062,971)
Carrying amount of loans and advances to customers measured at amortised cost (excluding accrued interest)	136,250,737	3,584,278	1,278,661	141,113,676
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income (excluding accrued interest)	12,396,145	–	–	12,396,145
Total carrying amount of loans and advances to customers (excluding accrued interest)	148,646,882	3,584,278	1,278,661	153,509,821



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 17 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

### (f) Movements of provision for impairment losses

- (i) Movements of provision for impairment losses on loans and advances to customers measured at amortised cost:

	30 June 2019			
	12-months ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
1 January 2019	1,971,808	1,244,144	2,847,019	6,062,971
Transferred:				
– to 12-months ECL	–	–	–	–
– to lifetime ECL not credit-impaired	(1,426)	1,501	(75)	–
– to lifetime ECL credit-impaired	(1,636)	(16,942)	18,578	–
Charge for the period	359,277	185,454	425,458	970,189
Write-offs and transfer out	–	–	(740,811)	(740,811)
Recoveries of loans previously written off	–	–	366,327	366,327
30 June 2019	2,328,023	1,414,157	2,916,496	6,658,676

	31 December 2018			
	12-months ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
1 January 2018	1,534,700	656,690	2,136,894	4,328,284
Transferred:				
– to 12-months ECL	1,368	(1,368)	–	–
– to lifetime ECL not credit-impaired	(52,196)	52,353	(157)	–
– to lifetime ECL credit-impaired	(33,449)	(79,449)	112,898	–
Charge for the year	521,385	615,918	2,282,974	3,420,277
Write-offs	–	–	(1,779,584)	(1,779,584)
Recoveries of loans previously written off	–	–	93,994	93,994
31 December 2018	1,971,808	1,244,144	2,847,019	6,062,971

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 17 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

### (f) Movements of provision for impairment losses (Continued)

- (ii) Movements of provision for impairment of loans and advances to customers measured at fair value through other comprehensive income:

	30 June 2019			
	12-months ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
1 January 2019	34,405	–	–	34,405
Charge for the period	38,071	–	–	38,071
30 June 2019	72,476	–	–	72,476

	31 December 2018			
	12-months ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
As at 1 January 2018	4,711	–	–	4,711
Charge for the year	29,694	–	–	29,694
As at 31 December 2018	34,405	–	–	34,405

Provision for impairment of loans and advances to customers measured at fair value through other comprehensive income are recognized in other comprehensive income, while the impairment losses are recognized in profit or loss. Besides, the carrying amount of the financial assets presented in the balance sheet are not reduced.

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 18 FINANCIAL INVESTMENTS

	Note	30 June 2019	31 December 2018
Financial investments at fair value through profit or loss	(a)	<b>61,012,165</b>	60,032,975
Financial investments at fair value through other comprehensive income	(b)	<b>11,194,365</b>	8,002,724
Financial investments measured at amortised cost	(c)	<b>174,965,839</b>	166,402,921
Interest accrued		<b>1,513,704</b>	1,600,167
Total		<b>248,686,073</b>	236,038,787

### (a) Financial investments at fair value through profit or loss:

	Note	30 June 2019	31 December 2018
Debt securities			
– Debt securities held for trading purpose	(1)	<b>12,616,063</b>	15,766,512
Investment funds and other investments			
– Investment funds held for trading purpose		<b>7,002,330</b>	8,421,637
– Other financial investments at fair value through profit or loss	(2)	<b>41,393,772</b>	35,844,826
Total		<b>61,012,165</b>	60,032,975



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 18 FINANCIAL INVESTMENTS (CONTINUED)

### (a) Financial investments at fair value through profit or loss: (Continued)

#### (1) Debt securities held for trading purpose

	30 June 2019	31 December 2018
Mainland China		
– Government	6,137,397	6,803,756
– Policy banks	5,195,363	7,762,646
– Banks and other financial institutions	232,994	355,515
– Corporate	1,050,309	844,595
Total	12,616,063	15,766,512
Debt securities analysed into		
– Listed	6,962,704	7,389,146
– Unlisted	5,653,359	8,377,366
Total	12,616,063	15,766,512

#### (2) Other financial investments at fair value through profit or loss

	30 June 2019	31 December 2018
Other financial investments at fair value through profit or loss		
– Investment management products managed by securities companies	18,304,292	18,160,278
– Investment management products under trust scheme	16,269,619	11,291,672
– Wealth management products	230,000	500,314
– Others	6,589,861	5,892,562
Total	41,393,772	35,844,826

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 18 FINANCIAL INVESTMENTS (CONTINUED)

### (b) Financial investments at fair value through other comprehensive income

	30 June 2019	31 December 2018
Debt instruments		
– Government	4,556,877	3,050,827
– Bank and other financial institutions	6,314,130	4,629,504
– Corporate	314,958	313,993
– Interest accrued	208,803	173,034
Sub-total	11,394,768	8,167,358
Equity instruments	8,400	8,400
Total	11,403,168	8,175,758
Debt instrument investment by category		
– Listed	5,730,946	3,474,207
– Unlisted	5,455,019	4,520,117
– Interest accrued	208,803	173,034
	11,394,768	8,167,358
Equity instrument investment by category		
– Listed	–	–
– Unlisted	8,400	8,400
	8,400	8,400

Movements of provision for impairment of financial investments measured at fair value through other comprehensive income during the period:

	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Balance at 1 January 2019	625	–	–	625
Additions during the period	284	–	–	284
Balance at 30 June 2019	909	–	–	909



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 18 FINANCIAL INVESTMENTS (CONTINUED)

### (b) Financial investments at fair value through other comprehensive income (Continued)

	12-months ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
Balance at 1 January 2018	832	–	–	832
Reversals during the period	(207)	–	–	(207)
Balance at 31 December 2018	625	–	–	625

Provision for impairment of financial investments measured at fair value through other comprehensive income are recognised in other comprehensive income, while losses/gains from impairment are included in profit or loss. Besides, the book value of the financial assets presented in the balance sheet are not reduced.

### (c) Financial investments measured at amortised cost:

	Note	30 June 2019	31 December 2018
Debt securities	(1)	49,166,253	53,037,488
Investment management products under the trust scheme		76,214,109	65,671,484
Investment management products managed by securities companies		31,169,065	30,651,556
Other beneficial right transaction plans		9,449,500	11,517,013
Others		11,134,400	7,252,000
Sub-total		177,133,327	168,129,541
Interest accrued		1,304,901	1,427,133
Less: Provision for impairment losses	(2)	(2,167,488)	(1,726,620)
Total		176,270,740	167,830,054

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 18 FINANCIAL INVESTMENTS (CONTINUED)

### (c) Financial investments measured at amortised cost: (Continued)

#### (1) Debt securities:

	30 June 2019	31 December 2018
Debt securities		
– Government	17,614,843	19,016,219
– Policy banks	24,102,951	24,536,776
– Banks and other financial institutions	1,961,843	2,381,980
– Corporate	5,486,616	7,102,513
– Interest accrued	879,255	1,052,662
Total	50,045,508	54,090,150
Debt securities analysed into:		
– Listed	19,266,756	20,906,644
– Unlisted	29,899,497	32,130,844
– Interest accrued	879,255	1,052,662
Total	50,045,508	54,090,150

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 18 FINANCIAL INVESTMENTS (CONTINUED)

### (c) Financial investments measured at amortised cost: (Continued)

- (2) Movements of provision for impairment of financial investments measured at amortised cost during the period:

	12-months ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
Balance at 1 January 2019	876,837	420,000	429,783	1,726,620
Transferred:				
– to 12-months ECL	–	–	–	–
– to lifetime ECL not credit-impaired	(1,047)	1,047	–	–
– to lifetime ECL credit-impaired	(784)	–	784	–
Additions/(reversals) during the period	272,820	223,953	(55,905)	440,868
Balance at 30 June 2019	1,147,826	645,000	374,662	2,167,488

	12-months ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
Balance at 1 January 2018	763,134	335,562	61,967	1,160,663
Transferred:				
– to 12-months ECL	213,005	(213,005)	–	–
– to lifetime ECL not credit-impaired	(24,218)	24,218	–	–
– to lifetime ECL credit-impaired	(8,280)	(122,557)	130,837	–
(Reversals)/additions during the period	(66,804)	395,782	236,979	565,957
Balance at 31 December 2018	876,837	420,000	429,783	1,726,620



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 19 FINANCE LEASE RECEIVABLES

	30 June 2019	31 December 2018
Minimum finance lease receivables	14,554,425	15,336,631
Less: Unearned finance lease income	(1,257,772)	(1,382,456)
Present value of finance lease receivables	13,296,653	13,954,175
Interest accrued	116,896	105,345
Less: Provision for impairment losses	(368,854)	(348,854)
Total	13,044,695	13,710,666

- (1) Finance lease receivables, unearned finance lease income and minimum finance lease receivables analysed by remaining period are listed as follows:

	30 June 2019			31 December 2018		
	Minimum finance lease receivables	Unearned finance lease income	Present value of finance lease receivables	Minimum finance lease receivables	Unearned finance lease income	Present value of finance lease receivables
Less than 1 year	6,903,011	(724,790)	6,178,221	6,165,509	(769,081)	5,396,428
1 year to 2 years	4,490,869	(302,869)	4,188,000	5,262,473	(406,557)	4,855,916
2 years to 3 years	2,111,413	(146,928)	1,964,485	3,004,304	(150,090)	2,854,214
3 years to 5 years	316,690	(23,294)	293,396	674,268	(44,829)	629,439
More than 5 years	732,442	(59,891)	672,551	230,077	(11,899)	218,178
	14,554,425	(1,257,772)	13,296,653	15,336,631	(1,382,456)	13,954,175

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 19 FINANCE LEASE RECEIVABLES (CONTINUED)

### (2) Movements of provision for impairment losses

	30 June 2019			
	12-months ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
As at 1 January 2019	218,694	130,160	–	348,854
Transferred:				
– to lifetime ECL not credit-impaired	(18,974)	18,974	–	–
(Reversals)/additions for the period	(27,833)	47,833	–	20,000
As at 30 June 2019	171,887	196,967	–	368,854

	31 December 2018			
	12-months ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
As at 1 January 2018	178,025	–	–	178,025
Transferred:				
– to lifetime ECL not credit-impaired	(7,274)	7,274	–	–
Additions for the year	42,487	122,886	–	165,373
Transfer from other assets	5,456	–	–	5,456
As at 31 December 2018	218,694	130,160	–	348,854

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 20 INVESTMENT IN SUBSIDIARIES AND INTEREST IN ASSOCIATES

### (a) Investment in subsidiaries

The Group's subsidiaries as at the end of the reporting period are as follows:

Name	Percentage of equity interest		Voting rights	Paid-in capital	Amount invested by the Bank	Place of incorporation registration	Principal activities
	30 June 2019 %	31 December 2018 %	30 June 2019 %	30 June 2019			
Fugou Zhengyin County Bank Co., Ltd.	50.20	50.20	50.20	60,000	30,120	China	Banking
Xinmi Zhengyin County Bank Co., Ltd.	51.20	51.20	51.20	125,000	74,033	China	Banking
Henan Jiuding Financial Leasing Co., Ltd.	51.00	51.00	51.00	2,000,000	1,020,000	China	Leasing
Xunxian Zhengyin County Bank Co., Ltd.	51.00	51.00	51.00	50,000	25,500	China	Banking
Queshan Zhengyin County Bank Co., Ltd.	51.00	51.00	51.00	50,000	25,500	China	Banking

Fugou Zhengyin County Bank Co., Ltd. was incorporated on 3 December 2015. Henan Jiuding Financial Leasing Co., Ltd. was incorporated on 23 March 2016. Xunxian Zhengyin County Bank Co., Ltd. was incorporated on 6 November 2017. Queshan Zhengyin County Bank Co., Ltd. was incorporated on 14 November 2017. Xinmi Zhengyin County Bank Co., Ltd. became a subsidiary of the Bank since 1 January 2017, the Bank held 51.20% Xinmi Zhengyin County Bank Co., Ltd.'s equity interest. The five subsidiaries have no material non-controlling interest to the Group.



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 20 INVESTMENT IN SUBSIDIARIES AND INTEREST IN ASSOCIATES (CONTINUED)

### (b) Interest in associates

	30 June 2019	31 December 2018
Interest in associates	350,176	321,081
Total	350,176	321,081

The following list contains the Group's associates, all of which are individually immaterial to the Group and are unlisted corporate entities whose quoted market price are not available:

Name	Note	Percentages of equity/ voting rights%		Place of incorporation/ registration	Business sector
		30 June 2019	31 December 2018		
Zhongmu Zhengyin County Bank Co., Ltd.	(1)	18.53	18.53	China	Banking
Yanling Zhengyin County Bank Co., Ltd.		30.00	30.00	China	Banking
Xinzheng Zhengyin County Bank Co., Ltd.		25.00	25.00	China	Banking

(1) The Group has representation on the board of directors of Zhongmu Zhengyin County Bank Co., Ltd., and has significant influence over it.

The following table illustrates the aggregate information of the Group's associates that are not individually material:

	30 June 2019	31 December 2018
Aggregate carrying amount of the individually immaterial associates in the consolidated statements of financial position of the Group	350,176	321,081
Aggregate amounts of the Group's share of results of the associates		
– Profit from continuing operations	21,995	52,170
– Other comprehensive income	–	–
– Total comprehensive income	21,995	52,170



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 21 PROPERTY AND EQUIPMENT

	Premises	Electronic equipment	Vehicles	Office equipment and others	Construction in progress	Total
<b>Cost</b>						
As at 1 January 2018	1,575,025	543,644	13,110	234,732	147,024	2,513,535
Additions	317,856	93,372	2,251	28,876	30,043	472,398
Disposals	–	(7,102)	(1,255)	(797)	–	(9,154)
As at 31 December 2018	1,892,881	629,914	14,106	262,811	177,067	2,976,779
Additions	132,507	46,684	–	11,445	73,020	263,656
Disposals	–	(9,018)	(2,708)	(16,183)	–	(27,909)
As at 30 June 2019	2,025,388	667,580	11,398	258,073	250,087	3,212,526
<b>Accumulated depreciation</b>						
As at 1 January 2018	(209,410)	(326,403)	(10,963)	(149,429)	–	(696,205)
Additions	(50,000)	(104,581)	(747)	(48,355)	–	(203,683)
Disposals	–	6,541	1,193	729	–	8,463
As at 31 December 2018	(259,410)	(424,443)	(10,517)	(197,055)	–	(891,425)
Additions	(29,603)	(49,028)	(483)	(21,120)	–	(100,234)
Disposals	–	8,275	2,572	14,962	–	25,809
As at 30 June 2019	(289,013)	(465,196)	(8,428)	(203,213)	–	(965,850)
<b>Impairment</b>						
As at 1 January 2018/ 31 December 2018/ 30 June 2019	(1,355)	(1,893)	–	(756)	–	(4,004)
<b>Net book value</b>						
As at 31 December 2018	1,632,116	203,578	3,589	65,000	177,067	2,081,350
As at 30 June 2019	1,735,020	200,491	2,970	54,104	250,087	2,242,672

The carrying amount of premises without title deeds as at 30 June 2019 was RMB286 million (31 December 2018: RMB290 million). The Group is still in the progress of applying for the outstanding title deeds for the above premises. The Group expected that there would be no significant cost in obtaining the title deeds.

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 21 PROPERTY AND EQUIPMENT (CONTINUED)

The net book values of premises at the end of the reporting period are analysed by the remaining terms of the land leases as follows:

	30 June 2019	31 December 2018
Held in mainland China		
– Medium-term leases (10 – 50 years)	1,731,157	1,627,951
– Short-term leases (less than 10 years)	3,863	4,165
Total	1,735,020	1,632,116

## 22 DEFERRED TAX ASSETS

### (a) Analysed by nature

	30 June 2019		31 December 2018	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Allowance for impairment losses	9,066,948	2,266,737	8,016,396	2,004,099
Accrued staff costs	201,952	50,488	184,780	46,195
Fair value changes in financial instruments	(429,128)	(107,282)	(565,980)	(141,495)
Provisions	254,136	63,534	236,820	59,205
Others	(122,888)	(30,722)	(80,868)	(20,217)
Net deferred income tax assets	8,971,020	2,242,755	7,791,148	1,947,787

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 22 DEFERRED TAX ASSETS (CONTINUED)

### (b) Analysed by movement

	Asset 31 December 2018	Recognised in profit or loss	Recognised in other comprehensive income	Asset 30 June 2019
Allowance for impairment losses	2,004,099	262,638	–	2,266,737
Accrued staff costs	46,195	4,503	(210)	50,488
Fair value changes in financial instruments	(141,495)	34,868	(655)	(107,282)
Provisions	59,205	4,329	–	63,534
Others	(20,217)	(10,505)	–	(30,722)
Net deferred income tax assets	1,947,787	295,833	(865)	2,242,755

	Asset 1 January 2018	Recognised in profit or loss	Recognised in other comprehensive income	Asset 31 December 2018
Allowance for impairment losses	1,356,246	647,853	–	2,004,099
Accrued staff costs	50,306	(1,405)	(2,706)	46,195
Fair value changes in financial instruments	79,482	(207,508)	(13,469)	(141,495)
Provisions	64,163	(4,958)	–	59,205
Cumulative tax losses of the subsidiary	150	(150)	–	–
Others	–	(20,217)	–	(20,217)
Net deferred income tax assets	1,550,347	413,615	(16,175)	1,947,787



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 23 OTHER ASSETS

	Note	30 June 2019	31 December 2018
Interest receivables	(a)	263,070	149,868
Prepayments		527,550	797,967
Intangible assets	(b)	775,450	739,542
Leasehold improvements		203,102	138,261
Right-of-use assets	(c)	477,704	—
Other receivables		490,051	406,232
Sub-total		2,736,927	2,231,870
Less: allowance for impairment losses		(22,323)	(22,323)
Total		2,714,604	2,209,547

### (a) Interest receivables

	30 June 2019	31 December 2018
Interest receivables arising from:		
– Investments	159,747	71,170
– Loans and advances to customers	68,803	57,318
– Others	34,520	21,380
Sub-total	263,070	149,868
Less: allowance for impairment losses	(19,397)	(19,397)
Total	243,673	130,471

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 23 OTHER ASSETS (CONTINUED)

### (b) Intangible assets

	30 June 2019	31 December 2018
<b>Cost</b>		
As at 1 January	897,108	650,340
Additions	66,418	246,768
As at 30 June/31 December	963,526	897,108
<b>Accumulated amortisation</b>		
As at 1 January	(157,566)	(113,169)
Additions	(30,510)	(44,397)
As at 30 June/31 December	(188,076)	(157,566)
<b>Impairment</b>		
As at 1 January	(145)	(145)
As at 30 June/31 December	(145)	(145)
<b>Net book value</b>		
As at 1 January	739,397	537,026
As at 30 June/31 December	775,305	739,397

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 23 OTHER ASSETS (CONTINUED)

### (c) Right-of-use assets

	Premises	Vehicles	Office equipment and others	Total
<b>Cost</b>				
As at 1 January 2019	521,232	7,397	2,152	530,781
Additions	24,995	–	–	24,995
Disposals	(8,567)	–	(56)	(8,623)
As at 30 June 2019	537,660	7,397	2,096	547,153
<b>Accumulated depreciation</b>				
As at 1 January 2019	–	–	–	–
Additions	(75,572)	(2,126)	(374)	(78,072)
Disposals	8,567	–	56	8,623
As at 30 June 2019	(67,005)	(2,126)	(318)	(69,449)
<b>Net book value</b>				
As at 1 January 2019	521,232	7,397	2,152	530,781
As at 30 June 2019	470,655	5,271	1,778	477,704

## 24 DUE TO CENTRAL BANK

	30 June 2019	31 December 2018
Due to central bank	5,116,200	4,133,700
Interest accrued	81,323	62,494
Total	5,197,523	4,196,194



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 25 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2019	31 December 2018
In mainland China		
– Banks	19,161,999	26,828,158
– Other financial institutions	350,158	290,226
– Interest accrued	82,311	280,281
Total	19,594,468	27,398,665

## 26 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2019	31 December 2018
In mainland China		
– Banks	13,089,892	12,878,309
– Other financial institutions	–	200,000
Outside mainland China		
– Banks	488,275	370,481
Interest accrued	164,292	204,098
Total	13,742,459	13,652,888



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 27 DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into derivative contracts mainly including currency swaps, options and interest rate swaps and non-deliverable forwards.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in any orderly transaction between market participants at measured date.

The notional amount and fair value of unexpired derivative financial instruments held by the Group are set out in the following tables:

	30 June 2019		
	Notional amount	Fair value (assets)	Fair value (liabilities)
– Non-deliverable forwards	7,699,664	18,253	(77,313)
Total	7,699,664	18,253	(77,313)

	31 December 2018		
	Notional amount	Fair value (assets)	Fair value (liabilities)
– Currency swap contracts	3,019,808	164,337	–
– Currency option contracts	3,431,600	–	(37,976)
– Interest rate swap contracts	200,000	–	(525)
– Non-deliverable forwards	10,294,800	67,214	–
Total	16,946,208	231,551	(38,501)

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 28 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

### (a) Analysed by type and location of counterparty

	30 June 2019	31 December 2018
In mainland China		
– PBoC	2,620,000	3,080,000
– Banks	19,277,200	15,866,280
– Interest accrued	7,863	9,853
Total	21,905,063	18,956,133

### (b) Analysed by type of collateral

	30 June 2019	31 December 2018
Debt securities	21,897,200	18,946,280
Interest accrued	7,863	9,853
Total	21,905,063	18,956,133

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 29 DEPOSITS FROM CUSTOMERS

	30 June 2019	31 December 2018
Demand deposits		
– Corporate deposits	84,411,734	82,621,581
– Personal deposits	21,628,279	19,547,870
Sub-total	106,040,013	102,169,451
Time deposits		
– Corporate deposits	78,291,015	83,458,939
– Personal deposits	64,403,678	60,168,717
Sub-total	142,694,693	143,627,656
Pledged deposits		
– Acceptances	17,483,682	13,733,716
– Letters of guarantees	1,246,486	1,164,076
– Letters of credit	2,032,979	1,892,027
– Others	885,456	1,081,482
Sub-total	21,648,603	17,871,301
Others	1,211,939	462,526
Interest accrued	3,137,004	3,627,272
Total	274,732,252	267,758,206

Deposits from customers are measured at amortised cost.



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 30 DEBT SECURITIES ISSUED

	Note	30 June 2019	31 December 2018
Financial bonds	(a)	4,997,939	2,997,817
Tier-two capital bonds	(b)	6,997,880	6,997,739
Interbank deposits		88,762,592	83,527,505
Interest accrued		272,529	125,958
Total		101,030,940	93,649,019

(a) Fixed rate green financial bonds of RMB2.0 billion with a term of three years was issued in June 2019. The coupon rate is 3.70% per annum.

Fixed rate green financial bonds of RMB3.0 billion with a term of three years was issued in September 2017. The coupon rate is 4.70% per annum.

(b) Tier-two capital bonds

Fixed rate tier-two capital bonds of RMB2.0 billion with a term of ten years were issued in March 2017. The coupon rate is 4.80% per annum.

Fixed rate tier-two capital bonds of RMB3.0 billion with a term of ten years were issued in December 2016. The coupon rate is 4.10% per annum.

Fixed rate tier-two capital bonds of RMB2.0 billion with a term of ten years were issued in December 2014. The coupon rate is 5.73% per annum.

## 31 OTHER LIABILITIES

	Note	30 June 2019	31 December 2018
Accrued staff costs	(a)	533,732	437,413
Finance lease payable		751,073	782,971
Dormant accounts		42,451	61,978
Payment and collection clearance accounts		504,310	182,678
Dividend payable		41,873	24,327
Expected credit losses of credit commitment	(b)	254,138	236,822
Lease liabilities	(c)	442,896	—
Others		761,056	474,372
Total		3,331,529	2,200,561

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 31 OTHER LIABILITIES (CONTINUED)

### (a) Accrued staff costs

	Note	30 June 2019	31 December 2018
Salary, bonuses and allowances payable		298,605	250,318
Staff welfare		13	562
Social insurance and annuity payable		33,253	106
Housing allowances payable		31	19
Labor union fee, staff and workers' education fee		16,597	1,628
Supplementary retirement benefits payable	(1)	185,233	184,780
Total		533,732	437,413

#### (1) Supplementary retirement benefits ("SRB")

The supplementary retirement benefits of the Group include early retirement plan and supplementary retirement plan. The early retirement benefits payments is provided to employees who voluntarily agreed to retire before the retirement age during the period from the date of early retirement to the statutory retirement date. The supplementary retirement plan is provided to the Group's eligible employees.

The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of the reporting period. The Group's obligations in respect of the SRB were accessed using projected unit credit method by qualified staff (a member of society of Actuaries in America) of an external independent actuary: Mercer Consulting (China) Ltd..

(i) The balances of supplementary retirement benefits of the Group are as follows:

	30 June 2019	31 December 2018
Present value of early retirement plan	26,614	25,152
Present value of supplementary retirement plan	158,619	159,628
Total	185,233	184,780

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 31 OTHER LIABILITIES (CONTINUED)

### (a) Accrued staff costs (Continued)

#### (1) Supplementary retirement benefits ("SRB") (Continued)

(ii) The movements of supplementary retirement benefits of the Group are as follows:

	30 June 2019	31 December 2018
As at 1 January	184,780	201,222
Benefits paid during the period/year	(8,256)	(19,504)
Defined benefit cost recognised in profit or loss	9,549	13,890
Defined benefit cost recognised in other comprehensive income	(840)	(10,828)
As at 30 June/31 December	185,233	184,780

(iii) Key actuarial assumptions of the Group are as follows:

Early retirement plan	30 June 2019	31 December 2018
Discount rate	3.00%	2.70%
Retired age		
– Male	60	60
– Female	55	55
Annual increase rate of internal salary	8.00%	8.00%

Supplementary retirement plan	30 June 2019	31 December 2018
Discount rate	3.50%	3.50%
Retired age		
– Male	60	60
– Female	55	55

Death rate for age 20 – 105	30 June 2019	31 December 2018
– Male	0.0248% – 100%	0.0248% – 100%
– Female	0.012% – 100%	0.012% – 100%



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 31 OTHER LIABILITIES (CONTINUED)

### (b) Expected credit losses of credit commitment

Movements of ECL of credit commitment during the period are as follows:

	30 June 2019			
	12-months ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
1 January 2019	225,926	253	10,643	236,822
Transferred:				
– to 12-months ECL	116	(53)	(63)	–
– to lifetime ECL not credit-impaired	(2)	4	(2)	–
– to lifetime ECL credit-impaired	(4)	(79)	83	–
Charge for the period	14,269	140	2,907	17,316
30 June 2019	240,305	265	13,568	254,138

	31 December 2018			
	12-months ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
1 January 2018	255,378	123	1,152	256,653
Transferred:				
– to 12-months ECL	153	(49)	(104)	–
– to lifetime ECL not credit-impaired	(14)	14	–	–
– to lifetime ECL credit-impaired	(2)	(54)	56	–
(Reversals)/charge for the year	(29,589)	219	9,539	(19,831)
31 December 2018	225,926	253	10,643	236,822

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 31 OTHER LIABILITIES (CONTINUED)

### (c) Lease liabilities

The maturity analysis of lease liabilities – undiscounted analysis:

	30 June 2019
Within one year (inclusive)	83,949
Between one year and two years (inclusive)	100,993
Between two years and three years (inclusive)	79,215
Between three years and five years (inclusive)	119,093
More than five years	122,440
Total undiscounted lease liabilities	505,690
Total carrying amount	442,896

## 32 SHARE CAPITAL

### Authorised and issued share capital

	30 June 2019	31 December 2018
Ordinary shares listed in Mainland China (A-share)	4,403,932	4,403,932
Ordinary shares listed in Hong Kong (H-share)	1,518,000	1,518,000
Total	5,921,932	5,921,932

In December 2015, the Bank issued 1,200 million H-shares with a par value of RMB1 at an offering price of HKD3.85 per share (the “H-share offering”). The premium arising from the H-share offering amounting to RMB2,562 million was recorded in capital reserve. Immediately following the H-share offering, 120 million ordinary shares in Mainland China shares held by the National Council and Social Security Fund were converted to H-shares pursuant to the relevant PRC regulations relating to the reduction of state-owned shares.

In January 2016, the Bank issued 180 million H-shares (H-shares’ over-allotment option) with a par value of RMB1 at an offering price of HKD3.85 per share. The premium arising from the offering amounting to RMB392 million was recorded in capital reserve.

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 32 SHARE CAPITAL (CONTINUED)

In September 2018, the Bank issued 600 million A-shares with a par value of RMB1 at an offering price of RMB4.59 per share (the "A-share offering"). The premium arising from the A-share offering amounting to RMB2,109 million was recorded in capital reserve.

The H-shares rank pari passu in all respects with the existing A-share listed in Mainland China including the right to receive all dividends and distributions declared or made.

## 33 RESERVES

### (a) Capital reserve

	30 June 2019	31 December 2018
Share premium	5,099,040	5,099,040
Others	64,615	64,615
Total	5,163,655	5,163,655

### (b) Surplus reserve

The surplus reserve at the end of the reporting period represented statutory surplus reserve fund and discretionary surplus reserve fund.

Pursuant to the Company Law of the PRC and the Article of Association of the Bank, the Bank is required to appropriate 10% of its net profit as on an annual basis determined under the PRC GAAP after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

The Bank may also appropriate discretionary surplus reserve fund in accordance with the resolution of the shareholders.



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 33 RESERVES (CONTINUED)

### (c) General reserve

With effect from 1 July 2012, pursuant to the “Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No. 20)” issued by the Ministry of Finance, the Bank is required to set aside a general reserve through profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets on an annual basis.

### (d) Fair value reserve

	30 June 2019	31 December 2018
As at 1 January	38,590	(23,933)
Change in fair value recognised in other comprehensive income	48,736	87,000
Transfer to profit or loss upon disposal	(9,711)	(3,636)
Less: deferred income tax	(9,756)	(20,841)
Sub-total	29,269	62,523
As at 30 June/31 December	67,859	38,590

### (e) Remeasurement of net defined benefit liability

Remeasurement of net defined benefit liability represents actuarial gains or losses, net of tax, from remeasuring the net defined benefit liability.

	30 June 2019	31 December 2018
As at 1 January	(44,492)	(52,614)
Remeasurement of net defined benefit liability	840	10,828
Less: deferred income tax	(210)	(2,706)
Sub-total	630	8,122
As at 30 June/31 December	(43,862)	(44,492)

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 34 PROFIT DISTRIBUTION

### (a) Dividends for Ordinary Shares

In accordance with the resolution of the Bank's 2018 Annual General meeting held on 24 May 2019, the shareholders approved the profit distribution plan for the year ended 31 December 2018 and declared cash dividends of RMB1.5 per ten shares before tax and in an aggregation amount of approximately RMB888 million to all existing A and H shareholders.

### (b) Dividends for Preference Shares

As per the resolution and authorization of the General Meeting, the Bank reviewed and approved the Proposal on Distribution of Dividends for Preference Shares at the meeting of its Board of Directors on 9 October 2018, permitting the Bank to distribute the dividends on the Bank's offshore preference shares on 18 October 2018.

Dividends on the Bank's offshore preference shares are paid annually in cash, and calculated based on the aggregate value of the offshore preference shares. Dividends on the offshore preference shares are non-cumulative. Holders of offshore preference shares are only entitled to dividends at the prescribed dividend rate, but are not entitled to any distribution of residual profits of the Bank together with the holders of ordinary shares. According to the dividend distribution plan in the offshore preference share issuance proposal, the Bank distributed a dividend of USD72.78 million, aggregating to RMB502.34 million at the rate on dividend declared date. In practice, the dividend was distributed in the currency of the preference share. According to relevant laws, when the Bank distributes dividends for offshore preference shares, the enterprise income tax shall be withheld by the Bank at a rate of 10%. According to the requirements of the terms and conditions of the offshore preference shares, the Bank shall pay the relevant taxes, in addition to the dividends for offshore preference shares.

## 35 OTHER EQUITY INSTRUMENTS

### (a) Preference shares outstanding at the end of the year:

Financial instrument outstanding	Time issued	Classifications	Dividend yield ratio/ Interest rate	Issue price	Quantities	In original currency million	In RMB million	Maturity	Conversion conditions
Offshore preference shares	2017/10/18	Equity	5.50%	USD20/share	59,550,000	1,191	7,860	None	Mandatory conversion trigger events
Less: issuing cost							(34)		
Book value							7,826		



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 35 OTHER EQUITY INSTRUMENTS (CONTINUED)

### (b) Main clause

#### (1) Dividend

Fixed rate for a certain period after issuance. Dividend reset every 5 years thereafter to the sum of the benchmark rate and the fixed spread. The fixed spread will be equal to the spread between the dividend rate at the time of issuance and the benchmark rate. The fixed spread will remain unchanged throughout the term of the preference shares. Dividends will be paid annually.

If the Bank has distributable after-tax profit after making up for previous years' losses and contributing to the statutory reserve and general reserve, the Bank may pay dividends to the offshore preference shareholders in accordance with the articles of association of the Bank, provided that the capital adequacy ratio of the Bank meets regulatory requirements. The offshore preference shareholders shall rank in priority to the ordinary shareholders in terms of dividend distribution.

Any declaration and payment of all of the dividends on the offshore preference shares by the Bank will be determined by the board in accordance with the authorisation given by the general meeting. Any cancellation of all or part of the dividends on the offshore preference shares shall be subject to the consideration and approval by the general meeting. If the Bank cancels all or part of the distribution of dividends on the offshore preference shares, the Bank shall not distribute any dividends to the ordinary shareholders from the next day following the resolution being approved at the general meeting until the resumption of payment of dividends in full.

#### (2) Dividend accumulation

The dividends on the offshore preference shares will be non-cumulative (namely, in the event of any cancellation by the Bank of all or part of the dividends on the offshore preference shares, any amount of dividends not paid to the offshore preference shareholders in full in the current period will not be accumulated to the following dividend periods).

#### (3) Distribution of residual profits

After receiving the dividends at the prescribed dividend rate, the offshore preference shareholders shall not be entitled to any distribution of residual profits of the Bank together with the ordinary shareholders.

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 35 OTHER EQUITY INSTRUMENTS (CONTINUED)

### (b) Main clause (Continued)

#### (4) *Mandatory conversion trigger events*

Upon the occurrence of an additional tier 1 capital trigger event (namely, the core tier 1 capital adequacy ratio of the Bank falling to 5.125% or below), the Bank shall have the right to convert, without the approval of the offshore preference shareholders, all or part of the offshore preference shares then issued and outstanding into H Shares based on the aggregate value of such offshore preference shares in order to restore the core tier 1 capital adequacy ratio of the Bank to above 5.125%. In case of partial conversion, the offshore preference shares shall be converted ratably and on the same conditions. Upon conversion of the offshore preference shares into H Shares, such H Shares will not be converted back to preference shares under any circumstances.

Upon the occurrence of a tier 2 capital trigger event, the Bank shall have the right to convert, without the approval of the offshore preference shareholders, all of the offshore preference shares then issued and outstanding into H Shares based on the aggregate value of such offshore preference shares. Upon conversion of the offshore preference shares into H Shares, such H Shares will not be converted back to preference shares under any circumstances. A tier 2 capital trigger event means the earlier of the following events: (1) the CBIRC having concluded that without a conversion or write-off of the Bank's capital, the Bank would become non-viable, and (2) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable.

#### (5) *Conditional redemption*

From the fifth year following the date of issuance of the offshore preference shares, and subject to obtaining the approval of the CBIRC or its affiliates and the compliance with the relevant requirements, the Bank shall have the right to redeem all or part of the offshore preference shares.

The redemption price of the offshore preference shares will be an amount equal to the issue price plus the amount of dividend declared but unpaid for the current period.



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 36 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Cash and cash equivalents comprise:

	30 June 2019	31 December 2018
Cash on hand	739,300	663,758
Surplus deposit reserves with central bank	3,656,929	16,788,883
Deposits with banks and other financial institutions with original maturity of three months or less	2,631,657	1,684,322
Placements with banks and other financial institutions with original maturity of three months or less	3,616,956	3,384,151
Total	10,644,842	22,521,114

## 37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

### (a) Relationship of related parties

#### (i) Major shareholders

Major shareholders include shareholders of the Bank with 5% or above shareholding.

Shareholding in the Bank:

	30 June 2019	31 December 2018
Zhengzhou Finance Bureau	8.29%	8.29%

#### (ii) Subsidiaries and associates of the Bank

The detailed information of the Bank's subsidiaries and associates is set out in Note 20.

#### (iii) Other related parties

Other related parties can be individuals or enterprises, which include: members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 37 (a)(i) or their controlling shareholders. Other related parties also include post-employment benefit plans of the Bank (Note 31(a)).

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### (b) Related party transactions and balances

Related party transactions of the Group mainly refer to loans and deposits, which are entered into in the normal course and terms of business, with consistent pricing policies as in transactions with independent third parties.

#### (i) Transactions with major shareholders

	30 June 2019	31 December 2018
Balances at the end of the period/year:		
Deposits from customers	120,724	23,203
Other liabilities	64,285	64,285
	<b>Six months ended 30 June</b>	
	2019	2018
Transactions during the period:		
Interest expense	859	332

#### (ii) Transactions with subsidiaries

	30 June 2019	31 December 2018
Balances at the end of the period/year:		
Deposits from banks and other financial institutions	572,440	399,840
Guarantee provided to subsidiaries	170,000	150,000
	<b>Six months ended 30 June</b>	
	2019	2018
Transactions during the period:		
Interest expense	7,406	8,937

The above balances and transactions with subsidiaries have been eliminated in full in the consolidated financial statements.

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### (b) Related party transactions and balances (Continued)

#### (iii) Transactions with associates

	30 June 2019	31 December 2018
Balances at the end of the period/year		
Deposits/placements with banks and other financial institutions	50,075	50,992
Deposits/placements from banks and other financial institutions	503,523	1,265,155
	Six months ended 30 June	
	2019	2018
Transactions during the period:		
Interest income	1,037	1,250
Interest expense	1,085	5,442

#### (iv) Transactions with other major related parties

	30 June 2019	31 December 2018
Balances at the end of the period/year:		
Loans and advances to customers	1,943,329	2,554,752
Financial investments measured at amortised cost	2,784,320	4,340,365
Financial investments at fair value through profit or loss	190,837	532,226
Financial investments at fair value through other comprehensive income	122,002	—
Deposits from customers	4,603,956	4,122,233
Deposits/placements from banks and other financial institutions	293,254	266,799



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### (b) Related party transactions and balances (Continued)

#### (iv) Transactions with other major related parties (Continued)

	Six months ended 30 June	
	2019	2018
Transactions during the period:		
Interest income	146,732	249,609
Net trading gains	4,605	—
Interest expense	21,395	33,369

### (c) Key management personnel

#### (i) Transactions with key management personnel

	30 June 2019	31 December 2018
Balances at the end of the period/year:		
Loans and advances to customers	13,217	14,032
Deposits from customers	26,929	25,408
	Six months ended 30 June	
	2019	2018
Transactions during the period:		
Interest income	283	347
Interest expense	361	79

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### (c) Key management personnel (Continued)

#### (ii) Key management personnel remuneration

	Six months ended 30 June	
	2019	2018
Salaries and other emoluments	6,680	6,385
Discretionary bonuses	13,468	12,004
Contribution by the employer to social insurance and welfare plans, housing allowance, etc.	2,317	1,575
Total	22,465	19,964

No post-employment benefits, termination benefits or other long-term benefits were provided to key management personnel for the period ended 30 June 2019 and 30 June 2018.

#### (iii) Loans to key officers

Loans and advances to directors, supervisors and officers of the Bank, which are disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap.622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap.32), are as follows:

	30 June 2019	31 December 2018
Aggregate amount of relevant loans outstanding as at the year end	13,217	14,032
Maximum aggregate amount of relevant loans outstanding during the year	14,917	17,632

There was no amount due but unpaid at 30 June 2019 (31 December 2018: Nil).

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 38 SEGMENT REPORTING

### (a) Business Segment

The Group manages its business by business lines. 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, government agencies and financial institutions. These products and services include corporate loans and advances, trade finance and deposit taking activities, agency services, and remittance and settlement 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, remittance and settlement services, and collection and payment agency services.

#### *Treasury business*

This segment covers the Group's treasury business including interbank money market transactions, repurchases transactions and investments. The treasury segment also covers management of the Group's overall liquidity position, including issuance of debts.

#### *Others*

These represent equity investment and related income and any other business which cannot form a single reportable segment.

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 income/expense".

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, with the exception of deferred income tax assets. Segment income, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the reporting period to acquire property and equipment, intangible assets and other long-term assets.



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 38 SEGMENT REPORTING (CONTINUED)

### (a) Business Segment (Continued)

*Others (Continued)*

	Six months ended 30 June 2019				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income	1,725,049	333,499	1,881,047	-	3,939,595
Internal net interest income/(expense)	441,398	457,614	(899,012)	-	-
Net interest income	2,166,447	791,113	982,035	-	3,939,595
Net fee and commission income	204,309	25,931	545,336	-	775,576
Net trading gains	38,099	-	288,071	-	326,170
Net gains arising from investments	-	-	1,176,162	-	1,176,162
Other operating income	-	-	-	14,082	14,082
Operating income	2,408,855	817,044	2,991,604	14,082	6,231,585
Operating expenses	(714,540)	(425,510)	(572,814)	(3,478)	(1,716,342)
Impairment losses on assets	(813,657)	(231,919)	(439,848)	-	(1,485,424)
Operating profit	880,658	159,615	1,978,942	10,604	3,029,819
Share of profits of associates	-	-	-	29,095	29,095
Profit before taxation	880,658	159,615	1,978,942	39,699	3,058,914
Other segment information					
- Depreciation and amortisation	101,570	91,876	43,704	-	237,150
- Capital expenditure	171,708	104,290	142,426	492	418,916
	30 June 2019				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	156,327,608	62,916,093	256,969,946	1,339,164	477,552,811
Deferred tax assets					2,242,755
Total assets					479,795,566
Segment liabilities/total liabilities	186,753,846	89,237,042	162,264,070	2,025,494	440,280,452
Credit commitments	86,458,986	2,517,523	-	-	88,976,509

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 38 SEGMENT REPORTING (CONTINUED)

### (a) Business Segment (Continued)

*Others (Continued)*

	Six months ended 30 June 2018				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income	1,309,070	605,306	907,248	–	2,821,624
Internal net interest income/(expense)	1,018,348	408,421	(1,426,769)	–	–
Net interest income/(expense)	2,327,418	1,013,727	(519,521)	–	2,821,624
Net fee and commission income	234,631	57,890	666,055	–	958,576
Net trading losses	–	–	(71,054)	–	(71,054)
Net gains arising from investments	–	–	1,416,422	–	1,416,422
Other operating income	–	–	–	10,810	10,810
Operating income	2,562,049	1,071,617	1,491,902	10,810	5,136,378
Operating expenses	(582,916)	(443,869)	(400,309)	(2,491)	(1,429,585)
Impairment losses on assets	(317,423)	(238,814)	(140,286)	–	(696,523)
Operating profit	1,661,710	388,934	951,307	8,319	3,010,270
Share of profits of associates	–	–	–	26,331	26,331
Profit before taxation	1,661,710	388,934	951,307	34,650	3,036,601
Other segment information					
– Depreciation and amortisation	36,108	70,482	41,253	–	147,843
– Capital expenditure	102,036	79,523	72,264	307	254,130
	31 December 2018				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	157,319,884	57,840,402	247,604,846	1,429,499	464,194,631
Deferred tax assets					1,947,787
Total assets					466,142,418
Segment liabilities/total liabilities	184,959,359	83,126,962	158,512,376	1,680,222	428,278,919
Credit commitments	81,456,788	1,778,943	–	–	83,235,731



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 38 SEGMENT REPORTING (CONTINUED)

### (b) Geographical information

Geographically, the Group mainly conducts its business in Henan Province of the PRC and majority of its customers and assets are located in Henan Province of the PRC.

## 39 RISK MANAGEMENT

The Group is primarily exposed to credit, interest rate, currency and liquidity risks from its use of financial instruments in the normal course of the Group's operations. This note mainly presents information about the Group's exposure to each of the above risks and their sources, the Group's objectives, policies and processes for measuring and managing risks.

The Group aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and minimise potential adverse effects.

The Board of Directors (the "Board") is the highest decision-making authority within the Group in terms of risk management and oversees the Group's risk management functions through the Risk Management Committee. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Senior management is the highest execution level in the risk management structure and reports directly to the Risk Management Committee of the Board. Based on the risk management strategies determined by the Board, senior management is responsible for formulating and implementing risk management policies and systems, as well as supervising, identifying and controlling the risks that various businesses are exposed to.

### (a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and debt investments portfolios and guarantees granted.

#### *Credit business*

The Board is responsible for establishing the Group's risk management strategies and the overall risk tolerance level. The Board also monitors the Group's risk management process and regularly assesses the Group's risk position and risk management strategies, ensures that credit risk in various businesses are properly identified, assessed, calculated and monitored. The Credit Management Department is responsible for credit risk management. Departments such as the Credit Approval Department, the Corporate Business Department, the Retail Banking Department, the Financial Department of Small Business, Investment Bank Department, and the Financial Markets Department carry out credit businesses and investments portfolios business according to the Group's risk management policies and procedures. The Group adopts a loan risk classification approach to manage its loan portfolio risk.

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### *Treasury Business*

The Group's treasury business are exposed to the credit risk associated with the investment business and interbank business. The Group manages the credit risk exposures by setting up credit on its treasury business and interbank business. Credit risk exposure is closely monitored on a systematic, real-time basis. Credit risk limits are reviewed and updated regularly.

#### *Measurement of ECL*

Based on whether there is a significant increase in credit risk and whether the asset has incurred credit impairment, the Group measures provision for loss of different assets with 12-month ECL or lifetime ECL respectively.

The Group measures loss provision of the financial instruments that meet the following conditions according to the amount of expected credit losses within the next 12 months, and measures loss provision for other financial instruments in accordance with the amount of lifetime expected credit losses.

- The financial instruments that are determined to have low credit risk at the reporting date; or
- The financial instruments for which credit risk has not increased significantly since initial recognition.

#### (i) Significant increase in credit risk

When one or more quantitative, qualitative standards or upper limits are triggered, the Group assumes that credit risk on financial instruments has increased significantly.

If the borrower is listed in the watch list and one or more of the following criteria are met:

- The credit spread increases significantly
- Significant changes with an adverse effect that have taken place in the borrower's business, financial and economic status
- Application of a grace period or debt-restructuring
- Significant changes with an adverse effect in the borrower's business conditions
- Less value of the collaterals (for the collateral loans and pledged loans only)
- Early indicators of problems of cash flow/liquidity, such as late payment of accounts payable/repayment of loans
- The borrower is more than 30 days past due.



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### *Measurement of ECL (Continued)*

##### (i) Significant increase in credit risk (Continued)

The Group uses watch lists to monitor credit risk of financial instruments related to loans and treasury operations, and conducts regular assessments at the counterparty level. The standards used in determining whether credit risk increases significantly are regularly monitored and reviewed by the management for the appropriateness.

As at 30 June 2019, the Group has not considered that any of its financial instruments has lower credit risk and no longer compared the credit risk at the balance sheet date with that at the initial recognition to identify whether there was a significant increase in credit risk.

##### (ii) Definition of “default” and “credit-impaired assets”

When a financial instrument meets one or more of the following conditions, the Group considers the financial asset to be in default, and the criteria are consistent with the definition of credit-impaired assets.

###### (1) Quantitative criterion

The financial asset is more than 90 days past due.

###### (2) Qualitative criterion

The borrower meets the criterion of “having difficulty in repayment”, which indicates that the borrower has significant financial difficulty, including:

- the borrower has been in the grace period for a long time
- the death of the borrower
- the borrower enters bankruptcy
- the borrower breaches (one or more) terms of the contract that the debtor shall be subject to
- the disappearance of an active market for the related financial asset because of financial difficulties faced by the borrower
- the creditor make concessions due to the financial difficulties faced by the borrower

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### *Measurement of ECL (Continued)*

##### (ii) Definition of “default” and “credit-impaired assets” (Continued)

##### (2) Qualitative criterion (Continued)

- it becoming probable that the borrower will enter bankruptcy
- a higher discount was obtained during the acquisition of assets, and the assets has incurred credit loss when they are acquired

The above criteria apply to all financial instruments of the Group and they are consistent with the definition of “default” adopted by the internal management of credit risk.

##### (iii) Notes to the parameters, assumptions and valuation techniques

The ECL is the result of the discounted product of probability of default (PD), exposure at default (EAD) and loss given default (LGD). The definitions of these terms are as follows:

- PD refers to the likelihood that a borrower will be unable to meet his repayment obligations over the next 12 months or the remaining lifetime of the loan;
- EAD is the amount that the Group should be reimbursed upon default of an obligor over the next 12 months or the remaining lifetime of the loan;
- LGD refers to the expected degree of loss arising from the exposure at default which is predicted by the Group. LGD varies according to different types of counterparties, methods and priority of recovering debts, and the availability of collaterals or other credit support.

The Group determines the expected credit losses by estimating the PD, LGD and EAD of individual exposure or asset portfolios in the future months. The Group multiplies these three parameters and makes adjustments according to the probability of their continuance (i.e. there is no prepayment or default at an earlier period). By adopting this approach, the Group can calculate the expected credit losses for the future months. The results of calculation for each month are then discounted to the balance sheet date and added up. The discount rate used in the calculation of ECL is the initial effective interest rate or its approximate value.

The lifetime PD is deduced from using the maturity model or 12-month probability of default. The maturity model describes the development rule of the defaults of the asset portfolio over its lifetime. The model is developed based on historical observational data and applicable to all assets in the same portfolio with the same credit rating. The above method is supported by empirical analysis.



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### *Measurement of ECL (Continued)*

##### (iii) Notes to the parameters, assumptions and valuation techniques (Continued)

The 12-month EAD and lifetime EAD are determined based on expected repayment arrangements, which are different according to different types of products.

- In respect of the loans with instalment repayments and bullet repayment, the Group determines 12-month or lifetime EAD according to the repayment schedule agreed in the contract, and makes adjustment based on prediction of over-limit repayment and prepayments/refinancing made by the borrower.
- In respect of the products of revolving credit agreement, the Group estimates the remaining withdrawal within the limits by using the balance of the loan after previous withdrawals and the “credit conversion factor”, so as to predict the exposure at default. Based on the Group’s analysis on recent default data, these assumptions vary based on differences in product type and utilization rate of the limits.
- The Group determines the 12-month LGD and lifetime LGD based on the factors that affects post-default recovery. LGD for different product types are different.
- As to loans classified as guarantees, the Group determines the LGD according to the types of collaterals and their expected value, the discount rate at the compulsory sale, the recovery time and the estimated recovery cost.
- As to fiduciary loans, the Group usually determines LGD in the product level due to the limited differences in recoverable amounts from different borrowers. The LGD is affected by the recovery strategies, which include the transfer plan and pricing of loans.
- Forward-looking economic information should be considered when determining the 12-month and lifetime PD, EAD and LGD. Forward-looking information that need to be considered is different due to different product types.



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### *Measurement of ECL (Continued)*

##### (iii) Notes to the parameters, assumptions and valuation techniques (Continued)

The Group quarterly monitors and reviews assumptions related to the calculation of expected credit losses, including the changes in PD and the value of collaterals under the different time limits.

Both the assessment of the significant increase in credit risk and the measurement of expected credit losses involve forward-looking information. Based on the analysis on historical data, the Group identified critical economic indicators that affect the credit risk and expected credit losses of all asset portfolios, including GDP, industrial added value, CPI, etc.

There has been no significant changes in the valuation techniques and key assumptions during the reporting period.

##### (1) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the carrying amount of each type of financial assets as at the end of each of the reporting period. The maximum exposure to credit risk in respect of those off-balance sheet items as at the end of each of the reporting period is disclosed in Note 41(a).

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### Measurement of ECL (Continued)

(iii) Notes to the parameters, assumptions and valuation techniques (Continued)

(2) Loans and advances to customers

(i) Loans and advances to customers were analysed as follows:

	As at 30 June 2019	As at 31 December 2018
Gross balance of loans and advances that are assessed for 12-month ECL		
– Overdue but not credit-impaired	914,493	639,733
– Neither overdue nor credit-impaired	167,240,836	149,978,957
Sub-total	168,155,329	150,618,690
Gross balance of loans and advances that are not credit-impaired and assessed for lifetime ECL		
– Overdue but not credit-impaired	1,103,245	2,396,820
– Neither overdue nor credit-impaired	3,840,006	2,431,602
Sub-total	4,943,251	4,828,422
Gross balance of credit-impaired loans and advances that are assessed for lifetime ECL		
– Overdue and credit-impaired	4,427,676	4,012,791
– Not overdue but credit-impaired	30,896	112,889
Sub-total	4,458,572	4,125,680
Interest accrued	612,966	489,560
Less: Provision for impairment losses on loans and advances to customers measured at amortised cost	(6,658,676)	(6,062,971)
Net loans and advances to customers	171,511,442	153,999,381

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### Measurement of ECL (Continued)

(iii) Notes to the parameters, assumptions and valuation techniques (Continued)

(2) Loans and advances to customers (Continued)

(ii) Neither overdue nor credit-impaired

Credit risk of loans and advances to customers neither overdue nor credit-impaired was analysed as follows:

	As at 30 June 2019	As at 31 December 2018
Corporate loans and advances	121,243,316	109,829,919
Personal loans and advances	49,837,526	42,580,640
Total gross balance	171,080,842	152,410,559

(iii) Overdue but not credit-impaired

The following tables present the overdue analysis of each type of loans and advances to customers of the Group which were overdue but not credit-impaired as at the end of the reporting period.

	As at 30 June 2019		
	Less than 1 month (inclusive)	1 to 3 months (inclusive)	Total
Corporate loans and advances	994,071	624,982	1,619,053
Personal loans and advances	186,328	212,357	398,685
Total gross balance	1,180,399	837,339	2,017,738



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### Measurement of ECL (Continued)

(iii) Notes to the parameters, assumptions and valuation techniques (Continued)

(2) Loans and advances to customers (Continued)

(iii) Overdue but not credit-impaired (Continued)

	As at 31 December 2018		Total
	Less than 1 month (inclusive)	1 to 3 months (inclusive)	
Corporate loans and advances	1,132,393	1,422,545	2,554,938
Personal loans and advances	225,265	256,350	481,615
Total gross balance	1,357,658	1,678,895	3,036,553

Fair value of collateral held against loans and advances overdue but not credit-impaired was analysed as follows:

	As at 30 June 2019	As at 31 December 2018
Fair value of collateral held against loans and advances overdue but not credit-impaired	1,811,874	2,250,645

The above collaterals mainly include land, buildings, machinery and equipment, etc. The fair value of collaterals were estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### Measurement of ECL (Continued)

(iii) Notes to the parameters, assumptions and valuation techniques (Continued)

(2) Loans and advances to customers (Continued)

(iv) Credit-impaired loans

Credit-impaired loans were analysed as follows:

	As at 30 June 2019	As at 31 December 2018
Gross balance		
Corporate loans and advances	3,398,249	3,268,726
Personal loans and advances	1,060,323	856,954
Sub-total	4,458,572	4,125,680
Interest accrued		
Corporate loans and advances	1,769	1,809
Personal loans and advances	153	8
Sub-total	1,922	1,817
Provision for impairment losses		
Corporate loans and advances	(2,285,769)	(2,279,394)
Personal loans and advances	(630,727)	(567,625)
Sub-total	(2,916,496)	(2,847,019)
Net balance		
Corporate loans and advances	1,114,249	991,141
Personal loans and advances	429,749	289,337
Total	1,543,998	1,280,478
Fair value of collateral held against credit-impaired loans and advances	1,478,268	1,967,877

The above collateral mainly included land, buildings, machinery and equipment, etc. The fair value of collateral was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### *Measurement of ECL (Continued)*

(iii) Notes to the parameters, assumptions and valuation techniques (Continued)

(2) Loans and advances to customers (Continued)

(v) Loans and advances rescheduled

Rescheduling is a voluntary or, to a limited extent, court-supervised procedure, through which the Group and a borrower and/or its guarantor, if any, reschedule credit terms generally as a result of deterioration in the borrowers' financial conditions or of the borrowers' inability to make payments when due. The Group reschedules a non-performing loan only if the borrower has good prospects. In addition, prior to approving the rescheduling of loans, the Group typically requires additional guarantees, pledges and/or collateral, or assumption of the loans by a borrower with better repayment ability. Rescheduling is most commonly applied to term loans. There were no rescheduled loans as at 30 June 2019 and 31 December 2018.

(3) Amounts due from banks and other financial institutions

The Group adopts an internal credit rating approach in managing the credit risk of amounts due from banks and other financial institutions. The distribution according to the credit rating of amounts due from banks and non-bank financial institutions (including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements for which counterparties are banks and non-bank financial institutions) is as follows:

	30 June 2019	31 December 2018
<b>Carrying amount</b>		
– grade A to AAA	4,844,664	7,708,768
– grade B to BBB	1,624,421	1,524,561
– unrated	81,514	144,486
<b>Total</b>	<b>6,550,599</b>	<b>9,377,815</b>

As at 30 June 2019 and 31 December 2018, amounts due from banks and other financial institutions of the Group were neither overdue nor credit-impaired.

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### Measurement of ECL (Continued)

(iii) Notes to the parameters, assumptions and valuation techniques (Continued)

#### (4) Debt securities investments

The credit risk of debt securities investments mainly arises from the risk that the issuer might default on a payment or go into liquidation. Debt securities investments by different types of issuers are generally subject to different degrees of credit risk.

The following tables present an analysis of the Group's total credit risk exposures of debt securities investments by types of issuers as at 30 June 2019:

	30 June 2019	31 December 2018
<b>Carrying amount</b>		
<i>Neither overdue nor credit-impaired</i>		
– Government	28,685,591	29,170,003
– Policy banks	36,136,340	37,537,081
– Banks and other financial institutions	2,234,670	2,876,607
– Corporate	6,994,776	8,176,557
Subtotal	74,051,377	77,760,248
<i>Credit-impaired but not overdue</i>		
– Corporate	–	256,411
Total	74,051,377	78,016,659

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### Measurement of ECL (Continued)

(iii) Notes to the parameters, assumptions and valuation techniques (Continued)

(5) Financial lease receivables

(i) Financial lease receivables were analysed as follows:

	30 June 2019	31 December 2018
Balance of financial lease receivables that are assessed for 12-months ECL		
– Overdue but not credit-impaired	429,600	–
– Neither overdue nor credit-impaired	11,397,985	13,311,745
Sub-total	11,827,585	13,311,745
Balance of not credit-impaired financial lease receivables that are assessed for lifetime ECL		
– Overdue but not credit-impaired	682,005	180,142
– Neither overdue nor credit-impaired	787,063	462,288
Sub-total	1,469,068	642,430
Interest accrued	116,896	105,345
Less: Provision for impairment losses	(368,854)	(348,854)
Total	13,044,695	13,710,666



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### *Measurement of ECL (Continued)*

(iii) Notes to the parameters, assumptions and valuation techniques (Continued)

(5) Financial lease receivables (Continued)

(ii) Overdue but not credit-impaired

The following tables present the overdue analysis of each type of financial lease receivables of the Group which were overdue but not credit-impaired as at the end of the reporting period.

	As at 30 June 2019		
	Less than 1 month (inclusive)	1 to 3 months (inclusive)	Total
Financial lease receivables	429,600	682,005	1,111,605

	As at 31 December 2018		
	Less than 1 month (inclusive)	1 to 3 months (inclusive)	Total
Financial lease receivables	–	180,142	180,142

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### Measurement of ECL (Continued)

(iii) Notes to the parameters, assumptions and valuation techniques (Continued)

(6) Financial investments measured at amortised cost

The Group

	30 June 2019	31 December 2018
Balance of financial investments measured at amortised cost that are assessed for 12-months ECL		
– Overdue but not credit-impaired	2,044,620	708,400
– Neither overdue nor credit-impaired	170,397,444	163,391,994
Sub-total	172,442,064	164,100,394
Balance of not credit-impaired financial investments measured at amortised cost that are assessed for lifetime ECL		
– Overdue but not credit-impaired	1,500,000	–
– Neither overdue nor credit-impaired	1,400,000	1,400,000
Sub-total	2,900,000	1,400,000
Balance of credit-impaired financial investments and measured at amortised cost that are assessed for lifetime ECL		
– Overdue and credit-impaired	1,791,263	2,629,147
Sub-total	1,791,263	2,629,147
Interest accrued	1,304,901	1,427,133
Less: Provision for impairment losses	(2,167,488)	(1,726,620)
Total	176,270,740	167,830,054
Fair value of collaterals held against credit-impaired financial investments that are measured at amortised cost	3,147,800	5,027,204



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 RISK MANAGEMENT (CONTINUED)

### (b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, exchange rates, commodity prices, stock prices and other prices. The market risk management aims to manage and monitor market risk, control the potential losses associated with market risk within the acceptable limit and maximise the risk-adjusted income.

The Board is responsible for approving the market risk management strategies and policies, determining the acceptable level of market risk and authorising the Risk Management Committee to supervise the market risk management conducted by the senior management. The Finance and Accounting Department, Transaction Banking Department 1, Financial Markets Department and Risk Management Department are responsible for identifying, measuring, monitoring and reporting the market risk.

The Group employed sensitivity analysis, interest repricing gap analysis, foreign currency gap analysis, stress testing and effective duration analysis to measure and monitor the market risk.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile with reference to the interest rate risks for different maturities.

Interest repricing gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorising each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on/off-balance sheet items.

The results of stress testing are assessed against a set of forward-looking scenarios using stress moves in market variables. The results are used to estimate the impact on profit or loss.

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarising all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (Continued)

#### (1) Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of treasury position.

##### (i) Repricing risk

Repricing risk, which is also known as “maturity mismatch risk”, is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of assets, liabilities and off-balance sheet items. The mismatch of repricing causes the Group’s income or its inherent economic value to vary with the movement in interest rates.

The Finance and Accounting Department is responsible for identifying, measuring, monitoring and managing interest rate risk. The Group regularly performs assessment on the interest rate repricing gap between the assets and liabilities that are sensitive to changes in interest rates and sensitivity analysis on the net interest income as a result of changes in interest rates. The primary objective of interest rate risk management is to minimise potential adverse effects on its net interest income or its inherent economic value caused by interest rate volatility.

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (Continued)

#### (1) Interest rate risk (Continued)

##### (i) Repricing risk (Continued)

The following tables indicate the assets and liabilities analysis as at the end of the reporting period by the expected next repricing dates or by maturity dates, depending on which is earlier:

	30 June 2019					
	Total	Non-interest bearing	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
<b>Assets</b>						
Cash and deposits with central bank	32,434,297	1,126,701	31,307,596	-	-	-
Deposits/placements with banks and other financial institutions	6,429,695	622,098	5,503,182	228,497	75,918	-
Financial assets held under resale agreements	120,904	40	120,864	-	-	-
Loans and advances to customers (1)	171,511,442	612,966	110,875,316	54,048,034	4,027,461	1,947,665
Investments (2)	249,036,249	50,511,436	23,300,186	26,591,709	109,648,699	38,984,219
Finance lease receivables (1)	13,044,695	116,896	10,783,299	1,835,319	309,181	-
Others	7,218,284	7,200,031	1,444	16,809	-	-
<b>Total assets</b>	<b>479,795,566</b>	<b>60,190,168</b>	<b>181,891,887</b>	<b>82,720,368</b>	<b>114,061,259</b>	<b>40,931,884</b>
<b>Liabilities</b>						
Due to central bank	5,197,523	81,323	2,550,200	2,566,000	-	-
Deposits/placements from banks and other financial institutions	33,336,927	246,603	14,050,049	19,040,275	-	-
Financial assets sold under repurchase agreements	21,905,063	7,863	21,897,200	-	-	-
Deposits from customers	274,732,252	4,042,656	145,731,640	63,393,449	61,064,507	500,000
Debt securities issued	101,030,940	272,529	6,902,389	81,860,203	11,995,819	-
Others	4,077,747	4,000,433	76,704	610	-	-
<b>Total liabilities</b>	<b>440,280,452</b>	<b>8,651,407</b>	<b>191,208,182</b>	<b>166,860,537</b>	<b>73,060,326</b>	<b>500,000</b>
<b>Asset-liability gap</b>	<b>39,515,114</b>	<b>51,538,761</b>	<b>(9,316,295)</b>	<b>(84,140,169)</b>	<b>41,000,933</b>	<b>40,431,884</b>



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (Continued)

#### (1) Interest rate risk (Continued)

##### (i) Repricing risk (Continued)

	31 December 2018					
	Total	Non-interest bearing	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
<b>Assets</b>						
Cash and deposits with central bank	46,224,453	1,377,590	44,846,863	-	-	-
Deposits/placements with banks and other financial institutions	5,925,690	408,126	5,084,150	350,000	83,414	-
Financial assets held under resale agreements	3,452,125	4,739	3,447,386	-	-	-
Loans and advances to customers (1)	153,999,381	489,560	101,086,197	47,170,340	3,077,839	2,175,445
Investments (2)	236,359,868	46,426,383	26,063,860	23,792,639	103,650,064	36,426,922
Finance lease receivables (1)	13,710,666	105,345	11,651,404	1,953,917	-	-
Others	6,470,235	6,238,684	180,265	51,286	-	-
<b>Total assets</b>	<b>466,142,418</b>	<b>55,050,427</b>	<b>192,360,125</b>	<b>73,318,182</b>	<b>106,811,317</b>	<b>38,602,367</b>
<b>Liabilities</b>						
Due to central bank	4,196,194	62,494	-	4,133,700	-	-
Deposits/placements from banks and other financial institutions	41,051,553	484,380	19,111,780	21,455,393	-	-
Financial assets sold under repurchase agreements	18,956,133	9,853	18,946,280	-	-	-
Deposits from customers	267,758,206	4,041,732	136,777,389	62,212,591	61,726,494	3,000,000
Debt securities issued	93,649,019	125,958	21,943,150	61,584,355	9,995,556	-
Others	2,667,814	2,629,313	37,976	525	-	-
<b>Total liabilities</b>	<b>428,278,919</b>	<b>7,353,730</b>	<b>196,816,575</b>	<b>149,386,564</b>	<b>71,722,050</b>	<b>3,000,000</b>
<b>Asset-liability gap</b>	<b>37,863,499</b>	<b>47,696,697</b>	<b>(4,456,450)</b>	<b>(76,068,382)</b>	<b>35,089,267</b>	<b>35,602,367</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (Continued)

#### (1) Interest rate risk (Continued)

##### (i) Repricing risk (Continued)

- (1) For the Group's loans and advances to customers, the category "Within three months (inclusive)" as at 30 June 2019 includes overdue amounts (net of allowance for impairment losses) of RMB3,276 million (31 December 2018: RMB3,555 million). For the Group's finance lease receivables, the category "Within three months (inclusive)" as at 30 June 2019 includes overdue amounts (net of allowance for impairment losses) of RMB1,020 million (31 December 2018: RMB176 million).
- (2) Investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income, financial investments measured at amortised cost and interest in associates, the category "Within three months (inclusive)" as at 30 June 2019 includes overdue amounts (net of allowance for impairment losses) of RMB4,597 million (31 December 2018: RMB2,819 million).

##### (ii) Interest rate sensitivity analysis

	<b>30 June 2019</b>	31 December 2018
	<b>(Decrease)/ increase</b>	(Decrease)/ increase
Change in net interest income		
Up 100 bps parallel shift in yield curves	<b>(543,161)</b>	(461,308)
Down 100 bps parallel shift in yield curves	<b>543,161</b>	461,308
Change in equity		
Up 100 bps parallel shift in yield curves	<b>(895,094)</b>	(671,154)
Down 100 bps parallel shift in yield curves	<b>914,251</b>	679,002



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (Continued)

#### (1) Interest rate risk (Continued)

##### (ii) Interest rate sensitivity analysis (Continued)

The sensitivity analysis above is based on a static interest risk exposure profile of assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualized net interest income and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The effect of equity is the effect of the assumed changes in interest rates on other comprehensive income, calculated by revaluing financial investments at fair value through other comprehensive income and loans and advances to customers measured at fair value through other comprehensive income held at year end. The sensitivity analysis is based on the following assumptions:

- All assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature in the beginning of the respective periods;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio, all the position will be held and keep unchanged after matured; and
- The analysis does not take into account the effect of risk management measures taken by the management.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net interest income and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (Continued)

#### (2) Currency risk

The Group's currency risk mainly arises from foreign currency loans and deposits from customers. The Group manages currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies.

The Group's currency exposures as at the end of the reporting period are as follows:

	30 June 2019			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
<b>Assets</b>				
Cash and deposits with central bank	32,279,343	151,477	3,477	32,434,297
Deposits/placements with banks and other financial institutions	3,059,295	3,348,077	22,323	6,429,695
Financial assets held under resale agreements	120,904	–	–	120,904
Loans and advances to customers	170,562,422	949,020	–	171,511,442
Investments (i)	239,271,453	9,764,796	–	249,036,249
Finance lease receivables	13,044,695	–	–	13,044,695
Others	7,121,421	96,863	–	7,218,284
<b>Total assets</b>	<b>465,459,533</b>	<b>14,310,233</b>	<b>25,800</b>	<b>479,795,566</b>
<b>Liabilities</b>				
Due to central bank	5,197,523	–	–	5,197,523
Deposits/placements from banks and other financial institutions	32,848,652	488,275	–	33,336,927
Financial assets sold under repurchase agreements	21,905,063	–	–	21,905,063
Deposits from customers	271,664,863	3,067,155	234	274,732,252
Debt securities issued	101,030,940	–	–	101,030,940
Others	3,723,348	343,634	10,765	4,077,747
<b>Total liabilities</b>	<b>436,370,389</b>	<b>3,899,064</b>	<b>10,999</b>	<b>440,280,452</b>
<b>Net position</b>	<b>29,089,144</b>	<b>10,411,169</b>	<b>14,801</b>	<b>39,515,114</b>
<b>Off-balance sheet credit commitments</b>	<b>86,132,140</b>	<b>2,760,324</b>	<b>254,045</b>	<b>89,146,509</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (Continued)

#### (2) Currency risk (Continued)

	31 December 2018			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
<b>Assets</b>				
Cash and deposits with central bank	45,973,787	247,943	2,723	46,224,453
Deposits/placements with banks and other financial institutions	3,532,393	2,324,726	68,571	5,925,690
Financial assets held under resale agreements	3,452,125	–	–	3,452,125
Loans and advances to customers	153,029,933	969,448	–	153,999,381
Investments (i)	226,454,202	9,727,272	178,394	236,359,868
Finance lease receivables	13,710,666	–	–	13,710,666
Others	5,102,832	1,367,403	–	6,470,235
<b>Total assets</b>	<b>451,255,938</b>	<b>14,636,792</b>	<b>249,688</b>	<b>466,142,418</b>
<b>Liabilities</b>				
Due to central bank	4,196,194	–	–	4,196,194
Deposits/placements from banks and other financial institutions	40,331,556	719,997	–	41,051,553
Financial assets sold under repurchase agreements	18,956,133	–	–	18,956,133
Deposits from customers	262,405,650	5,351,699	857	267,758,206
Debt securities issued	93,649,019	–	–	93,649,019
Others	1,954,107	654,427	59,280	2,667,814
<b>Total liabilities</b>	<b>421,492,659</b>	<b>6,726,123</b>	<b>60,137</b>	<b>428,278,919</b>
<b>Net position</b>	<b>29,763,279</b>	<b>7,910,669</b>	<b>189,551</b>	<b>37,863,499</b>
<b>Off-balance sheet credit commitments</b>	<b>80,231,567</b>	<b>2,953,262</b>	<b>50,902</b>	<b>83,235,731</b>

- (i) Investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income, financial investments measured at amortised cost and interest in associates.



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (Continued)

#### (2) Currency risk (Continued)

	<b>30 June 2019</b>	31 December 2018
	<b>Increase/ (decrease)</b>	Increase/ (decrease)
Change in profit after taxation and equity		
Up 100 bps change of foreign exchange rate	<b>11,374</b>	8,852
Down 100 bps change of foreign exchange rate	<b>(11,374)</b>	(8,852)

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

- The foreign exchange sensitivity is the gain and loss recognised as a result of one hundred basis points fluctuation in the foreign currency exchange rates against RMB based on the closing rate of reporting date;
- The exchange rates against RMB for the US dollars and other foreign currencies change in the same direction simultaneously;
- The foreign currency exposures calculated includes spot and forward foreign exchange exposures and swaps, and all the position will be held and keep unchanged after mature; and
- The analysis does not take into account the effect of risk management measures taken by the Group.

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

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to meet repayment obligations or sustain its asset business. This risk exists even if a bank's solvency remains strong.

The Group has implemented the centralised management of the Group-wide liquidity risk by the head office, and established the Risk Management Committee which mainly comprises the Liquidity Risk Management Committee, the Asset and Liability Management Committee and the Finance and Accounting Department at the head office. The responsibilities of them are as following:

- the Risk Management Committee and the Asset and Liability Management Committee are the decision-making bodies for liquidity risk management and are responsible for formulating the guidelines and policies for liquidity risk management;
- the Finance and Accounting Department is the liquidity risk management department and is responsible for implementing relevant liquidity risk management policies, monitoring various liquidity risk indicators; formulating, implementing and evaluating relevant systems, setting the Group-wide risk warning limits and guiding various business departments to manage liquidity risk on a daily basis; regularly carrying out risk analysis and reporting to the Risk Management Committee and the Asset and Liability Management Committee.

The Group manages liquidity risk by monitoring the maturities of the assets and liabilities, while actively monitoring multiple liquidity indicators, including loan to deposit ratio, liquidity ratio, reserve ratio, liquidity gap ratio, and etc.

The Group also formulates liquidity risk emergency plan to ensure sufficient liquidity under various market conditions.

A substantial portion of the Group's assets are funded by deposits from customers. These deposits from customers, which have been growing in recent years, are widely diversified in terms of type and duration and represent a major source of funds.



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (Continued)

#### (1) Maturity analysis

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

	30 June 2019						Total
	Indefinite	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
<b>Assets</b>							
Cash and deposits with central bank (ii)	28,038,068	4,396,229	-	-	-	-	32,434,297
Deposits/placements with banks and other financial institutions	-	1,959,029	4,166,251	228,497	75,918	-	6,429,695
Financial assets held under resale agreements	-	-	120,904	-	-	-	120,904
Loans and advances to customers (iii)	2,136,201	3,528,117	19,725,029	68,429,693	43,174,862	34,517,540	171,511,442
Investments (i)	3,050,178	1,905,354	35,635,344	48,796,251	120,550,786	39,098,336	249,036,249
Finance lease receivables (iv)	580,015	439,979	1,785,369	3,948,389	6,281,222	9,721	13,044,695
Others	3,200,068	70,474	2,757,532	512,315	416,086	261,809	7,218,284
<b>Total assets</b>	<b>37,004,530</b>	<b>12,299,182</b>	<b>64,190,429</b>	<b>121,915,145</b>	<b>170,498,874</b>	<b>73,887,406</b>	<b>479,795,566</b>
<b>Liabilities</b>							
Due to central bank	-	-	2,623,630	2,573,893	-	-	5,197,523
Deposits/placements from banks and other financial institutions	-	1,256,157	13,040,495	19,040,275	-	-	33,336,927
Financial assets sold under repurchase agreements	-	-	21,905,063	-	-	-	21,905,063
Deposits from customers	-	108,464,465	39,357,492	64,205,169	62,205,003	500,123	274,732,252
Debt securities issued	-	-	6,902,389	82,132,732	11,995,819	-	101,030,940
Others	-	983,884	1,343,450	205,190	1,376,826	168,397	4,077,747
<b>Total liabilities</b>	<b>-</b>	<b>110,704,506</b>	<b>85,172,519</b>	<b>168,157,259</b>	<b>75,577,648</b>	<b>668,520</b>	<b>440,280,452</b>
<b>Long/(short) position</b>	<b>37,004,530</b>	<b>(98,405,324)</b>	<b>(20,982,090)</b>	<b>(46,242,114)</b>	<b>94,921,226</b>	<b>73,218,886</b>	<b>39,515,114</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (Continued)

#### (1) Maturity analysis (Continued)

31 December 2018							
	Indefinite	Repayable on demand	Within three months (inclusive)	Between three months and five years (inclusive)	Between one year and five years (inclusive)	More than five years	Total
<b>Assets</b>							
Cash and deposits with central bank (ii)	28,771,795	17,452,641	17	-	-	-	46,224,453
Deposits/placements with banks and other financial institutions	-	1,340,322	4,151,954	350,000	83,414	-	5,925,690
Financial assets held under resale agreements	-	-	3,452,125	-	-	-	3,452,125
Loans and advances to customers (iii)	2,447,480	3,017,666	19,443,318	68,239,848	34,409,919	26,441,150	153,999,381
Investments (i)	3,337,111	-	30,676,743	53,918,052	111,887,468	36,540,494	236,359,868
Finance lease receivables (iv)	175,639	-	1,713,373	3,677,864	8,131,081	12,709	13,710,666
Others	4,868,013	29,009	637,605	776,808	157,570	1,230	6,470,235
<b>Total assets</b>	<b>39,600,038</b>	<b>21,839,638</b>	<b>60,075,135</b>	<b>126,962,572</b>	<b>154,669,452</b>	<b>62,995,583</b>	<b>466,142,418</b>
<b>Liabilities</b>							
Due to central bank	-	-	62,494	4,133,700	-	-	4,196,194
Deposits/placements from banks and other financial institutions	-	1,470,384	18,060,377	21,520,792	-	-	41,051,553
Financial assets sold under repurchase agreements	-	-	18,956,133	-	-	-	18,956,133
Deposits from customers	-	105,878,265	34,940,856	62,212,591	61,726,494	3,000,000	267,758,206
Debt securities issued	-	-	21,943,150	61,710,313	9,995,556	-	93,649,019
Others	-	622,732	779,357	195,703	962,774	107,248	2,667,814
<b>Total liabilities</b>	<b>-</b>	<b>107,971,381</b>	<b>94,742,367</b>	<b>149,773,099</b>	<b>72,684,824</b>	<b>3,107,248</b>	<b>428,278,919</b>
<b>Long/(short) position</b>	<b>39,600,038</b>	<b>(86,131,743)</b>	<b>(34,667,232)</b>	<b>(22,810,527)</b>	<b>81,984,628</b>	<b>59,888,335</b>	<b>37,863,499</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (Continued)

#### (1) Maturity analysis (Continued)

- (i) Investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income, financial investments measured at amortised cost and interest in associates. The “indefinite” period amount represents the balance being credit-impaired or overdue for more than one month, and the balance overdue within one month (inclusive) but not credit-impaired is included in “repayable on demand”.
- (ii) For cash and deposits with central bank, the indefinite period amount represents statutory deposit reserves and fiscal deposits maintained with the PBoC. Equity investments are reported under indefinite period.
- (iii) For loans and advances to customers, the “indefinite” period amount represents the balance being impaired or overdue for more than one month, and the balance overdue within one month (inclusive) but not impaired is included in “repayable on demand”
- (iv) For finance lease receivables, the “indefinite” period amount represents the balance being impaired or overdue for more than one month, and the balance overdue within one month (inclusive) but not impaired is included in “repayable on demand”



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (Continued)

#### (2) Analysis on contractual undiscounted cash flows of financial liabilities

- (i) The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities at the end of the reporting period:

	30 June 2019						
	Carrying amount at 30 June	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Non-derivative cash flows:							
Due to central bank	5,197,523	5,302,486	-	2,643,547	2,658,939	-	-
Deposits/placements from banks and other financial institutions	33,336,927	35,571,330	1,256,904	13,047,034	21,267,392	-	-
Financial assets sold under repurchase agreements	21,905,063	21,912,984	-	21,912,984	-	-	-
Deposits from customers	274,732,252	285,890,534	107,767,361	40,041,108	66,796,033	70,647,039	638,993
Debt securities issued	101,030,940	103,271,417	-	7,043,389	83,431,211	12,796,817	-
Total non-derivative financial liabilities	436,202,705	451,948,751	109,024,265	84,688,062	174,153,575	83,443,856	638,993



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (Continued)

#### (2) Analysis on contractual undiscounted cash flows of financial liabilities (Continued)

##### (i) (Continued)

	31 December 2018						
	Carrying amount at 31 December	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Non-derivative cash flows:							
Due to central bank	4,196,194	4,269,685	-	674	4,269,011	-	-
Deposits/placements from banks and other financial institutions	41,051,553	41,917,620	1,470,800	18,128,333	22,318,487	-	-
Financial assets sold under repurchase agreements	18,956,133	18,961,045	-	18,961,045	-	-	-
Deposits from customers	267,758,206	276,804,929	105,943,418	32,023,206	64,856,254	70,737,843	3,244,208
Debt securities issued	93,649,019	96,157,155	-	22,156,000	63,324,600	10,676,555	-
Total non-derivative financial liabilities	425,611,105	438,110,434	107,414,218	91,269,258	154,768,352	81,414,398	3,244,208

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (Continued)

#### (2) Analysis on contractual undiscounted cash flows of financial liabilities (Continued)

- (ii) The following tables provide an analysis of the contractual undiscounted cash flow of the derivative financial instruments at the end of the reporting period:

	30 June 2019						
	Carrying amount at 30 June	Total	Repayable on demand	Within three months	Between three months and one year	Between one year and five years	More than five years
				(inclusive)	(inclusive)	(inclusive)	
Derivative cash flows: Derivative financial instruments settled on net basis	77,313	77,479	-	76,861	618	-	-

	31 December 2018						
	Carrying amount at 31 December	Total	Repayable on demand	Within three months	Between three months and one year	Between one year and five years	More than five years
				(inclusive)	(inclusive)	(inclusive)	
Derivative cash flows: Derivative financial instruments settled on net basis	28,713	28,713	-	29,238	(525)	-	-
Derivative financial instruments settled on gross basis:							
- Cash inflow	3,118,539	3,135,618	-	2,418,107	717,511	-	-
- Cash outflow	(2,954,202)	(2,965,309)	-	(2,301,962)	(663,347)	-	-
Total derivative financial instruments settled on gross basis	164,337	170,309	-	116,145	54,164	-	-

This analysis of the non-derivative financial liabilities by contractual undiscounted cash flow might vary from actual results.

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 RISK MANAGEMENT (CONTINUED)

### (d) Operational risk

Operational risk refers to the risk of losses associated with internal process deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group has formulated operational risk management policies and procedures, aiming to identify, assess, monitor, control and mitigate the operational risk, and reduce losses associated with the operational risk.

The Group's measures to manage the operational risk mainly include:

- making use of risk alert system and paying attention to risk product and early risk alert on each aspect of business; making business risk assessment in time; carrying out centralised risk management on major business controlling unit so as to reduce business operational risk;
- establishing a supervision system combining “on-site and off-site”, “regular and special”, “self and external” examinations, identifying, monitoring, collecting risk factors and risk signals in the course of business operations, using centralized operational risk management tools, supervising, analysing and reporting the sufficiency and effectiveness of operational risk management;
- the Compliance Department, the Risk Management Department and the Internal Audit Office constitute “three lines of defense” for operational risk management base on the separating responsibilities of the front, middle and the back offices. The Business and functional departments act as the first line of defense, the Compliance Department and the Risk Management Department act as the second line of defense and the Internal Audit Office acts as the third line of defense;
- establishing a compulsory leave and rotation policies to staff in key position or important process;
- establishing an expertise grade appraisal system for all employees, and selecting qualified employees through strict qualification examination and professional evaluation in accordance with the expertise and skills required by the various positions; and
- establishing a mechanism for emergency management and business continuity.



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 RISK MANAGEMENT (CONTINUED)

### (e) Capital management

The Group manages capital mainly through capital adequacy ratio and return on equity ratio. Capital adequacy ratio is at the core of the Group's capital management, reflecting capacity of the Group for prudent operation and risk prevention. The return on equity ratio reflects the profitability of equity. The main objective of capital management is to maintain a balanced reasonable capital amount and structure in line with the business development and expected return on equity.

The Group follows the principles below with regard to capital management:

- monitor levels of asset quality based on the Group's business strategy and maintain adequate capital to support the implementation of the Group's strategic development plan and meet the regulatory requirements; and
- effectively identify, quantify, monitor, mitigate and control the major risks to which the Group is exposed, and maintain the appropriate level of capital after considering the Group's risk exposure and risk management needs.

The Group monitors the capital adequacy ratio periodically and adjusts the capital management plan when necessary to ensure the capital adequacy ratio meets both the regulatory requirements and business development needs.



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 RISK MANAGEMENT (CONTINUED)

### (e) Capital management (Continued)

The Group calculates the capital adequacy ratios as at 30 June 2019 and 31 December 2018 in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法) issued by the former CBRC in 2012 and relevant requirements promulgated by the CBIRC as follows:

	Note	30 June 2019	31 December 2018
Total core tier-one capital			
– Share capital		5,921,932	5,921,932
– Valid portion of capital reserve		5,187,652	5,157,753
– Surplus reserve		2,356,214	2,356,214
– General reserve		5,870,320	5,870,320
– Retained earnings		11,099,039	9,518,012
– Valid portion of minority interests		579,233	602,538
Core tier-one capital		31,014,390	29,426,769
Core tier-one capital deductions		(775,457)	(714,478)
Net core tier-one capital		30,238,933	28,712,291
Additional tier-one capital			
– Additional tier-one capital instruments and related premium		7,825,508	7,825,508
– Valid portion of minority interests		76,170	80,339
Net tier-one capital		38,140,611	36,618,138
Tier two capital			
– Qualifying portions of tier-two capital instruments issued		7,000,000	7,000,000
– Surplus provision for loan impairment		2,422,669	2,179,647
– Valid portion of minority interests		154,722	160,677
Net tier-two capital		9,577,391	9,340,324
Net capital base		47,718,002	45,958,462
Total risk weighted assets	(1)	374,558,345	349,504,822
Core tier-one capital adequacy ratio		8.07%	8.22%
Tier-one capital adequacy ratio		10.18%	10.48%
Capital adequacy ratio		12.74%	13.15%

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 RISK MANAGEMENT (CONTINUED)

### (e) Capital management (Continued)

- (1) Both the on-balance and off-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty as well as any eligible collateral or guarantees.
- (2) Pursuant to the Notification on Matters Related to the Implementation of the Regulation Governing Capital of Commercial Banks (Provisional) in the Transitional Period (關於實施《商業銀行資本管理辦法(試行)》過渡期安排相關事項的通知), the CBIRC requires that the capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio for commercial banks shall not fall below 10.5%, 8.5% and 7.5% at 30 June 2019 and 10.5%, 8.5% and 7.5% at 31 December 2018.

## 40 FAIR VALUE

### (a) Methods and assumptions for measurement of fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and
- Level 3: Fair value measured using significant unobservable inputs.

The Group has established policies and internal controls with respect to the measurement of fair values, specify the framework of fair value measurement of financial instruments, fair value measurement methodologies and procedures.

The Group adopts the following methods and assumptions when evaluating fair values:

#### (1) Debt securities investments

Fair values of debt securities investments are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 FAIR VALUE (CONTINUED)

### (a) Methods and assumptions for measurement of fair value (Continued)

#### (2) Receivables and other non-derivative financial assets

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of each of the reporting period.

#### (3) Debt securities issued and other non-derivative financial liabilities

Fair values of debt securities issued are based on their quoted market prices at the end of each of the reporting period, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of each of the reporting period.

### (b) Financial instruments recorded at fair value

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	30 June 2019			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a recurring basis				
Financial investments at fair value through profit or loss				
– Debt securities	6,962,704	5,653,359	–	12,616,063
– Investment funds	–	7,002,330	–	7,002,330
– Other financial investments at fair value through profit or loss	–	–	41,393,772	41,393,772
Financial investments at fair value through other comprehensive income (excluding accrued interest)				
– Debt instruments	5,730,946	5,455,019	–	11,185,965
Loans and advances to customers measured at fair value through other comprehensive income				
– Corporate loans and advances	–	–	16,504,193	16,504,193
Derivative financial assets	–	18,253	–	18,253
<b>Total</b>	<b>12,693,650</b>	<b>18,128,961</b>	<b>57,897,965</b>	<b>88,720,576</b>
Liabilities measured at fair value on a recurring basis				
Derivative financial liabilities	–	(77,313)	–	(77,313)
<b>Total</b>	<b>–</b>	<b>(77,313)</b>	<b>–</b>	<b>(77,313)</b>



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 FAIR VALUE (CONTINUED)

### (b) Financial instruments recorded at fair value (Continued)

	31 December 2018			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a recurring basis				
Financial investments at fair value through profit or loss				
– Debt securities	7,389,146	8,377,366	–	15,766,512
– Investment funds	–	8,421,637	–	8,421,637
– Other financial investments at fair value through profit or loss	–	–	35,844,826	35,844,826
Financial investments at fair value through other comprehensive income (excluding accrued interest)				
– Debt instruments	3,474,207	4,520,117	–	7,994,324
Loans and advances to customers measured at fair value through other comprehensive income				
– Corporate loans and advances	–	–	12,396,145	12,396,145
Derivative financial assets	–	231,551	–	231,551
Total	10,863,353	21,550,671	48,240,971	80,654,995
Liabilities measured at fair value on a recurring basis				
Derivative financial liabilities	–	38,501	–	38,501
Total	–	38,501	–	38,501

During the period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (31 December 2018: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 FAIR VALUE (CONTINUED)

### (c) Movement in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing balance of level 3 financial assets and liabilities which are recorded at fair value and the movement during the period:

	1 January 2019	Total effects of profit and loss during the year	Total effects of other comprehensive income during the year	Acquisition	Sales/ Settlement	Transferred from Level 2 to Level 3	30 June 2019
Financial assets:							
Financial investments measured at fair value through profit or loss							
- Other interbank investment	35,844,826	1,091,959	-	22,696,390	(18,239,403)	-	41,393,772
Loans and advances to customers measured at fair value through other comprehensive income	12,396,145	38,099	(11,577)	14,953,467	(10,871,941)	-	16,504,193
Total	48,240,971	1,130,058	(11,577)	37,649,857	(29,111,344)	-	57,897,965

	1 January 2018	Changes in accounting policies	Total effects of profit and loss during the year	Total effects of other comprehensive income during the year	Acquisition	Sales/ Settlement	Transferred from Level 2 to Level 3	31 December 2018
Financial assets:								
Available-for-sale financial assets								
- Debt instruments	32,278,067	(32,278,067)	-	-	-	-	-	-
Financial investments measured at fair value through profit or loss								
- Other interbank investment	-	41,477,107	2,319,007	-	21,926,075	(29,877,363)	-	35,844,826
Loans and advances to customers measured at fair value through other comprehensive income	-	2,473,540	49,037	10,804	12,392,571	(2,529,807)	-	12,396,145
Total	32,278,067	11,672,580	2,368,044	10,804	34,318,646	(32,407,170)	-	48,240,971

During the reporting period, the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were immaterial.

During the reporting period, total gains recorded in profit or loss is recognised in the line item "net gains arising from investments" on the face of the consolidated statement of profit or loss and other comprehensive income.

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 FAIR VALUE (CONTINUED)

### (d) Fair value of financial assets and liabilities not carried at fair value

	30 June 2019				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost					
– Debt instruments	50,040,546	49,649,108	19,398,862	30,250,246	–
<b>Total</b>	<b>50,040,546</b>	<b>49,649,108</b>	<b>19,398,862</b>	<b>30,250,246</b>	<b>–</b>
Financial liabilities					
Debt securities issued					
– Financial bonds	5,118,589	5,045,681	–	5,045,681	–
– Tier-two capital bonds	7,149,759	7,012,762	–	7,012,762	–
– Interbank deposits	88,762,592	87,566,483	–	87,566,483	–
<b>Total</b>	<b>101,030,940</b>	<b>99,624,926</b>	<b>–</b>	<b>99,624,926</b>	<b>–</b>

	31 December 2018				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost					
– Debt instruments	54,082,788	53,283,968	21,015,697	32,268,271	–
<b>Total</b>	<b>54,082,788</b>	<b>53,283,968</b>	<b>21,015,697</b>	<b>32,268,271</b>	<b>–</b>
Financial liabilities					
Debt securities issued					
– Financial bonds	3,042,455	3,040,389	–	3,040,389	–
– Tier-two capital bonds	7,079,059	7,022,391	–	7,022,391	–
– Interbank deposits	83,527,505	82,457,265	–	82,457,265	–
<b>Total</b>	<b>93,649,019</b>	<b>92,520,045</b>	<b>–</b>	<b>92,520,045</b>	<b>–</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 FAIR VALUE (CONTINUED)

### (d) Fair value of financial assets and liabilities not carried at fair value (Continued)

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain of the financial assets and liabilities held and issued by the Group, the discounted cash flow method or other valuation methods are adopted to determine the fair values of these assets and liabilities.

The fair values of debt securities in financial investments measured at amortised cost and debt securities issued are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

Financial investments measured at amortized cost with the exception of debt securities are stated at amortised cost using the effective interest method. The fair value of financial investments measured at amortized cost are estimated based on future cash flows expected to be received which is discounted at current market rates. Majority of financial investments measured at amortized cost are repriced at least annually to the market rate. Accordingly, their carrying values approximate their fair values.

The above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

Those financial instruments for which their carrying amounts are the reasonable approximations of their fair values because, for example, they are short term in nature or repriced at current market rates frequently, are as follows:

Assets	Liabilities
Cash and deposits with central bank	Due to central bank
Deposits with banks and other financial institutions	Deposits from banks and other financial institutions
Placements with banks and other financial institutions	Placements from banks and other financial institutions
Financial assets held under resale agreements	Financial assets sold under repurchase agreements
Loans and advances to customers (measured at amortized cost)	Deposits from customers
Finance lease receivables	Other financial liabilities
Other financial assets	



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 41 COMMITMENTS AND CONTINGENT LIABILITIES

### (a) Credit commitments

The Group's credit commitments take the form of bank acceptances, unused credit card limits, letters of credit and letters of guarantees.

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

	30 June 2019	31 December 2018
Bank acceptances	73,007,630	68,168,889
Letters of credit	9,979,787	9,294,124
Guarantees	3,641,569	3,993,775
Unused credit card commitments	2,517,523	1,778,943
Total	89,146,509	83,235,731

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

### (b) Credit risk-weighted amount

	30 June 2019	31 December 2018
Credit risk-weighted amount of contingent liabilities and commitments	15,154,242	16,547,584

The credit risk weighted amount represents the amount calculated with reference to the guidelines issued by the CBIRC. The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors. The risk weights range from 0% to 150% for credit commitments.



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 41 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

### (c) Capital commitments

As at 30 June 2019 and 31 December 2018, the authorised capital commitments of the Group are as follows:

	30 June 2019	31 December 2018
Contracted but not paid for	186,008	156,097
Approved but not contracted for	35,247	58,250
Total	221,255	214,347

### (d) Outstanding litigations and disputes

As at 30 June 2019 and 31 December 2018, there are no outstanding legal proceedings that have a significant impact on the financial statements against the Group.

### (e) Pledged assets

	30 June 2019	31 December 2018
Debt securities	21,861,498	18,886,750
Total	21,861,498	18,886,750

Some of the Group's assets are pledged as collateral under repurchase agreements.

# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 42 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

### (a) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the notes issued by these structured entities. Such structured entities include investment management products under trust scheme, investment management products managed by securities companies and wealth management products issued by financial institutions. The Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and financed through the issue of notes to investors.

The following tables set out an analysis of the carrying amounts of interests held by the Group as at 30 June 2019 and 31 December 2018 in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised:

	30 June 2019	
	Carrying amount	Maximum exposure
Financial investments		
– Financial investments at fair value through profit or loss	41,806,241	41,806,241
– Financial investments measured at amortised cost	105,846,500	105,846,500
Interest receivables	156,078	156,078
Total	147,808,819	147,808,819

	31 December 2018	
	Carrying amount	Maximum exposure
Financial investments		
– Financial investments at fair value through profit or loss	38,373,901	38,373,901
– Financial investments measured at amortised cost	95,121,768	95,121,768
Interest receivables	68,540	68,540
Total	133,564,209	133,564,209

The maximum exposures to loss in the above investment management products and wealth management products are the carrying amount of the assets held by the Group and the related interest receivable at the end of each of the reporting period.



# Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

## 42 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (CONTINUED)

### (a) Structured entities sponsored by third party institutions in which the Group holds an interest (Continued)

The interest income, changes in fair value and investment gains arising from the above unconsolidated structured entities for the period ended 30 June 2019 amounted to RMB4,232 million (the six months ended 30 June 2018: RMB3,976 million).

### (b) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in

The types of unstructured entities sponsored by the Group include non-principal-guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes fees charged by providing management services.

As at 30 June 2019, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products which are sponsored by the Group is RMB42,360 million (31 December 2018: RMB36,372 million).

During the six months ended 30 June 2019, the amount of fee and commission income received from the non-principal-guaranteed wealth management products sponsored and issued by the Group and matured within the corresponding period is RMB46 million (the six months ended 30 June 2018: RMB7 million).

During the six months ended 30 June 2019, the aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group and matured within the corresponding period is RMB23,359 million (the six months ended 30 June 2018: RMB5,027 million).

## 43 FIDUCIARY ACTIVITIES

The Group commonly acts as a trustee, or in other fiduciary capacities, that result in its holding or managing assets on behalf of individuals, trusts and other institutions. These assets and any gains or losses arising thereon are not included in these financial statements as they are not the Group's assets.

As at 30 June 2019, the entrusted loans balance of the Group is RMB6,302 million (31 December 2018: RMB6,430 million).

## 44 SUBSEQUENT EVENTS

On 16 July 2019, the Board resolved to issue not more than 1,000 million A shares through private offering, with gross proceeds not more than RMB6,000 million. Pursuant to the relevant PRC laws and regulations as well as the Hong Kong Listing Rules, the implementation of the private offering is subject to the approval of shareholders' general meeting and regulatory authorities including the CBIRC Henan Bureau and China Securities Regulatory Commission.

## 45 COMPARATIVE FIGURES

For financial statements disclosure purpose, the Group made reclassification adjustments to some comparative figures.

# Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

The information set out below does not form part of the consolidated interim financial report, and is included herein for information purpose only.

## 1 LIQUIDITY COVERAGE RATIOS AND LEVERAGE RATIO

	Average for the period ended 30 June 2019	
Liquidity coverage ratio (RMB and foreign currency)	133.60%	174.49%

	31 December 2018	Average for the year ended 31 December 2018
Liquidity coverage ratio (RMB and foreign currency)	241.44%	188.80%

Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks (Provisional), the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018.

	30 June 2019	31 December 2018
Leverage ratio	6.71%	6.64%

Pursuant to the Leverage Ratio Management of Commercial Banks (Amended) issued by the former CBRC and was effective since 1 April 2015, a minimum leverage ratio 4% is required.

The above liquidity coverage ratio and leverage ratio are calculated in accordance with the formula promulgated by the CBIRC and based on the financial information prepared in accordance with PRC GAAP.



# Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 CURRENCY CONCENTRATIONS

	30 June 2019			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	14,310,233	5,374	20,426	14,336,033
Spot liabilities	(3,899,064)	(746)	(10,253)	(3,910,063)
Net position	10,411,169	4,628	10,173	10,425,970

	31 December 2018			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	14,636,792	184,703	64,985	14,886,480
Spot liabilities	(6,726,123)	(744)	(59,393)	(6,786,260)
Net position	7,910,669	183,959	5,592	8,100,220

The Group has no structural position at the reporting periods.

## 3 INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as international claims.

International claims include loans and advances to customers, deposits with banks and other financial institutions, placements with banks and other financial institutions, as well as debt investments.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

# Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

## 3 INTERNATIONAL CLAIMS (CONTINUED)

	30 June 2019			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding mainland China	4,766,818	–	2,215,866	6,982,684
North and South America	–	–	–	–
Europe	86,887	–	480,944	567,831
Total	4,853,705	–	2,696,810	7,550,515

	31 December 2018			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding mainland China	232,760	–	549,849	782,609
North and South America	188,230	–	–	188,230
Europe	145,883	–	–	145,883
Total	566,873	–	549,849	1,116,722

## 4 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES

	30 June 2019	31 December 2018
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	519,190	1,345,544
– between 6 months and 1 year (inclusive)	1,715,009	742,150
– over 1 year	1,320,585	1,667,331
Total	3,554,784	3,755,025
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.29%	0.84%
– between 6 months and 1 year (inclusive)	0.97%	0.47%
– over 1 year	0.74%	1.04%
Total	2.00%	2.35%