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JIANGXI BANK CO., LTD.*

江西銀行股份有限公司*

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

(Stock Code: 1916)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2018

The board of directors (the “**Board**”) of Jiangxi Bank Co., Ltd. (the “**Bank**”) is pleased to announce the audited consolidated annual results (the “**Annual Results**”) of the Bank and its subsidiaries for the year ended December 31, 2018. This results announcement, containing the full text of the 2018 annual 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 Annual Results. The Board and the audit committee of the Board have reviewed and confirmed the Annual Results.

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Bank (www.jx-bank.com). The annual report for the year ended December 31, 2018 will be dispatched to the shareholders of the Bank and will be available on the above websites in due course.

By Order of the Board
Jiangxi Bank Co., Ltd.
CHEN Xiaoming
Chairman

Hong Kong, March 29, 2019

As of the date of this announcement, the board of directors of the Bank comprises Mr. CHEN Xiaoming, Mr. LUO Yan and Mr. XU Jihong as executive directors; Mr. QUE Yong, Mr. LI Zhanrong, Mr. LIU Sanglin, Mr. DENG Jianxin, Ms. CHEN Yu, Mr. ZENG Zhibin and Mr. TANG Xianqing as non-executive directors; and Ms. ZHANG Rui, Mr. GUO Tianyong, Ms. ZHANG Wangxia, Mr. WONG Hin Wing and Ms. WANG Yun as independent non-executive directors.

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



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* This annual report is prepared in both Chinese and English. In the event of inconsistency, the Chinese version shall prevail.

^ For identification purpose only.

CHAPTER I CHAIRMAN'S STATEMENT



Mr. CHEN Xiaoming
Chairman

Endeavor is the most exciting thing. 2018 was the 40th anniversary of China's reform and opening up, and the third anniversary of the establishment of Jiangxi Bank. More importantly, it was the first year that Jiangxi Bank successfully landed in the international capital market and embarked on a new journey of "going overseas". At this moment, I pay tribute to the government departments, regulatory agencies, shareholder units, all walks of life, and all the cadres and employees of Jiangxi Bank that care about and support the reform and development of Jiangxi Bank.

PAYING TRIBUTE TO THE FIGHTERS BECAUSE OF YOUR ENDLESS DREAMS.

This year, the development platform was broader. The Bank's listing has created the **"three most"**: capital raised amounted to HK\$8.6 billion, making it **the largest** IPO of the financial sector on the Hong Kong Stock Exchange in 2018; the time it took from establishment to listing was **the shortest**, less than two and a half years, refreshing the national record, and becoming the "leader of financial stocks in Jiangxi"; the pace it took to enter the Hang Seng

Composite Small Cap Index and the underlying stocks of the "Shenzhen-Hong Kong Stock Connect Scheme" was the fastest, and it was included as a constituent stock within three months after listing, **the shortest time ever** for banks across the country.

This year, the ability to innovate was stronger. Driven by scientific and technological innovation, the Bank achieved a brand new breakthrough in smart finance. The Bank officially embarked on the construction of the Financial Science and Technology Innovation Laboratory, and optimized the scientific and technological innovation system by means of improving the organizational structure, perfecting the supporting system and standardizing the operation mode. The Bank created "Handheld Four Musketeers" – handheld bank, handheld branch, handheld office, and handheld micro loan. The Bank followed up on the incubation of innovative products, promoted the building up of smart credit projects, and strengthened the internal drive of financial technology.

This year, the brand image was enhanced. The Bank was successfully elected as a member of the eighth executive board of the China Banking Association; ranked 313th among the Top 1,000 World Banks by *The Banker* in the United Kingdom in 2018, up 140 places since its establishment; ranked 356th among the "2018 Top 500 Chinese Service Enterprises". Its market visibility, public recognition and social reputation have been further enhanced.

PAYING TRIBUTE TO THE FIGHTERS BECAUSE OF THE STRENGTH OF YOUR PERSEVERANCE.

New highlights in corporate governance in the year. The Bank further revised its relevant internal systems according to relevant domestic and overseas laws, regulations and regulatory requirements for listed



CHAPTER I CHAIRMAN'S STATEMENT

companies, improved the corporate governance structure, increased the level of governance, and took a big step towards international and standardized standards.

New breakthroughs in scientific management in the year. All the major tasks and key remediation works identified at the beginning of the year were successfully completed, involving a number of tasks such as increasing efficiency, optimizing service, and controlling risk. These works were highly focused, leading to elimination of stubborn problems and satisfying results. At the same time, the Bank continued to vigorously promote the meticulous management, and achieved the goals of perfecting workflows, working as a team and cultivating our corporate ethos. Notable improvement has been seen in terms of application of science to and meticulous degree of internal management and the service mindset.

Featured services broke new grounds during the year. The Bank established a small and micro exclusive institution--small and micro bills discounting center, which deals with the "short, frequent and urgent" bill financing needs of small and micro enterprises efficiently and professionally. The Bank designated credit resources specially for the extension of loans to private small and micro enterprises. The Bank formulated the "one county, one product" policy and developed products exclusively for small and micro enterprises. The Bank offered the "Listing Credit Link" series of products and featured financial services for companies going for a listing, and granted unsecured loans of RMB10 million to facilitate the listing of companies in Jiangxi.

PAYING TRIBUTE TO THE FIGHTERS BECAUSE YOU ALWAYS SHINE.

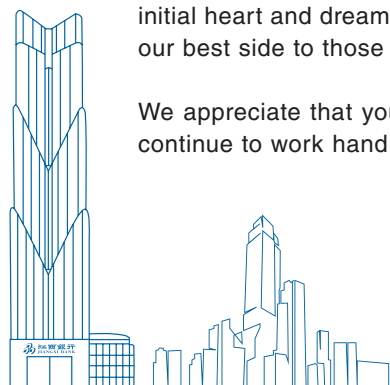
New improvements in financial management in the year. The Bank strengthened interest rate management, and continuously improved the comprehensive rate of return on loans. Strengthened cost management allowed the Bank to increase revenues and reduce expenditures. Special rectification measures concerning marketing expenses were taken so that expenditures became more accurate and cost-to-income ratio has declined.

New developments in operations management for the year. The paperless internet banking platform was put online, which simplified counter operation and enhanced customer experience. The Bank optimized the layout of the Bank's network, speeded up the pace for the divestiture and merger of institutions, and succeeded in reducing rental costs, operating costs and labor costs.

New actions in risk management during the year. According to the regulatory rating requirements, the Bank optimized the structure, and actively improved the overall risk management level. Based on the ICAAP risk assessment, the Bank constantly improved the weak links in risk management. The Bank used the internal rating as the starting point to create a big data risk control model. Relying on stress test, the Bank strengthened the prevention and management of systemic financial risk.

New year marks the beginning of a new venture. Listing is not the end, but the starting point for the future. To charge forward is the key to opening the door to the future. Looking ahead to 2019, the international and domestic economic and financial situation is undergoing historic changes. Facing the future, Jiangxi Bank's initial heart and dreams will not change. Our people, whether they are employees or managers, always show our best side to those who work hard together.

We appreciate that you and we were together charging forward with determination. We expect that we can continue to work hand in hand on the road leading to a better future!

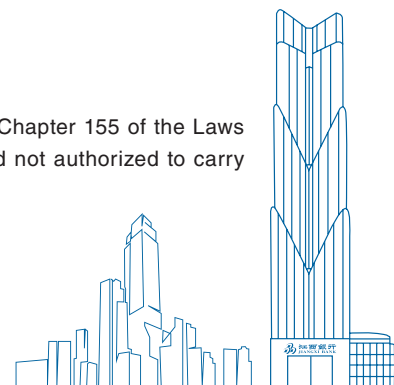


CHAPTER II COMPANY PROFILE

2.1 BASIC INFORMATION

Statutory Chinese name of the Company:	江西銀行股份有限公司*
Statutory English name of the Company:	JIANGXI BANK CO., LTD.*
Legal representative:	CHEN Xiaoming
Authorized representatives:	CHEN Xiaoming, NGAI Wai Fung
Secretary of the Board of Directors:	XU Jihong
Joint company secretaries:	XU Jihong, NGAI Wai Fung
Stock short name:	JIANGXI BANK
Stock Code:	1916
Unified Social Credit Code:	913601007055009885
Number of financial license:	B0792H236010001
Registered and office address:	Jiangxi Bank Tower, No. 699 Financial Street, Honggutan New District, Nanchang, Jiangxi Province, the PRC
Principal place of business in Hong Kong:	40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong (former address:18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong)
Contact number:	+86-791-86791008/+86-791-86791009
Fax:	+86-791-86771100
Website of the Bank:	www.jx-bank.com (the contents of the website do not form a part of this report)
Service hotline:	+86-956055
Domestic auditor:	KPMG Huazhen (SGP)
International auditor:	KPMG Certified Public Accountants
Legal advisor in mainland China:	Zhong Lun Law Firm
Legal advisor in Hong Kong:	King & Wood Mallesons
Stock exchange on which H Shares are listed:	The Stock Exchange of Hong Kong Limited
H Share Registrar:	Computershare Hong Kong Investor Services Limited
Domestic shares custodian:	China Securities Depository and Clearing Corporation Limited
Compliance advisor:	SPDB International Capital Limited

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



CHAPTER II COMPANY PROFILE

2.2 COMPANY PROFILE

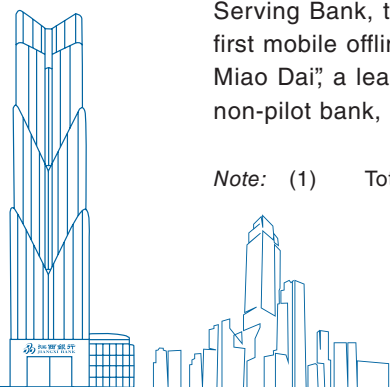
Jiangxi Bank is the only legal person bank at provincial level in Jiangxi Province. Officially established in December 2015 and with its H shares listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1916) in June 2018, Jiangxi Bank has become the first listed financial enterprise in Jiangxi Province and the first overseas listed enterprise since the implementation of the “Yingshanhong Action” in Jiangxi Province.

As of the end of 2018, the Group has realized RMB3.367 billion in profit before tax and RMB2.771 billion in net profit, with the amount of its total assets, total deposits from customers and total loans and advances to customers⁽¹⁾ reaching RMB419.064 billion, RMB260.449 billion and RMB170.501 billion, respectively. The Bank has over 4,000 in-service employees and 261 branches covering all cities divided into districts in Guangzhou, Suzhou and Jiangxi Province, among which the coverage rate in Jiangxi Province at county level has reached 94%. At the same time, the Bank initiated the establishment of Jiangxi Financial Leasing Company and 5 rural banks.

Since its inception, Jiangxi Bank has made rapid progress in various fields and gained wide recognition from many sectors of the society in many respects under the leadership of Jiangxi provincial party committee and provincial government as well as the strong support from all walks of life. The Bank held the City Commercial Bank Convention 2016 as an extraordinary committee for the first time and is presently a member of the China Banking Association and a standing member of the City Commercial Bank Committee. The Bank was rated AAA by Dagong Global and China Lianhe Credit Rating Company in its long-term credit rating for corporates. The Bank ranked 313th in terms of tier-1 capital in the Top 1,000 World Banks ranking released by *The Banker*, a British magazine, in July 2018, and 356th in the “Top 500 Service Enterprises in China 2018” released by China Enterprise Confederation/China Enterprise Directors Association.

Adhering to the business philosophy of “serving local economy, serving small and medium enterprises, and serving community residents”, Jiangxi Bank built a featured financial service system covering eight fields, i.e. “corporate finance, small and micro finance, community finance, government finance, industrial park finance, lease finance, consumer finance and network finance”, as well as over 100 products represented by five types of its financial products, striving to provide clients at different levels, of different types and with different demands with high-quality, efficient, convenient and comprehensive financial services, so as to financially boost local economic and social development as well as civilians’ entrepreneurship and wealth creation. At the same time, Jiangxi Bank continued to promote innovations in terms of ideas, accesses, products and technologies under the guidance of the culture of “creation”, its unique corporate culture, thus it managed to stay in the forefront of the industry in network finance, green finance, sci-tech finance and many other fields. In 2017, the Bank established Jiangxi Talent Serving Bank, the first professional service bank in China; in 2016, the Bank launched Ola Pay, the first mobile offline payment tool applied to public transportation in China; in 2017, it launched “Shouji Miao Dai”, a leading internet personal loan product in China; and in 2016, the Bank, as China’s first non-pilot bank, issued green financial bonds worth RMB8 billion.

Note: (1) Total loans and advances to customers doesn’t contain interest receivable, same as followings.



CHAPTER II COMPANY PROFILE

Going forward, Jiangxi Bank will continue to secure its foothold in Jiangxi and face the whole country with an aim to “build a vision, forge two features, adhere to three services, play four roles and achieve five satisfactions”⁽²⁾ under the leadership of Jiangxi provincial party committee and provincial government, so as to help build an affluent, beautiful and happy modern Jiangxi Province.

2.3 MAJOR AWARDS IN 2018

In January 2018, the Bank was awarded the honorary title of “Core Trader in Inter-bank Domestic Currency Market of 2017” by China Foreign Exchange Trade System & National Interbank Funding Centre.

In January 2018, the Bank was granted the “Award for 2017 Outstanding Issuer of China Bond” by China Central Depository & Clearing Co., Ltd.

In January 2018, the Bank was awarded the honorary title of “Advanced Unit in the Month of ‘Generalising Finance’ Promotion Service of 2017” by CBRC Jiangxi Office.

In January 2018, the Bank was awarded the honorary title of “Top 300 in Inter-bank Domestic Currency Market Transaction of 2017” by China Foreign Exchange Trade System & National Interbank Funding Centre.

In January 2018, the Bank was granted the “Award of Progress in China Banking Wealth Management Information Registration of 2017” by China Banking Wealth Management Registration & Depository Co., Ltd.[^] (銀行業理財登記託管中心有限公司).

In January 2018, the Bank was granted the “Award of Progress in Issuing Unionpay Credit Cards in 2017” by China Unionpay.

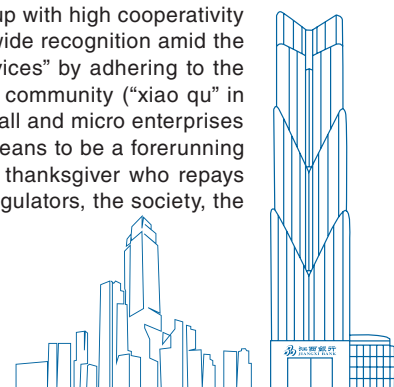
In January 2018, the Bank was awarded the honorary title of “Advanced Unit for Interest Rate Management of Financial Institutions in 2017” by the People’s Bank of China.

In February 2018, the Bank was awarded the honorary title of “Advanced Unit for Comprehensive Management (Safety Construction) in the Province in 2017” by Jiangxi Committee for Comprehensive Management of Public Security.

In April 2018, the Bank was awarded the honorary title of “Advanced Unit for Supervision and Statistics in 2017” by CBRC Jiangxi Office.

In June 2018, the product “Shouji Miao Dai” of our Bank was granted the “Award of Financial Innovation in China – Top 10 in Financial Products Innovation (Retail Business) in 2018” by *The Chinese Banker* magazine.

(2) To “build a vision” means to become the nation’s leading city commercial bank group with high cooperativity and efficiency, standard management, distinctive features, market influence and wide recognition amid the public. To “forge two features” means to make a “grand brand” out of “small services” by adhering to the core feature of “two xiao finances”, i.e. micro (“xiao wei” in Chinese) finance and community (“xiao qu” in Chinese) finance. To “adhere to three services” means to serve local economy, small and micro enterprises and community residents with heart, passion and endeavor. To “play four roles” means to be a forerunning explorer, a practitioner of inclusive finance, an advocate of green finance and a thanksgiver who repays the society. To “achieve five satisfactions” means to satisfy the government, the regulators, the society, the shareholders and the employees.



CHAPTER II COMPANY PROFILE

In July 2018, the Bank ranked 313th in terms of tier-1 capital in the Top 1000 World Banks 2018 ranking released by *The Banker*, a British magazine.

In September 2018, the Bank was awarded the honorary title of “Top 500 Service Enterprises in China 2018” released by China Enterprise Confederation/China Enterprise Directors Association.

In September 2018, the Bank was awarded the honorary title of “Top 10 Financial IP in Supreme IP Potential Ranking of Supreme Intellectual Property Ecosystem Conference 2018” by www.cebnet.com.cn.

In November 2018, the Bank was awarded the honorary title of “Advanced Unit for Outstanding Innovative Achievement” in the 2018 comprehensive evaluation of customer service centers in China’s banking industry by the China Banking Association.

In November 2018, the Bank was awarded the second prize for comprehensive team in the 2018 financial knowledge contest for “Popularizing Financial Knowledge and Jointly Creating a Harmonious Environment” by the Nanchang Central Sub-branch of the People’s Bank of China.

In November 2018, the Bank was awarded the third prize in the selection of 2018 “Outstanding Video of Cases for Popularizing Financial Knowledge” by the Nanchang Central Sub-branch of the People’s Bank of China.

In November 2018, the Bank was granted the top prize in “Microfilms (Animation & Comic) Contest for Preventing Illegal Fund-raising in Jiangxi Province” by the Finance Office of People’s Government of Jiangxi Province ^ (江西省人民政府金融辦公室).

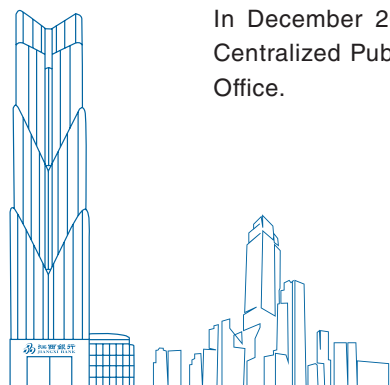
In November 2018, the Bank was awarded the honorary title of “the Most Innovative Bank” in the “IRON-HORSE” selection by the *Modern Bankers* magazine.

In December 2018, the Bank was granted the “Award of Best Mobile Banking Operation for Regional Commercial Banks in 2018” by China Financial Certification Authority.

In December 2018, the Bank was awarded the prize of “Demonstrative Technological Achievement” in the National 6 Sigma Project Publication Contest by *China Quality* magazine.

In December 2018, the Bank was awarded the prize of “Professional Technological Achievement” in the National 6 Sigma Project Publication Contest by *China Quality* magazine.

In December 2018, the Bank was awarded the honorary title of “Advanced Unit in ‘the Month of Centralized Publicity of Financial Knowledge’ of Jiangxi Banking Industry in 2018” by CBIRC Jiangxi Office.



CHAPTER II COMPANY PROFILE

In December 2018, the Bank's app Mobile Ecosphere[^] (掌上生態圈) was granted the "Award of Outstanding contribution for Production Innovation" by the *Financial Computerizing* magazine.

In January 2019, the Bank was granted the "Award of Excellent Cooperation" by the Clearing Center for City Commercial Banks.

In January 2019, the Bank was awarded the honorary title of "Top 300 in Inter-bank Domestic Currency Market Transaction of 2018" by China Foreign Exchange Trade System & National Interbank Funding Centre.

In January 2019, the Bank was granted the "Award of Emerging Institution" for direct financing instruments for financing in 2018 by China Banking Wealth Management Registration & Depository Co., Ltd.[^] (銀行業理財登記託管中心有限公司).

In January 2019, the Bank was awarded the honorary title of "Advanced Unit in Protecting Network Security Level in Jiangxi Banking Industry" by Jiangxi Coordinating Group for Protecting Information Security Level[^] (江西省信息安全等級保護工作協調小組).

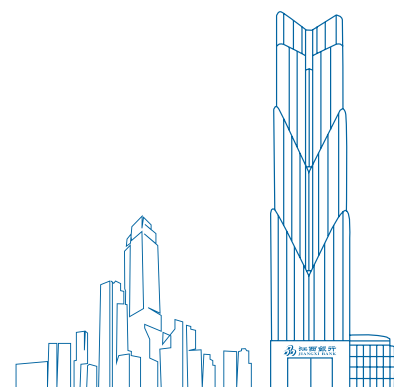
In February 2019, the Bank was awarded the honorary title of "Core Trader" in inter-bank domestic currency market of 2018 by China Foreign Exchange Trade System & National Interbank Funding Centre.

In February 2019, the Bank was awarded the honorary title of "Outstanding Trader in Currency Market" in inter-bank domestic currency market of 2018 by China Foreign Exchange Trade System & National Interbank Funding Centre.

In February 2019, the Bank was granted the "Award of Trading Mechanism Innovation" in inter-bank domestic currency market of 2018 by China Foreign Exchange Trade System & National Interbank Funding Centre.

In February 2019, the Bank ranked 50th among the "Top 100 Banks in China's Banking Industry of 2018" in the "GYROSCOPE" evaluation system of China Banking Association.

In February 2019, the Bank ranked 14th among the city commercial banks with an asset scale over RMB200 billion in the "GYROSCOPE" evaluation system of China Banking Association.

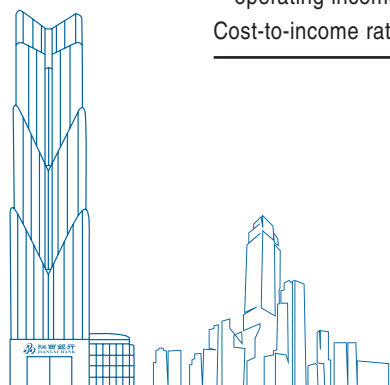


CHAPTER III SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

3.1 FINANCIAL DATA

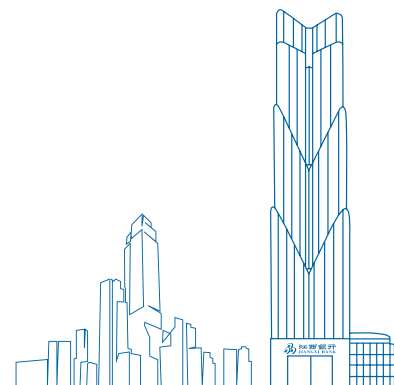
Financial information set out in this annual report has been prepared on a combined basis in accordance with International Financial Reporting Standards. Unless otherwise stated, data of the Group are denominated in RMB.

	2018	2017	The end of 2018 compared to the end of 2017	2016	2015
Operating results (in millions of RMB)					
			Change rate (%)		
Net interest income	8,915.52	7,481.10	19.17	7,826.18	6,241.05
Net fee and commission income	653.29	1,490.62	(56.17)	961.76	547.74
Operating income	11,350.61	9,452.27	20.08	8,984.44	6,892.31
Operating expenses	(3,529.63)	(3,147.38)	12.15	(2,957.63)	(2,399.10)
Impairment losses on assets	(4,438.37)	(2,575.80)	72.31	(3,614.49)	(3,515.90)
Total profit	3,367.07	3,741.11	(10.00)	2,413.44	965.59
Net profit	2,771.27	2,914.82	(4.92)	1,677.87	772.82
Net profit attributable to equity shareholders of the Bank	2,733.56	2,865.22	(4.60)	1,637.35	772.57
Per share (in RMB)					
			Change rate (%)		
Net assets per share attributable to equity shareholders of the Bank	5.35	4.85	10.31	4.41	4.13
Basic earnings per share	0.51	0.61	(16.39)	0.35	0.27
Indicators for profitability					
			Change		
Average return on total assets ⁽¹⁾	0.70%	0.85%	(0.15%)	0.64%	0.42%
Average return on equity ⁽²⁾	9.95%	13.12%	(3.17%)	8.19%	5.03%
Net interest spread ⁽³⁾	2.09%	2.19%	(0.10%)	2.85%	3.43%
Net interest margin ⁽⁴⁾	2.31%	2.26%	0.05%	3.05%	3.69%
Net fee and commission income to operating income	5.76%	13.13%	(7.37%)	10.70%	7.95%
Cost-to-income ratio ⁽⁵⁾	30.48%	32.18%	(1.70%)	29.75%	27.81%



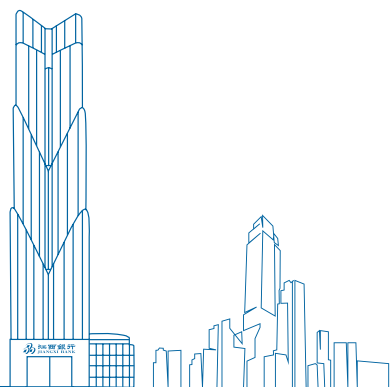
CHAPTER III SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

	2018	2017	The end of 2018 compared to the end of 2017	2016	2015
<hr/>					
Indicators for volume (in millions of RMB)	Change rate (%)				
Total assets	419,064.27	370,005.30	13.26	313,740.79	211,448.81
Including: net loans and advances to customers	165,523.32	124,769.38	32.66	104,153.65	82,253.43
Total liabilities	386,252.94	346,733.24	11.40	292,568.46	191,645.57
Including: deposits from customers	260,448.65	243,837.35	6.81	191,137.77	144,038.11
Share capital	6,024.28	4,678.78	28.76	4,678.78	4,678.78
Equity attributable to equity shareholders of the Bank	32,226.22	22,713.74	41.88	20,641.56	19,312.99
Non-controlling interests	585.11	558.32	4.80	530.77	490.25
Total equity	32,811.33	23,272.06	40.99	21,172.33	19,803.24
<hr/>					
Indicators for quality of assets	Change				
Non-performing loan ratio	1.91%	1.64%	0.27%	1.68%	1.81%
Provision coverage ratio ⁽⁶⁾	171.42%	215.17%	(43.75%)	210.94%	218.93%
Provision ratio of loans ⁽⁷⁾	3.27%	3.54%	(0.27%)	3.55%	3.96%
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Indicators for capital adequacy ratio	Change				
Core tier-1 capital adequacy ratio	10.78%	9.38%	1.40%	10.87%	12.64%
Tier-1 capital adequacy ratio	10.79%	9.40%	1.39%	10.87%	12.64%
Capital adequacy ratio	13.60%	12.90%	0.70%	11.94%	14.24%
Total equity to total assets	7.83%	6.29%	1.54%	6.75%	9.37%
<hr/>					
Other indicators	Change				
Liquidity coverage ratio	206.46%	247.22%	(40.76%)	475.02%	192.00%
Liquidity ratio	57.93%	47.94%	9.99%	58.47%	50.91%
Loan-to-deposit ratio	65.46%	53.04%	12.42%	56.49%	59.46%



CHAPTER III SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

- Notes: (1) Represents the net profit for the period as a percentage of the average balance of total assets at the beginning and the end of the period.
- (2) Represents the net profit attributable to shareholders of the Bank for the period as a percentage of the average balance of total equity attributable to shareholders of the Bank at the beginning and the end of the period.
- (3) The difference between the average yield on interest-earning assets and the average cost on interest-bearing liabilities.
- (4) Divided net interest income by average interest-earning assets.
- (5) Calculated by dividing operating expenses (excluding tax and surcharges) by operating income.
- (6) Calculated by dividing the amount of the allowance for impairment losses on loans by the total amount of non-performing loans.
- (7) Calculated by dividing the amount of the allowance for impairment losses on loans by the total amount of loans and advances to customers.



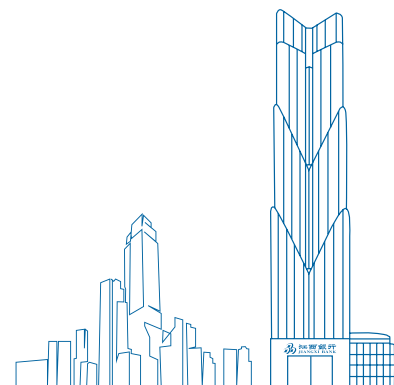
CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

4.1 REVIEW OF THE ECONOMIC, FINANCIAL AND POLICY ENVIRONMENT

In 2018, the overall economic and financial situation of China remained stable, the structural reform of supply side was deepened, the three key tasks got off to a good start, and the key objectives for the social and economic development of the year were well achieved, while effectively dealing with the great change of external environment, and further enhancing the tenacity of micro units. According to the initial estimate of National Bureau of Statistics, in 2018, the GDP of China reached RMB90.0309 trillion, representing a year-on-year growth of 6.6%. As of the end of 2018, the balance of broad money (M2) was RMB182.67 trillion, representing a year-on-year increase of 8.1%; the balance of narrow money (M1) was RMB55.17 trillion, up by 1.5% year-on-year; the balance in domestic and foreign currency of loans was RMB141.75 trillion, up by 12.9% year-on-year; the balance in domestic and foreign currency of deposits was RMB182.52 trillion, representing a year-on-year growth of 7.8%; and the Aggregate Financing to the Real Economy (Stock) was 200.75 trillion, up by 9.8% year on year. In 2018, the economic development of Jiangxi Province in China, where the Bank's main business activities are located, manifested the characteristics of "overall stability, steady progress and steady improvement." The growth rate of the main economic indicators continued to be above the national average. Among them, the province's GDP reached RMB2,198.48 billion, up 8.7% over the last year, which was 2.1 percentage points higher than the national average and ranked No.4 across the country and No.1 in central China.

4.2 GENERAL OPERATION SUMMARY

In 2018, faced with the deepening reform and increasingly fierce market competition, the Bank focused on overall planning in capital market, risk prevention, financial science and technology, forged ahead with determination and constantly blazed new trails, with a view to fulfilling the fundamental task of enhancing the level of financial risk prevention and control and the level of service offered to the real economy, and emphatically achieving important breakthroughs in innovation and transformation. We have accomplished all our tasks satisfactorily.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

(I) Good development momentum was maintained

First, the overall scale enjoyed steady growth. As of the end of December, the total assets of the Group amounted to RMB419.064 billion, representing an increase of RMB49.059 billion or 13.26% over the end of the previous year; total deposits from customers amounted to RMB260.449 billion, representing an increase of RMB16.611 billion or 6.81% over the end of the previous year; and total loans amounted to RMB170.501 billion, representing an increase of RMB41.159 billion or 31.82% over the end of the previous year.

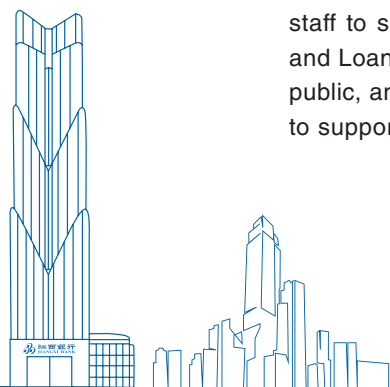
Second, development platform was heightened. In June 2018, under the discreet guidance of the Party Committee of Jiangxi Province and Jiangxi Provincial Government, the Bank was successfully listed on the Hong Kong Stock Exchange, becoming the first listed financial enterprise in Jiangxi Province and the first overseas listed enterprise since the implementation of the “Yingshanhong Action” in Jiangxi Province. At the same time, it took Jiangxi Bank the shortest time among other banks nationwide from establishment to listing.

Third, the brand image was constantly improved. The Bank was successfully elected as a member of the eighth executive board of China Banking Association, and included into the List of 1,000 Global Banks issued by The Banks in 2018, ranking No.313 (climbing 140 places from the ranking upon its incorporation), as well as the 500 Top Chinese Service Enterprises for 2018 issued by the China Enterprise Confederation and the China Enterprise Directors Association, ranking No.356. The brand awareness and influence were effectively improved.

(II) Active support was provided to boost the local economic development

First, strengthen mission responsibility. The Bank, through sufficient and efficient allocation of funds, strived to support the steady promotion of the 13th Five-year Planning of Jiangxi Province, boost the implementation of such key strategies as the Belt and Road Initiative and Development of Yangtze River Economic Belt, and drive the development of strategic emerging industries (such as aviation and pharmaceuticals) and the infrastructure renovation and upgrade.

Second, focus on private and small and micro enterprises. The Bank established the Bill Discount Center for Small and Micro Enterprises, a special service unit for the small and micro enterprises, to efficiently and professionally meet the “short-term, frequent and urgent” bill financing demands of the small and micro enterprises, improved the systems and mechanisms related to small and micro enterprises and increased the weight given to inclusive finance for small and micro enterprises in the KPI evaluation system in order to fully motivate the front-line staff to serve the small and micro enterprises. In addition, the Bank launched “Listing Credit and Loan” products and special financial services for Jiangxi enterprises which would like to go public, and offered RMB10 million unsecured loan to each enterprise entering the coach period to support the listing of Jiangxi enterprises.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

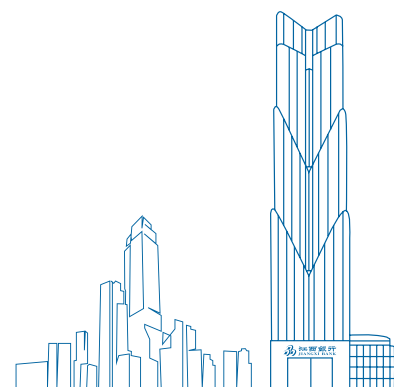
Third, continue to launch preferential policies. The Bank continued to implement the policy of loan renewal, and renewed RMB14.512 billion of loans throughout the year, saving bridge financing cost of RMB305 million for enterprises. In addition, the Bank provided more preferential treatments for the green projects and green industries in credit granting and credit enhancement, gave priority for approval and fund release to the same, and provided special “green channel” for key projects.

(III) Risk control was effectively enhanced

First, fruitful achievements were made in non-performing assets recovery. Special non-performing assets recovery program was carried out, and a mechanism of supervision by assigned governing unit was implemented to tackle key and problematic clients. Sky Net action and rewards were utilized to effectively fight debt evasion and promote the recovery process. Recovery evaluation policies were adjusted to establish the evaluation mechanism designed for reducing non-performing assets and further specify the recovery measures and requirements.

Second, remarkable results were achieved in problem solving. The Bank actively promoted the governance of several-to-one credit granting, government financing business and real estate financing business, strived to mitigate credit risks of existing loans, and accelerated the solving of the difficult problems in credit extension. In addition, the Bank carried out “rectification of market chaos” and “special rectifying measures for employee conduct.” Through the process of inspection, request for correction and prevention, the Bank further emphasizes the compliance requirements and enhances the compliance awareness of the employees. The Bank also strived to improve audit efficacy, and fully launched a new digital audit model, in order to improve the role of audit in revealing risk and boosting development.

Third, outstanding results were achieved in overall risk control. Based on revisions to regulatory ratings, the Bank developed a problem list, actively promoted rectification and fully improved the risk management level. Based on ICAAP risk evaluation, the Bank detected 118 risk issues which included credit risks, market risks, interest rate risks and concentration risks, and improved the management loopholes. The Bank examined the systematic financial risk by carrying out credit risk and real estate risk stress test according to the regulatory test standards.



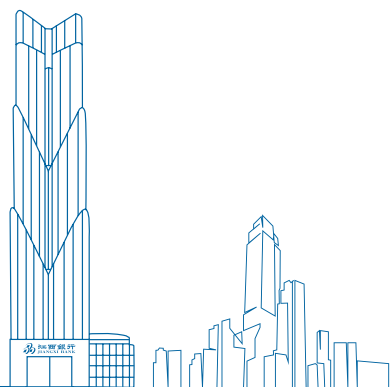
CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

(IV) The management foundation was constantly consolidated

First, corporate governance became more robust. The Bank revised the Measures for Equity Management of Jiangxi Bank, Measures for Equity Pledge Management of Jiangxi Bank as well as other relevant rules according to the Interim Measures for the Administration of Equities in Commercial Banks and other relevant laws, regulations and regulatory requirements, to further standardize the equity pledge acceptance process. In addition, the Bank completed the initial registration for the pledge of non-overseas listed shares, which indicated that the Bank entered a new stage in equity pledge management and made a solid stride towards the international and normative standards.

Second, fruitful achievements were made in team construction. The Bank continued to comprehensively implement HR reform, establish professional technical disciplines and create smooth career development channels, in order to provide more room for general employees to move up and develop. The Bank organized leadership improvement trainings for middle level and senior officers as well as professional trainings for business lines to improve the capacity of all the employees, expanded the management team by hiring several middle level officers through internal promotion and external recruitment, and completed the selection and admission of practice trainees and internal trainers to further strengthen the talent reserve.

Third, persistent attention was given to internal management. The Bank continued to comprehensively implement the refined management works. All the 57 refined management projects were successfully completed, covering foreground, middle-ground and background as well as the branches, and achieving the target of improving a batch of processes, creating an outstanding team and fostering a good atmosphere. Great improvement was made in enhancing the scientific approach to and meticulousness of internal management and the service optimization awareness across the Bank.

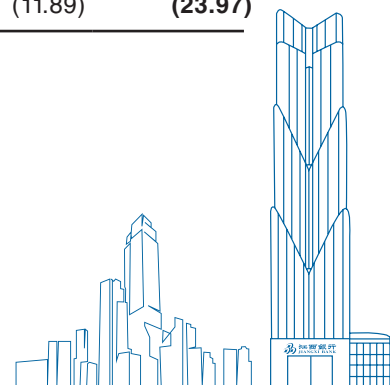


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4.3 PROFIT STATEMENT ANALYSIS

In 2018, the Group realized RMB3.367 billion in profit before tax, representing a year-on-year decrease of 10.00%, and RMB2.771 billion in net profit, representing a year-on-year decrease of 4.92%.

	2018	2017	Amount of change (in millions of RMB)	Change rate (%)
Interest income	18,509.15	15,393.75	3,115.40	20.24
Interest expense	(9,593.63)	(7,912.65)	(1,680.98)	21.24
Net interest income	8,915.52	7,481.10	1,434.42	19.17
Fee and commission income	1,140.40	1,643.76	(503.36)	(30.62)
Fee and commission expense	(487.11)	(153.14)	(333.97)	218.08
Net fee and commission income	653.29	1,490.62	(837.33)	(56.17)
Net trading gains/(losses)	92.73	(109.96)	202.69	(184.33)
Net gains arising from financial investments	1,367.91	572.87	795.04	138.78
Other operating income	321.16	17.64	303.52	1,720.63
Operating income	11,350.61	9,452.27	1,898.34	20.08
Operating expenses	(3,529.63)	(3,147.38)	(382.25)	12.15
Impairment losses on assets	(4,438.37)	(2,575.80)	(1,862.57)	72.31
Share of (losses)/profits of associates	(15.54)	12.02	(27.56)	(229.28)
Profit before tax	3,367.07	3,741.11	(374.04)	(10.00)
Income tax	(595.80)	(826.29)	230.49	(27.89)
Net profit for the year	2,771.27	2,914.82	(143.55)	(4.92)
Net profit attributable to equity shareholders of the Bank	2,733.56	2,865.22	(131.66)	(4.60)
Non-controlling interests	37.71	49.60	(11.89)	(23.97)



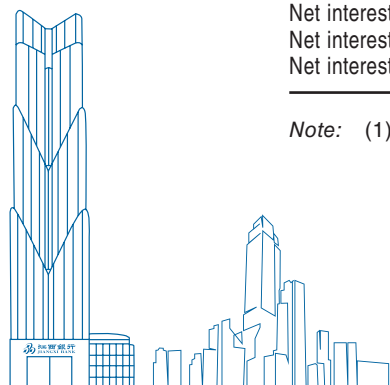
CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

4.3.1 Net Interest Income, Net Interest Spread and Net Interest Margin

In 2018, the Group achieved net interest income of RMB8.916 billion, representing a year-on-year increase of RMB1.434 billion, or 19.17%. The following table sets forth the average balance of the Group's interest-bearing assets and interest-bearing liabilities, the interest income and expense of such assets and liabilities, and the average rate of return on interest-bearing assets and the average cost rate of interest-bearing liabilities for the periods indicated.

	2018			2017		
	Average balance	Interest income/expense	Average annualized yield/cost ratio (in millions of RMB)	Average balance	Interest income/expense	Average annualized yield/cost ratio
Interest-bearing assets						
Loans and advances to customers	149,259.43	9,128.45	6.12%	119,074.97	6,972.63	5.86%
Investment securities and other financial assets ⁽¹⁾	196,494.26	8,657.30	4.41%	160,811.29	7,477.71	4.65%
Deposits with the central bank	33,437.83	520.28	1.56%	33,775.18	501.67	1.49%
Deposits with banks and other financial institutions	5,199.20	109.41	2.10%	4,460.17	52.29	1.17%
Financial assets held under resale agreements	14,176.54	380.60	2.68%	12,884.43	373.90	2.90%
Placements with banks and other financial institutions	3,697.80	103.87	2.81%	572.86	15.55	2.71%
Total interest-bearing assets	402,265.06	18,899.91	4.70%	331,578.90	15,393.75	4.64%
Interest-bearing liabilities						
Deposits from customers	247,029.60	4,391.18	1.78%	215,556.03	3,740.66	1.74%
Deposits from banks and other financial institutions	34,828.14	1,598.38	4.59%	28,985.99	1,206.45	4.16%
Borrowings from the central bank	561.92	17.75	3.16%	1,572.60	59.85	3.81%
Placements from banks and other financial institutions	5,267.53	214.35	4.07%	632.41	25.20	3.98%
Financial assets sold under repurchase agreements	15,935.65	402.97	2.53%	15,348.98	425.51	2.77%
Debt securities issued	54,932.98	2,463.03	4.48%	53,117.36	2,119.13	3.99%
Borrowings from other financial institutions	9,142.38	502.35	5.49%	7,050.14	335.75	4.76%
Bill rediscounted	140.77	3.62	2.57%	5.90	0.10	1.69%
Total interest-bearing liabilities	367,838.97	9,593.63	2.61%	322,269.41	7,912.65	2.46%
Net interest income		9,306.28			7,481.10	
Net interest spread		2.09%			2.19%	
Net interest margin		2.31%			2.26%	

Note: (1) The Group accounted the interest income from financial investments at fair value through profit or loss in the net trading gains and the net gains arising from financial investments according to Cai Kuai [2018] No.36 issued by the Ministry of Finance. To keep the figures of net interest spread and net interest margin comparable, the aforesaid interest income from investment securities and other financial assets in 2018 includes the interest income from financial investments at fair value through profit or loss. The aforesaid interest income from investment in 2018 was RMB391 million.



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The following table sets forth the changes in interest income and interest expense resulting from the changes in the Group's volume and interest rates during the reporting period indicated. Changes in volume are measured by the change in average balance of interest-bearing assets and interest-bearing liabilities, while changes in interest rates are measured by changes in the average interest rates of interest-bearing assets and interest-bearing liabilities. The combined effect of changes in volume and interest rate is embedded in the change in interest rates.

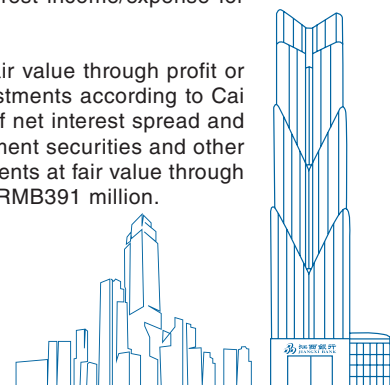
	Compared 2018 with 2017		
	Reasons for		Net increase/ (decrease) ⁽³⁾
	increase/(decrease)		
	Volume ⁽¹⁾	Interest rate ⁽²⁾ (in millions of RMB)	
Interest-bearing assets			
Loans and advances to customers	1,846.03	309.79	2,155.82
Investment securities and other financial assets ⁽⁴⁾	1,572.15	(392.56)	1,179.59
Deposits with the central bank	(5.25)	23.86	18.61
Deposits with banks and other financial institutions	15.55	41.57	57.12
Financial assets held under resale agreements	34.69	(27.99)	6.70
Placements with banks and other financial institutions	87.78	0.54	88.32
Changes in interest income	3,550.95	(44.79)	3,506.16
Interest-bearing liabilities			
Deposits from customers	559.47	91.05	650.52
Deposits from banks and other financial institutions	268.12	123.81	391.93
Borrowings from the central bank	(31.93)	(10.17)	(42.10)
Placements from banks and other financial institutions	188.62	0.53	189.15
Financial assets sold under repurchase agreements	14.84	(37.38)	(22.54)
Debt securities issued	81.41	262.49	343.90
Borrowings from other financial institutions	114.96	51.64	166.60
Bill rediscounted	3.47	0.05	3.52
Changes in interest expense	1,198.95	482.03	1,680.98

Notes: (1) Refer to the average balance for the Reporting Period minus the average balance for the same period of the previous year, multiplied by the average yield/cost ratio for the Reporting Period

(2) Refer to the average yield/cost ratio for the Reporting Period minus the average yield/cost ratio for the same period of the previous year, multiplied by the average balance for the same period of the previous year

(3) Refer to interest income/expense during the Reporting Period minus interest income/expense for the same period of the previous year

(4) The Group accounted the interest income from financial investments at fair value through profit or loss in the net trading gains and the net gains arising from financial investments according to Cai Kuai [2018] No.36 issued by the Ministry of Finance. To keep the figures of net interest spread and net interest margin comparable, the aforesaid interest income from investment securities and other financial assets in 2018 includes the interest income from financial investments at fair value through profit or loss. The aforesaid interest income from investment in 2018 was RMB391 million.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

4.3.2 Interest Income

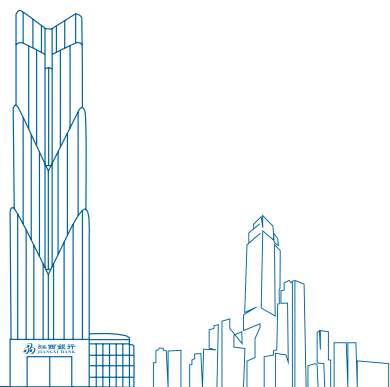
In 2018, the Group achieved interest income of RMB18.509 billion, representing a year-on-year increase of RMB3,115 million, or 20.24%. The increase in interest income was mainly due to the increase in the Group's loans and advances to customers, deposits/placements with banks and other financial institutions, investment securities and other financial assets, resulting in an increase of 21.32% in the average balance of the Group's interest-bearing assets from RMB331.579 billion in 2017 to RMB402.265 billion in 2018.

(1) Interest income from loans and advances to customers

In 2018, the Group achieved interest income of loans and advances to customers of RMB9.128 billion, representing a year-on-year increase of RMB2,156 million, or 30.92%. The main reason is that the average balance of the Group's total loans and advances to customers increased from RMB119.075 billion in 2017 to RMB149.259 billion in 2018, and the average yield increased from 5.86% in 2017 to 6.12% in 2018. The increase in the average balance of total loans and advances to customers was mainly due to the expansion of the Group's business, particularly retail banking. The increase in the average yield on loans and advances to customers was mainly attributable to an adjustment in the Group's pricing of customer loans resulting from the rise in market interest rates.

The following table sets forth the average balance, interest income and average yield for each component of the Group's loans and advances during the periods indicated.

	Average balance	2018 Interest income (in millions of RMB, unless otherwise stated)	Average yield	Average balance	2017 Interest income	Average yield
Corporate loans	91,904.00	5,358.53	5.83%	83,227.77	5,004.32	6.01%
Personal loans	54,883.13	3,616.70	6.59%	35,141.00	1,921.27	5.47%
Discounted bills	2,472.30	153.22	6.20%	706.19	47.04	6.66%
Total	149,259.43	9,128.45	6.12%	119,074.96	6,972.63	5.86%



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

In 2018, the Group achieved the interest income from investment securities and other financial assets of RMB8.657 billion, representing a year-on-year increase of RMB1.18 billion, or 15.77%. Average returns on investment securities and other financial assets rose slightly as compared with the same period of last year. The increase in interest income was mainly due to an increase of 22.19% in the average balance of investment securities and other financial assets in 2018 over the same period of last year.

(3) Interest income from deposits with the central bank

In 2018, the Group's interest income from deposit with the central bank was RMB520 million, representing a year-on-year increase of RMB19 million, or 3.17%, which was mainly due to the increase of 0.07 percentage point in the average yield in 2018 over the same period of the previous year.

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

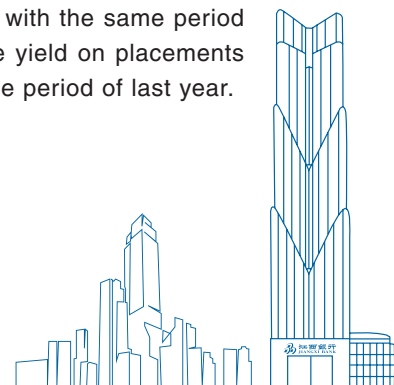
In 2018, the Group's interest income of deposits with banks and other financial institutions was RMB109 million, representing a year-on-year increase of RMB57 million, or 109.24%. It was mainly due to the increase of RMB739 million in average balance of deposits with banks and other financial institutions in 2018, and the increase of 0.93 percentage point in the average yield as compared with the same period of last year.

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

In 2018, the Group's interest income from placements with banks and other financial institutions was RMB104 million, representing a year-on-year increase of RMB88 million, or 567.97%. It was primarily due to an increase of RMB3.125 billion in average balance of the placements with banks and other financial institutions in 2018 as compared with the same period of last year.

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

In 2018, the Group's interest income from financial assets held under resale agreements amounted to RMB381 million, representing a year-on-year increase of RMB7 million, or 1.79%. It was primarily due to an increase of RMB1.292 billion in average balance of financial assets held under resale agreements in 2018 compared with the same period of last year, and a decrease of 0.22 percentage point in average yield on placements with banks and other financial institutions compared with the same period of last year.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

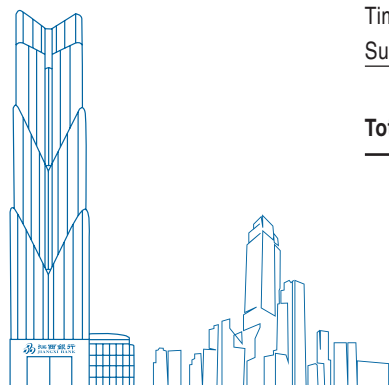
4.3.3 Interest Expense

In 2018, the Group achieved interest expense of RMB9.594 billion, representing a year-on-year increase of RMB1,681 million, or 21.24%. The increase in the interest expense was primarily attributable to an increase in the average balance of the Group's interest-bearing liabilities from RMB322.269 billion in 2017 to RMB367.839 billion in 2018, up 14.14%, as a result of the increase in the Group's deposits from customers, deposits from banks and other financial institutions, placements from banks and other financial institutions, borrowings from other financial institutions and debt securities issued, and the rise of the average cost ratio of interest-bearing liabilities from 2.46% in the same period of last year to 2.61% in 2018. The increase in the average cost ratio of interest-bearing liabilities was primarily due to the increase in the average cost ratio of deposits from banks and other financial institutions, placements from banks and other financial institutions, debt securities issued, borrowings from other financial institutions and rediscounted bills in 2018.

(1) Interest expense on deposits from customers

In 2018, the Group's interest expense of deposits from customers was RMB4.391 billion, representing a year-on-year increase of RMB651 million, or 17.39%, which was primarily attributable to the increase of RMB31.474 billion in the average balance of deposits from customers in 2018 compared with the same period of last year. The increase in the average balance of deposits from customers was mainly due to the Group's increased marketing efforts and enriched retail and public banking products.

	Average balance	2018 Interest expense (in millions of RMB, unless otherwise stated)	Average cost ratio	Average balance	2017 Interest expense	Average cost ratio
Corporate deposits						
Demand	114,152.91	1,095.54	0.96%	92,165.19	780.50	0.85%
Time	70,569.09	1,841.66	2.61%	68,674.27	1,682.72	2.45%
Subtotal	184,722.00	2,937.20	1.59%	160,839.46	2,463.22	1.53%
Personal deposits						
Demand	19,703.13	67.08	0.34%	16,677.16	62.33	0.37%
Time	42,604.47	1,386.91	3.26%	38,039.41	1,215.11	3.19%
Subtotal	62,307.60	1,453.98	2.33%	54,716.57	1,277.44	2.33%
Total	247,029.60	4,391.18	1.78%	215,556.03	3,740.66	1.74%



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

In 2018, the Group's interest expense on deposit from banks and other financial institutions was RMB1.598 billion, representing a year-on-year increase of RMB392 million, or 32.49%. This was mainly due to the increase of the Group's average balance of deposit from banks and other financial institutions from RMB28.986 billion in 2017 to RMB34.828 billion in 2018, and the increase of the average cost ratio of deposits from banks and other financial institutions from 4.16% in 2017 to 4.59% in 2018. The increase in the average balance of related liabilities was mainly due to the expansion of the Group's sources of funds to finance business expansion.

(3) Interest expense on debt securities issued

In 2018, the Group's interest expense on debt securities issued was RMB2.463 billion, representing a year-on-year increase of RMB344 million, or 16.23%. It was mainly due to the increase in average balance of debt securities issued by the Group from RMB53.117 billion in 2017 to RMB54.933 billion in 2018, and the increase in average cost ratio of debt securities issued from 3.99% in 2017 to 4.48% in 2018. The growth of the average cost ratio of related liabilities was mainly affected by the rise of market capital prices.

(4) Interest expense on borrowings from the central bank

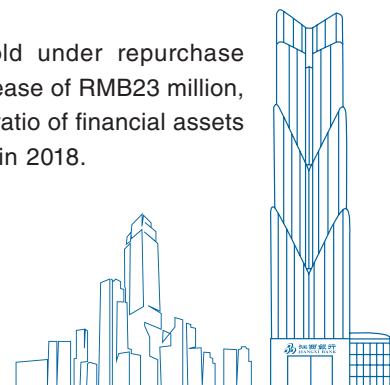
In 2018, the Group's interest expense on borrowings from the central bank was RMB18 million, representing a year-on-year decrease of RMB42 million, or 70.34%. It was mainly due to the decrease of RMB1.011 billion in average balance of borrowings from the central bank in 2018 compared with the same period of last year.

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

In 2018, the Group's interest expense on placements from banks and other financial institutions was RMB214 million, representing a year-on-year increase of RMB189 million, or 750.60%. This was mainly due to the increase of the Group's average balance of placements from banks and other financial institution from RMB632 million in 2017 to RMB5,268 million in 2018, and the increase of the average cost ratio of placements from banks and other financial institution from 3.98% in 2017 to 4.07% in 2018.

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

In 2018, the Group's interest expense on financial assets sold under repurchase agreements was RMB403 million, representing a year-on-year decrease of RMB23 million, or 5.30%. This was mainly due to the decrease in the average cost ratio of financial assets sold under repurchase agreements from 2.77% in 2017 to 2.53% in 2018.



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4.3.4 Non-interest Income

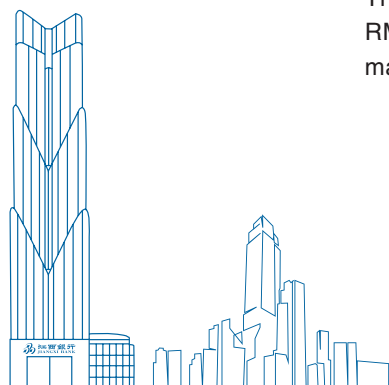
(1) Net fee and commission income

In 2018, the Group's realized a net fee and commission income of RMB653 million, representing a year-on-year decrease of RMB837 million, or 56.17%, which was primarily due to the decrease in the Group's advisory and consulting business fees and agency service fees under the impact of new regulatory regulations.

	2018	2017	Amount of change	Change rate (%)
	(in millions of RMB, unless otherwise stated)			
Fee and commission income	1,140.40	1,643.76	(503.36)	(30.62)
Agency and custodial service fees	392.75	805.87	(413.12)	(51.26)
Settlement and electronic channel business fees	224.65	177.40	47.25	26.63
Advisory and consulting fees	85.63	369.71	(284.08)	(76.84)
Bank card service fees	212.07	137.22	74.85	54.55
Acceptance and guarantee service fees	47.10	33.47	13.63	40.72
Financial lease service fees	163.40	110.84	52.56	47.42
Others	14.80	9.25	5.55	60.00
Fee and commission expense	(487.11)	(153.14)	(333.97)	218.08
Settlement fees	(71.40)	(39.37)	(32.03)	81.36
Transaction business fees	(59.45)	(57.59)	(1.86)	3.23
Platform for cooperation service fees	(352.97)	—	(352.97)	—
Other fees	(3.29)	(56.18)	52.89	(94.14)
Net fee and commission income	653.29	1,490.62	(837.33)	(56.17)

(2) Net trading gains/(losses)

The Group's net trading losses of RMB110 million in 2017 turned into net trading gains of RMB93 million in 2018, which was mainly due to fluctuations in the price in debt security market.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

(3) *Net gains arising from financial investments*

In 2018, the Group's net gains arising from financial investments were RMB1,368 million, representing a year-on-year increase of RMB795 million, or 138.78%, which was mainly due to the increase of net gains and valuation on financial investments at fair value through profit or loss in 2018.

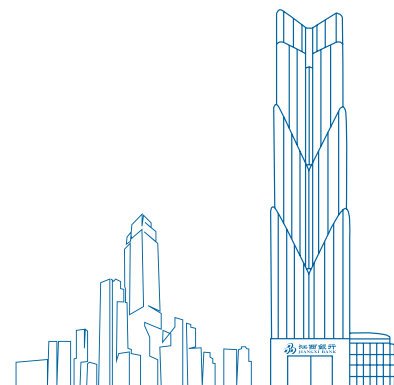
(4) *Other operating income*

In 2018, the Group's other operating income was RMB321 million, representing a year-on-year increase of RMB304 million, or 1,720.63%, which was mainly due to the increase of foreign exchange gains as a result of fluctuations in the exchange rate.

4.3.5 Operating Expenses

In 2018, the Group's operating expenses were RMB3.53 billion, representing a year-on-year increase of RMB382 million, or 12.15%.

	2018	2017	Amount of change	Change rate (%)
	(in millions of RMB, unless otherwise stated)			
Staff costs	1,840.71	1,489.56	351.15	23.57
Other general and administrative expenses	1,051.63	1,029.76	21.87	2.12
Tax and surcharges	70.08	105.18	(35.10)	(33.37)
Depreciation and amortization	365.30	331.64	33.66	10.15
Rental and property management expenses	201.91	191.24	10.67	5.58
Total operating expenses	3,529.63	3,147.38	382.25	12.15



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The following table sets forth the main components of the Group's staff costs for the periods indicated.

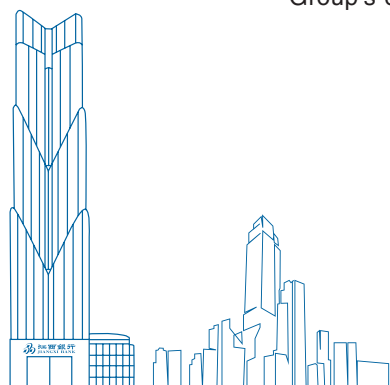
	2018	2017	Amount of change	Change rate
	(in millions of RMB, unless otherwise stated)			
Staff costs				
Salaries, bonuses and allowances	1,340.25	1,049.10	291.15	27.75
Social insurance and supplementary retirement benefits	232.19	200.91	31.28	15.57
Staff welfares	124.67	124.67	—	—
Housing allowances	82.59	71.88	10.71	14.90
Employee education expenses and labour union expenses	36.40	35.67	0.73	2.05
Others	24.61	7.33	17.28	235.74
Total	1,840.71	1,489.56	351.15	23.57

In 2018, the Group's staff costs were RMB1,841 million, representing a year-on-year increase of RMB351 million, or 23.57%. It was primarily due to the increased staff size and optimized salary structure of the Group, which increased the salaries, bonuses and allowances of staff.

In 2018, the Group's tax and surcharges were RMB70 million, representing a year-on-year decrease of RMB35 million, or 33.37%. It was primarily due to tax exemption policy of non-guaranteed capital management products leading to a decrease in the Group's value added tax accordingly.

In 2018, the Group's depreciation and amortization were RMB365 million, representing a year-on-year increase of RMB34 million, or 10.15%. It was mainly due to the increase in capital expenditure related to the business premises of the Group.

In 2018, the Group's rental and property management expenses were RMB202 million, representing a year-on-year increase of RMB11 million, or 5.58%. It was mainly due to the Group's expansion of its business.



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4.3.6 Impairment Losses on Assets

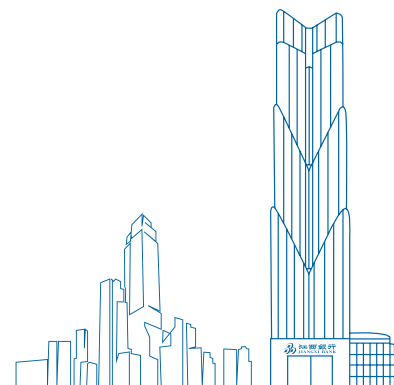
In 2018, the Group's impairment losses on assets was RMB4,438 million, representing a year-on-year increase of RMB1,863 million, or 72.31%. It was mainly due to the Group's financial investments which increased from RMB356 million in 2017 to RMB1,981 million in 2018 and the Group's implementation of IFRS 9, which expanded the scope of impairment provision.

	2018	2017	Amount of change	Change rate (%)
	(in millions of RMB, unless otherwise stated)			
Loans and advances to customers	2,410.37	2,193.59	216.78	9.88
Financial investments	1,980.66	356.12	1,624.54	456.18
Others	47.34	26.09	21.25	81.45
Total impairment losses on assets	4,438.37	2,575.80	1,862.57	72.31

4.3.7 Income Tax

In 2018, the Group's income tax was RMB596 million, representing a year-on-year decrease of RMB230 million, or 27.89%. It was mainly due to the Group's profit decrease.

	2018	2017	Amount of change	Change rate (%)
	(in millions of RMB, unless otherwise stated)			
Current income tax expenses	1,259.78	1,061.96	197.82	18.63
Adjustment for prior years	(45.22)	31.89	(77.11)	(241.80)
Deferred income tax expenses	(618.76)	(267.56)	(351.20)	131.26
Total	595.80	826.29	(230.49)	(27.89)



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

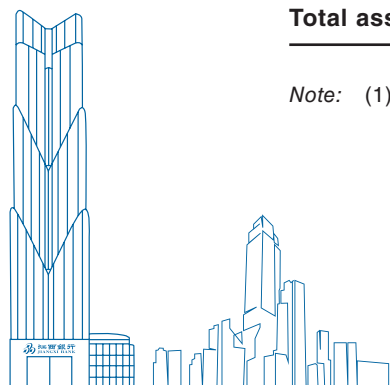
4.4 ANALYSIS ON MAIN ITEMS OF ASSETS AND LIABILITIES

4.4.1 Assets

As of December 31, 2018, the total assets of the Group amounted to RMB419.064 billion, representing an increase of RMB49.059 billion, or 13.26% as compared with the end of the previous year. The increase in the total assets was mainly due to the increase in Group's total loans and advances to customers, investment securities and other financial assets, deposits with banks and other financial institutions, financial assets held under resale agreements and placements with banks and other financial institutions.

	As of December 31, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
(in millions of RMB, unless otherwise stated)				
Gross loans and advances to customers	170,500.70	40.69	129,341.71	34.96
Loans and advances to customers interest receivable	581.14	0.14	—	—
Allowances for impairment losses on loans and advances to customers	(5,558.52)	(1.33)	(4,572.33)	(1.24)
Net loans and advances to customers	165,523.32	39.50	124,769.38	33.72
Investment securities and other financial assets	190,704.00	45.51	188,429.76	50.93
Cash and deposits with the central bank	37,740.62	9.01	40,039.19	10.82
Deposits with banks and other financial institutions	3,204.92	0.76	1,818.24	0.49
Financial assets held under resale agreements	10,966.47	2.62	6,180.08	1.67
Placements with banks and other financial institutions	4,024.95	0.96	500.00	0.14
Other assets ⁽¹⁾	6,899.99	1.64	8,268.65	2.23
Total assets	419,064.27	100.00	370,005.30	100.00

Note: (1) Include interest in associates, property and equipment, deferred income tax assets and other assets.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

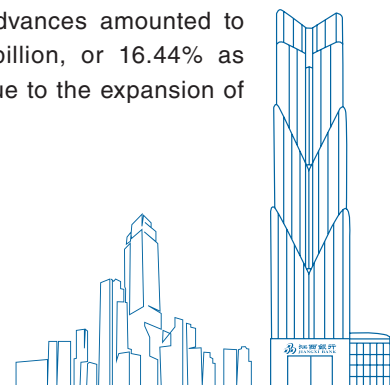
(1) Loans and advances to customers

As of December 31, 2018, the Group's loans and advances to customers amounted to RMB170.501 billion, representing an increase of RMB41.159 billion, or 31.82% as compared with the end of the previous year. The following table sets forth the Group's distribution of loans by business types for the periods indicated.

	As of December 31, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
(in millions of RMB, unless otherwise stated)				
Loans and advances to customers measured at amortized cost				
Corporate loans and advances	95,069.38	55.75	82,109.03	63.48
Personal loans and advances	66,930.41	39.26	44,026.16	34.04
Discounted bills	—	—	3,206.52	2.48
Subtotal	161,999.79	95.01	129,341.71	100.00
Loans and advances to customers measured at FVOCI				
Corporate loans and advances	538.71	0.32	—	—
Discounted bills	7,962.20	4.67	—	—
Subtotal	8,500.91	4.99	—	—
Gross loans and advances to customers	170,500.70	100.00	129,341.71	100.00

Corporate loans and advances

As of December 31, 2018, the Group's corporate loans and advances amounted to RMB95.608 billion, representing an increase of RMB13.499 billion, or 16.44% as compared with the end of the previous year, which was mainly due to the expansion of the Group's corporate credit business.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

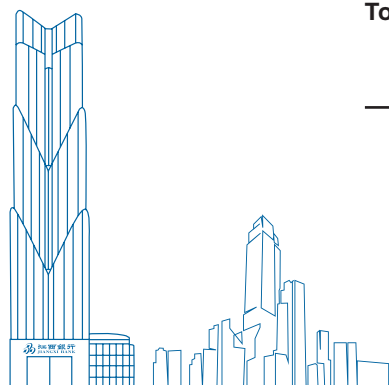
Personal loans and advances

As of December 31, 2018, the Group's personal loans and advances amounted to RMB66.93 billion, representing an increase of RMB22.904 billion, or 52.02% as compared with the end of the previous year, which was mainly due to the Group's commitment to marketing personal loans, especially mortgage loans and consumer loans for high-quality customers.

(2) *Investment securities and other financial assets*

As of December 31, 2018, the Group's balance of investment securities and other financial assets amounted to RMB190.704 billion, representing an increase of RMB2.274 billion, or 1.21% as compared with the end of the previous year. In 2018, the increase in the Group's such assets was mainly due to the Group's active development of financial markets business, expansion of capital utilization channels, and the optimization of the investment portfolio.

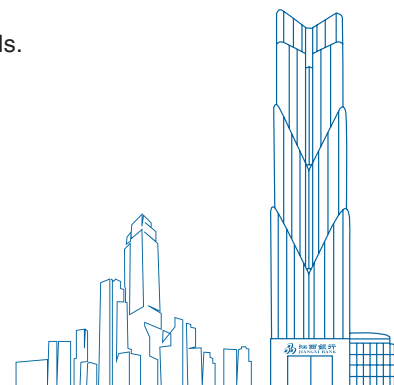
	As of December 31, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
	(in millions of RMB, unless otherwise stated)			
Investment securities and other financial assets				
– Financial investment at fair value through profit or loss	34,324.10	18.00	587.82	0.31
– Financial investment at fair value through other comprehensive income	34,338.82	18.01	–	–
– Financial investment at amortized cost	122,041.08	63.99	–	–
– Available-for-sale financial assets	–	–	59,606.15	31.63
– Held-to-maturity investments	–	–	25,620.39	13.60
– Investment classified as receivables	–	–	102,615.40	54.46
Total investment securities and other financial assets	190,704.00	100.00	188,429.76	100.00



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

	As of December 31, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
(in millions of RMB, unless otherwise stated)				
Distribution of investment securities and other financial assets				
Debt securities				
Chinese government bonds	12,249.46	6.42	12,839.31	6.81
Policy bank bonds	26,061.98	13.67	21,625.35	11.48
Commercial banks and other financial institutions bonds	1,883.55	0.99	1,635.73	0.87
Corporate bonds	2,445.42	1.28	1,078.00	0.57
Subtotal	42,640.41	22.36	37,178.39	19.73
Other financial assets				
Wealth management products issued by financial institutions	1,043.14	0.55	4,020.28	2.13
Fund investments ⁽¹⁾	18,919.49	9.92	14,730.31	7.82
Equity instrument	114.76	0.06	10.25	0.01
Investment management products managed by securities companies and trust plans	126,631.69	66.40	132,490.53	70.31
Subtotal	146,709.08	76.93	151,251.37	80.27
Interest receivable	1,354.51	0.71	—	—
Total investment securities and other financial assets	190,704.00	100.00	188,429.76	100.00

Note: (1) Primarily include monetary market funds and bond funds.



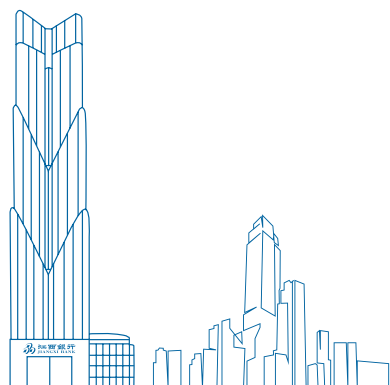
CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

4.4.2 Liabilities

As of December 31, 2018, the Group's total liabilities amounted to RMB386.253 billion, representing an increase of RMB39.52 billion, or 11.40% as compared with the end of the previous year.

	As of December 31, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
(in millions of RMB, unless otherwise stated)				
Deposits from customers	260,448.65	67.43	243,837.35	70.32
Deposits from banks and other financial institutions	31,863.89	8.25	29,820.01	8.60
Borrowings from the central bank	1,590.07	0.41	4,022.34	1.16
Borrowings from other financial institutions	10,944.70	2.83	8,450.00	2.44
Placements from banks and other financial institutions	6,149.98	1.59	1,350.00	0.39
Financial assets sold under repurchase agreements	10,186.85	2.64	6,689.05	1.93
Debt securities issued	61,129.81	15.83	43,473.77	12.54
Taxes payable	567.44	0.15	495.50	0.14
Other liabilities ⁽¹⁾	3,371.55	0.87	8,595.22	2.48
Total liabilities	386,252.94	100.00	346,733.24	100.00

Note: (1) Consist primarily of interest payable, collection and payment, accrued staff cost, dividends payable and other receivables.

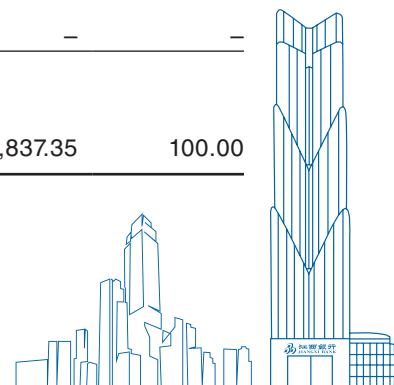


CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

(1) Deposits from customers

As of December 31, 2018, the Group's total deposits from customers amounted to RMB260.449 billion, representing an increase of RMB16.611 billion, or 6.81% as compared with the end of the previous year, which was mainly due to the Group's efforts to expand distribution channels such as e-banks and meticulous promotion of deposit marketing.

	As of December 31, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
	(in millions of RMB, unless otherwise stated)			
Demand deposits				
Corporate deposits	117,737.51	45.21	109,756.89	45.01
Individual deposits	19,289.36	7.41	20,842.49	8.55
Subtotal	137,026.87	52.62	130,599.38	53.56
Time deposits				
Corporate deposits	63,772.44	24.49	66,446.13	27.25
Individual deposits	45,616.96	17.51	37,254.61	15.28
Subtotal	109,389.40	42.00	103,700.74	42.53
Security deposits				
Acceptances	6,225.96	2.39	4,803.04	1.97
Letters of guarantees	2,164.50	0.83	1,559.98	0.64
Letters of credit	679.94	0.26	203.00	0.08
Others	56.41	0.02	68.67	0.03
Subtotal	9,126.81	3.50	6,634.69	2.72
Inward and outward remittances	43.28	0.02	66.39	0.03
Structured deposits				
Corporate deposits	407.99	0.16	1,201.23	0.49
Individual deposits	1,481.53	0.57	1,634.92	0.67
Subtotal	1,889.52	0.73	2,836.15	1.16
Interest payable	2,972.77	1.13	—	—
Total deposits from customers	260,448.65	100.00	243,837.35	100.00



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

(2) Deposits from banks and other financial institutions

As of the end of the Reporting Period, the Group's balance of deposits from banks and other financial institutions was RMB31.864 billion, representing an increase of RMB2.044 billion, or 6.85% as compared with end of the previous year. The changes in the deposits from banks and other financial institutions were mainly due to the increase in deposits from other banks based on the market liquidity and the Group's business capital needs.

(3) Debt securities issued

As of the end of the Reporting Period, the Group's debt securities issued was RMB61.130 billion, representing an increase of RMB17.656 billion, or 40.61% as compared with the end of the previous year. It was mainly due to the increase in balance of the Group's interbank deposit.

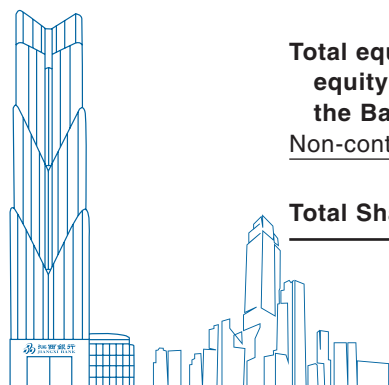
(4) Financial assets sold under repurchase agreements

As of the end of the Reporting Period, the Group's amount of financial assets sold under repurchase agreements was RMB10.187 billion, representing an increase of RMB3.498 billion, or 52.29% as compared with the end of the previous year. It was mainly due to the Group's increase of receiving funds to meet its liquidity requirements.

4.4.3 Equity

As of the end of the Reporting Period, the Groups' total equity was RMB32.811 billion, representing an increase of RMB9.539 billion, or 40.99% as compared with the end of the previous year. The total equity attributable to equity shareholders of the Bank was RMB32.226 billion, representing an increase of RMB9.512 billion, or 41.88% as compared with the end of the previous year. The share capital of the Group increased by RMB1.346 billion as compared with 2017, and the capital reserve increased by RMB6.446 billion mainly due to the successful listing of the Group on Hong Kong Stock Exchange on June 26, 2018.

	As of December 31, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
	(in millions of RMB, unless otherwise stated)			
Share capital	6,024.28	18.36	4,678.78	20.10
Capital reserve	13,720.28	41.82	7,273.74	31.26
Surplus reserve	2,518.79	7.68	2,253.65	9.68
General risk reserve	5,505.86	16.78	4,700.71	20.20
Retained earnings	4,457.01	13.58	3,806.86	16.36
Total equity attributable to equity shareholders of the Bank	32,226.22	98.22	22,713.74	97.60
Non-controlling interests	585.11	1.78	558.32	2.40
Total Shareholders' equity	32,811.33	100.00	23,272.06	100.00



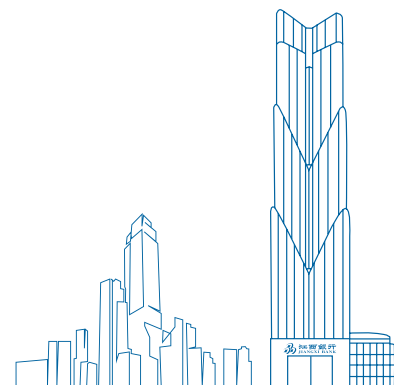
CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

4.5 OFF-BALANCE SHEET CREDIT COMMITMENTS

The Group incorporated the off-balance sheet business into the unified credit of customers, and under the management of on-balance sheet business, in accordance with the management procedures and management requirements of the pre-investigation, review, approval, contract signing, issuance, post-loan management and mortgage/pledge guarantee.

As of December 31, 2018, the balance of major off-balance sheet items was as follows:

	As of December 31, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
(in millions of RMB, unless otherwise stated)				
Bank acceptances	17,482.03	56.52	16,178.69	59.10
Letters of credit	1,401.31	4.53	1,080.05	3.95
Unused credit card commitments	5,803.02	18.76	4,682.04	17.11
Letters of guarantees	4,928.76	15.93	3,239.61	11.84
Loan commitments	519.82	1.68	1,022.80	3.74
Subtotal	30,134.94	97.42	26,203.19	95.74
Operating lease commitments	749.12	2.42	1,088.49	3.98
Capital commitments	48.84	0.16	75.68	0.28
Total	30,932.90	100.00	27,367.36	100.00



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

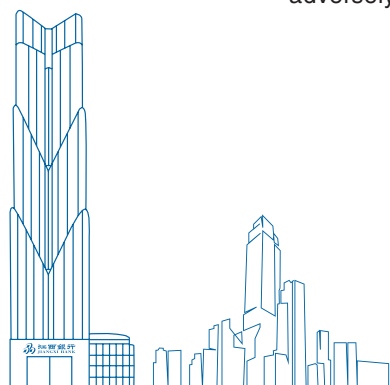
4.6 LOAN QUALITY ANALYSIS

As of the end of the Reporting Period, the Group's total loan was RMB170.501 billion, representing an increase of RMB41.159 billion, or 31.82% as compared with the year ended December 31, 2017.

4.6.1 Distribution of Loans by Five-category Classification

	As of December 31, 2018		As of December 31, 2017	
	Amount	% of total (%)	Amount	% of total (%)
(in millions of RMB unless otherwise specified)				
Five-category classification				
Normal	158,736.55	93.10	120,197.12	92.92
Special mention	8,515.78	4.99	7,019.57	5.43
Substandard	2,011.45	1.18	98.19	0.08
Doubtful	1,034.25	0.61	1,599.50	1.24
Loss	202.67	0.12	427.33	0.33
Gross loans and advances to customers	170,500.70	100.00	129,341.71	100.00
Non-performing loans and non-performing loan ratio	3,248.37	1.91	2,125.02	1.64

As of the end of the Reporting Period, the Group's normal loans amounted to RMB158.737 billion, accounting for 93.10%, representing an increase of 0.18% as compared with the year ended December 31, 2017. The Group's special mention loans amounted to RMB8.516 billion, accounting for 4.99%, representing a decrease of 0.44 percentage point as compared with the year ended December 31, 2017; the proportion of Normal loans was increased, while the proportion of special mention loans were decreased, as compared with the year ended December 31, 2017, indicating that loan quality turned for the better to some extent; the Group's non-performing loans amounted to RMB3.248 billion, representing an increase of RMB1.123 billion as compared with the year ended December 31, 2017, with a non-performing loan ratio of 1.91%, increased by 0.27 percentage point as compared with the year ended December 31, 2017. The domestic economy did not have fundamental improvement, and the growth of major economic indicators moderated at different degrees. As a result, the business sector was adversely affected and the Group was exposed to higher pressure in loan recovery.

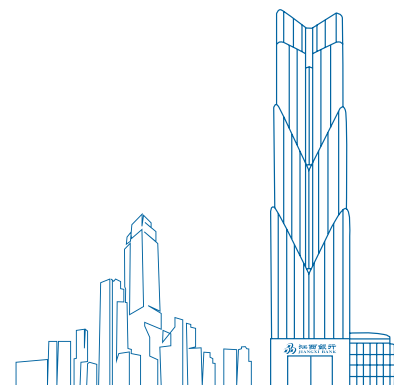


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4.6.2 Distribution of Loans and Non-performing Loans by Product Type

Item	As of December 31, 2018				As of December 31, 2017			
	Loan amount	% of total (%)	NPL amount	NPL ratio (%)	Loan amount	% of total (%)	NPL amount	NPL ratio (%)
(in millions of RMB unless otherwise specified)								
Corporate loans								
Working capital loans	49,448.09	28.99	1,749.50	3.54	45,054.39	34.83	1,385.03	3.07
Fixed asset loans	30,415.78	17.84	167.94	0.55	25,885.30	20.01	18.08	0.07
Financial lease	13,943.01	8.18	–	–	9,711.26	7.51	–	–
Others	1,801.21	1.06	415.96	23.09	1,458.08	1.13	138.27	9.48
Subtotal	95,608.09	56.07	2,333.40	2.44	82,109.03	63.48	1,541.38	1.88
Personal loans								
Personal business loans	6,441.54	3.78	294.16	4.57	6,008.98	4.65	300.92	5.01
Residential mortgage loans	43,821.63	25.71	322.58	0.74	25,562.85	19.76	212.22	0.83
Personal consumption loans	13,184.09	7.73	145.97	1.11	9,212.18	7.12	18.21	0.20
Credit card	3,483.15	2.04	152.26	4.37	3,242.15	2.51	52.29	1.61
Subtotal	66,930.41	39.26	914.97	1.37	44,026.16	34.04	583.64	1.33
Discounted bills	7,962.20	4.67	–	–	3,206.52	2.48	–	–
Total	170,500.70	100.00	3,248.37	1.91	129,341.71	100.00	2,125.02	1.64

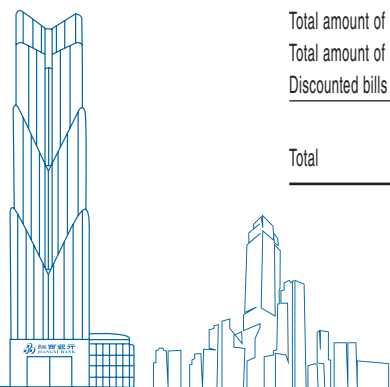
In response to state policies, the Group proactively adjusts its credit structure. As of the end of the Reporting Period, the Group's corporate loans and personal loans accounted for 56.07% and 39.26% of the total loans, respectively, among which, corporate loan was down by 7.41 percentage points as compared with the end of the previous year, while personal loan was up by 5.22 percentage points as compared with the end of the previous year. Affected by China's general economic conditions, the Bank is under pressure in respect of corporate operation. Generally, the NPL ratio of corporate loans remains controllable despite its rapid rise.



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4.6.3 Distribution of Loans and Non-performing Loans by Industry

Industry	As of December 31, 2018				As of December 31, 2017			
	Loan amount	% of total (%)	NPL amount	NPL ratio (%)	Loan amount	% of total (%)	NPL amount	NPL ratio (%)
(in millions of RMB unless otherwise specified)								
1 Agriculture, forestry, animal husbandry and fishery	1,460.32	0.85	59.57	4.08	1,188.59	0.92	23.89	2.01
2 Mining	557.57	0.33	2.30	0.41	342.30	0.26	11.10	3.24
3 Manufacturing	13,189.39	7.74	291.30	2.21	9,761.68	7.55	204.03	2.09
4 Production and distribution of electricity, heating power, gas and water	1,869.12	1.10	9.80	0.52	1,369.28	1.06	–	–
5 Construction	9,275.28	5.44	112.27	1.21	7,795.15	6.03	43.77	0.56
6 Wholesale and retail trade	19,650.00	11.52	1,584.14	8.06	19,320.74	14.94	1,158.98	6.00
7 Transportation, storage and postal services	3,007.74	1.76	5.00	0.17	1,787.06	1.38	–	–
8 Accommodation and catering	1,616.35	0.95	95.81	5.93	1,754.42	1.36	0.14	0.01
9 Information transmission, computer services and software	1,129.32	0.66	102.60	9.09	638.42	0.49	52.70	8.25
10 Finance	862.52	0.51	–	–	661.41	0.51	–	–
11 Real estate	7,571.75	4.44	27.44	0.36	7,893.66	6.10	13.49	0.17
12 Leasing and commercial services	15,254.97	8.95	4.90	0.03	9,574.65	7.40	6.85	0.07
13 Scientific research and technical services	4.88	0.00	–	–	–	–	–	–
14 Water conservancy, environment and public facility management	15,946.96	9.35	–	–	14,806.32	11.45	–	–
15 Residents services, repairs and other services	82.58	0.05	16.27	19.70	88.85	0.07	14.76	16.61
16 Education	1,279.74	0.75	4.00	0.31	1,424.21	1.10	–	–
17 Health, social security and social welfare	1,275.22	0.75	–	–	1,401.31	1.08	–	–
18 Culture, sports, and entertainment	409.38	0.24	18.00	4.40	1,038.98	0.80	11.67	1.12
19 Public administration, social security and social organizations	1,165.00	0.68	–	–	1,262.00	0.98	–	–
Total amount of corporate loans	95,608.09	56.07	2,333.40	2.44	82,109.03	63.48	1,541.38	1.88
Total amount of personal loans	66,930.41	39.26	914.97	1.37	44,026.16	34.04	583.64	1.33
Discounted bills	7,962.20	4.67	–	–	3,206.52	2.48	–	–
Total	170,500.70	100.00	3,248.37	1.91	129,341.71	100.00	2,125.02	1.64



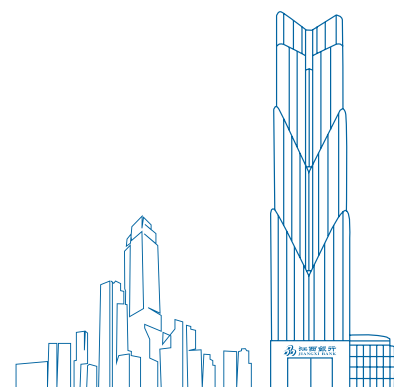
CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

As of the end of the Reporting Period, the Group's corporate loans amounted to RMB95.608 billion, representing an increase of RMB13.499 billion, or 16.44% as compared with the end of the previous year. The top four industries, which accounted for a higher proportion, are wholesale and retail trade, water conservancy, environment and public facility management, manufacturing, leasing and commercial services. As of the end of the Reporting Period, the Group's personal loans amounted to RMB66.93 billion, representing an increase of RMB22.904 billion, or 52.02% as compared with the end of the previous year, mainly thanks to the increase of the residential mortgage loans. The non-performing loans of the Group were mainly from wholesale and retail trade and manufacturing industry, which accounted for 57.73% of the total NPLs of the Group.

4.6.4 Distribution of Loans and Non-performing Loans by Collateral

Type of collateral	As of December 31, 2018				As of December 31, 2017			
	Loan amount	% of total (%)	NPL amount	NPL ratio (%)	Loan amount	% of total (%)	NPL amount	NPL ratio (%)
(in millions of RMB unless otherwise specified)								
Unsecured loans	21,955.79	12.88	287.55	1.31	17,232.30	13.32	62.44	0.36
Guaranteed loans	66,163.67	38.81	1,776.52	2.69	50,492.55	39.04	1,258.50	2.49
Collateralized loans	73,942.40	43.36	903.94	1.22	53,214.86	41.14	725.37	1.36
Pledged loans	8,438.84	4.95	280.36	3.32	8,402.00	6.50	78.71	0.94
Total	170,500.70	100.00	3,248.37	1.91	129,341.71	100.00	2,125.02	1.64

As of the end of the Reporting Period, the total loans of the Group amounted to RMB170.501 billion. The main types of the Group's loans were guaranteed loans and collateralized loans, which accounted for 38.81% and 43.36% of the total loans respectively. Over 60% of the NPLs of the Group were unsecured loans and guaranteed loans. The Group will enhance credit risk mitigation measures to improve the relevant loan asset quality.

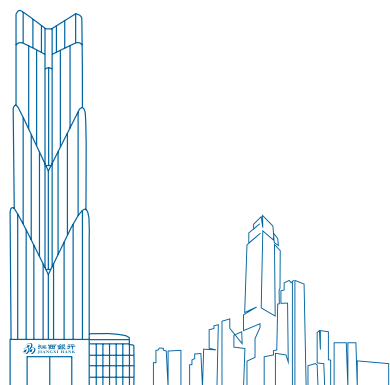


CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

4.6.5 Distribution of Loans and Non-performing Loans by Geographical Region

Geographical region	As of December 31, 2018				As of December 31, 2017			
	Loan amount	% of total (%)	NPL amount	NPL ratio (%)	Loan amount	% of total (%)	NPL amount	NPL ratio (%)
(in millions of RMB unless otherwise specified)								
Nanchang area	81,386.91	47.73	2,151.96	2.64	65,822.10	50.89	1,625.80	2.47
Within Jiangxi Province (apart from Nanchang area)	64,312.11	37.72	828.76	1.29	45,533.10	35.20	432.88	0.95
Outside Jiangxi Province	24,801.68	14.55	267.65	1.08	17,986.51	13.91	66.34	0.37
Total	170,500.70	100.00	3,248.37	1.91	129,341.71	100.00	2,125.02	1.64

As of the end of the Reporting Period, the total amount of all the Group's loans was RMB170.501 billion with 47.73% in Nanchang area, 37.72% in Jiangxi Province (apart from Nanchang area), and 14.55% outside Jiangxi Province. Substantial business growth was seen in each area. As the Group started out and thrived in Jiangxi Province, most of its NPLs were from Jiangxi Province.

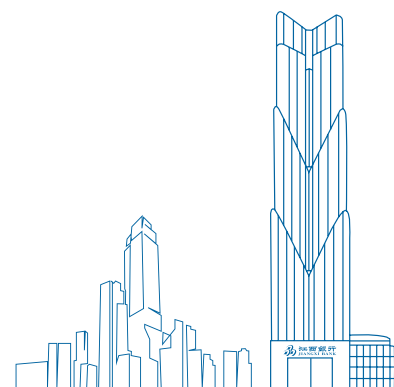


CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

4.6.6 Distribution of Loans by Overdue Period

Type of overdues	As of December 31, 2018		As of December 31, 2017	
	Loan amount	% of total (%)	Loan amount	% of total (%)
(in millions of RMB unless otherwise specified)				
Current loans	164,234.11	96.32	123,513.38	95.49
Loans past due for				
Up to 3 months	3,378.67	1.98	3,556.14	2.75
Over 3 months up to 1 year	1,462.24	0.86	1,173.46	0.91
Over 1 year up to 3 years	1,092.14	0.64	901.40	0.70
Over 3 years	333.54	0.20	197.33	0.15
Subtotal	6,266.59	3.68	5,828.33	4.51
Total	170,500.70	100.00	129,341.71	100.00

As of the end of the Reporting Period, the Group's total overdue loans amounted to RMB6.267 billion, representing an increase of 7.52% as compared with that at the end of last year, mainly because small and micro enterprises constituted a major part in the loan structure of the Group, and those enterprises posted unsatisfactory business results and had weaker debt servicing ability due to the influence of economic downturns, which resulted in the increase of overdue loans. However, it is noteworthy that the total amount of the loans past due for up to 3 months declined by nearly 4.99% as compared with that of the end of last year.



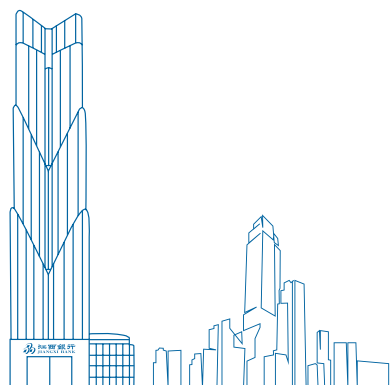
CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

4.6.7 Loan Concentration

(1) Loan exposure to the ten largest single borrowers

In accordance with applicable PRC banking laws and regulations, the Group is subject to a lending limit of 10% of the Group's net capital to any single borrower. The following table sets forth the Group's loan exposure to its ten largest single borrowers (excluding group borrowers) as of the date indicated.

As of December 31, 2018					
Item	Industry	Balance	% of the total	% of net capital	Five- category classification
(in millions of RMB)					
Borrower A	Manufacturing	2,075.43	1.22	5.10	Normal
Borrower B	Water conservancy, environment and public facility management	2,000.00	1.17	4.91	Normal
Borrower C	Leasing and commercial services	1,860.00	1.09	4.57	Normal
Borrower D	Manufacturing	1,590.00	0.93	3.91	Normal
Borrower E	Water conservancy, environment and public facility management	999.50	0.59	2.46	Normal
Borrower F	Water conservancy, environment and public facility management	995.00	0.58	2.44	Normal
Borrower G	Public administration, social security and social organizations	980.00	0.57	2.41	Normal
Borrower H	Construction	950.00	0.56	2.33	Normal
Borrower I	Water conservancy, environment and public facility management	895.00	0.52	2.20	Normal
Borrower J	Leasing and commercial services	850.00	0.50	2.09	Normal
Total		13,194.93	7.73	32.42	

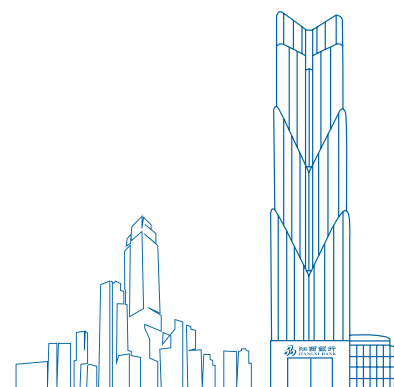


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(2) Credit exposure to the ten largest group customers

In accordance with applicable PRC banking guidelines, the Group is subject to a credit limit of 15% of the Group's net capital for any single group customer. The following table sets forth the Group's credit exposure to its ten largest group customers as of the date indicated.

Item	Industry	Loan balance	% of the total (in millions of RMB)	As of December 31, 2018		
				Balance of credit exposure	% of net capital	Five-category classification
Group A	Manufacturing	387.97	0.23	5,064.86	12.44	Normal
Group B	Public administration, social security and social organizations	1,166.00	0.68	4,821.00	11.84	Normal
Group C	Water conservancy, environment and public facility management	995.00	0.58	3,095.00	7.60	Normal
Group D	Real estate	–	–	2,990.00	7.34	Normal
Group E	Real estate	–	–	2,860.00	7.03	Normal
Group F	Leasing and commercial services	1,860.00	1.09	2,856.00	7.02	Normal
Group G	Real estate	200.00	0.12	2,700.00	6.63	Normal
Group H	Construction	–	–	2,500.00	6.14	Normal
Group I	Leasing and commercial services	–	–	2,299.90	5.65	Normal
Group J	Manufacturing	2,075.43	1.22	2,075.43	5.10	Normal
Total		6,684.40	3.92	31,262.19	76.79	



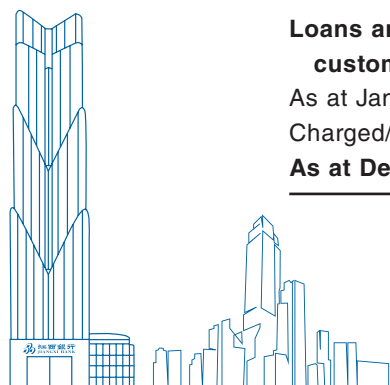
CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

4.6.8 Repossessed Assets and Impairment Allowances

Item	As of December 31, 2018 Amount (in millions of RMB)	As of December 31, 2017 Amount
Land, properties and buildings	109.23	109.23
Others	—	154.79
Less: Impairment allowances	(11.57)	(18.71)
Net repossessed assets	97.66	245.31

4.6.9 Movements of Provision for Impairment Losses on Loans

	Stage 1 ⁽¹⁾ Amount	Stage 2 ⁽²⁾ Amount (in millions of RMB)	Stage 3 ⁽³⁾ Amount	Total Amount
Loans and advances to customers at amortized cost				
As at January 1, 2018	295.81	2,477.20	1,891.28	4,664.29
Transferred to next 12-month ECL	163.16	(147.85)	(15.31)	—
Transferred to lifetime ECL				
– not credit-impaired	(9.01)	9.75	(0.74)	—
Transferred to lifetime ECL				
– credit-impaired	(1.90)	(119.91)	121.81	—
Charged for the year	127.35	364.75	1,914.46	2,406.56
Unwinding of discount	—	—	(89.32)	(89.32)
Recoveries for the year	—	—	166.73	166.73
Write-offs for the year	—	—	(1,307.66)	(1,307.66)
Transferred out for the year	—	—	(282.09)	(282.09)
As at December 31, 2018	575.41	2,583.94	2,399.16	5,558.51
Loans and advances to customers at FVOCI ⁽⁴⁾				
As at January 1, 2018	0.20	5.75	—	5.95
Charged/(released) for the year	5.77	(1.96)	—	3.81
As at December 31, 2018	5.97	3.79	—	9.76



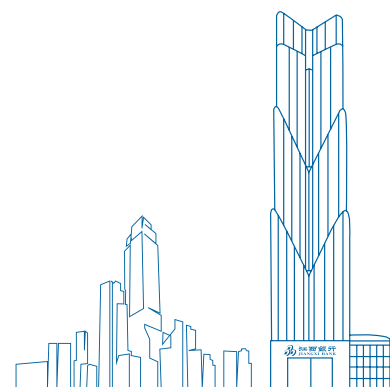
CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- (1) Stage 1 refers to the expected credit loss for the next 12 months.
- (2) Stage 2 refers to the expected credit loss within the lifetime in which no credit impairment has occurred.
- (3) Stage 3 refers to the expected credit loss within the lifetime in which a credit impairment has occurred.
- (4) The provision for impairment losses on loans and advances at fair value through other comprehensive income is recognised in other comprehensive income.

4.6.10 Measures for Non-performing Assets

During the Reporting Period, the Group adopted the following measures to contain the growth of non-performing assets: first, the Group focused on the special recovery programs for non-performing assets, clarified the responsibilities for recovery of non-performing assets and intensified the efforts for assessment of non-performing assets through the “key banks” and “key customers” stratification, linkage and supervision. Second, the Group intensified risk investigation and mitigation in areas of concern such as guarantee circle and several-to-one credit granting, and improved debt conversion and restructuring effectiveness through the introduction of third parties, enhanced guarantees and additional collaterals. Third, the Group strengthened loan recovery through legal procedures, carried out special recovery execution program of “Autumn Action”, intensified the punishment for discredited acts and accelerating the asset realization process by means of asset foreclosure and preservation and granting enforcement reward. Fourth, the Group intensified asset write-off and transfer which led to the bulk transfer of NPLs through open bidding and the timely write-off of loans that met the conditions for write-offs.



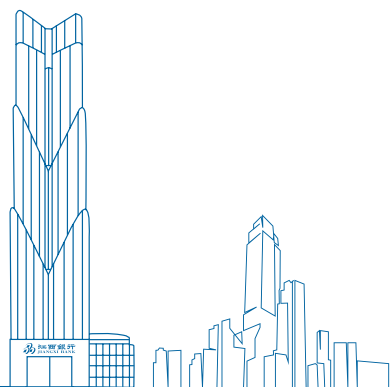
CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

4.7 SEGMENT REPORTS

4.7.1 Summary of Regional Segment Information

The Group collects its operating revenue according to the location of the branch or subsidiary that generates such income, and divides it according to different regions. The following table sets forth the total operating revenue of each region in the periods indicated.

	As of December 31, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
(in millions of RMB, unless otherwise stated)				
Head office	3,555.22	31.32	2,581.97	27.32
Nanchang area (apart from head office)	4,125.85	36.35	3,724.59	39.40
Within Jiangxi Province (apart from Nanchang area)	2,837.93	25.00	2,449.47	25.91
Outside Jiangxi Province	831.61	7.33	696.24	7.37
Total	11,350.61	100.00	9,452.27	100.00

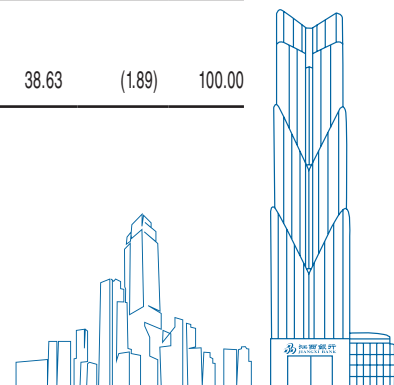


CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

4.7.2 Summary of Business Segment Information

The Group has three principal business activities: corporate banking, retail banking and financial markets business. The following table sets forth the main financial indicators for each business segment for the periods indicated.

	As of December 31, 2018					As of December 31, 2017				
	Corporate banking	Retail banking	Financial markets business	Others	Total	Corporate banking	Retail banking	Financial markets business	Others	Total
	(in millions of RMB, unless otherwise stated)					(in millions of RMB, unless otherwise stated)				
External net interest income	2,108.27	2,228.54	4,578.71	–	8,915.52	1,830.78	766.69	4,883.63	–	7,481.10
Internal net interest income/(expense)	2,627.48	391.05	(2,986.16)	(32.37)	–	2,640.13	853.26	(3,415.06)	(78.33)	–
Net interest income/(expense)	4,735.75	2,619.59	1,592.55	(32.37)	8,915.52	4,470.91	1,619.95	1,468.57	(78.33)	7,481.10
Net fee and commission income/(expense)	472.80	(36.30)	215.98	0.81	653.29	686.41	187.80	640.63	(24.22)	1,490.62
Net trading gains/(losses)	–	–	92.73	–	92.73	–	–	(109.96)	–	(109.96)
Net gains arising from financial investments	1.66	–	1,366.25	–	1,367.91	–	–	572.87	–	572.87
Other operating income/(expenses)	22.85	2.06	(163.00)	459.25	321.16	(14.90)	(0.82)	5.48	27.88	17.64
Operating income/(expenses)	5,233.06	2,585.35	3,104.51	427.69	11,350.61	5,142.42	1,806.93	2,577.59	(74.67)	9,452.27
Operating expenses	(1,656.90)	(1,251.87)	(620.49)	(0.37)	(3,529.63)	(1,346.81)	(977.42)	(822.57)	(0.58)	(3,147.38)
Operating profit before impairment	3,576.16	1,333.48	2,484.02	427.32	7,820.98	3,795.61	829.51	1,755.02	(75.25)	6,304.89
Impairment losses on assets	(2,096.86)	(310.53)	(2,014.55)	(16.43)	(4,438.37)	(2,165.47)	(92.98)	(309.84)	(7.51)	(2,575.80)
Share of (losses)/profits of associates	–	–	–	(15.54)	(15.54)	–	–	–	12.02	12.02
Profit/(loss) before taxation	1,479.30	1,022.95	469.47	395.35	3,367.07	1,630.14	736.53	1,445.18	(70.74)	3,741.11
Proportion of profit/(loss) before taxation	43.93	30.38	13.94	11.75	100.00	43.57	19.69	38.63	(1.89)	100.00



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4.7.3 Main Segment Operating Income

	As of December 31, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
(in millions of RMB, unless otherwise stated)				
Corporate banking	5,233.06	46.10	5,142.42	54.40
Retail banking	2,585.35	22.78	1,806.93	19.12
Financial markets business	3,104.51	27.35	2,577.59	27.27
Others	427.69	3.77	(74.67)	(0.79)
Total	11,350.61	100.00	9,452.27	100.00

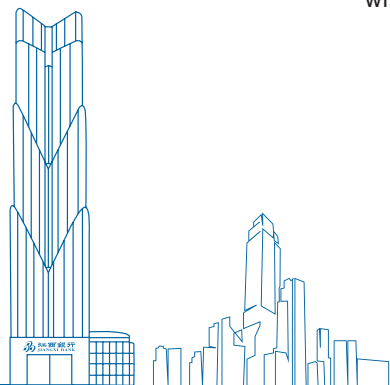
4.8 BUSINESS OVERVIEW

4.8.1 Corporate Banking

(1) Corporate deposits

In 2018, faced with the increased pressure of macroeconomic downturn and stricter regulatory policies, the Bank still maintained growth momentum in corporate deposits. The Bank actively promoted the transformation and upgrading of its business through the drive of institutional business and transaction banking business, and promoted products and services such as Yinyitong, capital supervision, and electronic collection of non-tax income to enhance the development of public administration clients and achieve steady growth in corporate deposits. As of the end of the Reporting Period, the Bank's corporate deposit balance had reached RMB191.066 billion, representing an increase of RMB6.98 billion or 3.79% as compared with the end of last year.

As of the end of the Reporting Period, according to the People's Bank of China, the Bank ranked third with a market share of 11.89% in RMB corporate deposits (excluding deposits of non-deposit financial institutions) in Jiangxi Province; while the Bank's market share of RMB corporate deposits in Nanchang City (excluding deposits of non-deposit financial institutions) was 20.30%, ranking first; newly taken deposits of the Bank accounted for 31.76% of total new deposits of the city, ranking first; deposit growth rate was 10.48%, which is 4.03 percentage points higher than the average growth rate in Nanchang City.



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(2) Corporate loans

As of the end of the Reporting Period, the total amount of corporate loans issued by the Group had reached RMB95.608 billion, representing an increase of 16.44% as compared with the end of last year. Corporate loans are the largest components of the Group's loan portfolio and most are denominated in RMB.

During the Reporting Period, the amount of loans extended to an entity has not exceeded 8% of the assets of the Group.

Distribution of corporate loans by product type

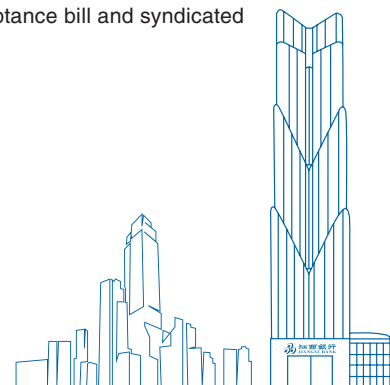
The Group provides various loan products to corporate customers, including working capital loans, fixed asset loans and financial leasing services. The amount of corporate loans increased by 16.44% from RMB82.109 billion as of December 31, 2017 to RMB95.608 billion as of December 31, 2018, mainly due to the Group's continued increase in lending to enterprises in key industries, including wholesale and retail, manufacturing and leasing and business services. The Group continuously strengthened the business cooperation with core high quality customers in key industries, tapped the potential demand of customers, and strived to provide comprehensive financial services for the customers.

Unit: millions of RMB

Item	December 31, 2018		December 31, 2017	
	Amount	% of total	Amount	% of total
Working capital loans	49,448.09	51.72	45,054.39	54.87
Fixed asset loans	30,415.78	31.81	25,885.30	31.53
Financial lease	13,943.01	14.58	9,711.26	11.82
Others ⁽¹⁾	1,801.21	1.89	1,458.08	1.78
Total amount of corporate loans	95,608.09	100.00	82,109.03	100.00

Note:

- (1) Mainly includes trade financing, forfaiting, advance payment of acceptance bill and syndicated loan.



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Distribution of corporate loans by contract maturity

According to their respective contract maturity, the Group's corporate loans include short-term loans and advances as well as medium to long-term loans. The following table sets forth the distribution of the Group's corporate loans by contract maturity as of the dates indicated.

Unit: millions of RMB

Item	December 31, 2018		December 31, 2017	
	Amount	% of total	Amount	% of total
Short-term loans and advances ⁽¹⁾	39,302.11	41.11	37,160.96	45.26
Medium to long-term loans ⁽²⁾	56,305.98	58.89	44,948.07	54.74
Total amount of corporate loans	95,608.09	100.00	82,109.03	100.00

Notes:

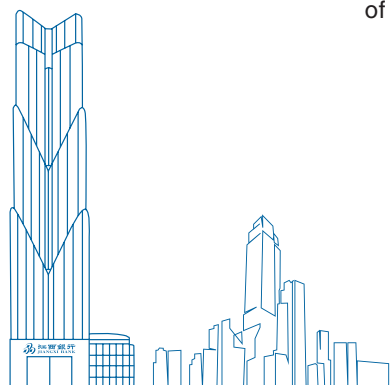
- (1) Consists of loans and advances with contract maturity of one year or less.
- (2) Consists of loans with contract maturity of more than one year.

Short-term loans and advances

As of the end of the Reporting Period, the Group's short-term loans and advances totaled RMB39.302 billion, up by RMB2.141 billion or 5.76% from the end of last year, and accounted for 41.11% of the Group's total corporate loans, down from 45.26% as at the end of last year.

Medium to long-term loans

As of the end of the Reporting Period, the Group's medium to long-term loans totaled RMB56.306 billion, up by RMB11.358 billion or 25.27% from the end of last year, and accounted for 58.89% of the Group's total corporate loans, up from 54.74% at the end of last year.



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Distribution of corporate loans by size of corporate borrowers

The Group provided different loan products and services for customers of various categories and sizes. The Group's corporate loan customers mainly included state-owned enterprises and private enterprises which mainly included corporate customers in the manufacturing, wholesale and retail industries.

The following table sets forth the distribution of the Group's corporate loans by size of corporate customer as of the dates indicated.

Unit: millions of RMB

Item	December 31, 2018		December 31, 2017	
	Amount	% of total	Amount	% of total
Micro enterprises ⁽¹⁾	6,431.88	6.73	6,336.42	7.72
Small enterprises ⁽¹⁾	56,320.22	58.90	59,087.42	71.96
Medium enterprises ⁽¹⁾	19,521.35	20.42	6,741.55	8.21
Large enterprises ⁽¹⁾	12,166.86	12.73	7,629.77	9.29
Others ⁽²⁾	1,167.78	1.22	2,318.87	2.82
Total amount of corporate loans	95,608.09	100.00	82,109.03	100.00

Notes:

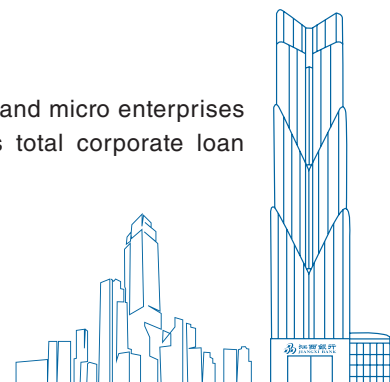
- (1) Classification Standards of Small and Medium Enterprises stipulates that the classification of large enterprises, medium enterprises, small enterprises and micro enterprises shall be based on the number of employees, operating income and total assets.
- (2) Primarily includes loans to public institutions such as hospitals and schools.

Loans to large and medium enterprises

As of the end of the Reporting Period, the Group's loans to large and medium enterprises amounted to RMB31.688 billion, accounting for 33.15% of the Group's total corporate loan amount, up by 15.65% from that of December 31, 2017.

Loans to small and micro enterprises

As of the end of the Reporting Period, the Group's loans to small and micro enterprises were RMB62.752 billion, accounting for 65.63% of the Group's total corporate loan amount, down by 14.05% from that of December 31, 2017.



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(3) *Corporate customers*

As of the end of the Reporting Period, the Bank had 67,196 corporate deposit customers, representing an increase of 9,097 or 15.66% from the end of last year; the Bank had 3,869 corporate loan customers, an increase of 464 or 13.62% from the end of last year. The Bank continued to build and maintain long-term strategic relationships with high-quality large enterprises and institutional customers, and actively supported the development of private enterprises and small and micro enterprises, with an aim of providing more high-quality and efficient financial services for the corporate customers. The Bank carried out organizational structure reform in the head office, and established the institutional customer office, transactional banking office and the strategic customer office to establish and strengthen the strategic cooperation between the Bank and key customers.

(4) *Corporate products*

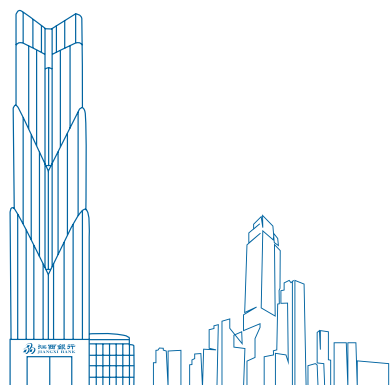
Settlement business

As of the end of the Reporting Period, the Bank had 7,325 accounts of enterprise mobile banking. Among them, 2,381 accounts were opened this year and 64,245 transactions with total transaction value of RMB1.820 billion were made this year.

As of the end of the Reporting Period, the Bank had a total of 6,673 accounts of unit settlement card, of which 784 were opened this year and 77,794 transactions with total transaction value of RMB799 million were made this year.

Supply chain finance

The Bank continued to improve its supply chain finance capacity with marketing activities targeted at core enterprises, so as to expand upstream and downstream corporate customers. Serving real economy by means of supply chain finance, the Bank, through core enterprises in the industry value chain, provided upstream and downstream small and micro enterprises thereof with targeted financial services. As of the end of the Reporting Period, the Bank's balance of supply chain finance business amounted to RMB3.180 billion, serving a total of 38 enterprises.



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“Shui e Rong” business

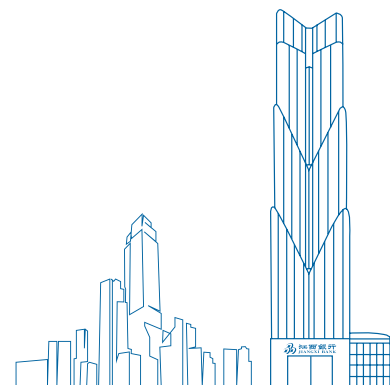
In order to cope with the impact and challenge of big data and Internet technology to traditional small and micro financial business, the Bank and the Bank of Jiangsu cooperated to draw on their respective strengths, took “Shui e Rong” business as the entry point, and adopted the concept of “Internet + tax + finance” to provide unsecured and uncovered pure credit loans online for business owners of small and micro enterprises above grade B (including grade B) in tax payment.

As of the end of the Reporting Period, a total of 6,365 customers of the Bank submitted applications on the tax payment platform, and 367 customers (corporate and individual) were successfully supported by “Shui e Rong” loans, with a total balance of RMB392 million. There were 257 online customers with total payments of RMB95 million, and 110 offline customers with total payments of RMB297 million. The total outstanding balance was RMB149 million, involving 55 online customers with RMB11 million outstanding, and 53 offline customers with RMB138 million outstanding.

(5) Investment banking

Innovatively develop the debt-equity investment business. During the Reporting Period, the Bank explored the business mode of debt-equity investment, paving the way for obtaining license to run an investment subsidiary. Relying on its own product innovation, the Bank created the “loan + stock option” model and developed customers with strategic values. As of the end of the Reporting Period, the Bank had 23 customers involved in our debt-equity investments, with a balance of RMB130 million, and 57 customers has signed stock option agreements.

Direct financing instruments for financing. During the Reporting Period, the Bank issued the first phase of direct financing instruments for financing in July 2018 as the underwriting agent, with an amount of RMB300 million.

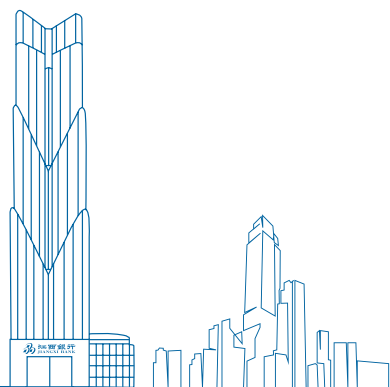


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(6) *Micro-finance*

The Bank has always adhered to the market positioning of “serving small and micro enterprises”, and started small and micro financial business on a commercial scale in Jiangxi Province at an early stage, made efforts to deepen, refine and penetrate the local small and micro market, strived to solve the problem of “difficult financing and expensive financing” facing small and micro enterprises, and constantly improved the support for the real economy. As of the end of the Reporting Period, the Group’s small and micro enterprise loan balance (with the credit granted to a single customer less than RMB10 million (inclusive)) was RMB22.493 billion, up by RMB5.643 billion from the end of 2017, representing a year-on-year growth rate of 33.49%, 2.22% higher than the year-on-year growth rate of the total loans of the Group (31.27%). There were 17,129 customers who received small and micro enterprise loan balance (with the credit granted to a single customer less than RMB10 million), up 1,665 from the same period last year. The weighted average interest rate (calculated based on the actual amount) of the inclusive type small and micro enterprise loan (with the credit granted to a single customer less than RMB10 million) was 6.52%, 157BP down from the weighted average interest rate in the third quarter (8.09%).

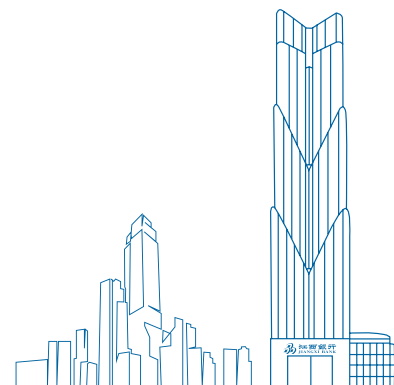
First, continue to promote the characteristic industry value chain and business circle business on commercial scale. The Bank has confirmed the goal for shifting to two businesses: small and micro loan business on commercial scale and comprehensive financial business, and customized special products for the characteristic industry value chain in Jiangxi Province, such as: “Orange Circle Loan” for navel orange growers in southern Jiangxi Province, “Monopterus Albus Breeding Loan” for rural monopterus albus farmers, “E-business Credit and Loan” for Taobao e-merchants, and “Fireworks and Firecrackers Loan” for fireworks and firecrackers enterprises. In addition, the Bank, through deepening the cooperation with contracted key enterprises, such as Zhengbang Group, Aonong Group and Jiuding Group, has seen continuous growth in loans extended to upstream and downstream small and micro enterprises. As of the end of the Reporting Period, the Bank’ small and micro loan balance was RMB5.418 billion, an increase of RMB811 million over the same period of last year, benefiting various production units of the society such as small and micro enterprises, individual industrial and commercial businesses and start-ups set up by owners who had been laid-off workers.



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Second, continue to promote innovation, entrepreneurship, environmental protection and other fields. On one hand, focusing on the direction of local economic transformation, the Bank, as China's first non-pilot bank, issued RMB8 billion of green financial bonds, and raised funds to support 20 green projects, with a total investment of RMB8.181 billion, boosting the rapid development of Jiangxi Province's green economy. On the other hand, the Bank created special credit products to encourage listing and offered customized products and special financial services to support the enterprises in Jiangxi that would like to go public. The Bank offered unsecured loans to 28 companies intended to go public and was determined to support more Jiangxi enterprises to get on the stage of capital market. As of the end of the Reporting Period, the Bank granted loans of RMB50 million in aggregate through "Yingshanhong Booster Loan" to 5 Jiangxi companies intended to go public. In addition, under the support of Jiangxi provincial party committee and provincial government, the Bank established a specialized talent serving bank and innovatively developed two major product systems of "Anju Type" and "Leye Type" comprising seven exclusive products (Talent Loan, Jiangxi Talent Card, Exclusive Credit Card for Talents, Zhihuitong, Zhirongtong, Investment and Loan Linkage, Talent Exchange and Win) of the Jiangxi talent serving bank to serve 1,267 high-level talents in Jiangxi Province, and invested a total of RMB805 million in innovative and entrepreneurial products, effectively supporting the financial needs in the process of talent innovation and entrepreneurship.

Third, continue to strengthen the use of Fin Tech in small and micro businesses. In view of the characteristics of small and micro enterprises such as "lack of information" and "lack of guarantee", the Bank, after launching the online credit product "Shui e Rong" which is purely online and free of guarantee, with the experience of model design, data accumulation and system development, explored and established a new service mode of "digitization, intelligentization and networking" different from the traditional business. The Bank is promoting the development and construction of the mobile system of micro loan business, including "Handheld Micro Loan" for customers to meet their needs of remote self-service loan application, signing and repayment, and "PAD Micro Loan" for customer managers, and constantly strengthening the scientific and technological leadership to reduce enterprises' financing costs and improve service efficiency.



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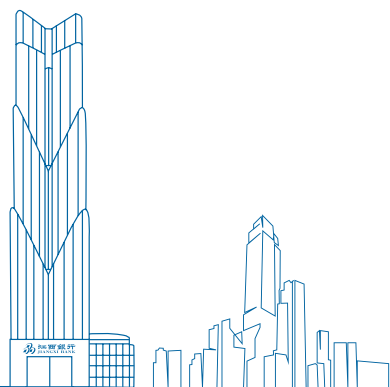
4.8.2 Retail Banking

(1) Retail deposits

The Bank provides a variety of current and fixed deposits mainly in RMB to retail customers, develops and launches a variety of flexible savings deposit products in accordance with the characteristics of the retail customer group, and develops high-quality customers by implementing differentiated deposit pricing. During the Reporting Period, the Bank issued a total of 12 phases of large certificate of personal deposit. As of the end of the Reporting Period, the balance of large certificate of personal deposit reached approximately RMB3.84 billion. As of the end of the Reporting Period, the Bank's balance of retail deposits was RMB66.410 billion, representing an increase of RMB6.658 billion, or 11.14%, as compared with the end of last year.

(2) Retail loans

The Bank developed the consumption credit customers based on key products and key projects, and concurrently promoted the development of retail loan business online and offline, thus effectively improving the retail loan business results. During the Reporting Period, the Bank carried out consumption loan business cooperation with 3 newly developed famous Internet enterprises, in order to attract high-quality online loan customers through the Internet platform. As of the end of the Reporting Period, the Bank obtained nearly 1 million online loan customers through this cooperation, and granted 5.78 million loans in total, with the loan balance amounting to RMB 8.88 billion. During the Reporting Period, the online joint loan generated accumulatively interest income of RMB 1.178 billion, accounting for 32.57% of the total interest income of the retail loans, and representing a year-on-year growth of 22.94%. In offline segment, the Bank promoted the application of cloud mortgage products to realize online review, document input and online evaluation for the mortgage business, thus effectively improving the operation efficiency of the traditional mortgage business. As of the end of the Reporting Period, retail loan balance of the Bank was RMB 66.93 billion, an increase of RMB 22.904 billion or 52.02% from the end of last year. During the Reporting Period, the interest income of retail loan amounted to RMB 3.617 billion, up by 88.25% from the same period of last year.



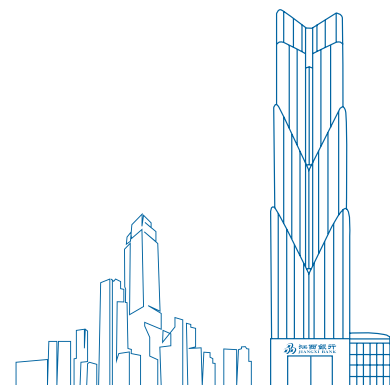
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(3) *Retail customers*

The Bank implemented the operational strategy of “profit from customers”, strengthened the intelligent service for basic customer groups, and innovated service means in the aspects of creating an intelligent network, improving mobile financial services, promoting digital marketing, etc. to optimize customer experience and improve precision marketing capability. During the Reporting Period, the Bank focused its research on developing mobile marketing counters for marketing personnel, enriching the functions of intelligent counters and improving the precision marketing level of retail business by financial and technological means. More than 60 personal non-cash business functions can be realized off the counter. The Bank continued to enrich the online payment business, and offered payment services for various types of fees, such as party membership dues, school fees, meal fees, property management fees and rents, enabling the customers to pay the living expenses through electronic channels, such as mobile banking, 7*24-hour, thus winning a batch of high-quality customers. During the Reporting Period, 58 thousand customers made payment through the electronic payment channel of the Bank, and the total amount was RMB6.37 million, up by 152% and 156% respectively from that of last year. In addition, the Bank, making use of the exclusive sponsorship for the dialect conference of Jiangxi TV station, invited 34 star hosts of Jiangxi TV station to record 10 shows to promote the mascot image of “Miao Dai Bao”, achieving a great result in brand promotion. As of the end of the Reporting Period, the Bank had 1.219 million individual active customers, with an increase of 178,000 or 17.1% from the end of last year.

(4) *Bank cards*

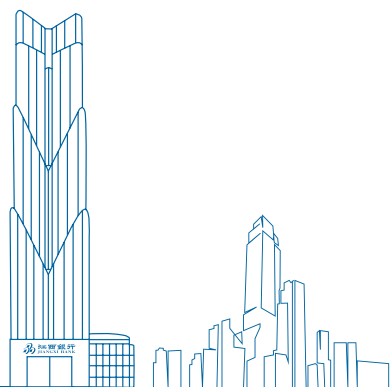
During the Reporting Period, the Bank successfully launched the phase 2 golden social security project, the multi-insurance distribution agency system and realized direct distribution of pension insurance benefits through standard systems. During the Reporting Period, the Bank established 15 social security card issuance service outlets, issued 52.4 thousand social security cards, and made 196 thousand distributions through the phase 2 system of the golden social security project, with total distributed benefits reaching RMB840 million. In addition, the Bank launched various debit card special offers, such as “Cai Fu Mei Shi Hui”, “RMB6 to Watch Film”, “One Cent to Take Bus” and “Nanchang Culture Special Offer” to develop customers both online and offline and guide the debit card customers into activating their cards. During the Reporting Period, the Bank developed 989 special offer merchants, with an increase of 453 from the end of last year, covering 225,800 debit card customers, with an increase of 13%.



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During the Reporting Period, the credit card business of the Bank enjoyed stable growth, the brand influence continued to increase, and comprehensive benefits were steadily improved. First, focus on “Science and Technology Empowering Finance” and build an online service platform. The Bank gradually optimized and improved the credit card automatic approval system, and realized the transform from “examination and approval using experience” to “precision examination and approval”; steadily promoted the online application system and QR code marketing information collection channel construction, and realized the online and offline coverage of information collection channel. Second, carry out various credit card special offers combining the consumption hot spots. On the basis of offering such special offers as “RMB6 to Watch Film”, “Leisurely Enjoy Starbucks”, “trip with vehicle cleaning” and “50% off catering”, the Bank cooperated with Nanchang City to create the city brand image of “Culture Nanchang” and launched “Nanchang Culture Special Offer” together with Nanchang Cultural Industry Consumption Pilot Work Leading Team Office, and became the first city commercial bank to promote Nanchang’s cultural industry consumption, thus further improving the overall brand image of its credit cards. Third, focus on crossover cooperation and customer guidance. Targeting at the high-quality business travel customers such as the middle and high-end enterprise customers and members of Jiangxi Air, the Bank cooperated with Jiangxi Air to issue Jiangxi-Poyang co-branded credit cards. Taking advantage of the cooperation platform of Tencent and UNICOM, the Bank cooperated with UNICOM to issue the Tencent King Card co-branded credit card, the first card of the same class issued by the city commercial bank, with an aim of expanding the brand influence of its credit cards through the high-quality Internet channel of UNICOM and Tencent. Fourth, deepen the concept of guiding risk control and management through data analysis, and conduct data mining and analysis on credit card customers and their use of the cards based on the big data platform. The Bank realized the visual presentation of risk indicators of the credit cards through the self-service big data analysis platform, and extended the risk control indicator management to its branches, thus providing effective support for the credit card risk management at each level.

As of the end of the Reporting Period, the Bank issued 449,521 credit cards in total, representing an increase of 35.28% year on year; the accumulated revenue of credit card business in 2018 reached RMB223.2371 million, representing an increase of 58.25% year on year.



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(5) *Wealth management*

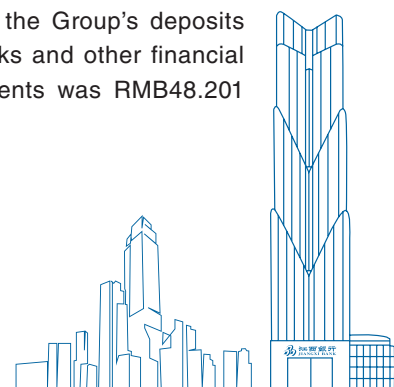
During the Reporting Period, the Bank innovatively launched the product of “Caifu Zhi Tou” to provide intelligent investment advisor services for customers using various cutting-edge technologies such as AI and machine learning. The Bank launched its first net worth financial product and completed the construction of the inquiry platform system for wealth management and agent products to facilitate the wealth management services for the customers. The Bank had 6 new partners in the fields of insurance, fund and precious metal, and offered 115 products this year, further expanding the wealth management products. The Bank established the private bank client value-added service system, completed the issuance of private bank cards, implemented list system maintenance for the private bank clients, and organized such featured activities as “equestrian sports” and “overseas study” to enrich the wealth management client maintenance means and improve the customer experiences. As of the end of the Reporting Period, the Bank had 203.7 thousand individual VIP customers, with an increase of 46.8 thousand or 29.89% from the end of last year. The financial assets of the individual VIP customers reached RMB77.733 billion, with an increase of RMB13.3 billion or 20.6% from the end of last year.

4.8.3 Financial Markets Business

(1) *Money market business*

During the Reporting Period, supervisory focus moved away from financial deleveraging to strengthening macro – countercyclical regulation, so as to create an appropriate monetary and financial environment for solving the problem of “difficult financing and expensive financing” for private enterprises and small and micro enterprises by implementing robust monetary policy, maintaining reasonable and sufficient liquidity, improving monetary policy communication mechanism and increasing the proportion of direct financing. The Group paid close attention to financial regulation and monetary policy changes, took the initiative to adapt to changes in the money market, anticipated the trend of market changes, promoted the optimized allocation of resources, improved the efficiency of capital use, reduced the cost of capital while ensuring the safety of liquidity, and increased the level of profitability.

As of the end of the Reporting Period, the balance of the Group’s deposits with banks and other financial institutions, placements with banks and other financial institutions and financial assets held under resale agreements was RMB18.196 billion, accounting for 4.34% of the total assets of the Group, and the balance of the Group’s deposits from banks and other financial institutions, placements from banks and other financial institutions and financial assets sold under repurchase agreements was RMB48.201 billion, accounting for 12.48% of the total liabilities of the Group.



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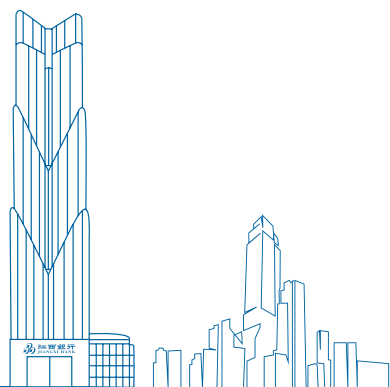
(2) *Investment in securities and other financial assets*

During the Reporting Period, the Group kept watch on changes in macroeconomic situation, grasped the direction of financial market policies, strengthened the monitoring and analysis of the market, seized the business opportunities, formulated reasonable investment strategies on the premise of risk control, actively carried out business innovation and at the same time constantly optimized the portfolios, strengthened investment in standardized bonds and adjusted the asset structure gradually.

As of the end of the Reporting Period, the total amount of the Group's investment in bonds, investment products under the trust plan, investment products under the securities company's management and other financial products was RMB190.704 billion, up by RMB2.274 billion or 1.21% from the end of last year.

(3) *Assets management business*

The Bank further expanded the investment scope and enriched the product types. Its business maintained robust development. As of the end of the Reporting Period, the Bank issued a total of 440 tranches of financing products, raising actual proceeds of RMB34.52 billion, basically the same as last year, where the remaining balance of the financial products with expected yield was RMB33.174 billion, and the remaining balance of the net worth financial products was RMB1.346 billion. In March 2018, the Bank officially joined the financial services committee of China Banking Association and became one of the 26 standing committee members of the association, which included the large state-owned and joint-stock banks. In July 2018, the Bank underwrote the issue of the first direct financing instruments for wealth management, and became the first city commercial bank that successfully underwrote the issue of direct financing products in Jiangxi Province. In September 2018, the Bank offered the first net worth financial product designed for public offering, "You Sheng Li Cai – Jin Man Fu" series, and now a net worth financial product system has been formed which is composed of 2 series of products: "You Sheng Li Cai – Jin Man Fu" and "You Sheng Li Cai – Tian Jin Fu".



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4.8.4 Network Finance Business

During the Reporting Period, the Bank adhered to the customer-oriented service concept, accelerated the transformation of “science and technology enabling finance”, vigorously built the online and offline integrated financial service channel system, and effectively improved the financial service efficiency and quality and customer experience. In November, the customer service center was granted by China Banking Association the award of “Unit with Outstanding Innovation Achievements” in the 2018 comprehensive evaluation of customer service centers in China’s banking industry. In December, the mobile banking of the Bank was granted “The Best Mobile Banking Operation Award for Regional Commercial Banks in 2018” at the “2018 Summit Focusing on Financial Innovation of Banks” and “the 14th Annual Conference of China E-bank” held by China Financial Certification Authority and nearly 100 banks jointly.

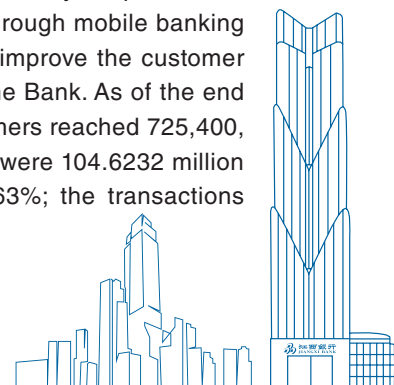
(1) Internet finance business

With the mission of developing inclusive finance, the Bank has been constantly seeking to explore the direct banking system construction and further optimize the online finance service since the launch of the “Jin e Rong” Internet finance platform in October 2015, with an aim to provide convenient and efficient financial services to customers. In March 2018, the Bank was selected as an executive member of National Internet Finance Association of China by the Third Meeting of the First Council of National Internet Finance Association of China. On November 9, 2018, National Internet Finance Association of China released the Declaration of Jiangxi Bank Co., Ltd on Its Individual Internet Lending Fund Depository System Passing the Test on the National Internet Finance Registration and Disclosure Service Platform of National Internet Finance Association of China. The Bank was officially included into the white list of depository banks.

(2) Electronic channel business

The Bank’s electronic channels provide comprehensive financial services through mobile banking, online banking, telephone banking and WeChat banking.

Mobile banking: During the Reporting Period, the Bank cooperated with CFCA (China Financial Certification Authority) to provide digital certificate signature services for mobile banking, where the customer authorizes to enable the “mobile banking digital certificate” at the counter of the Bank, and when the amount of transfer through mobile banking exceeds RMB50 thousand, digital certificate signature will be automatically adopted, so as to meet the demand of increasing the individual limit of transfer through mobile banking to RMB500 thousand per transaction and RMB1 million per day, improve the customer experience, relieve the counter pressure and reduce the cost of the Bank. As of the end of the Reporting Period, the total number of mobile banking customers reached 725,400, a year-on-year increase of 43.44%. In the Reporting Period, there were 104.6232 million transactions in mobile banking, a year-on-year increase of 82.63%; the transactions totaled RMB134.692 billion, a year-on-year increase of 24.97%.



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Online banking: During the Reporting Period, the Bank enriched online banking service by adding third-party payment functions such as campus payment, payment of party membership dues and non-tax payment, which provided more convenient payment channels for customers. As of the end of the Reporting Period, the total number of online banking customers of the Bank reached 1.1068 million, up by 30.27% year on year; among them, there were 1.0651 million personal online banking customers and 41,700 enterprise online banking customers. During the Reporting Period, the number of personal online banking transactions in the Bank reached 187.0343 million, a year-on-year increase of 296.77% and total transaction value reached RMB262.234 billion, a year-on-year decrease of 3.48%; enterprise online banking transactions totaled 206.5804 million, up by 188.10% year on year and total transaction value reached RMB1,206.308 billion, up by 39.47% year on year.

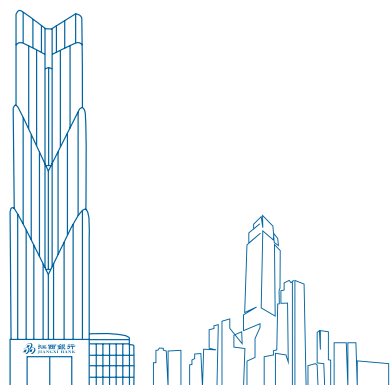
Telephone banking: During the Reporting Period, the customer service center received a total of 2.0159 million calls from customers, with an average daily rate of 5,523 calls, 86.40% telephone connection rate, and 99.30% customer satisfaction.

WeChat banking: As of the end of the Reporting Period, the Bank's WeChat Official Account had a total of 702,800 followers, up by 11.53% from a year earlier.

4.8.5 International Business

During the Reporting Period, the Bank actively responded to the national strategies of RMB internationalization, "The Belt and Road Initiative" and "Going Global", adhered to the orientation of customer needs, vigorously developed products such as international settlement, cross-border RMB settlement, trade financing, cross-border financing and forfaiting, so as to provide customers with more comprehensive integrated cross-border financial services, constantly optimize the international business product system, and improve the comprehensive benefits of the products.

During the Reporting Period, the international business scale of the Bank increased significantly and the business structure was continuously improved. As of the end of the Reporting Period, the Bank's international settlement reached USD4.422 billion, up by 38.89% year on year; the balance of on-balance-sheet and off-balance-sheet financing reached RMB11.556 billion, up by 42.51% year on year.



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4.8.6 Informatization Construction

During the Reporting Period, the Bank focused on improving the overall technical level through the fintech programs, with the target of guiding product R&D, operation management and business innovation in the fintech area. The Bank made great improvement in technical innovation, business support, technical management and information security, and was granted various awards, such as the “Award for Outstanding Contribution to Fintech Product Innovation.”

I. *Reform and cooperation*

Internally, the Bank optimized and adjusted the organizational structure, posts in and functions of the technical departments, added special technical posts corresponding to different business lines, such as retail and corporate business, promoted the practical application of technical capacities, accelerated the integration with business, and made great breakthrough in technical support and service capacity.

Externally, the Bank signed the Financial Technology Cooperation Agreement with Tencent. According to the agreement, the two sides will launch differentiated financial innovation programs based on the financial development trend of Jiangxi to better serve the development of the real economy and export more efficient and convenient financial services. In addition, the two parties will jointly build a fintech innovation laboratory.

The Bank joined Jiangxi Fintech Association and the “Financial Blockchain Cooperation Alliance (Shenzhen)”, which will facilitate the Bank to share the technical research resources and findings regarding financial blockchain, create more opportunities for further exchanges among players in the industry, sharing financial resources and promoting scientific and technological development.

II. *Business innovation*

First, the Bank cooperated with WeBank to launch the micro finance product which is purely online and features unique big data risk control model “Micro Enterprise Loan”, in order to strengthen the competitiveness of the online microfinance of the Bank and improve the fintech level of the microfinance business.

Second, the Bank cooperated with the fintech companies that have large influence in the industry to launch various joint credit products, such as “JD Gold Bar”, “Jiequhua”, “Joint Credit for New Net Interest Stores”, “Ant Jiebei”, “360 IOU” and “JD Lending Platform”, and successfully connected to the anti-fraud platform of Tongdun, so as to improve the online personal credit risk control, further expand the marketing channels and improve the retail finance capacity of the Bank.



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Third, the Bank built the handheld bank. By learning from the advanced peers, the Bank fully integrated the APP functions, created an online portal for the retail business flow, and introduced new fintech elements, such as “socializing”, “AI voice navigation”, “online customer service”, “SMS notification” and “AR”, in order to create a smart bank at fingertip and provide safe, quick and convenient mobile bank services for customers.

Fourth, the Bank offered intelligent customer service, which was one of the projects incubated at the fintech lab of the Bank. It is based on AI, voice recognition and voice understanding technologies and provides text or voice-based intelligent Q&A services to interpret the intention expressed by the customer and provide the best solution. This service is designed to improve the business processing efficiency of the middle ground and the customer response rate.

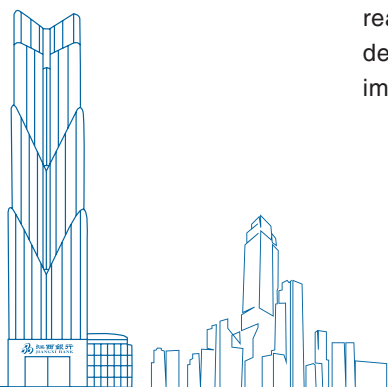
Fifth, the Bank launched precision marketing, which was also one of the projects incubated at the lab. This project is designed to make use of big data, AI technology as well as the relevant functional modules of the Bank, such as the big data platform and CRM system, to establish personalized customer communication and service system on the basis of precise positioning, in order to realize targeted product marketing based on the preference of the customers.

Sixth, the Bank actively explored the application of biometric recognition, AI, big data and LBS (location based service) technologies, explored and developed the application scenarios, in order to have an all-round perception of the customers, improve the initiative, efficiency and precision of the services of the Bank and provide high-quality, quick and considerate financial services for the customers. Three product prototypes have been developed: intelligent recognition, life helper and emotion sense.

III. *Enhancing support*

With an aim to improve the IT architecture capacity, the Bank launched a series of IT projects, such as handheld outlet, ECIF center model, Internet-based core accounts, paperless retail counter and big data platform, to further consolidate the foundation, improve the internal management and outlet support capacity, and create a standardized, automatic, Internet-based and flexible system architecture, so as to support the product R&D, operation management and business innovation under fintech.

In addition, during the Reporting Period, through the standardized IT operation, the Bank realized refined project management, stricter outsource management, higher business demand quality, more effective process control and more scientific test system, and improved the overall level of technical management.



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IV. *Strengthening security*

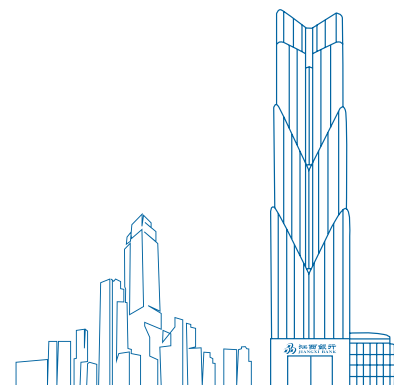
The Bank takes information security as one of the key elements for sustainable development. During the Reporting Period, with the objective of ensuring safe production and protecting business continuity and availability, the Bank duly performed the works for information system maintenance and protection and information security.

In addition, the Bank cooperated with NSFOCUS and CNCERT/CC to comprehensively strengthen the information system security and improve the network security protection and control by taking such measures as data desensitization, desktop control, vulnerability scanning, mobile APP consolidation, commercial cryptography algorithm modification, firewall optimization, improvement of intra-city disaster recovery system and real time detection.

4.8.7 Subsidiary Business

(1) *Subsidiary business*

Jiangxi Financial Leasing Corp., Ltd. (“Jiangxi Financial Leasing”) was established in November 2015 with a registered capital of RMB1 billion and with the Bank holding a 51% stake. In March 2018, the registered capital of Jiangxi Financial Leasing was increased to RMB2.02 billion, and the shareholding ratio of Jiangxi Bank increased from 51% to 75.74%. Since its establishment, Jiangxi Financial Leasing has always adhered to the development direction of “based in Jiangxi, facing the whole country, looking forward to the international market, and providing professional financial leasing services”, effectively served the national strategies including the “Belt and Road Initiative”, Yangtze River Economic Zone and the Revitalization of the Former Central Soviet Area, mainly supported public water conservancy facilities, advanced manufacturing, transportation, tourism development, energy and chemical engineering, medical and health care, agriculture, forestry, animal husbandry and fishing, and cultural education, and made achievements in the asset scale and business innovation. As of December 31, 2018, the total corporate assets of the company reached RMB15.636 billion, with a net profit of RMB122 million. All the regulatory indicators were up to standard. In the future, Jiangxi Financial Leasing will closely follow the plan to develop “Internet finance”, “car leasing” and “green leasing”, make the best of the characteristics of “financing capitals + financing goods”, and stick to the sustainable development path featuring differentiation, specialization and professionalization.



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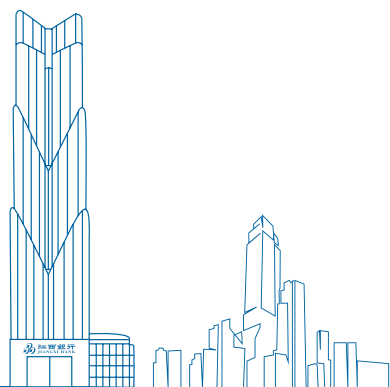
(2) *Immaterial businesses of affiliated enterprises*

As of the end of the Reporting Period, the Bank initiated and established 5 village and township banks, namely, Nanchang Dafeng County Bank Co., Ltd.[^] (南昌大豐村鎮銀行有限責任公司), Si Ping Tie Dong De Feng County Bank Co., Ltd.[^] (四平鐵東德豐村鎮銀行股份有限公司), Nanfeng Judu County Bank Co., Ltd.[^] (南豐桔都村鎮銀行有限責任公司), Jinxian Ruifeng County Bank Co., Ltd.[^] (進賢瑞豐村鎮銀行有限責任公司) and Guangchang Nanyin County Bank Co., Ltd.[^] (廣昌南銀村鎮銀行股份有限公司). As of the end of the Reporting Period, total assets of these village and township banks were RMB2.313 billion, up by RMB115 million from the end of last year; total amount of loans was RMB1.191 billion, down by RMB204 million from the end of last year; total liabilities were RMB1.894 billion, up by RMB170 million from the end of last year.

The village and township banks initiated and established by the Bank actively implemented the Group's overall development strategy, adhered to the general tone of making progress while maintaining stability, and abided by the business policy of serving agriculture, rural areas and farmers, and set solid groundwork in county regions, supporting small and micro businesses and serving agriculture, rural areas and farmers, adhered to the business guiding ideology of compliance and law, which has further improved the structure and level of corporate governance, clarified the market positioning of serving agriculture, rural areas and farmers, and thoroughly implemented the business concept of supporting agriculture and supporting small areas.

4.9 PLEDGED ASSETS OF THE GROUP

Details of pledged assets of the Group are set out in note 39(f) to the financial report.



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4.10 RISK MANAGEMENT

4.10.1 Credit Risk Management

Credit risks refer to the risk of economic loss caused by the counterparty's failure to fulfill the obligations in the contract, which mainly come from various loan portfolios, investment portfolios, guarantees and other on-balance-sheet and off-balance-sheet credit risk exposures.

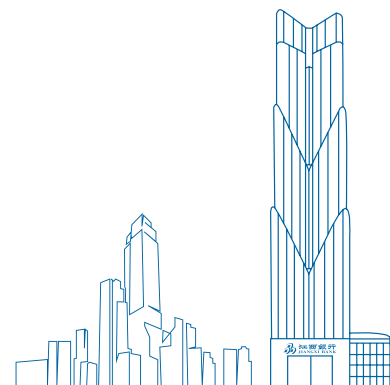
The Bank established a credit risk management structure consisting of the Board and its risk management committee, the Board of Supervisors, and members of the senior management. The Bank aims to establish a scientific and perfect credit risk management system, guide and standardize crediting business operation and credit risk management, and establish a prudent credit risk management culture.

During the Reporting Period, the Bank strengthened the construction of information system, implemented unified crediting management, optimized the loan release process, and strictly controlled the credit risk.

First, the construction of information system was strengthened, and multidimensional data such as industry & commerce, justice and public sentiment were introduced. A new credit risk monitoring system was established, and the warning indicator system was optimized, realizing the warning coverage of all the business lines.

Second, unified online credit management was achieved to ensure full process online application, review and approval and credit line control for such new financing businesses as non-standard loans, funds, bonds, and structured products, and improve business risk management and control level.

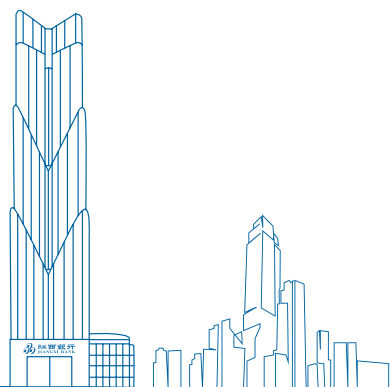
Third, refined management of loan release process was enhanced to simplify the loan release process, optimize the image system, strictly control the credit risk and improve the work efficiency.



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4.10.2 Liquidity Risk Management

- (1) The Bank closely monitored the assets and liabilities in each term interval, and analyzed the source and use of funds, marketed general deposits, actively sought inter-bank funding sources when needed, and carefully and moderately regulated the development strategy of medium-term and long-term assets, so as to maintain an overall balanced development of assets and liabilities. As of December 31, 2018, the Group's liquidity ratio was 57.93%; NSFR was 130.14%; and liquidity coverage ratio was 206.46%. The balance of qualified high-quality liquid assets was RMB31.059 billion, and the amount of net cash outflow in the next 30 days was RMB15.044 billion.
- (2) The Bank conducted real-time monitoring of the daily daytime liquidity and flexible allocation of positions based on the trend of the capital market, so as to ensure the Group's daytime fund security and position limit.
- (3) The Bank optimized the Group's multi-layer liquidity management mechanism, further increased the proportion of high-quality liquid assets, and conducted monitoring and analysis on the liquidity status of various assets to improve the asset portfolio accordingly.
- (4) The Bank set the corresponding liquidity limit amount or percentage from the perspective of daily liquidity risk management and the results of the Bank's liquidity stress test to achieve the purpose of balancing liquidity risks.



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4.10.3 Market Risk Management

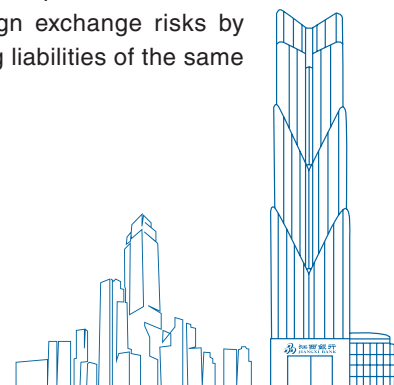
(1) *Interest rate risk analysis*

In 2018, the Bank launched the market risk management consulting project and further improved the market risk management structure, covering the risks of interest rates, exchange rates, share price and commodity price involved in trading account business and the relevant option risks, as well as the risks of exchange rates and commodities of bank accounts. According to the changes in the market environment, it adjusted the internal authorization of risk limit in a timely manner, and further enhanced the interest rate risk management for trading accounts. The Bank continued to optimize the division of labor of departments, and categorized the corresponding responsibilities according to the standard, ensuring that relevant departments cooperate in risk management and promoting the management level.

The Bank continuously monitored the market risks through the system, set the market risk limit for businesses related to trading account interest rate risks, expanded the scopes and scenarios for market risk stress test, regularly performed market value revaluation and scenario analysis on trading accounts, and standardized the report contents and processes for market risk management. At the same time, it set up a number of simulation scenarios based on the portfolio to conduct emergency test. In addition, the Bank also used parameters such as duration, convexity and base point value to enhance the combined operation of trading accounts and interest rate risk control, and gradually enhanced the middle-ground and background control and management capabilities.

(2) *Exchange rate risk analysis*

Exchange rate risks refer to risks which adversely affect the position level and cash flow of foreign exchange exposure held by the Bank due to exchange rate fluctuations. The exchange rate risks the Bank faces mainly include transaction risks and conversion risks. Transaction risks refer to the possibility that the Bank suffers loss due to exchange rate fluctuations when the Bank engages in foreign exchange purchase and sale business with the customer or provides loan or makes investment in foreign currency and in the subsequent foreign exchange activities. Conversion risks refer to risks bringing the Bank accounting gains and losses because the foreign exchange items on the balance sheet of the Bank change in full due to the change of the exchange rate. The Bank's foreign exchange risks mainly come from the foreign exchange funds and deposits from banks and other financial institutions. The Bank will manage the foreign exchange risks by matching assets measured in foreign currencies with corresponding liabilities of the same currency before obtaining the qualification for derivatives.



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4.10.4 Operational Risk Management

Operational risks refer to the risks of losses caused by imperfect or defective internal processes, employees and information technology systems as well as external events. The types of operational risks the Bank faces mainly include internal fraud, external fraud, employment system and workplace incident, customer, product and business incident, damage of physical assets, IT system incident, execution, delivery and process management incident.

The Bank established an operational risk management structure consisting of the Board and its risk management committee, the Board of Supervisors, members of the senior management and executive level. The Board is the highest decision-making body for operational risk management. The Board of Supervisors is responsible for supervising the performance of the Board and the senior management in terms of operational risk management. The senior management is responsible for executing the operational risk management strategies, overall policies and systems approved by the Board.

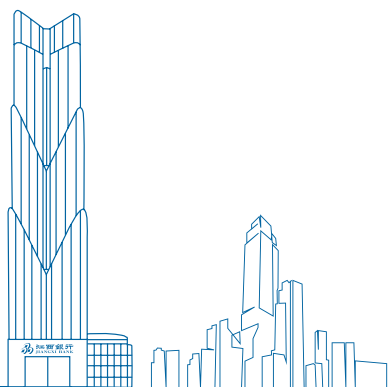
During the Reporting Period, the Bank mainly adopted the following measures to strengthen operational risk management and case risk prevention:

(1) *Perfecting operational risk management mechanism*

Perfecting the internal control, compliance and operational risk mechanism, promoting the construction of the “three in one” system of internal control, compliance and operational risk, further improving the organizational structure of internal control, compliance and operational risk, promoting the construction of grassroots compliance departments, and building grassroots institutional compliance line of defense.

(2) *Making use of three major tools for operational risks*

Making full use of the “three in one” system of internal control, compliance and operational risk to, firstly, carry out self-evaluation on the operational risks of the business and management processes of the Bank, identify the inherent risk points in the business processes, and evaluate the execution of the control measures; secondly, define the key risk indicators and establish model to constantly monitor the key risk points; and thirdly, collect the loss event information of operational risks, reveal the key operation risk fields that incur actual loss, and propose effective measures to enhance management.



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(3) *Enhancing service inspection for operational risk*

Carrying out in-depth market chaos rectification program, orderly promoting the operational risk detection for each business line to discover the hidden risks in the business lines according to the operational risk detection plan made at the beginning of the year, and enhancing offsite monitoring function with big data to improve the risk identification capacity.

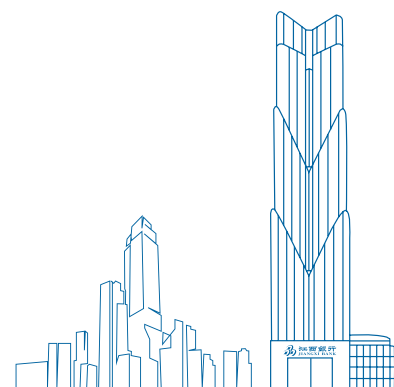
(4) *Deepening investigation on abnormal behaviors of employees*

Organizing special rectification program for employee conducts across the Bank, focusing on the abnormal behaviors of the employees, such as making business deals and acquiring equity interests, abnormal fund transaction, illegal guarantee, and enhancing the abnormal behavior investigation and punishment efforts.

(5) *Enhancing the communication of internal control and violation prevention culture*

Carrying out compliance, violation prevention pre-job training and case prevention warning education, organizing case prevention knowledge test through “Compliance School of Jiangxi Bank”, and inviting KPMG to provide operational risk theory and system operation trainings, in order to further improve risk prevention awareness and operational risk management capacity of the employees of the Bank.

During the Reporting Period, the Bank’s operational risk management system ran smoothly and the operational risks were controllable on the whole.

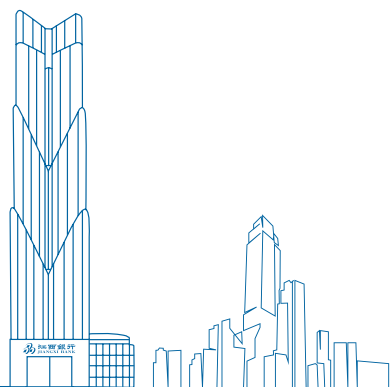


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4.10.5 Information Technology Risk Management

Information technology risks refer to the operational risk, legal risk, reputational risk and other types of risks caused by natural or human factors, technical leaks and management defects during the use of information technology in the operation of commercial banking.

The IT risk management purpose of the Bank is to realize the identification, monitoring, evaluation and control of IT risks by establishing effective system, and promote the safe, continuous and reliable operation of the IT systems of the Bank. In 2018, the Bank comprehensively complied with the policies and regulations of competent and regulatory authorities of the state government, and effectively established the three defense lines of information technology risk management represented by the information technology department, risk management department and audit department in an effort to continuously improve the level of information technology risk management. Firstly, it perfected such technical means as internet application monitoring, information security baseline configuration, information system patch upgrade and built a unified development test cloud desktop platform to realize meticulous risk management, ensure safety operation of information system and further improve the IT outsourcing risk management capacity. Secondly, it carried out comprehensive and deep risk management for demand, design, online, change, acceptance and other aspects during the construction of information technology projects, conducted onsite inspection on key offsite service providers for IT risk management and comprehensively evaluated the IT outsourcing risk management to ensure the effective implementation of the risk management measures. Thirdly, the Bank carried out special audits of information security management and payment sensitive information protection, data quality management, key business system management and business continuity management, thus upholding the independence and effectiveness of IT risk management audit. Fourthly, the Bank perfected a series of management systems, including measures for business continuity management, business continuity evaluation and business impact analysis, carried out emergency drill for key information systems, and included the business continuity risk of the Group into the comprehensive risk management system, in order to improve the business continuity management level.



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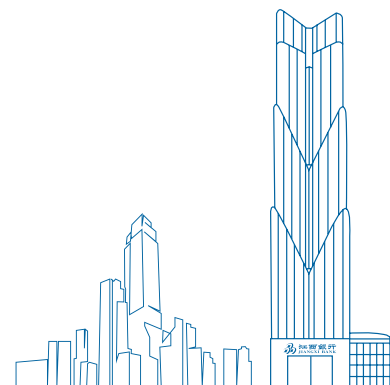
4.10.6 Legal and Compliance Risks

(1) Legal risks

Legal risks refer to the risks of legal liability arising from violations of laws and regulations, breach of contract, infringement of the legal rights of others or other activities involving any contractual or commercial activity of the Group.

During the Reporting Period, the Bank mainly adopted the following measures to prevent and control legal risks:

1. Bringing forward key check-points and strengthening legal risk prevention. Firstly, the Bank continued to implement the mechanism of conducting legal review for major cases of credit granting. New application for RMB20 million or above credit facility shall be subject to legal compliance review. Secondly, the Bank required that all the non-standard form legal documents must be subject to legal review before being stamped and issued. Thirdly, the Bank carried out systematic review and revision on all standard form documents of the Bank according to internal and external regulations and business requirements. Fourthly, the Bank employed a number of external law firm teams to serve as special legal advisors for important business lines to ensure the prevention and disposal of legal risks associated with major and innovative businesses of the Bank.
2. Improving the quality and effectiveness of legal management with the support of technology. The Bank has built an “internal control, compliance management and operational risk” three-in-one full-featured management platform as an important tool for internal control legal compliance management to realize the systematic and intelligent management of legal affairs such as legal text review and litigation case management and greatly improve the quality and effectiveness of the Bank’s legal risk management.
3. Enhancing the legal awareness of all employees with multi-party advocacy. The Bank actively carried out study and training on legal risk prevention, control and disposal to raise the awareness and capacity of the employees to safeguard their legal rights according to laws. In addition, it conducted systematic argumentation and formed risk warnings for the common legal risks during the operation and management of the Bank to remind employees to prevent and reduce the occurrence of legal risk events.



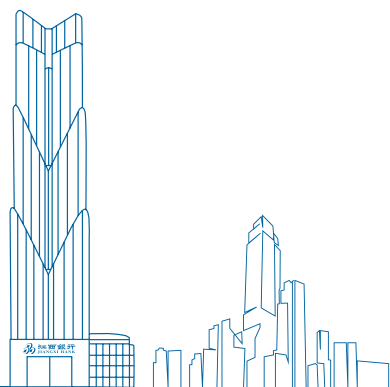
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(2) *Compliance risks*

Compliance risks refer to the risks of legal sanctions, regulatory penalties, significant financial losses and reputation damage due to inconformity with laws, regulations and rules.

During the Reporting Period, the Bank mainly adopted the following measures to strengthen compliance risk management:

1. Improving the construction of the compliance system. During the Reporting Period, the Bank continued to improve various rules and regulations, established 61 new systems, revised 72 systems, and continued to strengthen the compliance management of credit, financial market, counter, credit card, wealth management, Internet finance, foreign exchange and other service systems to ensure all business and management tasks are done according to laws, rules and regulations.
2. Enhancing the supervision and inspection. During the Reporting Period, the Bank deepened the rectification of market chaos, implemented supervision and inspection in accordance with the annual internal control, compliance and regulatory examination arrangements. It also strengthened the rectification of problems, strengthened employee accountability and effectively resolved compliance risks.
3. Deepening the construction of compliance culture. During the Reporting Period, the Bank continued to carry out promotion, training and education activities focusing on internal control and compliance to help improve the compliance capacity of the employees; innovatively organized the election of “the most beautiful compliance personnel” and “the most powerful compliance conduct” to set examples and promote compliance spirit; continued to carry out key system study to help the employees master the requirements of the relevant rules and regulations; and timely interpreted the new regulatory regulations and issued 14 editions of compliance risk warnings to update the compliance knowledge system of the employees.



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(3) *Money laundering risks*

During the Reporting Period, the Bank, adhering to the five principles of independence, initiative, matching, comprehensiveness and effectiveness, duly performed the anti-money laundering obligations, improved the anti-money laundering internal control system, and standardized the anti-money laundering work processes, thus effectively preventing the money laundering risks and ensuring the balanced business operation and development.

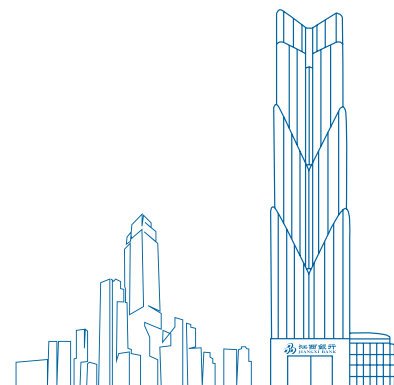
First, adhering to the principle of independence: The Bank actively promoted the new model of “centralized anti-money laundering + matrix work management”, specified the responsibilities for risk control of each level, and developed a new anti-money laundering management structure of all-round action.

Second, adhering to the principle of initiative: The Bank gave full play to the leading and management function of the anti-money laundering leading group to improve the anti-money laundering internal control system, enhance the branch evaluation and management and strengthen internal and external training and communication. In addition, it actively organized thematic promotion and education activities for anti-money laundering, and provided active cooperation for the relevant regulatory works, bringing the anti-money laundering capacity of all the employees to a new level.

Third, adhering to the principle of matching: The Bank enhanced the ultimate beneficiary identification and the control over customers with expired ID, in order to ensure that risk management is matched with business development.

Fourth, adhering to the principle of comprehensiveness: The Bank actively promoted money laundering risk evaluation, customer information sharing and black list monitoring and warning, in order to eliminate the weak points and lay a solid foundation for risk prevention and control.

Fifth, adhering to the principle of effectiveness: The Bank vigorously improved the quality of suspicious transaction identification and analysis, helped relevant authorities curb money laundering activities and effectively protected public money, winning credits from relevant authorities. In addition, the Bank expanded anti-money laundering monitoring functions and established anti-fraud monitoring model to identify and issue warning for employees' abnormal behaviors. Accordingly the risk of violation has been effectively prevented.



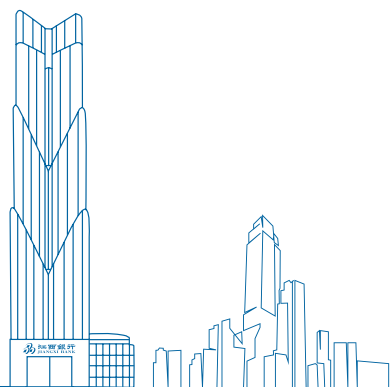
CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

4.10.7 Reputational Risks

Reputational risks refer to the risks of stakeholders' negative comments on commercial bank due to operation, management and other activities or external events of the commercial bank.

The Bank has established a sound governance structure for reputational risk management. The Board assumes the ultimate responsibility for reputational risk management. The senior management is responsible for the specific management of reputational risks. The head office of the Bank is the leading reputational risk management department responsible for daily management of reputational risks.

During the Reporting Period, the Bank actively improved its reputational risk management level and prevention and control capabilities with the target of managing reputational risks and building a good reputation. The first is to strengthen the reputational risk process management, improve the response plan in a timely manner, pay attention to the follow-up monitoring of public opinion disposal, and strengthen the ability of risk research and judgment. The second is to strengthen internal control and compliance management, improve customer service quality, and control public opinion risks from the sources. The third is to continuously improve the early warning system, strengthen public opinion monitoring, and increase the monitoring frequency in special sensitive periods, conduct regular risk investigations, and strictly supervise the rectification of problems. The fourth is to enhance professional training and education, carry out practical drill according to the hot events of public opinion, constantly optimize reputational risk culture and improve the capacity to cope with reputational risk. The fifth is to build a disposal linkage mechanism, strengthen the disposal network, and enhance the disposal efficiency. The sixth is to carry out positive publicity, actively rely on domestic and foreign media platforms to disseminate the Bank's business development, special business, etc., actively establish brand image and create a good public opinion environment.



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4.10.8 Strategic Risks

Strategic risks refer to the risks caused by improper business strategy or changes in the external business environment.

The strategic risk management of the Bank is designated to continuously adjust and improve the company's strategies and management strategy system according to changes in the market environment and the corporate's own development to ensure that the corporate strategic risks are reasonably controllable.

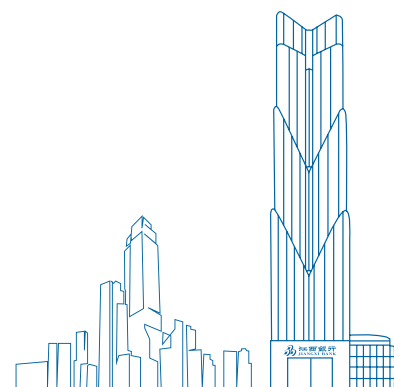
The organizational structure of the Bank's strategic risk management is divided into the Board and its strategic committee, senior management as well as its risk management committee, and Board office.

During the Reporting Period, the Bank comprehensively carried out strategic risk management work based on external situation and operation, regularly monitored strategic risks, assessed and tracked potential strategic risks to be tolerated in the short term, and ensured that the company's strategy is instructive, feasible and scientific for the development of the whole bank.

4.10.9 Capital Management

As of December 31, 2016, December 31, 2017 and December 31, 2018, the adequacy ratios of the Group's core tier-one capital were 10.87%, 9.38% and 10.78%, respectively; the adequacy ratios of the Group's tier-one capital were 10.87%, 9.40% and 10.79%, respectively; the adequacy ratios of the Group's capital were 11.94%, 12.90% and 13.60%, respectively. As of December 31, 2018, the gearing ratio (liabilities over assets) of the Group was 92.17%. On June 26, 2018, the Group successfully raised funds in the H-share market for capital replenishment, resulting in the Group's capital replenishment rate exceeding the growth rate of risk-weighted assets.

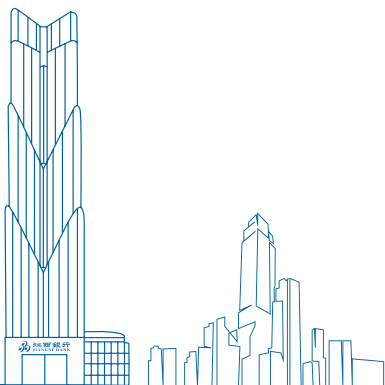
As of December 31, 2016, December 31, 2017 and December 31, 2018, the Group's leverage ratios were 6.23%, 5.98% and 7.35%, respectively, which are in compliance with relevant regulatory requirements in China.



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Capital Adequacy Ratios

Item	As of December 31, 2018 (in millions of RMB, unless otherwise stated)	As of December 31, 2017
Core tier-one net capital	32,279.31	22,978.12
Tier-one net capital	32,315.75	23,036.08
Tier-two net capital	8,392.78	8,563.23
Net capital	40,708.54	31,599.31
RWA	299,426.70	244,970.12
Credit risk-weighted assets	278,075.37	228,286.23
Market risk-weighted assets	3,131.53	706.96
Operational risk-weighted assets	18,219.80	15,976.93
Core tier-one capital adequacy ratio	10.78%	9.38%
Tier-one capital adequacy ratio	10.79%	9.40%
Capital adequacy ratio	13.60%	12.90%

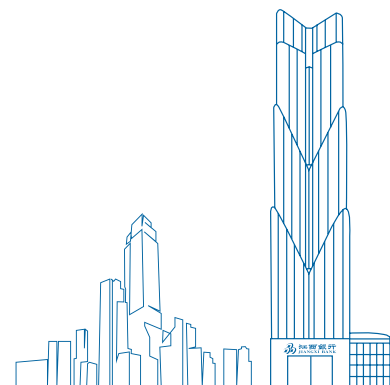


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4.11 SOCIAL RESPONSIBILITIES

I. Innovatively Promote Financial Targeted Poverty Alleviation

- (I) Continue to increase the number of paired poverty alleviation. According to the overall work deployment plan and poverty alleviation targets of the Party Committee and the People's Government of Jiangxi Province, the Nanchang Municipal Party Committee, and Non-local City Committee in Jiangxi Province, the Bank established 29 poverty alleviation squads. As of the end of the Reporting Period, the Bank assisted 33 poverty stricken villages in Jiangxi Province, paired 352 poor households, and invested a total of RMB3.246 million in poverty alleviation for poverty-stricken villages. The projects involve the construction of rural roads, solar energy street lamps, water improvement and toilet renovation, village renovation, PV, Hope Primary School, planting of late rice, watermelon, paddy field shrimp farming and so on.
- (II) Constantly enrich the modes of characterized poverty alleviation. The Bank actively explored the new path of “financial +” targeted poverty alleviation according to local conditions, actively supported key and major projects such as infrastructure construction, urbanization, and shed renovation in 23 poverty-stricken areas of the province through “financing + project poverty alleviation”, “financing + industrial poverty alleviation”, “financing + educational poverty alleviation” and other modes, and employed characteristic products such as “Southern Jiangxi Orange Circle Loan”, “Poverty Alleviation Credit Link”, “Huimin Credit Link” and “Huimin Loan” to support local characteristic industries such as furniture manufacturing, Southern Jiangxi navel orange and feed processing to improve the local employment environment and help the former Central Soviet Area, such as Southern Jiangxi, to “overcome poverty and solve problems”. As of the end of the Reporting Period, the Bank has set up outlets in 20 national poverty-stricken counties. The credit supply balance in poverty-stricken areas was RMB13.368 billion, increasing by RMB7.272 billion over the end of the previous year with an increase rate of 119.29%.



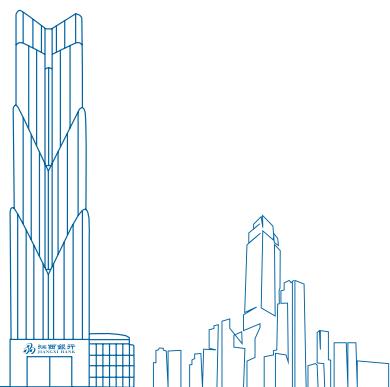
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II. Actively Promote Green Finance

During the Reporting Period, the Bank accelerated the promotion of green finance cause. It established Green Ganjiang New District Sub-branch in Green Finance Reform and Innovation Test Site of Ganjiang District and created the green branch organizational structure to actively connect the green project library of Ganjiang District, forming a green finance development mode of “based in new district and extending to the whole province”.

III. Continue to Strengthen the Consumers' Rights Protection

- (I) Focus on meeting the customer demand and maintain “steady growth”. During the Reporting Period, the Bank added 10 consumer rights protection stations, further extending the coverage of financial consumer protection service.
- (II) Focus on consolidating management foundation to achieve preliminary results in two aspects: First, preliminary results were achieved in system construction. The Bank continued to improve system construction, constantly optimized the consumer protection review system, practically promoted the internal review on consumer protection and boosted the steady development of the consumer protection efforts of the whole bank. Second, preliminary results were achieved in pilot works of evaluation. The Bank actively explored and tested the internal operation performance evaluation system which reflected the importance of consumer protection works, and enhanced the application of evaluation results in business operation management.
- (III) Focus on arousing work motivation and realize 3 “constant improvements”. The first is the constant improvement in financial knowledge promotion quality and efficiency. The Bank achieved the target of imparting financial knowledge to “100 small and micro enterprises”, and was granted the title of “advanced unit” in the “Financial Knowledge Promotion Month” of Jiangxi banking industry by CBRC Jiangxi Branch in 2018. The second is the constant improvement in customer complaint management quality and efficiency. The Bank reduced the complaints from the source by organizing special trainings and constantly improving product functions. The third is the constant improvement of evaluation quality and efficiency. In the annual evaluation of the relevant authorities on performance of consumers' rights protection by regulatory institutions, the Bank was rated a Class-I bank by Jiangxi Banking Regulatory Bureau for 3 consecutive years.

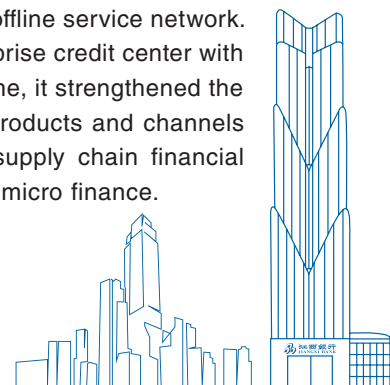


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- (IV) Focus on ensuring due diligence and realizing four “significant improvement”. The first is the significant enhancement of guidance and organizing effort. The Board and senior management of the Bank emphasized the protection of the consumers’ rights and played a significant role in the decision-making and supervision for the important matters in the protection of the consumers’ rights. The second is the significant improvement of supervision and inspection. On-site inspection for consumer protection was carried out across the Bank, and the inspected units are requested to make quick self-inspection, rectification and remedy for the inspection contents. The third is the significant improvement of employee training. The Bank kept improving the professional knowledge and skills of the employees by organizing thematic training and financial knowledge contest, and won the group second prize in the financial knowledge contest for the financial institutions of Jiangxi under the theme of “promoting financial knowledge, and jointly building harmonious environment” organized by Nanchang Central Sub-branch of the People’s Bank of China. The fourth is the significant improvement of standardized sales. The Bank has been focusing on standardizing the business operation in recent years, striving to promote the standardized sales of financial products through a series measures, such as standardizing financial product documents, promoting “double recording” of wealth management, and building product inquiry platform.

IV. Help the Development of Small and Micro Enterprises

- (I) Implement the policy of renewing loans and reduce the financing costs of small and micro enterprises. The Bank provided “zero cost” direct loan renewal for the loan refinancing business, which avoids the increase in capital cost of the enterprise and continues to relieve pressure on small and micro enterprises. As of the end of the Reporting Period, the Bank has provided a total of 1,332 loan renewal services free of principal repayment to small and micro enterprises with a balance of RMB12.14 billion.
- (II) Promote model innovation and continuously improve the product system of small and micro enterprises. Responding to the direction of local economic restructuring, and based on industry value chains with unique features and the business characteristics and investment & financing needs of small and micro enterprises, the Bank actively promoted products such as “Caiyuan Credit Link”, “Shui e Rong”, Supply Chain Finance, and Talent Bank Innovation and Entrepreneurship to provide exclusive services to campus customers, taxpayers, innovative and entrepreneurial customers and customers in other fields.
- (III) Enrich the customer obtaining channels and create an online and offline service network. The Bank established a small loan franchise agency – small enterprise credit center with more than 300 professional micro-credit personnel. At the same time, it strengthened the online service functions for small and micro enterprise through products and channels such as corporate mobile banking, “Shui e Rong” and online supply chain financial platform, which continuously improved the coverage of small and micro finance.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

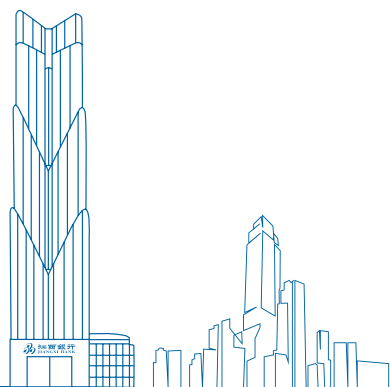
4.12 FUTURE DEVELOPMENT PROSPECTS

In 2019, the economy of China may experience change and face a rough patch in its course of stable growth while being exposed to downward pressure due to the complicated and harsh external environment. To further stabilize national employment, conditions of the financial market, foreign trade, foreign capital and investment as well as shoring up public confidence, the central government will adopt a macroeconomic policy that enhances counter-cyclical regulation, continue to implement positive fiscal policies and robust monetary policies, and make pre-emptive adjustment and fine-tuning when it thinks fit. The positive fiscal policies will focus on efficiency improvement, and a large scale cut-down of tax and administrative charges will be implemented. The robust monetary policies are designed to ensure appropriate money supply condition, maintain reasonable and sufficient liquidity and improve the efficiency of monetary policy implementation. In 2019, the Bank will strictly comply with regulatory requirements, constantly improve corporate governance, perfect the compliance operation and internal control systems, actively prevent financial risks, expend effort to serve the real economy, accelerate retail banking transformation, tap the potential of the county financial markets, continue to drive the execution of fintech strategies, in order to lay a solid foundation for the long-term development of the Bank.

4.13 OTHER MATTERS

As far as the Board is aware, the Bank has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Bank. In the meantime, the Bank is committed to the long-term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Bank endeavors to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

The distributable reserves of the Bank as of December 31, 2018 were RMB4,405 million.



CHAPTER V CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

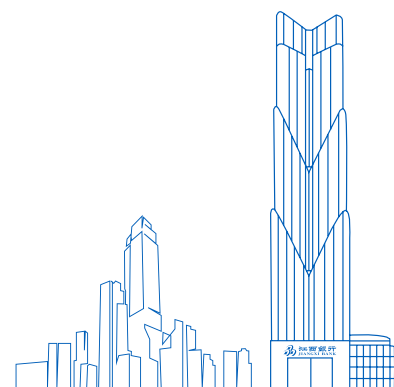
5.1 CHANGES IN SHARE CAPITAL

On June 26, 2018, the Bank was listed on the Main Board of the Hong Kong Stock Exchange and issued 1,170,000,000 H Shares in total. On July 19, 2018, the over-allotment option as set out in the prospectus was fully exercised, involving 175,500,000 H Shares, with the total issued shares increased to 6,024,276,901 shares.

As of December 31, 2018, the total issued share capital of the Bank amounted to RMB6,024,276,901, including 1,345,500,000 H Shares with a par value of RMB1.00 each and 4,678,776,901 Domestic Shares with a par value of RMB1.00 each.

(Unit: share)

Item		As of December 31, 2017	Changes in the Reporting Period	As of December 31, 2018
Domestic Shares	State capital	588,211,420	—	588,211,420
	Corporate capital	4,011,284,921	—	4,011,284,921
	Personal capital	79,280,560	—	79,280,560
H Shares		—	1,345,500,000	1,345,500,000
Total		4,678,776,901	1,345,500,000	6,024,276,901



CHAPTER V CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

5.2 INFORMATION ON SHAREHOLDERS

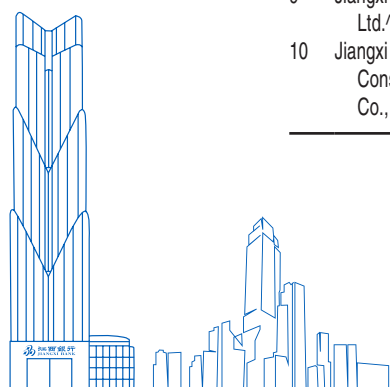
5.2.1 Total Number of Domestic Shareholders

As of December 31, 2018, the Bank had 9,519 Domestic Shareholders, including 31 State shareholders, 284 corporate shareholders and 9,204 natural person shareholders.

5.2.2 Particulars of Shareholdings of the Top 10 Domestic Shareholders of the Bank

(Unit: share)

No.	Name of shareholder	Nature of shareholder	Total number of shares held as of December 31, 2018	Percentage of total share Capital as of December 31, 2018 (%)	Pledged or frozen shares Status of shares	Number
1	Jiangxi Provincial Expressway Investment Group Co., Ltd.	State-owned corporate shareholder	937,651,339	15.56	Normal	—
2	Jiangxi Financial Holding Group Co., Ltd.	State-owned corporate shareholder	347,546,956	5.77	Pledged	132,150,000
3	China National Tobacco Corporation Jiangxi Branch [^] (中國煙草總公司江西省公司) (including Jiangxi Jinfeng Investment Management Co., Ltd. [^] (江西省錦峰投資管理有限責任公司))	State-owned corporate shareholder	263,000,000	4.37	Normal	—
4	Nanchang Municipal Bureau of Finance	State shareholder	253,411,300	4.21	Normal	—
5	Pingxiang Huixiang Construction Development Co., Ltd. [^] (萍鄉市匯翔建設發展有限公司)	State-owned corporate shareholder	241,088,500	4.00	Normal	—
6	Jiangxi Province Investment Group Co., Ltd.	State-owned corporate shareholder	180,000,000	2.99	Normal	—
7	Ganshang Union (Jiangxi) Co., Ltd. [^] (贛商聯合(江西)有限公司)	General corporate shareholder	148,308,400	2.46	Pledged	74,000,000
8	Jiangxi Copper Company Limited	General corporate shareholder	140,000,000	2.32	Frozen	3,300,000
9	Jiangxi Zhongbang Trade Co., Ltd. [^] (江西省眾邦經貿有限公司)	General corporate shareholder	100,763,200	1.67	Normal	—
10	Jiangxi Provincial Water Conservancy Investment Group Co., Ltd.	State-owned corporate shareholder	99,830,800	1.66	Pledged	100,763,200



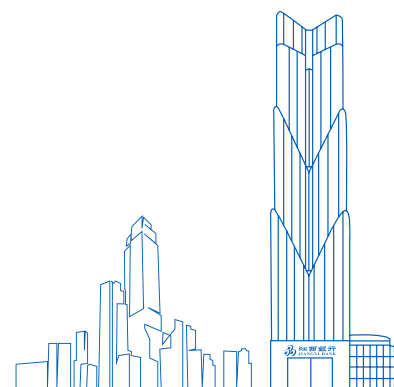
CHAPTER V CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

5.2.3 Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares under Hong Kong Regulations

To the best knowledge of the Bank and the Directors, as at December 31, 2018, the following substantial shareholders of the Bank and other persons (other than the Directors, Supervisors and chief executive of the Bank) had or were deemed to have interests and short positions in the shares and underlying shares of the Bank which would be required to be disclosed to the Bank or the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO:

(Unit: share)

Name of shareholder	Class of shares	Nature of interest	Number and nature of shares ¹	Approximate % of the total issued share capital of the class of the Bank ²	Approximate % of the total issued share capital of the Bank ²
Jiangxi Provincial Expressway Investment Group Co., Ltd. ³	Domestic Shares	Beneficial owner	937,651,339(L)	20.04%	15.56%
Jiangxi Financial Holding Group Co., Ltd. ⁴	Domestic Shares	Beneficial owner	347,546,956(L)	7.43%	5.77%
China National Tobacco Corporation Jiangxi Branch ⁵	Domestic Shares	Beneficial owner	180,000,000(L)	3.85%	2.99%
		Interest of controlled corporation	83,000,000(L)	1.77%	1.38%
Nanchang Municipal Bureau of Finance ⁶	Domestic Shares	Beneficial owner	253,411,300(L)	5.42%	4.21%
Pingxiang Huixiang Construction Development Co., Ltd. ⁷	Domestic Shares	Beneficial owner	241,088,500(L)	5.15%	4.00%
Yango Investment Limited	H Shares	Beneficial owner	219,092,000(L)	16.28%	3.64%
Road Shine Developments Limited ⁸	H Shares	Beneficial owner	141,268,000(L)	10.50%	2.34%
CITIC Guoan Group ⁸	H Shares	Interest of controlled corporation	141,268,000(L)	10.50%	2.34%
Huaxun International Group Limited	H Shares	Beneficial owner	122,776,000(L)	9.12%	2.04%
Yichun Development Investment Group Co., Ltd. ⁹ (宜春發展投資集團有限公司) ⁹	H Shares	Beneficial owner	94,840,500(L)	7.05%	1.57%



CHAPTER V CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

(Unit: share)

Name of shareholder	Class of shares	Nature of interest	Number and nature of shares ¹	Approximate % of the total issued share capital of the class of the Bank ²	Approximate % of the total issued share capital of the Bank ²
Representative of Guotai Asset Management Co., Ltd. [^] (國泰基金管理有限公司): Guotai-Global Investments Asset Management Plan No. 10 Guotai Asset Management Co Ltd-CHINA GUANG FA BANK CO. LTD-GT FUND-QDII1-10 Principal: Yichun Development Investment Group Co., Ltd. [^] (宜春發展投資集團有限公司) ⁹	H Shares	Trustee	94,840,500(L)	7.05%	1.57%
Magnolia Wealth International Limited ¹⁰	H Shares	Beneficial owner	93,614,500(L)	6.96%	1.55%
Ji Changqun ¹⁰	H Shares	Interest of controlled corporation	93,614,500(L)	6.96%	1.55%
Zhenro Hong Kong Limited ¹¹	H Shares	Beneficial owner	77,604,500(L)	5.77%	1.29%
Zhenro International Limited ¹¹	H Shares	Interest of controlled corporation	77,604,500(L)	5.77%	1.29%
Zhenro Properties Group Limited ¹¹	H Shares	Interest of controlled corporation	77,604,500(L)	5.77%	1.29%
RoYue Limited ¹¹	H Shares	Interest of controlled corporation	77,604,500(L)	5.77%	1.29%
OU Zongrong ¹¹	H Shares	Interest of controlled corporation	77,604,500(L)	5.77%	1.29%
LIN Shuying ¹¹	H Shares	Interest held jointly with another person	77,604,500(L)	5.77%	1.29%
SHEN Tianqing [^] (沈天晴) ¹²	H Shares	Interest of controlled corporation	68,615,000(L)	5.10%	1.14%
Mingyuan Group Investment Limited ¹²	H Shares	Beneficial owner	68,615,000(L)	5.10%	1.14%
L.R. Capital Financial Holdings Limited ¹³	H Shares	Interest of controlled corporation	122,841,500(L)	9.13%	2.04%
AMTD Group Investment Limited ¹³	H Shares	Interest of controlled corporation	122,841,500(L)	9.13%	2.04%
AMTD Asia Limited ¹³	H Shares	Beneficial owner	122,841,500(L)	9.13%	2.04%



CHAPTER V CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Notes:

1. (L) represents long position, and (S) represents short position.
2. As at December 31, 2018, the total issued share capital of the Bank was 6,024,276,901 shares, including 4,678,776,901 Domestic Shares and 1,345,500,000 H Shares.
3. Jiangxi Provincial Expressway Investment Group Co., Ltd. is a state-owned corporate shareholder, whose legal representative is WANG Jiangjun. Regarding Jiangxi Provincial Expressway Investment Group Co., Ltd., its controlling shareholder and de facto controller are both Department of Transportation of Jiangxi Province[^] (江西省交通運輸廳) and its ultimate beneficiary is Jiangxi Provincial Expressway Investment Group Co., Ltd.
4. Jiangxi Financial Holding Group Co., Ltd. is a state-owned corporate shareholder, whose legal representative is WEN Zhiming. Regarding Jiangxi Financial Holding Group Co., Ltd., its controlling shareholder and de facto controller both are Asset Management Center of Administrative Institutions in Jiangxi Province[^] (江西省行政事業單位資產管理中心) and its ultimate beneficiary is Jiangxi Financial Holding Group Co., Ltd..
5. China National Tobacco Corporation Jiangxi Branch[^] holds 263,000,000 shares of the Bank jointly with its wholly-owned subsidiary Jiangxi Jinfeng Investment Management Co., Ltd.. It is a state-owned corporate shareholder and its legal representative is ZHOU Enhai. Regarding China National Tobacco Corporation Jiangxi Branch[^], its controlling shareholder and de facto controller both are China National Tobacco Corporation[^] (中國煙草總公司) and its ultimate beneficiary is China National Tobacco Corporation Jiangxi Branch[^].
6. Nanchang Municipal Bureau of Finance[^] (南昌市財政局) is a state-owned shareholder, whose responsible person is WAN Yuyuan. Its ultimate beneficiary is Nanchang Municipal Bureau of Finance.
7. Pingxiang Huixiang Construction Development Co., Ltd. is a state-owned corporate shareholder, whose legal representative is LUO Haiping. Regarding Pingxiang Huixiang Construction Development Co., Ltd., its controlling shareholder is Pingxiang Huifeng Investment Co., Ltd.[^] (萍鄉市匯豐投資有限公司), its de facto controller is Administration Commission of Pingxiang Economic & Technological Development Zone[^] (萍鄉經濟技術開發區管理委員會) and its ultimate beneficiary is Pingxiang Huixiang Construction Development Co., Ltd.[^].
8. CITIC Guoan Group indirectly holds 141,268,000 H Shares held by Road Shine Developments Limited through Guoan (HK) Holdings Limited, its controlled corporation. Therefore, according to the SFO, CITIC Guoan Group and Guoan (HK) Holdings Limited are deemed to be interested in the Bank's H Shares held by Road Shine Developments Limited.
9. Yichun Development Investment Group Co., Ltd.[^] (宜春發展投資集團有限公司) is wholly-owned by Yi Chun Stated-owned Assets Supervision and Administration Commission[^] (宜春市國有資產監督管理委員會). Yichun Development Investment Group Co., Ltd.[^] (宜春發展投資集團有限公司) holds 94,840,500 shares of the Bank through the trustee Guotai Asset Management Co., Ltd.[^].



CHAPTER V CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

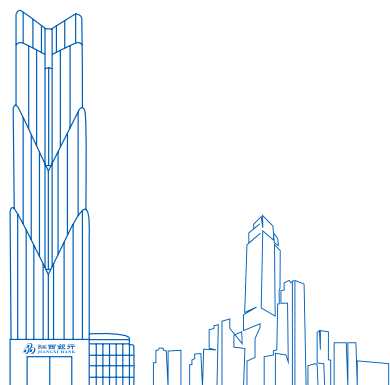
10. JI Changqun indirectly holds 93,614,500 H Shares through a controlled corporation named Magnolia Wealth International Limited. Therefore, according to the SFO, JI Changqun is deemed to be interested in the Bank's H Shares held by Magnolia Wealth International Limited.
11. OU Zongrong and LIN Shuying indirectly hold 77,604,500 H Shares of the Bank held by Zhenro Hong Kong Limited through their controlled corporations RoYue Limited, Zhenro Properties Group Limited and Zhenro International Limited. Therefore, according to the SFO, OU Zongrong, LIN Shuying, RoYue Limited, Zhenro Properties Group Limited and Zhenro International Limited are deemed to be interested in the Bank's H Shares held by Zhenro Hong Kong Limited.
12. Mingyuan Group Investment Limited directly holds 31,782,500 shares of the Bank, and indirectly holds 36,832,500 shares through its controlled corporations, including Jiayuan International Group Limited, Jiayuan Investment Management Limited, Jiayuan Financial Holdings Limited and Jiayuan Capital limited. Mingyuan Group Investment Limited is wholly-owned by SHEN Tianqing^A (沈天晴). Therefore, according to the SFO, SHEN Tianqing^A (沈天晴) is deemed to be interested in the Bank's H Shares held by Mingyuan Group Investment Limited.
13. AMTD Asia Limited directly holds 122,841,500 shares of the Bank, and 100% of its interests is indirectly held by AMTD Group Company Limited through AMTD Asia (Holdings) Limited. L.R. Capital Financial Holdings Limited directly holds 71.03% of the interests of AMTD Group Company Limited. Therefore, according to the SFO, both AMTD Group Company Limited and L.R. Capital Financial Holdings Limited are deemed to be interested in the H Shares held by AMTD Asia Limited.

5.2.4 Shareholders Holding 5% or More of the Bank's Shares

See 5.2.3 Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares under Hong Kong Regulations in this chapter.

5.2.5 Other Substantial Domestic Shareholders

According to the Interim Measures for the Equity Management of Commercial Banks (《商業銀行股權管理暫行辦法》), as adopted at the 1st chairman's meeting of the former China Banking Regulatory Commission in 2018 (former CBRC Order 2018 No. 1), substantial shareholders of a commercial bank means shareholders who hold or control 5% or above shares or voting right of the commercial bank, or who hold less than 5% of total capital or total shares of the commercial bank but have significant impacts on the business of the commercial bank. The significant impacts mentioned above include but are not limited to dispatching directors, supervisors or senior executives to a commercial bank.



CHAPTER V CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Other than those disclosed in the section “5.2.3 Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares under Hong Kong Regulations” in this chapter, i.e., Jiangxi Provincial Expressway Investment Group Co., Ltd., Jiangxi Financial Holding Group Co., Ltd., China National Tobacco Corporation Jiangxi Branch[^], Nanchang Municipal Bureau of Finance and Pingxiang Huixiang Construction Development Co., Ltd.[^], substantial Domestic Shareholders of the Bank who hold less than 5% of total capital or total Shares but dispatch directors, supervisors or senior executives to the Bank are as follows:

(Unit: share)

Name of shareholder	Class of shares	Nature of interest	Number and nature of shares ¹	Approximate % of the total issued share capital of the class of the Bank ²	Approximate % of the total issued share capital of the Bank ²
Jiangxi Province Investment Group Co., Ltd. ³	Domestic Shares	Beneficial owner	180,000,000(L)	3.85%	2.99%
Ganshang Union (Jiangxi) Co., Ltd. ⁴	Domestic Shares	Beneficial owner	148,308,400(L)	3.17%	2.46%
Jiangxi Copper Company Limited ⁵	Domestic Shares	Beneficial owner	140,000,000(L)	2.99%	2.32%
Jiangxi Provincial Department of Finance (江西省財政廳) ⁶	Domestic Shares	Beneficial owner	50,000,000 (L)	1.07%	0.83%
		Interest of controlled corporation	12,969,590 (L)	0.28%	0.22%

- (L) represents long position, and (S) represents short position.
- As at December 31, 2018, the total issued share capital of the Bank was 6,024,276,901 shares, including 4,678,776,901 Domestic Shares and 1,345,500,000 H Shares.
- Jiangxi Province Investment Group Co., Ltd. is a state-owned corporate shareholder, whose legal representative is JIE Xiaojian. Regarding Jiangxi Province Investment Group Co., Ltd., its controlling shareholder and de facto controller both are State-owned Assets Supervision and Administration Commission of Jiangxi Province and its ultimate beneficiary is Jiangxi Province Investment Group Co., Ltd.

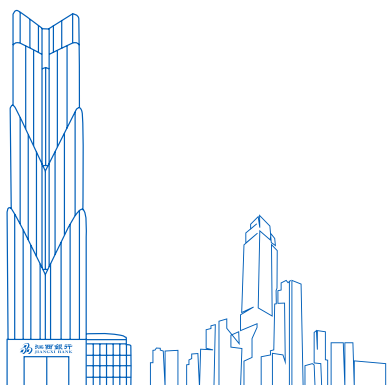


CHAPTER V CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

4. Ganshang Union (Jiangxi) Co., Ltd.^ is a general corporate shareholder, whose legal representative is WU Xuan^ (伍珣). Regarding Ganshang Union (Jiangxi) Co., Ltd.^, its controlling shareholder and ultimate beneficiary are both WU Xuan^ (伍珣).
5. Jiangxi Copper Company Limited is a general corporate shareholder, whose legal representative is LONG Ziping. Regarding Jiangxi Copper Company Limited, its controlling shareholder is Jiangxi Copper Corporation Limited, its de facto controller is State-owned Assets Supervision and Administration Commission of Jiangxi Province and its ultimate beneficiary is Jiangxi Copper Company Limited.
6. Jiangxi Provincial Department of Finance holds 62,969,590 shares of the Bank jointly with its directly affiliated unit Jiangxi Fiscal Investment Management Co., Ltd.^ (江西省財政投資管理公司). It is a State shareholder and its responsible person is ZHU Bin. Its ultimate beneficiary is Jiangxi Provincial Department of Finance.

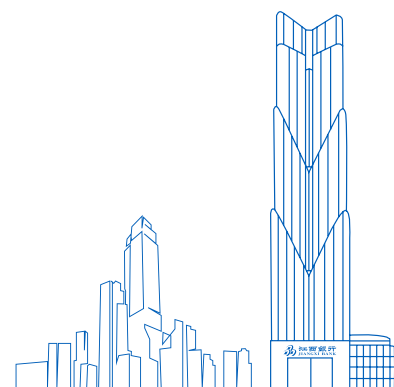
5.2.6 Related Parties of Substantial Domestic Shareholders at the End of the Reporting Period

No.	Name of substantial shareholders	Related parties of substantial shareholders
1	Jiangxi Provincial Expressway Investment Group Co., Ltd.	De facto controller and controlling shareholder of Jiangxi Provincial Expressway Investment Group Co., Ltd.: Department of Transportation of Jiangxi Province; nine direct holding wholly-owned subsidiaries: Jiangxi Highway Development LLC, Jiangxi Transportation Engineering Group Co., Ltd., Jiangxi Transportation Consulting Co., Ltd., Communications Design & Research Institute Co., Ltd of Jiangxi Province, Navigate the Service Area of Jiangxi Highway Development and Management Co., Ltd., Jiangxi Provincial Expressway Asset Management Co., Ltd., Jiangxi Expressway Material Co., Ltd., Jiangxi Provincial Expressway Investment Group Materials Co., Ltd.^ (江西省高速公路投資集團材料有限公司) and Jiangxi Ganyue Expressway Engineering Co., Ltd.; three holding subsidiaries in which Jiangxi Provincial Expressway Investment Group Co., Ltd. directly holds more than 50% (inclusive) shares: Jiangxi Ganyue Expressway Co., Ltd., Jiangxi Ganchong Expressway Co., Ltd.^ (江西省贛崇高速公路有限責任公司) and Jiangxi Expressway Petrochemical Co., Ltd.^ (江西高速石化有限責任公司); one brother enterprise: Jiangxi Provincial Port & Waterway Construction Investment Group Co., Ltd.; four affiliated enterprises: Jiangxi Ruixun Expressway Co., Ltd.^ (江西省瑞尋高速公路有限責任公司), Jiangxi Jiujiang Yangtze River Highway Bridge Co., Ltd., Jiangxi Xunquan Highway Co., Ltd. and Jiangxi Joint Equity Exchange Co., Ltd.^ (江西聯合股權交易中心有限公司).



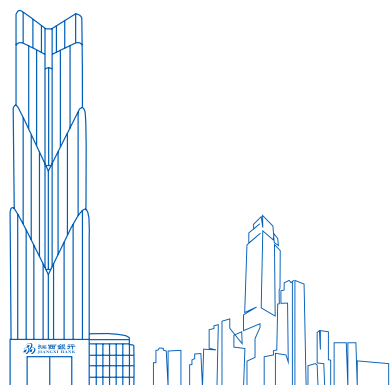
CHAPTER V CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

No.	Name of substantial shareholders	Related parties of substantial shareholders
2	Jiangxi Financial Holding Group Co., Ltd.	De facto controller and controlling shareholder of Jiangxi Financial Holding Group Co., Ltd.: Asset Management Center of Administrative Institutions in Jiangxi Province; two wholly-owned subsidiaries: Nanchang Dingxiang Real Estate Development Co., Ltd.^ (南昌鼎祥房地產開發有限公司) and Jiangxi Financial Holding Investment & Development Group Co., Ltd.^ (江西省金控投資開發集團有限公司); two subsidiaries in which Jiangxi Financial Holding Group Co., Ltd. holds more than 50% shares: Jiangxi Rich Futures Co., Ltd. and Jiangxi Re-guarantee Co., Ltd.; six joint ventures: Jiangxi Financial Asset Management Co., Ltd., Jiangxi Financial Holding Foreign Trade Co., Ltd.^ (江西省金控外貿股份有限公司), Jiangxi Joint Equity Exchange Center Co., Ltd., Jiangxi Jinkong Financial Leasing Co., Ltd., Jiangxi Financial Holding Investment Management Center^ (江西金控投資管理中心), Huitong Huifu Co., Ltd.^ (匯通匯付股份有限公司); one affiliated enterprise: Jiangxi Financial Holding Capital Management Co., Ltd.^ (江西省金控資本管理有限公司).
3	China National Tobacco Corporation Jiangxi Branch^	De facto controller and controlling shareholder of China National Tobacco Corporation Jiangxi Branch: China National Tobacco Corporation^ (中國煙草總公司); 16 wholly-owned subsidiaries including Jiangxi Tobacco Corporation Nanchang Branch^ (江西省煙草公司南昌市公司); two sub-subsidiaries: Jiangxi Jinfeng Property Management Co., Ltd.^ (江西省錦峰物業管理有限公司) and Jiangxi Jinfeng Software Technology Co., Ltd.^ (江西省錦峰軟件科技有限公司).
4	Nanchang Municipal Bureau of Finance	None
5	Pingxiang Huixiang Construction Development Co., Ltd.^	Controlling shareholder of Pingxiang Huixiang Construction Development Co., Ltd.: Pingxiang Huifeng Investment Co., Ltd.; subsidiary: Pingxiang Huiyi Construction Development Co., Ltd.^ (萍鄉市匯怡建設發展有限公司); joint venture: Pingxiang Jianyu Real Estate Co., Ltd.^ (萍鄉市建宇置業有限公司). Other enterprise under the control of the same parent company of Pingxiang Huixiang Construction Development Co., Ltd.: Pingxiang Huisheng Industrial Investment Management Co., Ltd.^ (萍鄉市匯盛工業投資管理有限公司).



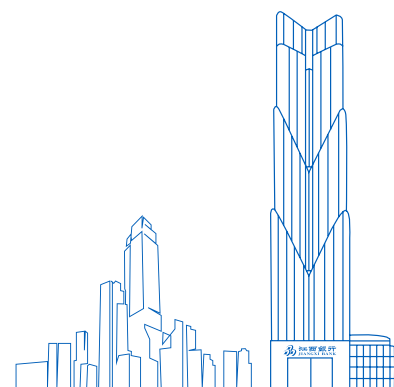
CHAPTER V CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

No.	Name of substantial shareholders	Related parties of substantial shareholders
6	Jiangxi Province Investment Group Co., Ltd.	De facto controller and controlling shareholder of Jiangxi Province Investment Group Co., Ltd.: State-owned Assets Supervision and Administration Commission of Jiangxi Province; five wholly-owned subsidiaries: Jiangxi Natural Gas (Gantou Qitong) Holding Co., Ltd.^ (江西省天然氣(贛投氣通)控股有限公司), Jiangtou Real Estate Development Co., Ltd.^ (江西省投資房地產開發有限責任公司), Jiangxi Province Poyang Lake Financial Leasing Co., Ltd., Jiangxi Investment Sales Co., Ltd.^ (江西省投資經營有限責任公司) and Jiangxi International Advertising Co., Ltd.^ (江西省國際廣告公司); 12 subsidiaries in which Jiangxi Province Investment Group Co., Ltd. holds 50% shares or more including Jiangxi Provincial Jiangtou Road & Bridge Investment Co., Ltd.; two relative holding subsidiaries in which Jiangxi Province Investment Group Co., Ltd. holds less than 50% shares: Jiangxi Ganneng Co., Ltd.^ (江西贛能股份有限公司) and Jiangxi Hi-tech Industrial Investment Co., Ltd. Enterprise controlling the subsidiaries of Jiangxi Province Investment Group Co., Ltd. including Jiangxi Jiuxian Hotspring Development Co., Ltd.^ (江西省九仙溫泉開發有限公司).
7	Ganshang Union (Jiangxi) Co., Ltd.^	De facto controller of Ganshang Union (Jiangxi) Co., Ltd.^: WU Xuan^ (伍珣); controlling shareholder of Ganshang Union (Jiangxi) Co., Ltd.^: WU Xuan^ (伍珣); Affiliated company of Ganshang Union (Jiangxi) Co., Ltd.^: Jiangxi Electronic Group Corporation Ltd.^ (江西省電子集團有限公司), Jiangxi Lianchuang Optoelectronic Science and Technology Co., Ltd.^ (江西聯創光電科技股份有限公司) and Jiangxi Weixin Metal Materials Co., Ltd.^ (江西偉鑫金屬材料有限公司).



CHAPTER V CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

No.	Name of substantial shareholders	Related parties of substantial shareholders
8	Jiangxi Copper Company Limited	De facto controller of Jiangxi Copper Company Limited: State-owned Assets Supervision and Administration Commission of Jiangxi Province; controlling shareholder of Jiangxi Copper Company Limited: Jiangxi Copper Corporation Limited; 32 subsidiaries in which Jiangxi Copper Company Limited directly holds 100% shares including Jiangxi Copper Hotel Management Co., Ltd. [^] (江西銅業酒店管理有限公司); 10 subsidiaries in which Jiangxi Copper Company Limited indirectly holds 100% shares including Sure Spread Limited; 12 subsidiaries in which Jiangxi Copper Company Limited directly holds more than 50% shares including Thermonamic Electronics (Jiangxi) Corp., Ltd.; one subsidiary in which Jiangxi Copper Company Limited indirectly holds more than 50% shares: Jiangxi Copper Corporation (Dongxiang) Foundry Co., Ltd. [^] (江西銅業集團(東鄉)鑄造有限公司); three joint ventures: Jiangtong Baitai Environmental Science and Technology Co., Ltd. [^] (江銅百泰環保科技有限公司), Nesko Metal Sanayi ve Ticaret Anonim Sirketi and Jiashi General Partners Co., Ltd. [^] (嘉石普通合夥人有限公司); seven affiliated enterprises including Minmetals Jiangtong Mine Investment Co., Ltd. [^] (五礦江銅礦業投資有限公司); brother enterprise of Jiangxi Copper Company Limited: Jiangxi Copper Corporation Copper Strip Co., Ltd. [^] (江西銅業集團銅板帶有限公司); other enterprises controlled by the controlling shareholder of Jiangxi Copper Company Limited: Jiangxi Copper Corporation Qibaoshan Mine Co., Ltd. [^] (江西銅業集團七寶山礦業有限公司).
9	Jiangxi Provincial Department of Finance	Three wholly-owned subsidiaries of Jiangxi Provincial Department of Finance: Jiangxi Provincial Agricultural Credit Guarantee Co., Ltd, Jiangxi Provincial Administrative Institution Assets Group Co., Ltd. [^] (江西省行政事業資產集團有限公司) and Jiangxi Financial Investment Group Co., Ltd. [^] (江西省財政投資集團有限公司); one directly affiliated unit of Jiangxi Provincial Department of Finance: Jiangxi Fiscal Investment Management Co., Ltd. [^] .

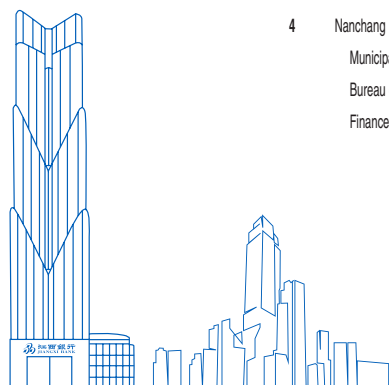


CHAPTER V CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

5.2.7 Related Party Transactions between the Bank and the Substantial Shareholders and Controlling Domestic Shareholders, De Facto Controllers, Related Parties, Persons Acting in Concert and Ultimate Beneficiaries thereof in the Reporting Period

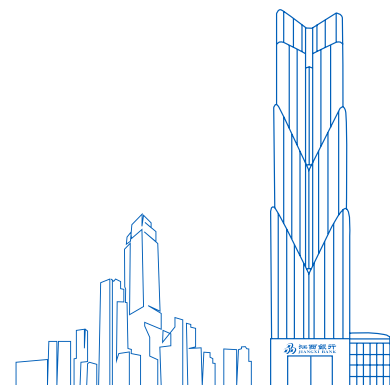
Unit: millions of RMB

No.	Name of shareholder	Credit balance	Controlling shareholder of the enterprise	Credit balance	De facto controller	Credit balance	Persons acting in concert	Credit balance	Ultimate beneficiary	Credit balance	Related party	Credit balance	Total
1	Jiangxi Provincial Expressway Investment Group Co., Ltd.	449.78	Department of Transportation of Jiangxi Province	-	Department of Transportation of Jiangxi Province	-	None	-	Jiangxi Provincial Expressway Investment Group Co., Ltd.	449.78	Jiangxi Provincial Expressway Investment Group Materials Co., Ltd.	358.91	808.69
2	Jiangxi Financial Holding Group Co., Ltd.	300	Asset Management Center of Administrative Institutions in Jiangxi Province	-	Asset Management Center of Administrative Institutions in Jiangxi Province	-	None	-	Jiangxi Financial Holding Group Co., Ltd.	300	Jiangxi Financial Asset Management Co., Ltd.	500	887.30
											Jiangxi Financial Holding Foreign Trade Co., Ltd.	37.3	
											Jiangxi Xingsen International Trade Co., Ltd.	50	
3	China National Tobacco Corporation Jiangxi Branch (including Jiangxi Jinfeng Investment Management Co., Ltd. ¹⁾)	-	China National Tobacco Corporation	-	China National Tobacco Corporation	-	None	-	China National Tobacco Corporation Jiangxi Branch	-	-	-	-
4	Nanchang Municipal Bureau of Finance	-	None	-	None	-	None	-	Nanchang Municipal Bureau of Finance	-	-	-	-



CHAPTER V CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

No.	Name of shareholder	Credit balance	Controlling	Credit balance	De facto controller	Persons		Credit balance	Ultimate beneficiary	Credit balance	Related party	Credit balance	Total
			shareholder of the enterprise			Credit balance	acting in concert						
5	Pingxiang Huixiang Construction Development Co., Ltd. [^]	275	Pingxiang Huifeng Investment Co., Ltd. (萍鄉市匯豐投資有限公司)	-	Administration Commission of Pingxiang Economic & Technological Development Zone (萍鄉經濟技術開發區管理委員會)	-	None	-	Pingxiang Huixiang Construction Development Co., Ltd. [^]	275	Pingxiang Huisheng Industrial Investment Management Co., Ltd.	800	1,075.00
6	Jiangxi Province Investment Group Co., Ltd.	-	State-owned Assets Supervision and Administration Commission of Jiangxi Province	-	State-owned Assets Supervision and Administration Commission of Jiangxi Province	-	None	-	Jiangxi Province Investment Group Co., Ltd.	-	Jiangxi Provincial Jiuxian Hot Spring Development Co., Ltd.	415.8	415.8
7	Ganshang Union (Jiangxi) Co., Ltd. [^]	-	WU Xuan [^] (伍珣)	19.1	WU Xuan [^] (伍珣)	19.1	None	-	WU Xuan [^] (伍珣)	19.1	Jiangxi Electronic Group Corporation Ltd. Jiangxi Lianchuang Optoelectronic Science and Technology Co., Ltd. Jiangxi Weixin Metal Materials Co., Ltd.	1,094.22 550 40	1,703.32
8	Jiangxi Copper Company Limited	-	Jiangxi Copper Corporation Limited	-	State-owned Assets Supervision and Administration Commission of Jiangxi Province	-	None	-	Jiangxi Copper Company Limited	-	-	-	-



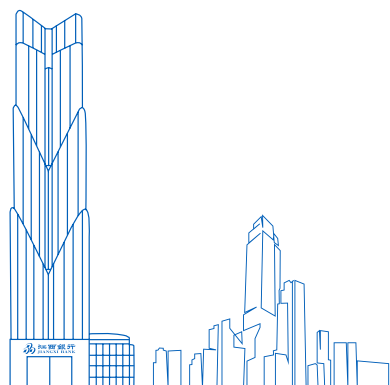
CHAPTER V CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

No.	Name of shareholder	Controlling		Credit De facto balance controller	Persons		Credit balance	Ultimate beneficiary	Credit		Credit balance	Total
		Credit balance	shareholder of the enterprise		Credit balance	acting in concert			balance	Related party		
9	Jiangxi Provincial Department of Finance (including Jiangxi Fiscal Investment Management Co., Ltd.^)	-	None	-	None	-	-	Jiangxi Provincial Department of Finance	-	-	-	-
Total		1,024.78	-	19.1	-	19.1	-	-	1,043.88	-	3,846.23	4,890.11

5.2.8 Pledge of Equity in the Bank by Substantial Domestic Shareholders

As of the end of the Reporting Period, the pledge of equity in the Bank by substantial shareholders of the Bank is as follows:

- (1) Jiangxi Financial Holding Group Co., Ltd. held 347,546,956 shares of the Bank and pledged 132,150,000 shares, with a pledge rate of 38.02%. The pledgee was Jiangxi Provincial Branch of the Bank of Communications Co., Ltd., with a term of pledge from November 15, 2016 to November 15, 2018.
- (2) Ganshang Union (Jiangxi) Co., Ltd.^ held 148,308,400 shares of the Bank and pledged 74,000,000 shares, with a pledge rate of 49.90%. The pledgee was Bank of Jiujiang Co., Ltd. High-Tech District Branch (九江銀行股份有限公司高新支行), among which, 35,260,000 shares with a term of pledge from November 12, 2018 to November 11, 2021, and 38,740,000 shares with a term of pledge from December 3, 2018 to December 2, 2021.



CHAPTER V CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

5.2.9 Nomination of Directors and Supervisors by the Shareholders

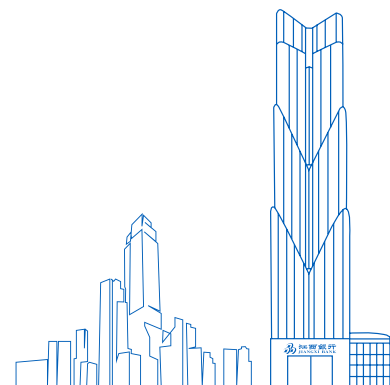
- (1) QUE Yong and LI Zhanrong were nominated as Directors by Jiangxi Provincial Expressway Investment Group Co., Ltd.;
- (2) LIU Sanglin was nominated as a Director by Jiangxi Financial Holding Group Co., Ltd.;
- (3) CHEN Yu was nominated as a Director by China National Tobacco Corporation Jiangxi Branch^;
- (4) DENG Jianxin was nominated as a Director by Nanchang Municipal Bureau of Finance;
- (5) TANG Xianqing was nominated as a Director by Jiangxi Province Investment Group Co., Ltd.;
- (6) ZENG Zhibin was nominated as a Director by Ganshang Union (Jiangxi) Co., Ltd.^;
- (7) HUANG Zhenping was nominated as a Supervisor by Pingxiang Huixiang Construction Development Co., Ltd.^;
- (8) ZHOU Minhui was nominated as a Supervisor by Jiangxi Copper Company Limited;
- (9) CHEN Chuxin was nominated as a Supervisor by Jiangxi Provincial Department of Finance.

5.2.10 The Number of Pledged Shares of the Bank Reaching or Exceeding 20% of All Its Shares

Nil.

5.2.11 The Number of Shares Pledged by Substantial Domestic Shareholders Reaching or Exceeding 50% of the Total Shares Held by Them in the Bank

Nil.



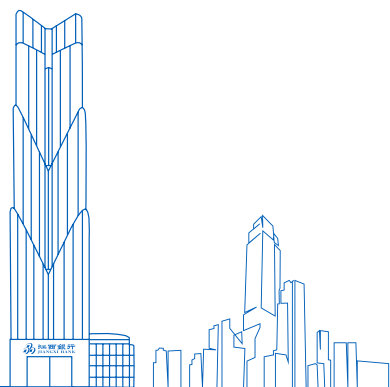
CHAPTER V CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

5.2.12 The Bank's Pledged Shares being Frozen, Judicially Auctioned, Restricted from Voting Right or Other Rights

- (1) As of the end of the Reporting Period, the Bank had a total of 6,024,276,901 shares, and a total of 843,543,758 Domestic Shares held by 34 Domestic Shareholders were pledged, accounting for 14.00% of the Bank's total shares. 55,486,405 pledged shares were judicially frozen and 46,000,000 shares were judicially auctioned.
- (2) According to the Articles of Association, when the number of shares pledged by a shareholder reaches or exceeds 50% of the total shares held by him/her in the Bank, the said shareholder is required to issue a commitment letter of giving up his/her voting right at the general meeting. As of the end of the Reporting Period, the number of Domestic Shares pledged by 31 shareholders reached or exceeded 50% (inclusive) of the total shares held by them in the Bank, and voting rights represented by 627,501,758 shares were restricted, accounting for 10.42% of the total shares.

5.2.13 Purchase, Sale or Redemption of Listed Securities

Neither the Bank nor its subsidiaries purchased, sold or redeemed any of its listed securities for the year ended December 31, 2018.



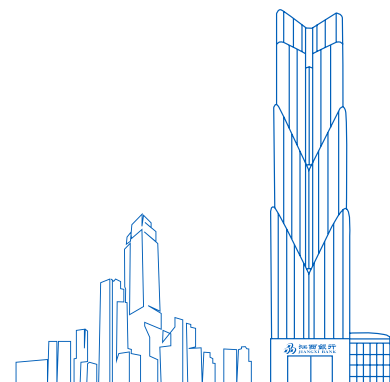
6.1 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

(1) Directors

The Board consists of fifteen Directors, including three executive Directors, seven non-executive Directors and five independent non-executive Directors. The Directors are elected for a term of three years and are subject to re-election, provided that the cumulative term of an independent non-executive Director shall not exceed six years pursuant to the relevant PRC laws and regulations. The following table sets forth certain information regarding the Directors.

Name	Sex	Date of birth	Date of appointment (Note)	Title
CHEN Xiaoming	Male	1966.11	August 2, 2012	Chairman, Executive Director
LUO Yan	Male	1969.2	May 24, 2018	Executive Director, vice Chairman, president
XU Jihong	Male	1965.5	May 24, 2018	Executive Director, vice president, secretary to the Board
QUE Yong	Male	1976.7	March 28, 2016	Non-executive Director
LI Zhanrong	Male	1970.11	March 28, 2016	Non-executive Director
LIU Sanglin	Male	1965.10	March 28, 2016	Non-executive Director
CHEN Yu	Female	1969.11	March 28, 2016	Non-executive Director
DENG Jianxin	Male	1963.8	November 24, 2016	Non-executive Director
TANG Xianqing	Male	1963.11	July 12, 2017	Non-executive Director
ZENG Zhibin	Male	1974.10	July 22, 2013	Non-executive Director
ZHANG Rui	Female	1962.6	March 28, 2016	Independent Non-executive Director
GUO Tianyong	Male	1968.8	March 28, 2016	Independent Non-executive Director
ZHANG Wangxia	Female	1977.8	July 12, 2017	Independent Non-executive Director
WANG Yun	Female	1966.5	December 20, 2017	Independent Non-executive Director
WONG Hin Wing	Male	1962.12	February 12, 2018	Independent Non-executive Director

- (1) The date of appointment as Director as stated in the report represents the date on which the relevant Director obtained the approval of directorship qualification from Jiangxi Office of China Banking Regulatory Commission.



CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS, EMPLOYEES AND INSTITUTIONS

(2) Supervisors

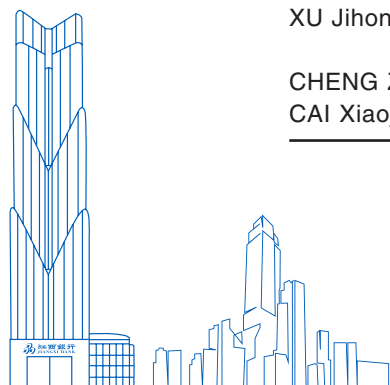
The Board of Supervisors consists of nine Supervisors, including three employee representative Supervisors, three shareholder representative Supervisors and three external Supervisors. The Supervisors are elected for a term of three years and may be subject to re-election, provided that the cumulative term of an external Supervisor shall not exceed six years, pursuant to the relevant PRC laws and regulations. The following table sets forth certain information about the Supervisors.

Name	Sex	Date of birth	Date of appointment	Title
LIU Fulin	Male	1963.11	December 28, 2015	Chairman of the Board of Supervisors, Employee Representative Supervisor
SHI Zhongliang	Male	1944.1	December 29, 2015	External Supervisor
LI Danlin	Female	1964.8	December 29, 2015	External Supervisor
SHI Jing	Male	1968.2	December 29, 2015	External Supervisor
HUANG Zhenping	Male	1971.7	October 28, 2016	Shareholder Representative Supervisor
ZHOU Minhui	Male	1964.6	September 15, 2017	Shareholder Representative Supervisor
CHEN Chuxin	Male	1963.11	December 29, 2015	Shareholder Representative Supervisor
TAO Yulan	Female	1970.11	March 25, 2009	Employee Representative Supervisor
CHEN Xinxiang	Male	1968.2	December 28, 2015	Employee Representative Supervisor

(3) Senior management members

The following table sets forth certain information regarding the senior management of the Bank.

Name	Sex	Date of birth	Title
LUO Yan	Male	1969.2	President
CHEN Yong	Male	1962.2	Vice president
XU Jihong	Male	1965.5	Secretary to the Board, Vice president
CHENG Zongli	Male	1966.9	Vice president
CAI Xiaojun	Male	1966.11	Vice president



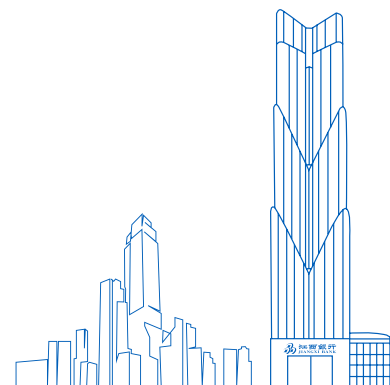
6.2 CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS DURING THE REPORTING PERIOD

6.2.1 Changes of Directors During the Reporting Period

- (1) In January 2018, the Board received a written resignation from Mr. WU Hongtao, who, for personal reasons, officially applied for resignation from his positions as the Bank's vice chairman, director, a member of the Strategic Committee of the Board, and a member of the Remuneration and Nomination Committee of the Board. According to the Articles of Association and relevant internal rules and regulations of the Bank, Mr. WU Hongtao's resignation from his position as director and other directorship related positions would take effect from the date on which the resignation was sent to the Board. The first extraordinary meeting for 2018 of the first session of Board of Directors of Jiangxi Bank was held on February 6, 2018, at which the Report on Wu Hongtao's Resignation as President and Director of the Bank was considered and approved.
- (2) According to relevant regulations of the cadre retirement system, Mr. TONG Yuming, a director of the Bank, reached the retirement age in January 2018. The first extraordinary meeting for 2018 of the first session of Board of Directors of Jiangxi Bank was held on February 6, 2018, at which the Proposal on the Removal of TONG Yuming from Directorship Related Positions at the Bank was considered and approved. The Proposal on the Removal of TONG Yuming as Director of Our Company was considered and approved at the 2017 annual general meeting of Jiangxi Bank held on March 26, 2018 and had taken effect on the same date.
- (3) On February 12, 2018, Jiangxi Banking Regulatory Bureau approved Mr. WONG Hin Wing's director qualification.
- (4) At its 2017 annual general meeting held on March 26, 2018, the Bank considered and approved the proposal on electing Mr. LUO Yan and Mr. XU Jihong as Directors of the Bank. On May 24, 2018, Jiangxi Banking Regulatory Bureau approved the director qualification of Mr. LUO Yan and Mr. XU Jihong.

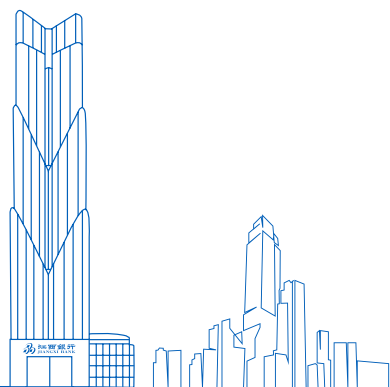
6.2.2 Changes of Supervisors During the Reporting Period

There was no change in the Supervisors during the Reporting Period.



6.2.3 Changes of Senior Management Members During the Reporting Period

- (1) On January 12, 2018, Jiangxi Provincial Department of Finance removed Mr. TONG Yuming as member of the Party committee as he had reached the retirement age, and proposed to remove him from the post of vice president. The Proposal on the Removal of TONG Yuming as Vice President of the Bank was considered and approved at the first extraordinary meeting for 2018 of the first session of Board of Directors of Jiangxi Bank held on February 6, 2018 and had taken effect on the same date.
- (2) In January 2018, the Bank received a written resignation from Mr. WU Hongtao, who, for personal reasons, officially applied for resignation from his positions as president and deputy party secretary of the Bank. Due to the resignation of Mr. WU Hongtao, on January 26, 2018 Jiangxi Provincial Department of Finance removed WU Hongtao as deputy party secretary and proposed to remove him from the posts of vice chairman and president. The first extraordinary meeting for 2018 of the first session of Board of Directors of Jiangxi Bank was held on February 6, 2018, at which the Report on Wu Hongtao's Resignation as President and Director of the Bank was considered and approved.
- (3) On January 27, 2018, Jiangxi Provincial Department of Finance nominated Mr. LUO Yan as vice chairman and president of the Bank. At its first extraordinary meeting for 2018 of the first session of Board of Directors of Jiangxi Bank held on February 6, 2018, the Bank considered and approved the Proposal on Appointment of President. Necessary review procedures had been completed and Mr. LUO Yan was engaged as president of the Bank from the date on which the said proposal was approved.



6.3 BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS DURING THE REPORTING PERIOD

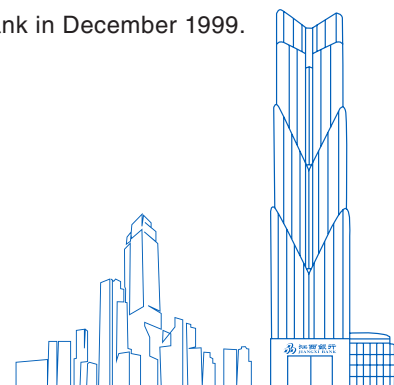
6.3.1 Directors

Executive Directors

Mr. CHEN Xiaoming (陳曉明) is an executive Director and the chairman of the Board and he joined the Bank as the president of the Bank in 2006 and has been the secretary to the party committee and the chairman of the Bank since December 2015. Prior to joining the Bank, Mr. Chen successively served as a cadre at credit division of business department of Nanchang Branch, a cadre of Nanchang Changbei Sub-branch, a deputy director of international business department of Nanchang Branch, the director of business department of Nanchang Branch, a vice president and a member of the party group of Nanchang Branch, a member of the party committee and a vice president of Nanchang Branch, a deputy general manager and a member of the party committee of business department of Jiangxi Branch, a deputy secretary to the party committee and a deputy general manager of business department of Jiangxi Branch, the secretary to the party committee and president of Jiujiang Branch, and the general manager of the planning and financial department of Jiangxi Branch of China Construction Bank (中國建設銀行) (formerly known as the People's Construction Bank of China(中國人民建設銀行)) from July 1988 to March 2006. From March 2006 to December 2015, he successively served as the deputy secretary to the party committee, the president and vice chairman of Nanchang City Commercial Bank, the deputy secretary to the party committee, the president and vice chairman of Bank of Nanchang, the secretary to the party committee, the president and the chairman of Bank of Nanchang as well as the secretary to the party committee and the chairman of Bank of Nanchang.

Mr. Chen was awarded the “National Labor May 1st Medal” (全國五一勞動獎章) by China National Union (中華全國總工會) in 2017. He was elected as a representative of the Fourteenth Congress of Communist Party of China Jiangxi Province (中國共產黨江西省第十四次代表大會) and a member of Twelfth Jiangxi Provincial Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議江西省第十二屆委員會) in 2016 and 2018, respectively.

Mr. Chen received a bachelor's degree in infrastructure construction financial credit from Jiangxi Institute of Finance and Economics (江西財經學院) (currently known as Jiangxi University of Finance and Economics (江西財經大學)) in Jiangxi Province, China, in July 1988, and a doctorate degree in industrial economics from Jiangxi University of Finance and Economics in June 2008. Mr. Chen was accredited as a senior economist by China Construction Bank in December 1999.



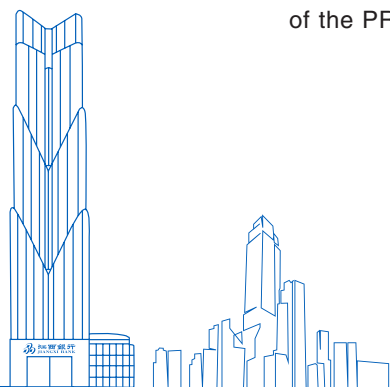
CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS, EMPLOYEES AND INSTITUTIONS

Mr. LUO Yan (羅焱) is an executive Director, the president and vice chairman of the Bank. He joined the Bank as the president of the Bank in February 2018, as the executive Director in May 2018 and as the vice chairman in August 2018. From August 2016 to January 2018, Mr. Luo successively served as the president, a director and a deputy secretary to the party committee of Guangdong Nanyue Bank Co., Ltd. (廣東南粵銀行股份有限公司). From October 2004 to February 2016, Mr. Luo was with China CITIC Bank Corporation Limited (中信銀行股份有限公司) (formerly known as CITIC Industrial Bank (中信實業銀行)), where he successively served as an assistant to the head of the general office, a deputy head of the general office, the secretary to the board, head of the general office and head of the office of board of directors and supervisors, the president and secretary to the party committee of Guangzhou Branch, and the president and secretary to the party committee of Shenyang Branch. From June 1996 to October 2004, Mr. Luo was with China Merchants Bank Co., Ltd. (招商銀行股份有限公司), where he successively served as a deputy manager and a manager of the business division, and a senior manager of the secretarial office of general office and assistant to the head of general office. From August 1990 to June 1996, he successively served as a loan officer and deputy section chief of credit department in Bank of Communications Co., Ltd. Yangzhou Branch (交通銀行揚州分行).

Mr. Luo obtained a bachelor's degree in industrial financial accounting from Inner Mongolia University of Finance and Economics (內蒙古財經大學) (formerly known as Inner Mongolia Institute of Finance and Economics (內蒙古財經學院)) in Inner Mongolia Province in July 1990 and a master's degree in management science and engineering from Zhejiang University (浙江大學) in Zhejiang Province in June 2008. Mr. Luo also obtained an executive master of business administration from Peking University (北京大學) in Beijing in July 2011.

Mr. XU Jihong (徐繼紅) is an executive Director, a vice president of the Bank and the secretary to the Board. Mr. Xu joined the Bank when it was established in 1998 as the president of a sub-branch of the Bank and was promoted as the secretary to the Board in September 2006. Since April 2008, Mr. Xu has also been the vice president of the Bank. Prior to joining the Bank, Mr. Xu was the director and legal representative of Nanchang Science and Technology City Credit Union (南昌科技城市信用社) from May 1995 to January 1998. From July 1986 to May 1995, Mr. Xu was with Nanchang Branch of China Construction Bank and successively worked at the business department and the financial and accounting department.

Mr. Xu completed his correspondence course and obtained a diploma in finance from Jiangxi Institute of Finance and Economics in July 1992. He also completed his long distance learning courses in political education offered by Jiangxi Normal University and obtained a college diploma in December 1999. Mr. Xu was accredited as an accountant by the Ministry of Finance of the PRC in May 1996.



CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS, EMPLOYEES AND INSTITUTIONS

Non-executive Directors

Mr. QUE Yong (闕泳) is a non-executive Director. Mr. Que has over 18 years of experience in financial management and banking industry. Since September 2015, he has been an expert consultant with respect to monetary policy in Nanchang Central Sub-branch of the PBoC (中國人民銀行南昌中心支行). Mr. Que joined Jiangxi Expressway Investment as the head of financial audit department in February 2010 and has been the chief accountant since May 2014. He has been responsible for accounting, financial and budget management of this company. From September 2012 until June 2018, Mr. Que has been a director of Jiangxi Ganyue Expressway Co., Ltd (江西贛粵高速公路股份有限公司) (SSE stock code: 600269). From July 1999 to May 2010, Mr. Que was with Jiangxi Ganyue Expressway Co., Ltd (江西贛粵高速公路股份有限公司) (SSE stock code: 600269) and successively served as the person in charge of the financial department, a deputy manager and the general manager of the financial department and the chief financial officer. From March 2013 to May 2016, Mr. Que served as an independent director in Jiangzhong Pharmaceutical Co., Ltd. (江中藥業股份有限公司) (SSE stock code: 600750).

Mr. Que was accredited as a “National Advanced Accounting Worker” (全國先進會計工作者) by the Ministry of Finance of the PRC (中華人民共和國財政部) in December 2015.

Mr. Que obtained a master of business administration from Jiangxi University of Finance and Economics in June 2009. Mr. Que was accredited as a senior account by the Shanghai Accreditation Committee for the Qualifications of Senior Professional and Technical Positions for Accountants (上海市會計系列高級專業技術職務任職資格評審委員會) in June 2006. He was also accredited as a senior account by the Jiangxi Accreditation Committee for the Qualifications of Accountant Senior Professional and Technical (江西省會計高級專業技術資格評審委員會) in October 2017. Mr. Que also completed the program designed for national leading accountants and obtained a certificate of “National Leading Accountant” (全國會計領軍人才證書) issued by the Ministry of Finance of the PRC in December 2012.

Mr. LI Zhanrong (李占榮) is a non-executive Director. Since January 2015, Mr. Li has been the assistant to the general manager and a member of the party committee of Jiangxi Expressway Investment, where he was primarily responsible for cost control, enterprise reform and equity asset management. Mr. Li was accredited as “2013 Provincial Advanced Worker in Grain Production” (“2013年度全省糧食生產先進工作者”) by Jiangxi Government in March 2014.

Mr. Li obtained a college diploma in national economy management through correspondence course from Nanchang University in July 2001. He also obtained an advanced master of business administration degree from Jiangxi University of Finance and Economics in December 2015. Mr. Li was accredited as an intermediate industrial economist (中級工業經濟師資格) accredited by the Ministry of Personnel (中華人民共和國人事部) (currently known as Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) in October 1996.

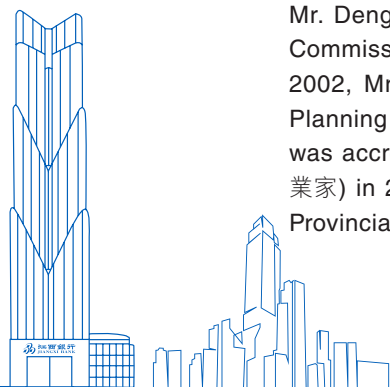


CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS, EMPLOYEES AND INSTITUTIONS

Mr. LIU Sanglin (劉桑林) is a non-executive Director. Since October 2015, Mr. Liu has been a director of Jiangxi Ganbo Foreign Trade Development Co., Ltd. (江西贛鄱外貿發展有限公司). Since September 2014, Mr. Liu has been with Jiangxi Financial Holding, where he successively served as the head of asset management department, an assistant to the general manager and the head of human resources department and has been responsible for assets inspection and management, and human resources management of this company. Since December 2009, he has also been a deputy general manager of Jiangxi Provincial Credit Guarantee Co., Ltd. (江西省信用擔保股份有限公司). Mr. Liu's previous working experiences include serving as (i) the director of asset management division of Asset Management Center of Jiangxi Provincial Administrative Institution from June 2009 to August 2016, (ii) senior staff member and principal staff member of Treasury Department of the Jiangxi Provincial Department of Finance (省財政廳國庫處) from January 2001 to June 2009, and (iii) cadre, clerk, staff member and senior staff member of Budget Department of Jiangxi Provincial Department of Finance (省財政廳預算處) from August 1986 to January 2001.

Mr. Liu obtained a diploma in public finance from Jiangxi Finance and Economics Vocational College (江西省財務會計學校) (currently known as Jiangxi Vocational College of Finance and Economics (江西財經職業學院)) in Jiangxi Province, China, in July 1986 and completed his correspondence undergraduate course in Party School of the Central Committee of Communist Party of China, majoring in economics management and graduated in December 1997. He then obtained his postgraduate diploma in international trade from Jiangxi University of Finance and Economics in July 2004.

Mr. DENG Jianxin (鄧建新) is a non-executive Director. Since June 2015, Mr. Deng has been a director of Jiangxi Hongcheng Waterworks Co., Ltd. (江西洪城水業股份有限公司) (SSE stock code: 600461). Since April 2014, Mr. Deng has served as the chairman and secretary to the party committee of Nanchang Municipal Public Investment Holding Co., Ltd. (南昌市政公用投資控股有限責任公司). Mr. Deng also serves as a director of Jiangxi Hongcheng Yikatong Investment Co., Ltd. (江西省洪城一卡通投資有限公司) and a director of Nanchang Gas Group Co., Ltd. (南昌市燃氣集團有限公司). From September 2011 to April 2014, Mr. Deng served as the secretary to the leading party group and head of Nanchang Municipal Commission of Development and Reform (南昌市發展和改革委員會). From February 2007 to September 2011, he served as the secretary to the leading party group and head of Safety Production Supervision and Administration Bureau of Nanchang (南昌市安全生產監督管理局). From December 2004 to February 2007, Mr. Deng served as a deputy head and a member of leading party group of Nanchang Municipal Commission of Development and Reform. From September 2002 to February 2007, he served as the head of Nanchang Information Office (南昌市信息化辦公室). From September 2002 to December 2004, Mr. Deng was a deputy head and a member of leading party group of Nanchang Municipal Commission of Development Planning (南昌市發展計劃委員會). From June 1990 to September 2002, Mr. Deng successively held various positions in Nanchang Municipal Commission of Planning (南昌市計委) including a deputy head and a member of leading party group. Mr. Deng was accredited as a "2014 Excellent Entrepreneur of Jiangxi Province" (2014年度江西省優秀企業家) in 2015 by Jiangxi Provincial Association of Enterprises (江西省企業聯合會) and Jiangxi Provincial Association of Entrepreneurs (江西省企業家協會).



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Mr. Deng obtained a college diploma in plant protection from Jiangxi Agricultural University (江西農業大學) in Jiangxi Province, China, in July 1986. Mr. Deng was qualified as a senior economist by Jiangxi Provincial Title Commission Office (江西省職稱工作辦公室) in December 2015.

Ms. CHEN Yu (陳昱) is a non-executive Director and from March 2018 to present, she is the vice general manager in charge of daily operation and a director of Jiangxi Jinfeng Investment Management Co., Ltd.^ (江西省錦峰投資管理有限責任公司). From April 2009 to March 2018, Ms. Chen has been a deputy head of the financial management department of Jiangxi Tobacco Monopoly Bureau (江西省煙草專賣局), where she was responsible for financial management of this company. From December 1998 to March 2009, Ms. Chen was with Nanchang Tobacco Monopoly Bureau (南昌市煙草專賣局), where she successively served as a deputy section chief of the planning and financing department and the section chief of the financial department. From August 2018 to present, Ms. Chen has been a director of Jiangxi Building Company Limited (江西大廈股份有限公司). From September 2018 to present, Ms. Chen has been the chairman of Jiangxi Junfeng Technology Co., Ltd. (江西君風科技有限公司).

Ms. Chen won the title of “2005-2007 Outstanding Individual in Financial and Accounting Work of China National Tobacco System from 2005 to 2007 “(2005-2007年度全國煙草系統財會工作先進個人) awarded by National Tobacco Monopoly Bureau (國家煙草專賣局) and China National Tobacco Corporation (中國煙草總公司) in February 2009.

Ms. Chen obtained a diploma in finance and accounting from Xiangtan Technical Secondary School of China National Tobacco Corporation (中國煙草總公司湘潭中等專業學校) in Hunan Province, China, in June 1991. She completed her correspondence undergraduate course in Jiangxi University of Finance and Economics, majoring in accountancy (certified public accountant) and graduated in January 2006. She was accredited as an intermediate accountant by the Ministry of Finance of the PRC in May 2001, and obtained a certificate for passing the National Examination for Senior Accountant issued by the National Accounting Qualification Examination Leading Group in October 2016.

Mr. ZENG Zhibin (曾智斌) is a non-executive Director and Mr. Zeng has been the chairman of Jiangxi Lianchuang Optoelectronic Science and Technology Co., Ltd.(江西聯創光電科技股份有限公司)(SSE Stock code: 600363) from February 2016 to present. From March 2016 to present, Mr. Zeng has been a director of North Lianchuang Communication Co., Ltd. (北方聯創通信有限公司). From November 2015 to present, Mr. Zeng has been a director of Hongfa Technology Co., Ltd. (宏發科技股份有限公司)(SSE Stock code: 600885). From April 2015 to present, Mr. Zeng has been a director of Xiamen Hongfa Electroacoustic Co., Ltd. (廈門宏發電聲股份有限公司). From September 2012 to present, Mr. Zeng has been a director of Ganshang Union Co., Ltd. (贛商聯合股份有限公司). From November 2012 to present, Mr. Zeng has been a director of Jiangxi Electronic Group Corporation Ltd. (江西省電子集團有限公司). From May 2016 to December 2017, Mr. Zeng was the chairman of Jiangxi PoHu Low-Carbon Environmental Protection Co., Ltd. (江西省鄱湖低碳環保股份有限公司) and Mr. Zeng was a director of Shenzhen Pengtai Real Estate Co., Ltd. (深圳市鵬泰置業有限公司) (“Shenzhen Pengtai”).



CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS, EMPLOYEES AND INSTITUTIONS

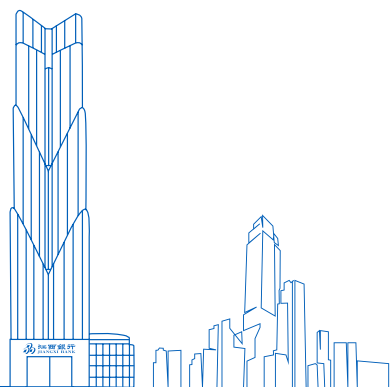
Mr. Zeng obtained a postgraduate diploma in business administration from Chinese Academy of Social Sciences (中國社會科學院) in Beijing, China, in May 2003.

Mr. TANG Xianqing (唐先卿) is a non-executive Director and since September 1995, Mr. Tang has been with Jiangxi Provincial Investment Group Co., Ltd.(江西省投資集團有限公司), where he successively served as the head of financial department, secretary to committee for discipline inspection, deputy secretary to the party committee and deputy general manager and has been responsible for discipline inspection, management of operation planning and assets and financial matters. From August 1983 to September 1995, Mr. Tang successively served as an office clerk, staff member, senior staff member and principal staff member of infrastructure construction department of Jiangxi Provincial Planning Committee (江西省計劃委員會). From October 2011 to October 2018, Mr. Tang was the chairman of Jiangxi Investment Logistics Co., Ltd.(江西省投資物流有限責任公司). From October 2009 to April 2018, Mr. Tang was a director of Jiangxi Poyanghu Industry Investment Management Co., Ltd.(江西鄱陽湖產業投資管理有限公司). From November 2007 to present, Mr. Tang has been the chairman of Jiangxi Provincial Investment Imp. & Exp. Co., Ltd.(江西省投資進出口有限責任公司). From January 2007 to present, Mr. Tang has been a director of Jiangxi Ganneng Co., Ltd.(江西贛能股份有限公司)(SZSE stock code: 000899). From March 2004 to present, Mr. Tang has been the chairman of the board of supervisors of Jiangxi Investment Electric Fuel Co., Ltd. (江西省投資電力燃料有限責任公司). From September 2002 to present, Mr. Tang has been the chairman of Shanghai hundred investment Trading Co., Ltd.(上海百投經貿有限公司). From March 1996 to present, Mr. Tang has been the chairman of the board of supervisors of Jiangxi Dongjin Power Generation Co., Ltd. (江西東津發電有限責任公司).

Mr. Tang completed his correspondence undergraduate course in Party School of the Central Committee of Communist Party of China, majoring in economics management in December 1998 and obtained his bachelor's degree in computer science and technology from Jiangxi Normal University (江西師範大學) in Jiangxi Province, China, in April 2001. Mr. Tang was accredited as a senior economist by Jiangxi Title Reform Committee in April 2001.

Independent Non-executive Directors

Ms. ZHANG Rui (張蕊) is an independent non-executive Director and Ms. Zhang has been an expert entitled to special allowance granted by the State Council since August 2005. She also obtained a certificate of Star Teacher in Higher Education Institutions (“高等學校教學名師獎”) issued by the Ministry of Education of the People's Republic of China in September 2009.

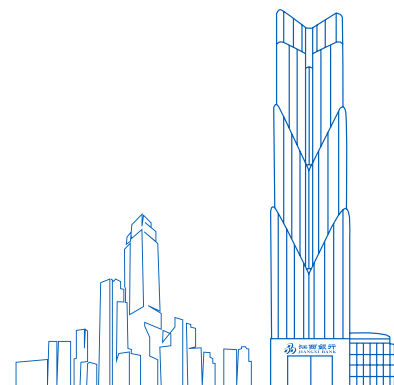


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Since September 1984, Ms. Zhang has been with Jiangxi University of Finance and Economics (formerly known as Jiangxi Institute of Finance and Economics (江西財經學院)), where she successively served as a teacher in department of finance and accounting, the head of the teaching and research section for auditing of department of finance and accounting, a deputy head of department of finance and accounting, the dean of faculty of accounting and a director of research and development center for accounting development. From April 2016 to present, Ms. Zhang has been an independent director of Huayi Compressor Co., Ltd. (華意壓縮機股份有限公司) (SZSE stock code: 000404). From June 2011 to December 2017 and April 2002 to April 2008, Ms. Zhang was an independent director of Chengzhi Co., Ltd. (誠志股份有限公司) (SZSE stock code: 000990). From October 2009 to August 2015, Ms. Zhang was an independent director of Tellhow Polytron Technologies Co., Ltd. (泰豪科技股份有限公司) (SSE stock code: 600590). From March 2007 to June 2015, Ms. Zhang was an independent director of Golden Sun Securities Co., Ltd. (國盛證券有限責任公司). From June 2006 to June 2012, Ms. Zhang was an independent director of Jiangxi Copper Company Limited (江西銅業股份有限公司) (SSE stock code: 600362, SEHK stock code: 00358).

Ms. Zhang received a bachelor's degree in commercial finance and accounting from Jiangxi Institute of Finance and Economics in July 1984, a master's degree in accounting from Jiangxi Institute of Finance and Economics in July 1990 and a doctorate degree in accounting from Zhongnan University of Economics and Law (中南財經政法大學) in Hubei Province, China, in December 2001. Ms. Zhang was accredited as a professor by Jiangxi Title Reform Committee (江西省職稱改革領導小組) in March 1999.

Mr. GUO Tianyong (郭田勇) is an independent non-executive Director and worked at the Yantai Central Branch of PBoC (中國人民銀行煙台市中心支行) from July 1990 to August 1993. Since 1999, Mr. Guo has been with Central University of Finance and Economics (中央財經大學) and was appointed as a professor and doctoral tutor in 2007 and 2010, respectively. From May 2018 to present, Mr. Guo has been an independent non-executive director of Ping An Healthcare And Technology Company Limited (平安健康醫療科技有限公司) (SEHK stock code: 01833). From August 2016 to present, Mr. Guo has been an independent director of Ping An Bank Co., Ltd. (平安銀行股份有限公司) (SZSE stock code: 000001). From October 2014 to present, Mr. Guo has been an independent director of Hundsun Technologies Inc. (恆生電子股份有限公司) (SSE stock code: 600570). From May 2014 to present, Mr. Guo has been an independent director of Digiwin Software Co., Ltd. (鼎捷軟件股份有限公司) (SZSE stock code: 300378). From December 2014 to May 2018, Mr. Guo has been an independent non-executive director of Bank of Tianjin Co., Ltd. (天津銀行股份有限公司) (SEHK stock code: 01578). Mr. Guo was a director of Chung Yuen High Polymer New Materials Holdings Limited ("Chung Yuen").



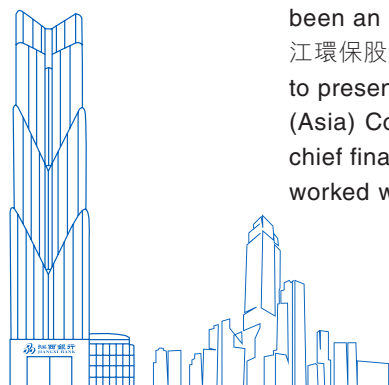
CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS, EMPLOYEES AND INSTITUTIONS

Mr. Guo received his bachelor's degree in control science from Shandong University (山東大學) in Shandong Province, China, in July 1990. He received his master's degree in economics from Renmin University of China (中國人民大學) in Beijing, China, in July 1996. Mr. Guo received his doctorate degree in economics from Tsinghua University PBC School of Finance (清華大學五道口金融學院) (formerly known as the Postgraduate School of PBoC (中國人民銀行研究生部)) in Beijing, China in September 1999.

Ms. ZHANG Wangxia (張旺霞) is an independent non-executive Director and Ms. Zhang was with the institution department II (機構二處) of Beijing Bureau of CSRC and was appointed as a deputy head (person in charge) in June 2013. Before that, she was a deputy head of inspection department (稽查處) of Beijing Bureau of CSRC. From August 2018 to present, Ms. Zhang has been the vice chairman of China International Futures Co., Ltd.

Ms. Zhang obtained her bachelor's degree in philosophy from Beijing Normal University (北京師範大學) in Beijing, China, in July 1999 and a master's degree in law from Peking University in June 2004. Ms. Zhang also obtained an executive master of business administration from the Hong Kong University of Science and Technology in November 2013. Ms. Zhang received the certificate of the legal profession qualifications granted by Ministry of Justice of the PRC in February 2005.

Mr. WONG Hin Wing (黃顯榮) is an independent non-executive Director and since 1997, Mr. Wong has served various positions including the managing director at China Silk Road International Capital Limited, where he has been primarily responsible for offering services in asset management, securities advisory and corporate finance as well as providing financial advisory and investment management services to enterprises in Asia. He is currently a responsible officer of China Silk Road International Capital Limited. From December 2017 to present, Mr. Wong has been an independent non-executive director of Wine's Link International Holdings Limited (威揚酒業國際控股有限公司)(SEHK stock code: 08509). From June 2017 to present, Mr. Wong has been an independent non-executive director of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd.(廣州白雲山醫藥集團股份有限公司)(SSE stock code: 600332, SEHK stock code: 00874). From May 2017 to present, Mr. Wong has been an independent non-executive director of Inner Mongolia Yitai Coal Co., Ltd.(內蒙古伊泰煤炭股份有限公司)(SSE stock code: 900948, SEHK stock code: 03948). From December 2016 to November 30, 2018, Mr. Wong has been an independent non-executive director of China Agri-Products Exchange Limited(中國農產品交易所有限公司)(SEHK stock code: 00149). From November 2015 to present, Mr. Wong has been an independent non-executive director of CRCC High-Tech Equipment Corporation Limited(中國鐵建高新裝備股份有限公司)(SEHK Stock Code: 01786). From June 2014 to present, Mr. Wong has been an independent non-executive director of Dongjiang Environmental Company Limited (東江環保股份有限公司)(SZSE stock code: 002672, SEHK stock code: 00895). From October 2004 to present, Mr. Wong has been an independent non-executive director of AEON Credit Service (Asia) Co., Ltd.(SEHK stock code: 00900). From August 1989 to September 1996, he was the chief financial officer of a Hong Kong listed company. From July 1985 to August 1989, Mr. Wong worked with an international audit firm.



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Mr. Wong has been a member of Anhui Provincial Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議安徽省委員會委員) since January 2013 and a member of the Nursing Council of Hong Kong since May 2014. He has also been a member of the Securities and Futures Appeals Tribunal since April 2017 and a member of the Construction Industry Council since February 2018.

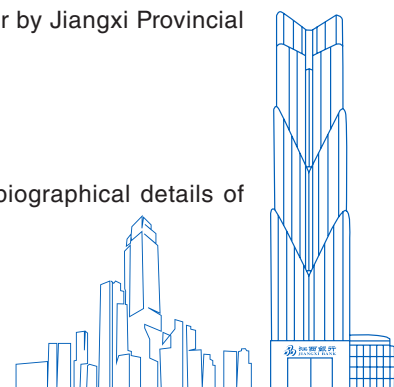
Mr. Wong obtained his master's degree in business administration from The Chinese University of Hong Kong in December 1996. Mr. Wong has been a fellow member of the Hong Kong Institute of Certified Public Accountants since July 1995, the Institute of Chartered Accountants in England and Wales since March 2015, the Chartered Association of Certified Accountants since July 1992, the Hong Kong Institute of Directors since April 2002 and the Institute of Chartered Secretaries and Administrators since June 1995. He has also been a member of the American Institute of Certified Public Accountants since February 1991 and a chartered member of the Chartered Institute for Securities & Investment since March 2011.

Ms. WANG Yun (王芸) is an independent non-executive Director and since September 1989, Ms. Wang has been with East China Jiaotong University and successively served as a teaching assistant, lecturer, head of accounting department, associate professor and deputy dean of faculty of economic management. She is currently a professor of accounting department of faculty of economic management as well as a supervisor of postgraduates. Since May 2017, she has been an independent director of Jiangxi 3L Medical Products Group Co., Ltd. (江西3L醫用製品集團有限公司), where she has also served as a member of audit committee and remuneration and appraisal committee under the board of this company. From September 2012 to September 2018, Ms. Wang was an independent director of Jiangxi Wannianqing Cement Co., Ltd. (江西萬年青水泥股份有限公司) (SZSE stock code: 000789). From February 2012 to present, Ms. Wang has been an independent director of Anyuan Coal Industry Group Co., Ltd. (安源煤業集團股份有限公司). From December 2009 to May 2016, Ms. Wang was an independent director of Jiangxi Special Electric Motor Co., Ltd. (江西特種電機股份有限公司) (SZSE stock code: 002176). From February 2008 to April 2014, Ms. Wang was an independent director of Winall Hi-tech Seed Co., Ltd. (安徽荃銀高科種業股份有限公司) (SZSE stock code: 300087). From April 2003 to October 2009, Ms. Wang was an independent director of Tellhow Sci-tech Co., Ltd. (泰豪科技股份有限公司) (SSE stock code: 600590). From September 2007 to January 2008, she was a visiting scholar at faculty of management, Fudan University (復旦大學) in Shanghai, China.

Ms. Wang obtained a bachelor's degree in financial accounting and a master's degree in accounting from East China Jiaotong University in June 1993 and June 2005, respectively. She also obtained her doctorate degree in industrial economics from Jiangxi University of Finance and Economics in January 2009. Ms. Wang was accredited as a professor by Jiangxi Provincial Title Commission Office in November 2005.

Joint Company Secretaries

Mr. XU Jihong (徐繼紅) is a joint company secretary of the Bank. For biographical details of Mr. Xu, please see “- Executive Directors”



CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS, EMPLOYEES AND INSTITUTIONS

Dr. NGAI Wai Fung (魏偉峰) is a joint company secretary of the Bank. Dr. Ngai is currently a director and the chief executive officer of SWCS Corporate Services Group (Hong Kong) Limited and had served as the president of the Hong Kong Institute of Chartered Secretaries from 2014 to 2015. Dr. Ngai possesses substantial company secretarial experience. Dr. Ngai became a fellow member of the Hong Kong Institute of Chartered Secretaries in November 2000, a fellow member of the Institute of Chartered Secretaries and Administrators in November 2000, a member of the Hong Kong Institute of Certified Public Accountants in July 2007, and a fellow member of the Association of Chartered Certified Accountants in March 2012. Dr. Ngai was a member of the Working Group on Professional Services under the Economic Development Commission by the Chief Executive of the Hong Kong Special Administrative Region from January 2013 to March 2018. He was appointed as a member of the Qualifications and Examinations Board by the Hong Kong Institute of Certified Public Accountants and a Finance Expert Consultant by the MOF in January 2013 and June 2016, respectively.

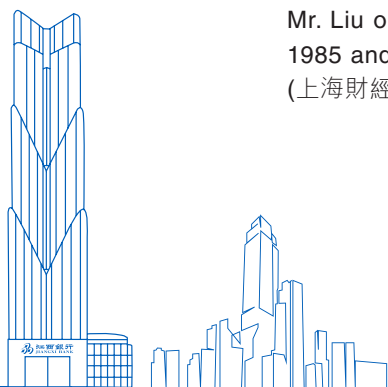
Dr. Ngai obtained a master's degree in business administration from Andrews University of Michigan in the United States in August 1992, a bachelor's degree (Honours) in law from the University of Wolverhampton in the United Kingdom in October 1994, a master's degree in corporate finance from the Hong Kong Polytechnic University in November 2002, and a doctoral degree in finance from the Shanghai University of Finance and Economics in June 2011.

6.3.2 Supervisors

Employee Representative Supervisor

Mr. LIU Fulin (劉福林) joined the Bank as the chairman of the board of Supervisors in December 2015. From March 2010 to January 2016, Mr. Liu was with Financial Office of People's Government of Jiangxi Province (江西省政府金融辦) and successively served as the director of the division of capital market, a deputy head and the head. From July 1990 to March 2010, he was with Jiangxi Government and successively served as (i) a cadre, senior staff member and principal staff at the financial division of the General Office, (ii) the director of the financial division of the General Office in Bureau of Government Offices Administration (機關事務管理局), (iii) a deputy director and researcher of commercial and finance division (商金處) of the General Office, (iv) a deputy director and researcher of the financial division of the General Office and (v) the director of financial division General Office. From July 1985 to September 1988, Mr. Liu was a teacher and a teaching assistant at Jiangxi Institute of Economic Administrators (江西經濟管理幹部學院).

Mr. Liu obtained his bachelor's degree in mathematics from Jiangxi Normal University in July 1985 and master's degree in accounting from Shanghai University of Finance and Economics (上海財經大學) in Shanghai, China, in January 1994.



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Ms. TAO Yulan (陶玉蘭) is an employee representative Supervisor and Ms. Tao joined the Bank when it was established and took various positions in the Bank, including (i) the head of an outlet of Technology Sub-branch, (ii) a deputy manager of the financial and accounting department of Technology Sub-branch, and (iii) a vice president of Zhongshan Road Sub-branch. Since May 2008, Ms. Tao has been the general manager of the audit department of the Bank. She has been an employee representative Supervisor since March 2009.

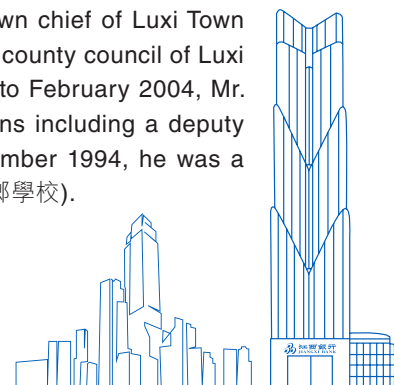
Ms. Tao obtained a college diploma in computer finance and accounting from Institute of Engineering of Nanchang Aircraft Manufacturing Company (南昌飛機製造公司工學院) in July 1998. He also completed her correspondence undergraduate course in Party School of the Central Committee of Communist Party of China, majoring in economics management, in December 2003. Ms. Tao was accredited as a senior auditor by the General Office of Professional Title in Jiangxi Province in November 2010.

Mr. CHEN Xinxiang (陳新祥) joined the Bank in December 2015 and has served as an employee representative Supervisor of the Bank since then. Since August 2016, Mr. Chen has been a vice president of Jingdezhen Branch. From March 2016 to August 2016, Mr. Chen was a deputy general manager of the planning and finance department of the Bank. From July 2002 to December 2015, Mr. Chen was with Jingdezhen City Commercial Bank, and successively served as a deputy manager of the planning and finance department, manager of business department and the manager of the planning and finance department. From August 1989 to November 1999, Mr. Chen was a teacher at Jingdezhen Grain School (景德鎮市糧食學校).

Mr. Chen obtained a diploma in physics from Jingdezhen College of Education (景德鎮教育學院) (currently known as Jingdezhen College (景德鎮學院)) in July 1989. He also obtained a diploma in accounting from Zhongnan University of Finance and Economics (中南財經大學) (currently known as Zhongnan University of Economics and Law (中南財經政法大學)) in June 1999. Mr. Chen was accredited as an accountant by Ministry of Finance of the PRC in May 1998.

Shareholder Representative Supervisors

Mr. HUANG Zhenping (黃鎮萍) is a shareholder representative Supervisor, and has been the principal of Pingxiang Huixiang since July 2016. Since July 2011, Mr. Huang has been a party committee member and deputy head of management committee of Pingxiang Economic Development Zone (萍鄉經濟開發區). His previous working experiences include serving as (i) a member of the party group and assistant to head of Luxi County government from February 2009 to July 2011, (ii) the secretary to party committee of Luxi Town from February 2006 to February 2009, (iii) the deputy secretary to the party committee and town chief of Luxi Town from September 2005 to February 2006, (iv) the head of general office of county council of Luxi County from February 2004 to September 2005. From September 1994 to February 2004, Mr. Huang was with People's Court in Luxi County and took various positions including a deputy chief justice and a member of party group. From August 1993 to September 1994, he was a teacher at Pingxiang Luxi Changfeng Middle School (萍鄉市蘆溪縣長豐鄉學校).



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Mr. Huang obtained a diploma in politics and history from Pingxiang Junior College (萍鄉高等專科學校) (currently known as Pingxiang University (萍鄉學院)) in July 1993 and completed his master program in economic law from Nanchang University in March 2004.

Mr. ZHOU Minhui (周敏輝) is a shareholder representative Supervisor, and has been with Jiangxi Copper Company Limited since 1982. From July 2016 to December 2017, he was the general manager of the financial management department of this company.

Mr. Zhou completed his long distance learning courses in industrial accounting offered by Jiangxi Radio & TV University (江西廣播電視大學) in July 1986. He also completed his correspondence undergraduate course in Party School of the Central Committee of Communist Party of China, majoring in law in December 2004. Mr. Zhou was qualified as an accountant by the Ministry of Finance of the PRC in December 1992.

Mr. CHEN Chuxin (陳出新) is a shareholder representative Supervisor, and has been the chairman of Jiangxi Fiscal Investment Management Co., Ltd. (江西省財政投資管理公司) since June 2009. From January 1989 to June 2009, Mr. Chen was with Jiangxi Provincial Department of Finance and successively served as a staff member, senior staff member, principal staff member and deputy head.

Mr. Chen obtained a bachelor's degree in national economic planning from Jiangxi Institute of Finance and Economics in July 1986. He also obtained a master's degree in computer technology from Huazhong University of Science and Technology (華科技大學) in December 2001. He was accredited as a senior accountant by the General Office of Professional Title in Jiangxi Province (江西省職稱工作辦公室) in November 2005.

External Supervisors

Mr. SHI Zhongliang (史忠良) is an external Supervisor, and served as the principal and a professor of Jiangxi University of Finance and Economics from February 1995 to October 2004. Mr. Shi received his diploma in political economy from Fudan University in July 1967. Mr. Shi was accredited as a researcher by Jiangxi Title Reform Committee in June 1992.

Ms. LI Danlin (李丹林) is an external Supervisor, and has been a teacher of Communication University of China (中國傳媒大學) or its predecessors since July 1986. She is currently a professor of institute of political science and law. Ms. Li obtained a bachelor's degree in law and a master's degree in economic law from Peking University in July 1986 and January 2002, respectively. She also obtained her doctorate degree in communication from Communication University of China (中國傳媒大學) in June 2011. In June 1993, Mr. Li was qualified as a lawyer by Beijing Municipal Bureau of Justice (北京市司法局).



CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS, EMPLOYEES AND INSTITUTIONS

Mr. SHI Jing is an external Supervisor, and has been a professor within the Faculty of Business & Economics of Macquarie University since February 2018. Prior to this, Mr. Shi was a professor of Royal Melbourne Institute of Technology University from March 2014 to February 2018. From February 1997 to March 2014, he was with the Australian National University and successively served as an associate lecturer, a lecturer of finance, a senior lecturer of finance and an associate professor of finance.

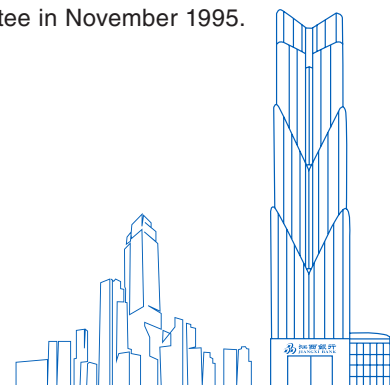
Mr. Shi obtained a bachelor's degree in finance from University of Otago in New Zealand in July 1998 and a doctorate degree in finance from the Australian National University in September 2001, respectively.

6.3.3 Senior Management Members

For biographical details of Mr. LUO Yan and Mr. XU Jihong, please see paragraph 6.3.1 of this report.

Mr. CHEN Yong (陳勇) has served as the vice president of the Bank since June 2006. He joined the Bank in February 1998 and took various positions in the Bank, including (i) a deputy director of the general office of the Bank, (ii) the director of the general office of the Bank, (iii) the head of general office of party committee (黨委辦公室) of the Bank, (iv) a deputy secretary to the party committee, (v) chairman of the labor union, (vi) a party committee member, director and vice president of the Bank. Prior to joining the Bank, Mr. Chen was a cadre at the preparatory office of Nanchang Coordination Bank (南昌市合作銀行) from November 1996 to February 1998. From October 1991 to November 1996, he was with Nanchang Branch of Jiangxi Corporation for International Economic and Technical Cooperation (江西國際經濟技術合作公司南昌分公司) (currently known as Nanchang International Technology Cooperation Co., Ltd. (南昌國際經濟技術合作公司)), a company primarily engaged in overseas labor service dispatch and foreign engineering contracting, where he successively served as an engineer, deputy director of manager office, manager of international cooperation division I, manager of labor division I and assistance to general manager. From August 1982 to October 1991, Mr. Chen successively served as a technologist and a deputy factory director of a branch at Jiangxi National Pharmaceutical Factory (江西國藥廠).

Mr. Chen obtained a bachelor's degree in inorganic chemical industry and a bachelor's degree in law from Jiangxi Polytechnic College (江西工學院) (currently known as Nanchang University) and Jiangxi Normal University in July 1982 and April 2001, respectively. He also obtained a master of business administration from New York Institute of Technology in the U. S. in May 2008. Mr. Chen was accredited as a senior engineer by Jiangxi Title Reform Committee in November 1995.

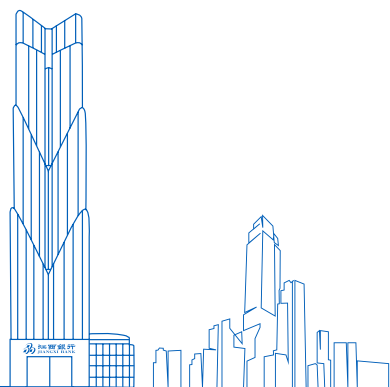


CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS, EMPLOYEES AND INSTITUTIONS

Mr. CHENG Zongli (程宗禮) has served as the vice president of the Bank since April 2011. Mr. Cheng joined the Bank when it was established and took various positions in the Bank, including (i) a deputy director of asset risk management department, (ii) a deputy manager of special assets management department, (iii) a vice president of Yongxing Sub-branch and Minde Sub-branch, (iv) a deputy general manager of corporate business department, (v) the general manager of credit management department, (vi) the president of Railway Sub-branch, and (vii) a vice president and member of party committee of the Bank. Mr. Cheng's previous working experiences also include serving as (i) a clerk in Nanchang City Credit Union (南昌城市信用社) from October 1994 to August 1997 and (ii) a physician at Nanchang No. 9 Hospital (南昌市第九醫院) from August 1989 to October 1994.

Mr. Cheng obtained a bachelor's degree in clinical medicine from Jiangxi Medical College (江西醫學院) (currently known as the medical school of Nanchang University) in June 1989. He also obtained a bachelor's degree in money and banking by completing the correspondence course offered by Peking University in July 1999 and a master of business administration degree from Nanchang University in January 2010. Mr. Cheng was qualified as a senior economist by the General Office of Professional Title in Jiangxi Province in November 2016.

Mr. CAI Xiaojun (蔡小俊) has served as the vice president of the Bank since August 2011. Prior to joining the Bank, Mr. Cai was with the CBRC Jiangxi Office (中國銀行業監督管理委員會江西監管局) from October 2003 to August 2011 and held various positions successively, including (i) a principal staff member of supervision division of Industrial and Commercial Bank of China (工行監管處), (ii) a deputy director of supervision division of Industrial and Commercial Bank of China, (iii) a deputy director and party committee member of CBRC Jingdezhen Bureau (景德鎮銀監分局), (iv) a deputy director of statistical and information division (統計信息處), and (v) a deputy director of supervision division of city commercial banks (城市商業銀行監管處). From September 1994 to October 2003, Mr. Cai was with PBoC and successively served as (i) a staff member of the planning department of Financial Research Institution of PBoC Jiangxi Branch (中國人民銀行江西省分行金融研究所), (ii) a vice president of PBoC Jiangxi Xiushui County Sub-branch (中國人民銀行江西省修水縣支行), (iii) a deputy section chief of the general department of planning and fund division in PBoC Nanchang Supervision Office (中國人民銀行南昌監管辦計劃資金處綜合科), (iv) a deputy section chief of the general division in PBoC Nanchang Supervision Office (中國人民銀行南昌監管辦綜合處) and (v) a principal staff member of the general division in PBoC Nanchang Supervision Office, supervision division of banks in PBoC Nanchang Supervision Office (中國人民銀行南昌監管辦銀行檢查處) and supervision division of Industrial and Commercial Bank of China.



CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS, EMPLOYEES AND INSTITUTIONS

Mr. Cai obtained a bachelor's degree in applied mathematics, a master's degree in operational research and cybernetics and a master of business administration from Huazhong College of Engineering (華中工學院) (currently known as Huazhong University of Science and Technology), Fudan University, Southwestern University of Finance and Economics (西南財經大學) in Sichuan Province, China, in July 1986, July 1994 and December 2002, respectively. Mr. Cai was qualified as a senior economist by Senior Professional and Technical Qualification of Economist Review Committee of PBoC (中國人民銀行經濟系列高級專業技術資格評審委員會) in October 2004.

6.4 CONFIRMATION OF INDEPENDENCE FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The Bank has received annual confirmation of independence from each independent non-executive Directors, confirming all independent non-executive directors are independent pursuant to Rule 3.13 of Hong Kong Listing Rules.

6.5 DEALING IN SECURITIES BY DIRECTORS AND SUPERVISORS

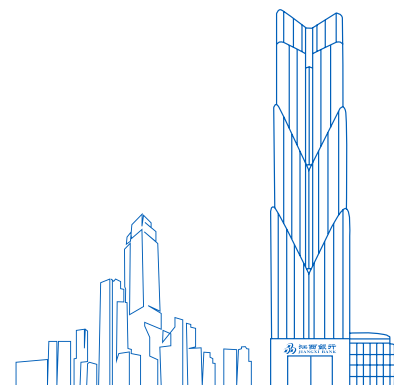
The Bank has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors and Supervisors. Having been made specific enquiry, all Directors and Supervisors confirmed that they have complied with requirements under the above Model Code throughout the period from the Listing Date to December 31, 2018.

During the Reporting Period, the Directors and Supervisors did not have any dealing in the Bank's shares.

6.6 INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

As at December 31, 2018, the interests and short positions of the Directors, Supervisors and chief executives of the Bank in the shares, underlying shares or debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Bank and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Bank and the Stock Exchange pursuant to the Model Code, were as follows:

- I) Directors: Nil



CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS, EMPLOYEES AND INSTITUTIONS

II) Supervisors:

Name	Position	Class of Shares	Nature of interest	Number of Shares directly or indirectly held (unit: share)	Approximate % of the issued share capital of the relevant share class	Approximate % of the total share capital of the Bank
CHEN Xinxiang	Employee Representative Supervisor	Domestic Shares	Beneficial interest	46,901	0.0010%	0.00078%
CHEN Chuxin	Shareholder Representative Supervisor	Domestic Shares	Beneficial interest	2,000	0.000043%	0.000033%
LIU Fulin ⁽¹⁾	Employee Representative Supervisor	Domestic Shares	Interest of spouse	2,000	0.000043%	0.000033%

Note:

- 1 Mr. Liu Fulin is deemed to be interested in 2,000 Domestic Shares held by his spouse, Ms. Nie Lei (聶磊), by virtue of the SFO.

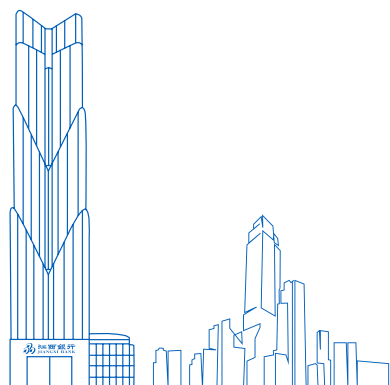
III) Chief executives: Nil

6.7 INFORMATION OF EMPLOYEES

6.7.1 Composition of Employees

(1) By age

As of the end of the Reporting Period, the Bank had 2,729 employees aged 30 or under, accounting for 56% of the total number of employees; 1,047 employees aged 31 to 40, accounting for 22% of the total number of employees; 983 employees aged 41 to 50, accounting for 20% of the total number of employees; and 99 employees aged over 50, accounting for 2% of the total number of employees.



(2) *By education*

As of the end of the Reporting Period, the Bank had a total of 4,858 employees, including 4,285 employees with a bachelor degree or above, accounting for 88.2% of the total number of employees, and 573 employees with a college degree or below, accounting for 11.8% of the total number of employees.

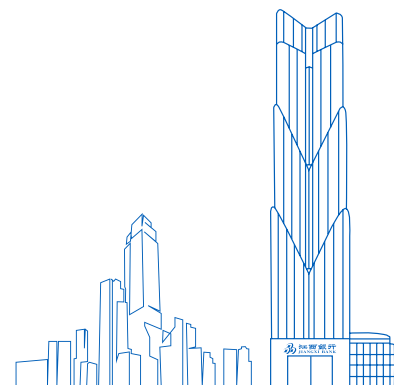
6.7.2 Employee Training Plan

During the Reporting Period, upholding the strategic thinking of “strengthening the Bank by talents”, the Bank adhered to the talent cultivation mechanism of developing together with employees and achieving mutual improvement and the goal of enhancing employees’ quality, and built an all-round and multi-level training system and a learning organization good at learning and attaching importance to practice based on customer service.

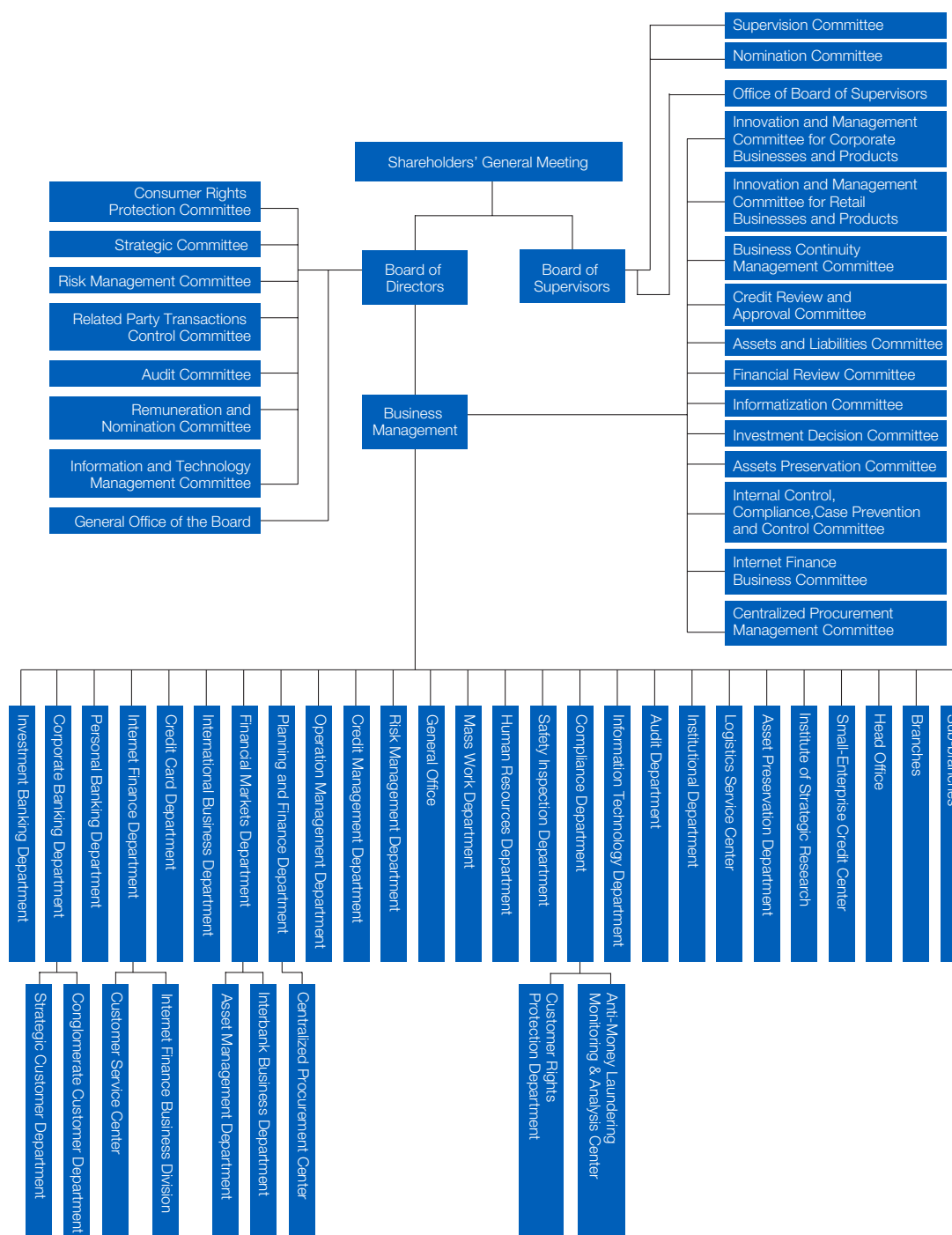
During the Reporting Period, according to the training program under the “Work Plan for Employees’ Educational Training for 2018”, the Bank organized internal trainings and external dispatches, held lecture series “Brainstorm”, conducted studies and researches in advanced banks, participated in external forums and training classes, organized off-job training in colleges and universities and conducted centralized training on new businesses and products and pre-job training for new employees. It was committed to building a learning and innovative team.

6.7.3 Employee Remuneration Policy

The Bank has established a position-based remuneration system, with the remuneration of employees determined according to their position value and performance evaluation. The Bank makes contribution to the employees’ social insurance and provides housing allowances and several other staff benefits pursuant to applicable PRC laws and regulations. As of the end of the Reporting Period, the Bank had no significant changes in its remuneration policies.



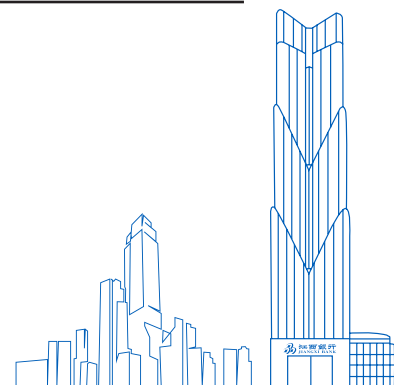
6.8 ORGANIZATIONAL STRUCTURE



CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS, EMPLOYEES AND INSTITUTIONS

6.9 BASIC INFORMATION OF BRANCHES AND SUB-BRANCHES

Area	Name of institutions	Business address (in China)	Notes
Nanchang, Jiangxi	Head office	No. 699 Financial Street, Honggutan New District, Nanchang, Jiangxi Province	Governing 102 licensed branches and sub-branches in Nanchang
Pingxiang, Jiangxi	Pingxiang branch	No. 198 Jianshe Middle Road, Anyuan District, Pingxiang, Jiangxi	Governing 10 licensed institutions in Pingxiang
Jiujiang, Jiangxi	Jiujiang branch	No. 248 Changhong Avenue, Lushan District, Jiujiang, Jiangxi	Governing 15 licensed institutions in Jiujiang
Ganzhou, Jiangxi	Ganzhou branch	No.48 Zhangjiawei Road, Zhanggong District, Ganzhou, Jiangxi	Governing 24 licensed institutions in Ganzhou
Yichun, Jiangxi	Yichun branch	No.636 Yichun North Road, Yuanzhou District, Yichun, Jiangxi	Governing 15 licensed institutions in Yichun
Xinyu, Jiangxi	Xinyu branch	No.69 Zhongshan Road, Yushui District, Xinyu, Jiangxi	Governing 6 licensed institutions in Xinyu
Shangrao, Jiangxi	Shangrao branch	No.46 Daihu Road, Xinzhou District, Shangrao, Jiangxi	Governing 16 licensed institutions in Shangrao
Ji'an, Jiangxi	Ji'an branch	1/F, Tianhong Shopping Plaza, Guangchang South Road North, Jinggangshan Avenue West, Jizhou District, Ji'an, Jiangxi	Governing 13 licensed institutions in Ji'an
Fuzhou, Jiangxi	Fuzhou branch	No. 618 Gandong Avenue, Linchuan District, Fuzhou, Jiangxi	Governing 9 licensed institutions in Fuzhou
Yingtian, Jiangxi	Yingtian branch	No. 12, Zhanjiang Road, Yuehu District, Yingtian, Jiangxi	Governing 3 licensed institutions in Yingtian
Jingdezhen, Jiangxi	Jingdezhen branch	1/F, West Area 1, Crown Shopping Plaza, Guangchang South Road, Zhushan District, Jingdezhen, Jiangxi	Governing 16 licensed institutions in Jingdezhen
Nanchang, Jiangxi	Small Enterprise Credit Center	No.96 Zhanqian Road, Xihu District, Nanchang, Jiangxi	Governing 8 licensed institutions in Jiangxi
Guangzhou	Guangzhou branch	Room 102, Block 3, 1/F and Rooms 201-202, Block 3, 2/F, No. 986, Jiefang North Road, Yuexiu District, Guangzhou	Governing 5 licensed institutions in Guangzhou
Suzhou	Suzhou branch	Area B, Block 24, Harmony Times Square Shopping Mall, Wangdun Road, Suzhou Industrial Park, Suzhou, Jiangsu	Governing 5 licensed institutions in Suzhou



CHAPTER VII CORPORATE GOVERNANCE REPORT

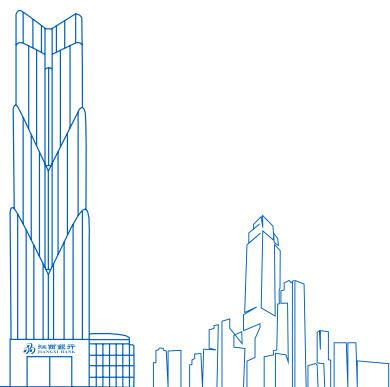
7.1 OVERVIEW OF CORPORATE GOVERNANCE

During the Reporting Period, the Bank continued to improve the transparency of corporate governance to protect the interests of shareholders and enhance corporate value.

The Bank has established a relatively comprehensive corporate governance structure pursuant to the provisions of the Hong Kong Listing Rules. The composition of the Board and the special committees under the Board complies with the requirements of the Hong Kong Listing Rules. The Bank clearly defines the responsibilities of the shareholders' general meeting, the Board, the Board of Supervisors, and senior management. The shareholders' general meeting is the highest authority of the Bank, and the Board is responsible to the shareholders' general meeting. The Board has set up seven special committees that operate under the leadership of the Board and offer opinion on the Board's decision-making. The Board of Supervisors supervises the performance of duties by the Board and senior management as well as the Bank's financial activities, risk management, and internal control. Under the leadership of the Board, senior management is responsible for implementing the resolutions of the Board and for daily business and management of the Bank, and reports to the Board and the Board of Supervisors on a regular basis. The President of the Bank, appointed by the Board, is responsible for the overall business operation and management of the Bank.

The Bank has adopted Appendix 14 to the Hong Kong Listing Rules headed Corporate Governance Code (the "Code"). The Bank has met the requirements of the measures for the administration of domestic commercial banks and the corporate governance requirements and has established a sound corporate governance system. During the period from the Listing Date to December 31, 2018, the Bank has complied with all applicable Code provisions as set forth in Appendix 14 to the Hong Kong Listing Rules.

The Bank commits itself to maintaining high-standard corporate governance. The Bank will continue to strengthen its corporate governance, to ensure compliance with the Code and live up to the expectations of shareholders and potential investors.



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7.2 SHAREHOLDERS' GENERAL MEETING

7.2.1 Convening of General Meetings

In 2018, the Bank convened one shareholders' general meeting, details of which are set out below:

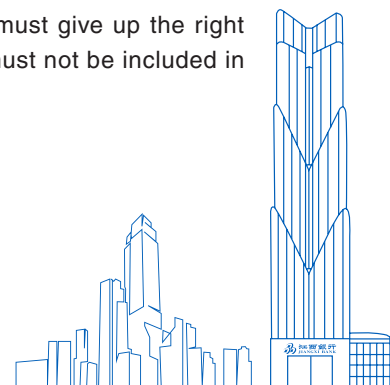
On March 26, 2018, the Bank convened the 2017 annual general meeting, at which nine proposals were considered and approved, including the 2017 Final Settlement Report, 2018 Financial Budget Plan, 2017 Profit Distribution Plan, and proposals on electing Mr. LUO Yan and Mr. XU Jihong as executive directors of the Bank.

The above general meeting was convened in line with the procedures required by relevant laws and regulations.

7.3 BOARD

7.3.1 Operation of the Board

Regular meetings of the Board shall be convened at least once each quarter and other meetings shall be scheduled if necessary. Board meetings may be convened on site or by means of communication. The Board must notify all directors prior to Board meetings and provide sufficient information (including background information and other information and data of the proposals presented to assist the directors in making informed decisions) to all directors in a timely manner. For regular meetings of the Board, all directors and supervisors must be notified in writing 14 days before the convening of the meetings, and the meeting agenda and relevant meeting documents shall be sent to all directors three days before the convening of the meetings; and for other Board meetings, a notice shall be sent to all directors 5 days before the convening of the meetings. A good communication and reporting mechanism has been established between the Board and senior management. The President is responsible to the Board and reports to the Board on a regular basis, and is subject to the supervision by the Board of Supervisors. At the Board meetings, all directors are free to express their opinions, and discuss important decisions in detail before making such decisions. The Board has a Board office that serves as the daily office of the Board. The Board office is responsible for preparing the general meetings and Board meetings and processing the tasks assigned by the general meetings, Board meetings, and meetings of the special committees under the Board. The Board and senior management exercise their respective powers corresponding to their responsibilities contained in the Articles of Association. Directors who have a material interest in the proposals must give up the right of participating in the discussion and voting on relevant proposals and must not be included in the quorum of the relevant proposals.



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7.3.2 Composition of the Board

As at the date of this annual report, the Board of the Bank consists of 15 directors, including three executive directors, namely, Mr. CHEN Xiaoming (Chairman), Mr. LUO Yan, and Mr. XU Jihong; seven non-executive directors, namely, Mr. QUE Yong, Mr. LI Zhanrong, Mr. LIU Sanglin, Mr. DENG Jianxin, Ms. CHEN Yu, Mr. TANG Xianqing, and Mr. ZENG Zhibin; and five independent non-executive directors, namely, Ms. ZHANG Rui, Mr. GUO Tianyong, Mr. WONG Hin Wing, Ms. WANG Yun, and Ms. ZHANG Wangxia. The number and composition of the Board comply with applicable laws and regulations.

For the biographies and term of office of directors, please refer to Chapter VI “Directors, Supervisors, Senior Management, Employees and Institutions” in this report. None of the Board members are associated with other members.

7.3.3 Changes in Board Members During the Reporting Period

During the Reporting Period, Mr. WU Hongtao, executive director of the Bank, resigned, Mr. TONG Yuming retired at the right age, Mr. LUO Yan and Mr. XU Jihong were augmented and appointed as executive directors of the Bank, and Mr. WONG Hin Wing was appointed as an independent non-executive director of the Bank.

7.3.4 Authority of the Board

The Board is responsible to the shareholders' general meeting and exercises the following powers:

to convene a shareholders' general meeting and report to the meeting on the work of the Board;

to implement the resolutions of the shareholders' general meeting;

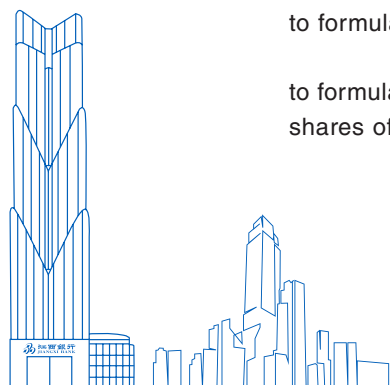
to formulate the development strategy for the Bank and supervise its implementation, and regularly evaluate the implementation of the strategic plan;

to decide on the Bank's business plan and risk capital allocation plan;

to formulate the Bank's annual financial budget plan, final settlement plan, and investment plan;

to formulate the Bank's profit distribution plan and the plan for making up losses;

to formulate plans for the Bank to increase or decrease its registered capital and to repurchase shares of the Bank;



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to formulate the plan for issuing bonds or other securities and the listing plan;

to formulate plans for major acquisition, acquisition of stocks of the Bank, or merger, division, dissolution, and change in corporate form;

to decide on the establishment of the internal management organizations, primary branches and franchisees of the Bank;

to appoint or dismiss President of the Bank and secretary to the Board; according to the nomination of the President, appoint or dismiss Vice President, Chief Financial Officer, and other senior executives of the Bank as well as other personnel (including but not limited to Assistant President, chief auditor, chief accountant, chief information officer, risk director, compliance director, audit department head, etc.) that shall be appointed or dismissed by the Board according to relevant laws and regulations and the Articles of Association of the Bank; and decide on their remuneration and rewards and punishments;

to formulate the basic management system for the Bank;

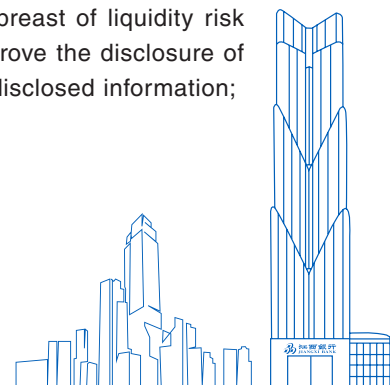
to formulate the proposals for amending the Articles of Association, rules of procedure for the shareholders' general meeting, and rules of procedure for the Board;

to review the Bank's compliance policy, supervise the implementation of the compliance policy, and bear the ultimate responsibility for the compliance of the Bank's business activities;

to establish risk culture, assume the ultimate responsibility for comprehensive risk management, determine the risk preference, risk tolerance, risk management policies, and internal control policies of the Bank's parent company and of the Group, and supervise the policy implementation;

to examine and approve the stress testing policy, review the stress testing report that has a significant impact as determined by senior management, understand the key assumptions of stress testing, pay attention to the results of stress testing and its impact, review the subsequent major improvement measures, understand the risk mitigation effects of the improvement measures, and consider the results of stress testing when determining the Bank's risk preference and risk management objectives;

to examine and approve liquidity risk preferences (at least once a year), liquidity risk management strategies, and important policies and procedures; continue to focus on liquidity risk status, obtain liquidity risk reports on a regular basis, and keep abreast of liquidity risk level, management status, and significant changes; and review and approve the disclosure of liquidity risk information to ensure the authenticity and accuracy of the disclosed information;



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to be responsible for ensuring that the Bank establishes and implements a fully effective internal control system, to ensure that the Bank operates prudently within the legal and policy framework; be responsible for clearly setting the acceptable risk level for the Bank and ensuring that senior management takes necessary risk control measures; and be responsible for supervising the monitoring and evaluation by senior management of the adequacy and effectiveness of the internal control system;

to formulate the information disclosure system for the Bank, manage the Bank's information disclosure matters, and assume ultimate responsibility for the integrity, accuracy and timeliness of the Bank's accounting and financial reporting system; and examine and approve the Bank's annual report;

to submit to the shareholders' general meeting for appointing, dismissing or no longer re-appointing the accounting firm that provides annual audit for the Bank;

to listen to the work report of senior management and check its work, supervise and ensure that senior management personnel fulfill their management duties effectively;

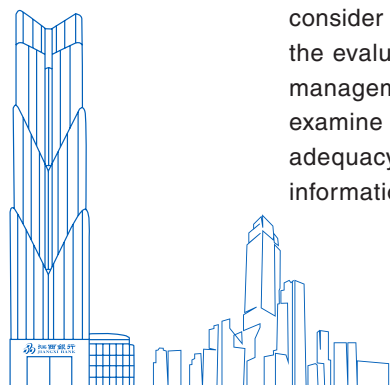
to examine and approve the information technology strategy, and evaluate the overall effectiveness and efficiency of information technology and risk management; regularly listen to the report of senior management personnel on the implementation of the information technology strategy, information technology budget and actual expenditure, and overall situation of information technology; and examine the annual report of risk management on information technology and submit the report to the banking regulatory authority;

to examine and approve the strategic development plan, risk management system, outsourcing scope, and related arrangements of the Bank's information technology outsourcing, review the relevant reports on information technology outsourcing activities, and regularly arrange internal audits to ensure that the audit covers all outsourcing arrangements;

to formulate policies and objectives for the Bank's data quality management and regularly evaluate the effectiveness and implementation thereof;

to regularly evaluate and improve the corporate governance of the Bank;

to formulate capital planning, assume ultimate responsibility for capital management, examine and approve capital management system and the management plan for capital adequacy ratio, consider and approve the report on the management of capital adequacy ratio and the report on the evaluation of internal capital adequacy, listen to the audit report on capital adequacy ratio management and on the implementation of evaluation procedures of internal capital adequacy, examine and approve the information disclosure policy, procedures, and contents of capital adequacy ratio, and ensure the authenticity, accuracy, and completeness of the disclosed information;



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to formulate professional norms and value criteria that the Board and senior management shall follow;

to formulate strategies, policies, and objectives of the protection of consumer rights and interests related to the Bank, and urge senior management to implement and safeguard the legitimate rights and interests of depositors and other stakeholders; and be responsible for supervising and evaluating the allsidedness, timeliness, and effectiveness of the protection of consumer rights and interests of the Bank and the performance of senior management;

to establish a mechanism for identifying, reviewing, and managing conflicts of interest between the Bank and shareholders, particularly major shareholders;

to develop good internal control culture, supervise senior management personnel to formulate relevant policies, procedures, and measures, continue to focus on the internal control of the Bank, and implement whole process management of risk;

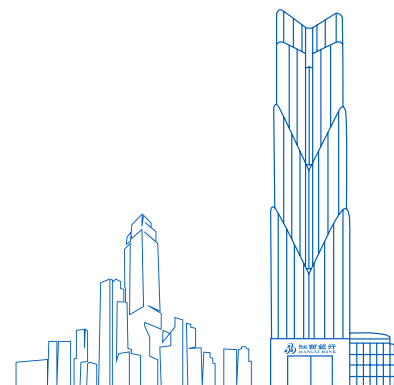
to establish a case prevention management system that is compatible with the Bank's risk management, asset size, and business complexity, and effectively monitor, provide alert for and dispose of case risk;

to examine and approve the management strategies, policies, and procedures for the Bank's business continuity; examine and approve the senior management's management responsibilities for business continuity, regularly listen to senior management's report on business continuity management, and supervise and evaluate their performance; and examine and approve the annual audit report on business continuity management;

to review or approve the filing application for the Bank's shareholder qualification, equity transfer, and equity pledge;

to evaluate the performance of duties by directors and appraise the due diligence of senior management members;

to formulate capital adequacy targets that are compatible with the Bank's development strategy, examine and approve the Bank's internal capital adequacy procedures, and ensure that capital fully covers major risk; and examine and approve and supervise the implementation of capital plans, and satisfy the Bank's requirements for continuing operations and replenishing emergency capital;



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to listen to senior management's regulatory opinions on regulatory authorities, management recommendations from external auditors, and evaluation reports of the Board and the Board of Supervisors;

to formulate the consolidated management policy for the Bank, and supervise the policy implementation in the Bank and its subsidiaries; examine and approve and supervise major issues related to consolidated management, and supervise the implementation thereof; consider and approve the consolidated management of the Bank and corporate governance and management of major subsidiaries; and supervise and ensure that senior management effectively performs the responsibilities of consolidated management;

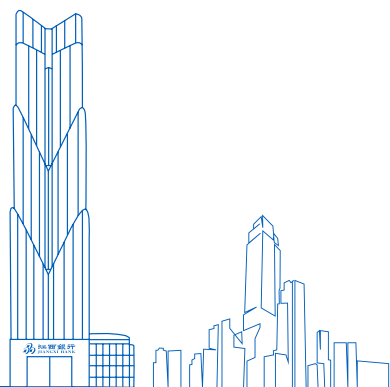
to formulate the strategy objectives of green credit for the Bank, examine and approve the senior management's report on the implementation of green credit, and supervise and evaluate the implementation of the Bank's development strategy of green credit;

to examine and approve major related party (connected) transactions;

Other powers as set forth in laws and regulations, the listing rules of the stock exchanges where the stocks of the Bank are listed or the Articles of Association of the Bank and granted by the shareholders' general meeting.

7.3.5 Directors' Responsibilities for Preparing Financial Statements

The Directors confirm that they are responsible for preparing financial statements for the year ended December 31, 2018 which should truly and fairly reflect the business status and performance of the Bank. To prepare financial statements, the directors shall select and apply appropriate accounting policies, and use accounting estimates that are appropriate for relevant circumstances. With the assistance of accounting and finance personnel, the directors ensure that they have prepared the financial statements for the Bank in accordance with statutory requirements and applicable financial reporting standards.

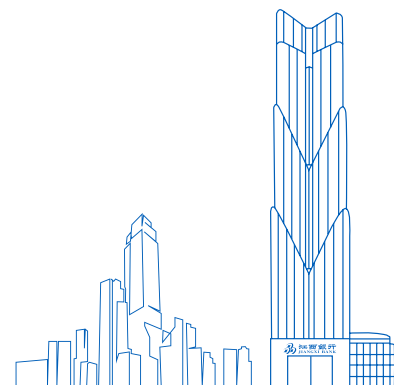


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7.3.6 Board Meetings and the Attendance of Directors

During the Reporting Period, the Bank convened a total of 13 Board meetings, at which the Bank debriefed on, considered and approved 89 proposals mainly involving topics such as adoption and/or revision of various corporate governance measures, profit distribution plans, development plans, and business performance. Details of the Board meetings convened during the Reporting Period are set out below:

Session	Date	Form
Periodic meetings		
Ninth session of the first Board meeting	January 16, 2018	On-site
Tenth session of the first Board meeting	March 5, 2018	On-site
Eleventh session of the first Board meeting	May 25, 2018	On-site
Twelfth session of the first Board meeting	August 27, 2018	On-site
Thirteenth session of the first Board meeting	October 26, 2018	On-site
Extraordinary meetings		
The first extraordinary meeting for 2018 of the first session of the Board	February 6, 2018	On-site
The second extraordinary meeting for 2018 of the first session of the Board	April 24, 2018	Teleconference
The third extraordinary meeting for 2018 of the first session of the Board	July 27, 2018	Teleconference
The forth extraordinary meeting for 2018 of the first session of the Board	August 10, 2018	Teleconference
The fifth extraordinary meeting for 2018 of the first session of the Board	September 14, 2018	Teleconference
The sixth extraordinary meeting for 2018 of the first session of the Board	October 18, 2018	Teleconference
The seventh extraordinary meeting for 2018 of the first session of the Board	November 2, 2018	Teleconference
The eighth extraordinary meeting for 2018 of the first session of the Board	December 24, 2018	Teleconference



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The attendance of each director at the Board meetings during the Reporting Period is as follows:

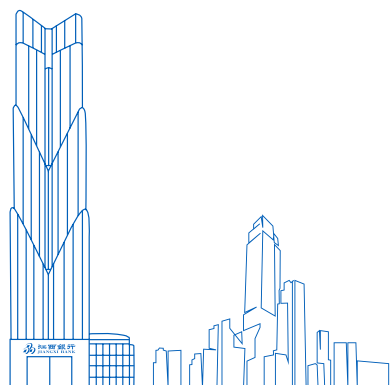
Members of the Board	Number of Attendances Required at Board Meetings	Number of Attendances in Person at Board Meetings	Number of Attendances by Proxy at Board Meetings	Attendance Rate at Board Meetings ¹	Number of Attendances/ Attendances Required at Shareholders' General Meetings
CHEN Xiaoming	13	13	0	100%	1/1
LUO Yan ²	9	9	0	100%	1/1
XU Jihong ³	9	9	0	100%	1/1
QUE Yong	13	11	2	84.62%	0/1
LI Zhanrong	13	11	2	84.62%	1/1
LIU Sanglin	13	12	1	92.31%	1/1
DENG Jianxin	13	11	2	84.62%	1/1
CHEN Yu	13	13	0	100%	1/1
TANG Xianqing	13	10	3	76.92%	0/1
ZENG Zhibin	13	13	0	100%	1/1
ZHANG Rui	13	12	1	92.31%	1/1
GUO Tianyong	13	10	3	76.92%	0/1
WONG Hin Wing ⁴	11	11	0	100%	1/1
WANG Yun	13	13	0	100%	1/1
ZHANG Wangxia	13	11	2	84.62%	0/1

¹ During the Reporting Period, attendance by way of proxy was not treated as attendance, and it is the same below.

² Mr. LUO Yan served as an executive director of the Bank on May 24, 2018.

³ Mr. XU Jihong served as an executive director of the Bank on May 24, 2018.

⁴ Mr. WONG Hin Wing was appointed by the Bank as an independent non-executive director on February 28, 2018.



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7.3.7 Independent Non-executive Directors

The Board of the Bank has five independent non-executive directors and is in compliance with the requirements of the Hong Kong Listing Rules concerning the appointment of at least three independent non-executive directors (representing at least one-third of the Board members), with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

During the Reporting Period, the independent non-executive directors fulfilled their fiduciary duties, due diligence responsibilities, and those obligations required by the Articles of Association and safeguarded the overall interests of the Bank and its shareholders. The independent non-executive directors of the Bank duly attended the Board meetings and the meetings of special committees, at which they provided objective and independent opinions on multiple matters, and actively participated in the decision-making of the Board and supervised the Board.

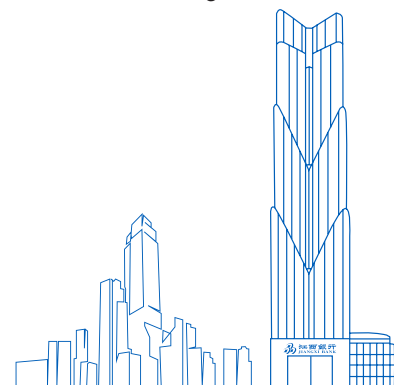
The Bank has received an annual confirmation of independence confirming the independence of each of the independent non-executive directors in writing, which was issued by such directors according to the requirements of the Hong Kong Listing Rules. Therefore, the Bank confirms that all independent non-executive directors have complied with the requirements of the Hong Kong Listing Rules in respect of the independence thereof.

7.3.8 Special Committees of the Board

As at the date of this annual report, the Board of the Bank has seven special committees, including the Strategic Committee, Audit Committee, Risk Management Committee, Related Party Transactions Control Committee, Information and Technology Management Committee, Remuneration and Nomination Committee, and Consumer Rights Protection Committee.

(1) *Strategic committee (composition, job responsibilities, main resolutions approved, and attendance)*

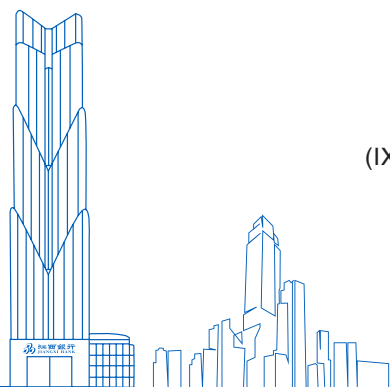
As at the date of this annual report, the strategic committee consists of six directors, namely, Mr. CHEN Xiaoming, Mr. LUO Yan, Mr. XU Jihong, Mr. QUE Yong, Mr. TANG Xianqing, and Mr. GUO Tianyong. Mr. CHEN Xiaoming, Mr. LUO Yan, and Mr. XU Jihong are executive directors, Mr. QUE Yong and Mr. TANG Xianqing are non-executive directors, and Mr. GUO Tianyong is an independent non-executive director. Mr. CHEN Xiaoming is the chairperson of the strategic committee.



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The duties of the Strategic Committee primarily include:

- (I) to be responsible for drawing up the Bank's development strategy and business objectives and supervising the implementation thereof, and regularly evaluating the implementation thereof;
- (II) to draw up capital adequacy targets that are compatible with the Bank's development strategy, draw up the Bank's internal capital adequacy procedures, and ensure that capital fully covers major risk; and supervise the implementation of capital plans, and satisfy the Bank's requirements for continuing operations and replenishing emergency capital;
- (III) to supervise and inspect the implementation of the annual business plan, investment plan, and risk capital allocation;
- (IV) to study major issues of the Bank, including changes in internal management organizations and organizations above primary branches (including franchisees), financial budget and settlement plans, profit distribution plan, risk capital allocation plan, major investment matters, plan for increasing or decreasing registered capital, plan for repurchasing shares of the Bank, plan for issuing bonds or other securities, and listing plan;
- (V) to organize and formulate the implementation plan for new capital management, urge senior management to implement the plan, and regularly evaluate the implementation of the plan;
- (VI) to draw up the strategy objectives of green credit for the Bank, review the senior management's report on the implementation of green credit, and supervise and evaluate the implementation of the Bank's development strategy of green credit;
- (VII) to regularly evaluate and improve the corporate governance of the Bank;
- (VIII) to formulate the Bank's Articles of Association, rules of procedure for the shareholders' general meeting, and rules of procedure for the Board, measures for the administration of authorization by the Board to the President, rules for the work of the President, rules for the work of secretary to the Board, rules for the work of independent directors, measures for the management of information disclosure, measures for equity management, measures for the management of equity pledge, and plans for modifying the rules for the work of the committee and the working instructions for the working group of the committee;
- (IX) to consider the qualifications of shareholders and equity transfer;

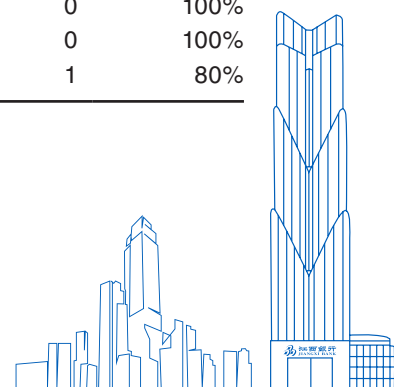


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- (X) to consider the purchase of the newly added fixed assets and intangible assets beyond the annual investment plan which is more than 20%, and submit the consideration results to the Board for approval;
- (XI) to consider the donations in which a single external donation amounts to more than RMB10 million and total donations amount to more than RMB30 million for the year, and submit the consideration results to the Board for approval;
- (XII) to examine and approve plan of the newly added expenses beyond the annual financial budget expense plan which is more than 20% and report the results to the Board;
- (XIII) to examine and approve the loss of a single amount of more than RMB10 million due to other abnormal factors, and submit the results to the Board for approval;
- (XIV) to consider the equity investment of the Bank and report the consider results to the Board for approval;
- (XV) to perform other duties as authorized by the Board.

During the Reporting Period, the Strategic Committee convened a total of five meetings, at which it considered and approved the 2018 Investment Plan of Jiangxi Bank, 2017 Financial Settlement Report and 2018 Financial Budget Report of Jiangxi Bank, and Proposal of Jiangxi Bank for Establishing Banking Financing Subsidiaries and revised the Articles of Association of Jiangxi Bank Co., Ltd. (Draft). The attendance of each committee member at the Strategic Committee meetings during the Reporting Period is as follows:

Members of the Board	Number of Attendances Required at the Meetings	Number of Attendances in Person at Board Meetings	Number of Attendances by Proxy at Board Meetings	Attendance Rate at Board Meetings
CHEN Xiaoming	5	5	0	100%
LUO Yan	3	3	0	100%
XU Jihong	3	3	0	100%
QUE Yong	5	5	0	100%
TANG Xianqing	5	5	0	100%
GUO Tianyong	5	4	1	80%

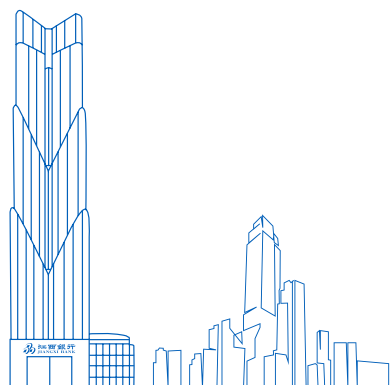


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(2) *Audit committee (composition, job responsibilities, main resolutions approved, and attendance)*

As of the date of this annual report, the Audit Committee consists of five directors, namely, Ms. ZHANG Rui, Mr. LI Zhanrong, Ms. CHEN Yu, Mr. GUO Tianyong, and Mr. WONG Hin Wing. Ms. ZHANG Rui is the chairperson of the Audit Committee. Ms. ZHANG Rui, Mr. GUO Tianyong, and Mr. WONG Hin Wing are independent non-executive directors. Mr. LI Zhanrong and Ms. CHEN Yu are non-executive directors. More than half of the members of the Audit Committee of the Bank are independent non-executive directors and the chairperson is an independent non-executive director. The duties of the Audit Committee primarily include:

- (I) to guide and supervise the internal audit of the Bank;
- (II) to check the Bank's risk and compliance status and review the financial reports, including:
 - to review the Bank's financial reports, make judgments on the authenticity, accuracy, completeness, and timeliness of the financial reports, and be responsible for the Bank's annual audit and the integrity of annual reports, semi-annual reports and quarterly reports, and review major opinions on relevant financial reporting as set forth in the financial reports and submit them to the Board for deliberation;
- (III) to supervise and evaluate the internal control of the Bank;
- (IV) to supervise and evaluate the external auditor;
- (V) to examine the following arrangements of the Bank: Employees of the Bank may secretly raise concerns about financial reporting, internal control, or other possible misconducts;
- (VI) to report to the Board on matters relating to the Corporate Governance Code in Appendix 14 of the Hong Kong Listing Rules and the provisions of the Code;
- (VII) to perform other duties as set forth in laws, regulations, rules, normative documents, supervisory regulations of the stock exchanges where the stocks of the Bank are listed, and Articles of Association of the Bank and as authorized by the Board.



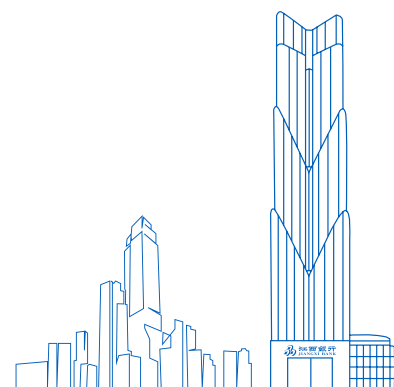
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During the Reporting Period, the Audit Committee convened a total of four meetings, at which it considered and approved 12 proposals mainly involving topics such as Jiangxi Bank 2017 Annual Report, Jiangxi Bank 2018 Interim Report, Jiangxi Bank Interim Results Announcement.

The Audit Committee arranged for the preparation and review of the 2017 Annual Report and the 2018 Interim Report in compliance with the relevant disclosure provisions of the annual financial report. During the Reporting Period, the Audit Committee convened meetings and communicated with external auditors in the absence of executive directors and senior management. On April 16, 2018, the Audit Committee reviewed the audited consolidated financial statements for the year ended December 31, 2017, which were prepared in accordance with the Bank's accounting principles and policies. The Audit Committee also reviewed the effectiveness of the internal control system and the internal audit function of the Bank by regularly listening to the report of the audit department on internal audit.

The attendance of each committee member at the Audit Committee meetings during the Reporting Period is as follows:

Members of the Board	Number of Attendances Required at the Meetings	Number of Attendances in Person at the Meetings	Number of Attendances by Proxy at the Meetings	Attendance Rate at the Meetings
ZHANG Rui	4	4	0	100%
LI Zhanrong	4	4	0	100%
CHEN Yu	4	4	0	100%
GUO Tianyong	4	4	0	100%
WONG Hin Wing	4	3	1	75%

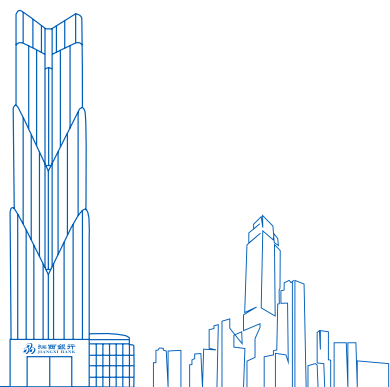


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(3) *Related party transactions control committee (composition, job responsibilities, main resolutions approved, and attendance)*

As of the date of this annual report, the Related Party Transactions Control Committee consists of Mr. GUO Tianyong, Mr. DENG Jianxin, Ms. CHEN Yu, Ms. ZHANG Rui, and Ms. WANG Yun. Mr. GUO Tianyong is the chairperson of the Related Party Transactions Control Committee. Mr. GUO Tianyong, Ms. ZHANG Rui, and Ms. WANG Yun are independent non-executive directors, and Mr. DENG Jianxin and Ms. CHEN Yu are non-executive directors. More than half of the members of the Related Party Transactions Control Committee of the Bank are independent non-executive directors and the chairperson is an independent non-executive director. The duties of the Related Party Transactions Control Committee primarily include:

- (I) to refine, according to the relevant provisions of the banking supervisory authority, relevant laws and regulations, and the Hong Kong Listing Rules, the Bank's standards of related party (connected) transactions and be responsible for confirming the Bank's related (connected) party (persons), and to report to the Board and the Board of Supervisors;
- (II) to formulate the examination and approval system and procedures for the related party (connected) transactions of the Bank;
- (III) to review the general related party (connected) transactions reported by the management for filing according to the provisions of laws, regulations, and the Hong Kong Listing Rules, and make recommendations to the management; and to review major related party transactions where the single transaction amount between the Bank and a related party accounts for more than 1% of the Bank's net capital or the balance of the transactions between the Bank and a related party accounts for more than 5% of the Bank's net capital and submit the review results to the Board for approval;
- (IV) to revise the management measures and its implementation rules for the Bank's related party (connected) transactions, and the working instructions for the working group of the committee;
- (V) to perform other duties as set forth in laws, regulations, rules, normative documents, supervisory regulations of the stock exchanges where the stocks of the Bank are listed, and Articles of Association of the Bank and as authorized by the Board.



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During the Reporting Period, the Related Party Transactions Control Committee convened a total of 14 meetings, at which it considered and approved the Report of Jiangxi Bank on the List of Related (Connected) Parties, the Report on the Examination and Approval of Related Businesses of Jiangxi Lianchuang Optoelectronic Science and Technology Co., Ltd.[^] (江西聯創光電科技股份有限公司), and the Report on Major Related Party Transactions in 2017.

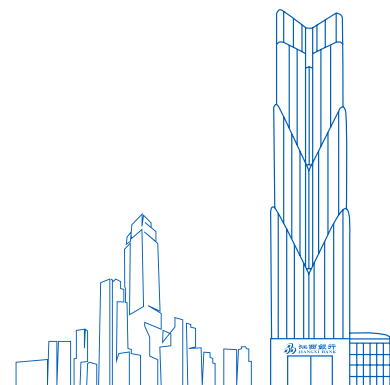
The attendance of each committee member at the Related Party Transactions Control Committee meetings during the Reporting Period is as follows:

Members of the Board	Number of Attendances Required at the Meetings	Number of Attendances in Person at the Meetings	Number of Attendances by Proxy at the Meetings	Attendance Rate at the Meetings
GUO Tianyong	14	14	0	100%
DENG Jianxin	14	14	0	100%
CHEN Yu	14	14	0	100%
ZHANG Rui	14	14	0	100%
WANG Yun	14	14	0	100%

(4) Risk management committee (composition, job responsibilities, main resolutions approved, and attendance)

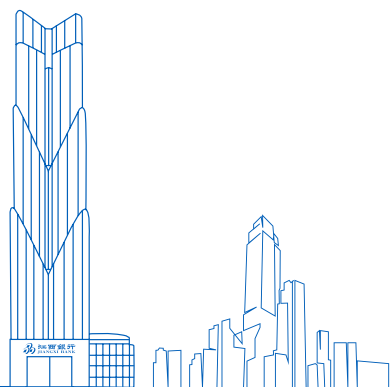
As of the date of this annual report, the Risk Management Committee consists of seven directors, namely, Mr. ZENG Zhibin, Mr. XU Jihong, Mr. LI Zhanrong, Mr. LIU Sanglin, Mr. DENG Jianxin, Ms. ZHANG Wangxia, and Mr. WONG Hin Wing. Mr. ZENG Zhibin is the chairperson of the Risk Management Committee. Mr. XU Jihong is an executive director, and Ms. ZHANG Wangxia and Mr. WONG Hin Wing are independent non-executive directors. Mr. LI Zhanrong, Mr. LIU Sanglin, and Mr. DENG Jianxin are non-executive directors. The duties of the Risk Management Committee primarily include:

- (I) to supervise and evaluate the implementation and effectiveness of the Bank's risk management strategy in accordance with the Bank's overall development strategy, and make recommendations of improvement to the Board;



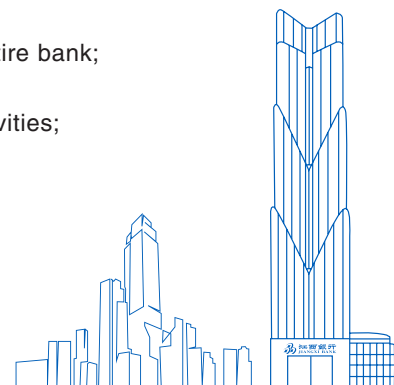
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- (II) to formulate, according to the Bank's risk management strategy, parent company and group-level risk preference, risk tolerance, and risk management and internal control policies in line with the Bank's development strategy and external environment; to supervise the control by senior management of credit risk, liquidity risk, operational risk, market risk, reputation risk, compliance risk, legal risk, case risk, off-balance sheet risk, and consolidated risk; and regularly evaluate the Bank's risk management policies, management status, and risk tolerance;
- (III) to discuss the risk management system with the management to ensure that the management has fulfilled its duties to establish an effective system;
- (IV) to conduct research on the important investigation results of risk management and feedback from senior management personnel on their own initiative or as authorized by the Board;
- (V) to check whether the risk management and internal control systems of the Bank and its subsidiaries are effective at least once a year, and make suggestions to the Board on improving risk management and internal control;
- (VI) to review the self-evaluation reports of the Bank's semi-annual and annual regulatory ratings in accordance with the contents and standards of the CBRC's regulatory ratings, and make recommendations of improvement to the Board;
- (VII) to review and approve the credit line of more than 12% of the Bank's recently audited net capital for non-associated single group customers; review and approve the credit line of more than 50% of the Bank's recently audited net capital for single financial institutions; and review the Bank's non-operating assets mortgage and other non-commercial banking guarantees of more than RMB100 million, and submit the review results to the Board for approval;
- (VIII) to review and approve the disposal (including acquisition, sale, and replacement) of mortgage assets, credit assets, fixed assets, and non-credit assets of more than 8% of the Bank's recently audited net capital for single customers, and report the disposal to the Board afterwards;
- (IX) to review and approve the write-off of credit assets (calculated by principal), fixed assets, and other non-credit assets (calculated by the net carrying amount) of more than RMB200 million for a single customer (single item), and report the write-off to the Board afterwards;



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- (X) to perform the management and evaluation of the Good Standards for data quality implemented by the Bank;
- (XI) to conduct an annual inspection with the Audit Committee of cessation of interest accrual, interest rate cut, delayed interest rate, or interest-free matters particularly granted by the President, confirm whether the relevant procedures and regulations are met, and report the inspection to the Board;
- (XII) to organize and guide the case prevention of the Bank;
- (XIII) to consider the Bank's market risk reports, and examine and approve the strategies, policies, and procedures for market risk management;
- (XIV) to review the Bank's liquidity risk level and related stress testing reports; and review the Bank's management system, tolerance, management strategies, important policies, procedures, limits, and contingency plans for liquidity risk, and revise the above contents in a timely manner at least once a year according to risk management needs;
- (XV) to review the Bank's management reports on capital adequacy ratio and evaluation reports on internal capital adequacy, and examine and approve the management plan for capital adequacy ratio at least once a year; and to ensure that capital fully covers the main risk;
- (XVI) to examine and approve the Bank's management strategies, policies, and procedure for business continuity, and consider the Bank's management reports on business continuity;
- (XVII) to consider the Bank's management reports on compliance risk, and examine and approve the Bank's compliance policy;
- (XVIII) to consider the Bank's management reports on reputational risk, and examine and approve the Bank's duties, authority, and reporting path regarding reputational risk management;
- (XIX) to consider the Bank's operational risk reports, and examine and approve the Bank's duties, authority, and reporting system regarding operational risks;
- (XX) to organize and guide the anti-money laundering of the entire bank;
- (XXI) to cooperate with the Board of Supervisors in its audit activities;



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(XXII) to organize and guide the Bank's consolidated management;

(XXIII) to develop procedures for identifying, evaluating, and managing significant risk, procedures for reviewing the effectiveness of risk management and internal control systems, procedures for resolving serious internal control deficiencies, and procedures for handling and publishing inside information as well as internal control measures;

(XXIV) to perform other duties as set forth in laws, regulations, rules, normative documents, listing regulations of the stock exchanges where the stocks of the Bank are listed, and Articles of Association of the Bank and as authorized by the Board.

The Bank reviewed the Bank's risk management and internal control system at least once a year to ensure the effectiveness of the existing system. During the Reporting Period, the Risk Management Committee convened a total of 10 meetings, at which it reviewed the Bank's risk management and internal control system and examined and approved a series of reports, including the Report on Measures for Capital Management of Jiangxi Bank, Report on Measures for Business Continuity Management of Jiangxi Bank, and Report on Measures for Risk Management of Book Interest Rate of Jiangxi Bank. The Risk Management Committee believed that the Bank's existing risk management and internal control system is sufficient and effective.

The attendance of each committee member at the Risk Management Committee meetings during the Reporting Period is as follows:

Members of the Board	Number of Attendances Required at the Meetings	Number of Attendances in Person at the Meetings	Number of Attendances by Proxy at the Meetings	Attendance Rate at the Meetings
ZENG Zhibin	10	10	0	100%
XU Jihong	10	10	0	100%
LI Zhanrong	10	10	0	100%
LIU Sanglin	10	10	0	100%
DENG Jianxin	10	10	0	100%
ZHANG Wangxia	10	10	0	100%
WONG Hin Wing	10	10	0	100%

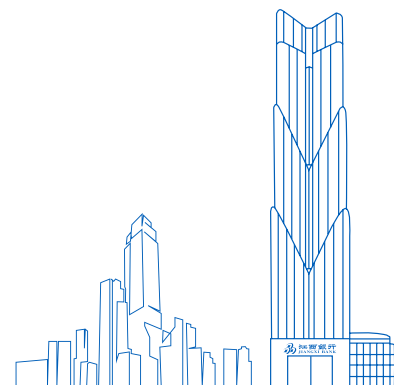


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(5) *Remuneration and nomination committee (composition, job responsibilities, main resolutions approved, and attendance)*

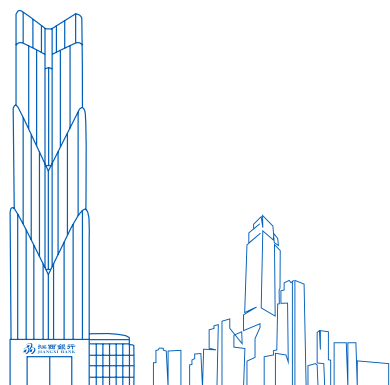
As of the date of this annual report, the Remuneration and Nomination Committee consists of six directors, namely, Ms. ZHANG Wangxia, Mr. LUO Yan, Mr. ZENG Zhibin, Ms. ZHANG Rui, Mr. GUO Tianyong, and Ms. WANG Yun. Ms. ZHANG Wangxia is the chairperson of the Remuneration and Nomination Committee. Mr. LUO Yan and Mr. XU Jihong are executive directors, Ms. ZHANG Wangxia, Ms. ZHANG Rui, Mr. GUO Tianyong, and Ms. WANG Yun are independent non-executive directors, and Mr. ZENG Zhibin is a non-executive director. More than half of the members of the Remuneration and Nomination Committee of the Bank are independent non-executive directors and the chairperson is an independent non-executive director. The duties of the Remuneration and Nomination Committee primarily include:

- (I) to advise the Board on the management system, policies, and structure of the remuneration of the entire bank, and supervise the implementation of the remuneration system;
- (II) to advise the Board on the establishment of formal and transparent procedures for formulating remuneration policies;
- (III) to formulate remuneration schemes for directors and senior management in accordance with the corporate policies and objectives set by the Board, advise the Board on remuneration plans, and supervise the implementation of the plans;
- (IV) to advise the Board on the remuneration packages of individual executive directors and senior management personnel;
- (V) to advise the Board on the remuneration of non-executive directors;
- (VI) to consider the remuneration paid by similar companies, the time to be paid and responsibilities to be fulfilled, and the employment conditions of other positions within the Bank;
- (VII) to review and approve the compensation payable to executive directors and senior management personnel for their loss or termination of their duties or appointments to ensure that such compensation is in conformity with the terms of the contract or the compensation is fair and reasonable;



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- (VIII) to review and approve the compensation arrangements arising from the dismissal of certain directors or removal of certain directors from office due to the misconduct of the directors, to ensure that the arrangements are in conformity with the terms of the contract or the compensation is reasonable and appropriate;
- (IX) to ensure that any director or any of its associates (as defined in the Hong Kong Listing Rules) will not participate in determining his own remuneration;
- (X) to evaluate the performance of duties by directors, appraise the due diligence of senior management personnel, and make recommendations for evaluation and appraisal to the Board;
- (XI) to advise the Board on the scale and composition of the Board based on the Bank's business activities, asset size, and equity structure and review the structure, number of people, diversity and composition of the Board (including skills, knowledge, and experience) at least annually, and make recommendations on proposed changes to the Board in line with the Bank's strategy;
- (XII) to formulate the procedures and criteria for the selection and appointment of directors and senior management personnel, and nominate candidates for directors;
- (XIII) to initially review the qualifications and credentials of directors and senior management personnel (reviewing the qualifications of independent director candidates, with the focus on independence, professional knowledge, experience, and ability) and make recommendations to the Board;
- (XIV) to advise the Board on the appointment or re-appointment of directors and the succession plan of the directors (particularly the President and the chief executive officer); and
- (XV) to perform other duties as set forth in laws, regulations, rules, normative documents, listing regulations of the stock exchanges where the stocks of the Bank are listed, and Articles of Association of the Bank and as authorized by the Board.



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During the Reporting Period, the Remuneration and Nomination Committee convened a total of four meetings, at which it considered and approved the Report on the Implementation and Operation of the Professional Technology Series, Report on the Reporting of the Promotion of the Building of Human Resources System, and Report on the Diversity Policy of Board Members. The Remuneration and Nomination Committee also reviewed the remuneration of the Bank's directors, supervisors and senior management during the Reporting Period and considered that it is fair and reasonable.

During the Reporting Period, in order to comply with the revised Listing Rules, the Board revised the board diversity policy which aims to set out the approach to achieving diversity in the Board. All Board appointment will be based on merit while taking into account diversity including gender diversity. The Remuneration and Nomination Committee will regularly review the measurable objectives to ensure its effectiveness to achieve diversity in the Board. The following measurable objectives are set up for implementing the board diversity policy:

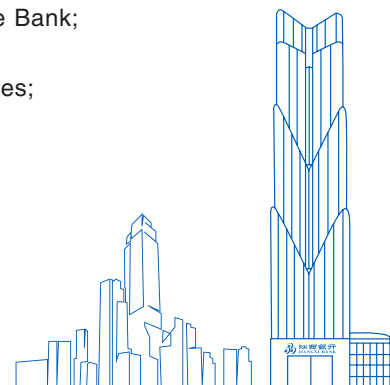
- inclusion of candidates for Board members with overseas working experience (outside of PRC);
- ensuring that there is no limitation on gender in selection of Directors;
- inclusion of candidates for Board members with working experience in other industries; and
- inclusion of candidates for Board members with knowledge and skills in different fields.

As at the date of this annual report, the above objectives were fulfilled. Among the 15 directors, there is one director with overseas working experience and twelve with accounting or other professional qualification.

Nomination Policy

The Bank adopted the director nomination policy during the Reporting Period. In the assessment of candidates, the Remuneration and Nomination Committee considers the following factors including but not limited to:

- The basic requirements of the Articles of Association of the Bank;
- Achievements and experiences in banking or other industries;
- The time available for engagement in the Bank;



CHAPTER VII CORPORATE GOVERNANCE REPORT

- Diversity of the Board in various aspects including but not limited to gender, age, cultural and educational background, ethnicity, professional experiences, skills, knowledge and term of service, etc.

The Remuneration and Nomination Committee shall convene a meeting and ask the Board members to nominate candidates (if any) for the consideration by the Remuneration and Nomination Committee before the meeting. The Remuneration and Nomination Committee can also nominate candidates who are not nominated by Board members.

The Remuneration and Nomination Committee will conduct preliminary review on the qualifications and conditions of candidates of director. Qualified candidates will be submitted to the Board for consideration and, upon approval by the Board, to the annual general meeting by written proposals.

In order to provide the information of candidates who are nominated by the Board and proposed to the general meeting and to invite the shareholders to nominate candidates, the Bank will dispatch a circular to shareholders which sets out the time limit for them to deliver the nomination. The information of candidates will be set forth in the circular to shareholders pursuant to applicable laws, rules and regulations. The nominated person shall not assume that he/she has been recommended by the Board and proposed to the general meeting before the dispatch of the circular to shareholders.

The attendance of each committee member at the Remuneration and Nomination Committee meetings during the Reporting Period is as follows:

Members of the Board	Number of Attendances Required at the Meetings	Number of Attendances in Person at the Meetings	Number of Attendances by Proxy at the Meetings	Attendance Rate at the Meetings
ZHANG Wangxia	4	3	1	75%
LUO Yan	4	4	0	100%
ZENG Zhibin	4	4	0	100%
ZHANG Rui	4	4	0	100%
GUO Tianyong	4	3	1	75%
WANG Yun	4	4	0	100%



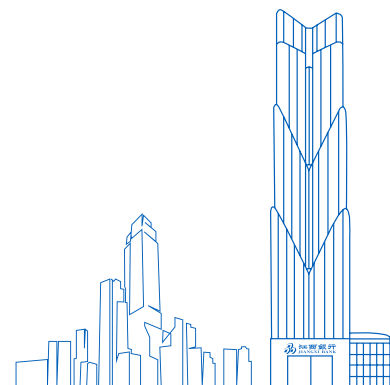
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(6) *Consumer rights protection committee (composition, job responsibilities, main resolutions approved, and attendance)*

As of the date of this annual report, the Consumer Rights Protection Committee consists of five directors, namely, Mr. XU Jihong, Mr. LIU Sanglin, Ms. CHEN Yu, Ms. ZHANG Rui, and Ms. WANG Yun. Mr. XU Jihong is the chairperson of the Consumer Rights Protection Committee. The duties of the Consumer Rights Protection Committee primarily include:

- (I) to be responsible for formulating strategies, policies, and objectives of the protection of consumer rights and interests related to the Bank, and urge Business Management to implement and safeguard the legitimate rights and interests of depositors and other stakeholders;
- (II) to be responsible for supervising and evaluating the allsidedness, timeliness, and effectiveness of the protection of consumer rights and interests of the Bank and the performance of senior management;
- (III) to consider the annual self-evaluation report on consumer rights protection;
- (IV) to consider other major issues related to the protection of consumer rights;
- (V) to perform other duties as set forth in laws, regulations, rules, normative documents, supervisory regulations of the stock exchanges where the stocks of the Bank are listed, and Articles of Association of the Bank and as authorized by the Board.

During the Reporting Period, the Consumer Rights Protection Committee convened a total of two meetings mainly involving topics such as the 2017 Work Report on Consumer Rights Protection of Jiangxi Bank, 2017 Self-evaluation Report on Consumer Rights Protection of Jiangxi Bank, and 2018 Work Plan for Consumer Rights Protection Committee of Jiangxi Bank.



CHAPTER VII CORPORATE GOVERNANCE REPORT

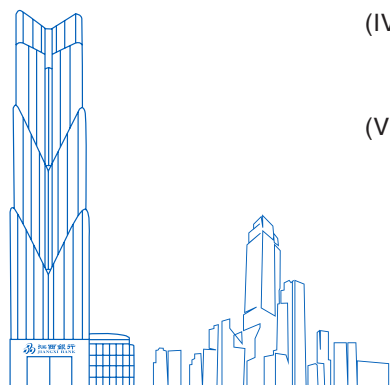
The attendance of each committee member at the Consumer Rights Protection Committee meetings during the Reporting Period is as follows:

Members of the Board	Number of Attendances Required at the Meetings	Number of Attendances in Person at the Meetings	Number of Attendances by Proxy at the Meetings	Attendance Rate at the Meetings
XU Jihong	1	1	0	100%
LIU Sanglin	2	2	0	100%
CHEN Yu	2	2	0	100%
ZHANG Rui	2	2	0	100%
WANG Yun	2	2	0	100%

(7) Information and technology management committee (composition, job responsibilities, main resolutions approved, and attendance)

As of the date of this annual report, the Information and Technology Management Committee consists of five directors, namely, Mr. QUE Yong, Mr. XU Jihong, Mr. LIU Sanglin, Ms. WANG Yun, and Mr. TANG Xianqing. Mr. QUE Yong is the chairperson of the Information and Technology Management Committee. The duties of the Information and Technology Management Committee primarily include:

- (I) to follow and implement the state's laws, regulations, and technical standards concerning information and technology management, and implement relevant regulatory requirements of the CBRC;
- (II) to be responsible for considering the information technology strategy and budget plan, and evaluating the overall effectiveness and efficiency of information technology;
- (III) to master the main information technology risk, determine acceptable risk level, and ensure that relevant risk can be identified, measured, monitored, and controlled;
- (IV) to urge senior management to implement major IT risk management measures; and review the construction and operation of major information technology;
- (V) to consider the strategic development plan, risk management system, outsourcing scope, and related arrangements of the Bank's information technology outsourcing, and regularly review the relevant reports on outsourcing activities of the Bank;



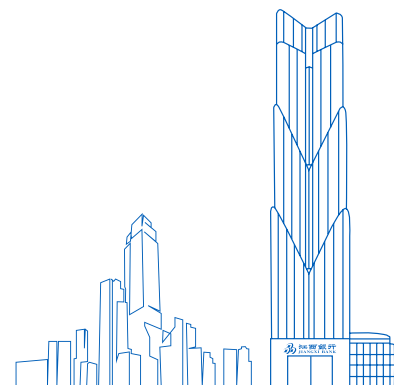
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- (VI) to regularly report to the Board on the implementation of the strategic plan of information technology, the information technology budget and actual expenditure, overall status of information technology, and funds required for risk management of information technology;
- (VII) to report to the Board, the CBRC and its agencies on major information technology accidents or emergencies that occurred in the Bank in a timely manner, and respond promptly according to relevant plans;
- (VIII) to consider annual reports on risk management of information technology and submit the reports to the CBRC and its agencies;
- (IX) to perform other duties related to information technology management as authorized by the Board.

During the Reporting Period, the Information and Technology Management Committee convened a total of two meetings mainly involving topics such as the 2018 Work Plan for the Information and Technology Management Committee of the Board of Jiangxi Bank, 2017 Report on Information Technology Investment of Jiangxi Bank, 2018 Report on the Information Technology Investment Plan of Jiangxi Bank, and 2017 Annual Report on Information Technology Risk Management of Jiangxi Bank.

The attendance of each committee member at the Information and Technology Management Committee meetings during the Reporting Period was as follows:

Members of the Board	Number of Attendances Required at the Meetings	Number of Attendances in Person at the Meetings	Number of Attendances by Proxy at the Meetings	Attendance Rate at the Meetings
QUE Yong	2	2	0	100%
XU Jihong	1	1	0	100%
LIU Sanglin	2	2	0	100%
WANG Yun	2	1	1	50%
TANG Xianqing	2	1	1	50%



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7.4 CORPORATE GOVERNANCE FUNCTIONS

The Bank has not established a corporate governance committee. The Board is responsible for the corporate governance functions of the Bank, such as development and review of the Bank's policies, corporate governance practices; review and monitoring of the training and continuous professional development of the directors, supervisors and senior management; review and monitoring of the Bank's compliance with policies and practices stipulated in laws and regulatory provisions; formulate and review the code of conduct and compliance manual which are applicable to directors, supervisors and employees; and review of the Bank's compliance with the Code and disclosure in the corporate governance report.

7.5 BOARD OF SUPERVISORS

The Board of Supervisors is the supervisory body of the Bank established to safeguard the legitimate rights and interests of banks, shareholders, employees, depositors, and other stakeholders. The Board of Supervisors is responsible for monitoring the Bank's financial activities, risk management, internal control, and evaluation of the performance of duties by the Board, senior management and its members and is responsible to the shareholders' general meeting.

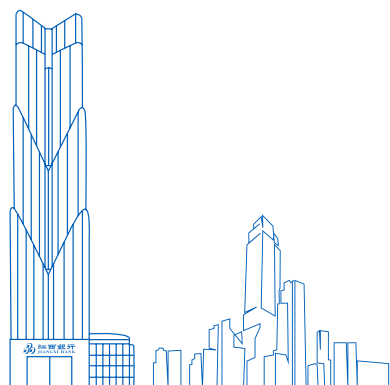
7.5.1 Composition of the Board of Supervisors

The Board of Supervisors consists of nine Supervisors, including three shareholder representative Supervisors, employee representative Supervisors, and external Supervisors respectively. The member structure of the Board of Supervisors is reasonable, sufficiently professional, and independent to ensure that the Board of Supervisors effectively performs its supervisory functions.

During the Reporting Period, the Board was able to perform its duties conscientiously, supervise the legal compliance of the Bank's directors and senior management personnel in their performance of duties, inspect and supervise the Bank's financial activities, risk management, and internal control as required, and investigate abnormal operations.

7.5.2 Changes in the Members of the Board of Supervisors During the Reporting Period

During the Reporting Period, there was no change in the supervisors of the Bank.



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7.5.3 Meetings of the Board of Supervisors and the Attendance of Supervisors

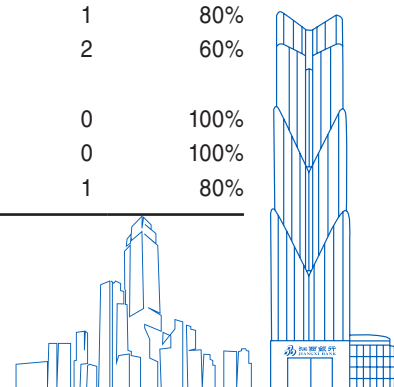
In 2018, the Board of Supervisors convened a total of five meetings, at which it considered 14 proposals, including the Supervisory Evaluation Opinions of the Board of Supervisors on the Internal Control Management of Jiangxi Bank Co., Ltd.^ (《監事會對江西銀行股份有限公司內控管理的監督評價意見》) and Measures for the Administration of Supervisory Information Reporting of the Board of Supervisors of Jiangxi Bank Co., Ltd.^ (《江西銀行股份有限公司監事會監督信息報送管理辦法》).

Meetings of the Board of Supervisors

Session	Date	Form
Eleventh session of the first Board of Supervisors	January 15, 2018	On-site meeting
Twelfth session of the first Board of Supervisors	March 5, 2018	On-site meeting
Thirteenth session of the first Board of Supervisors	April 25, 2018	Teleconference
Fourteenth session of the first Board of Supervisors	August 27, 2018	On-site meeting
Fifteenth session of the first Board of Supervisors	October 26, 2018	On-site meeting

Attendance of Supervisors at meetings of the Board of Supervisors

Supervisor		Number of Attendances Required	Number of Attendances in Person	Number of Attendances by Proxy	Attendance Rate
Employee representative Supervisor	Liu Fulin	5	5	0	100%
	TAO Yulan	5	4	1	80%
	CHEN Xinxiang	5	5	0	100%
Shareholder representative Supervisor	HUANG Zhenping	5	5	0	100%
	ZHOU Minhui	5	4	1	80%
	CHEN Chuxin	5	3	2	60%
External Supervisor	SHI Zhongliang	5	5	0	100%
	LI Danlin	5	5	0	100%
	SHI Jing	5	4	1	80%



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7.5.4 Committees under the Board of Supervisors

No.	Special Committees under the Board of Supervisors	Chairperson	Member
1	Nomination Committee	SHI Zhongliang	LIU Fulin, SHI Jing, HUANG Zhenping, and TAO Yulan
2	Supervision Committee	LI Danlin	ZHOU Minhui, CHEN Chuxin, TAO Yulan, and CHEN Xinxiang

Nomination Committee under the Board of Supervisors

The duties of the Nomination Committee primarily include:

- to advise the Board of Supervisors on its size and composition according to the Bank's business activities, asset size, and equity structure;
- to draw up the selection procedures and standards for supervisors and advise the Board of Supervisors;
- to conduct a preliminary review of the qualifications and credentials of the supervisor candidates nominated by shareholders and submit the opinion to the Board of Supervisors;
- to supervise the selection and appointment procedures for directors;
- to conduct a comprehensive evaluation of the performance of the Board, the Board of Supervisors, and senior management and its members, and report the evaluation result to the Board of Supervisors;
- to supervise the scientificity and rationality of the management system and policies of remuneration across the Bank and the remuneration schemes of senior management;
- to perform other duties as authorized by the Board.

During the Reporting Period, the Nomination Committee under the Board of Supervisors convened four meetings, at which four proposals were considered and approved, including the 2017 Report on the Evaluation of the Performance of Duties of the Board, Board of Supervisors, Senior Management and Its Members by the Nomination Committee under the Board of Supervisors[^] (《監事會提名委員會對董事會、監事會、高級管理層及其成員2017年履職評價的報告》), Working Rules for External Supervisors of Jiangxi Bank Co., Ltd.[^] (《江西銀行股份有限公司外部監事工作規則》), Working Rules for the Nomination Committee under the Board of Supervisors of Jiangxi Bank Co., Ltd.[^] (《江西銀行股份有限公司監事會提名委員會工作規則》), and Implementation Rules for the Selection and Appointment Procedures and Performance Requirements of Supervisors of Jiangxi Bank Co., Ltd.[^] (《江西銀行股份有限公司監事的選任程序和履職要求實施細則》).



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Supervision Committee under the Board of Supervisors

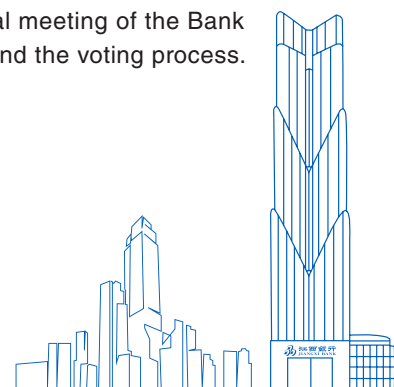
The duties of the Supervision Committee primarily include:

- to be responsible for drawing up the supervision plans for the Bank's financial activities and implementing related inspections;
- to supervise the Board to establish a sound business philosophy and value criteria and develop a development strategy that is in line with the Bank's actual development;
- to supervise the important financial decisions and implementation of the Board and senior management;
- to supervise the establishment and improvement of the Bank's governance structure of internal control and the separation and performance of duties by relevant departments;
- to supervise the establishment and improvement of the Bank's governance structure of comprehensive risk management and the separation and performance of duties by relevant departments;
- to supervise the performance of duties of the Board and senior management in capital management, consolidated management, data governance, liquidity management, and case prevention;
- to perform other duties as authorized by the Board.

During the Reporting Period, the Supervision Committee under the Board of Supervisors convened five meetings, at which eight proposals were considered and approved, including the Report on the Supervision and Inspection of Financial Management of Jiangxi Bank Co., Ltd. by the Supervision Committee under the Board of Supervisors^ (《監事會監督委員會對江西銀行股份有限公司財務管理的監督檢查報告》) and Supervisory Inspection Report of the Board of Supervisors on the Internal Control Management of Jiangxi Bank Co., Ltd.^ (《監事會對江西銀行股份有限公司內控管理的監督檢查報告》).

7.5.5 Attendance at Shareholders' General Meetings During the Reporting Period

During the Reporting Period, the supervisors attended the annual general meeting of the Bank and supervised on site the legal compliance of the meeting procedures and the voting process.



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7.6 DIRECTORS' AND SUPERVISORS' TRAINING, DEVELOPMENT AND RESEARCH DURING THE REPORTING PERIOD

The Bank's directors confirmed that they have complied with the Code provision A.6.5. During the year, all directors, namely Mr. CHEN Xiaoming, Mr. LUO Yan, Mr. XU Jihong, Mr. QUE Yong, Mr. LI Zhanrong, Mr. LIU Sanglin, Mr. DENG Jianxin, Ms. CHEN Yu, Mr. ZENG Zhibin, Mr. TANG Xianqing, Ms. ZHANG Rui, Mr. GUO Tianyong, Ms. ZHANG Wangxia, Mr. WONG Hin Wing and Ms. WANG Yun, have participated in continuous professional development by attending seminars, courses, conferences or reading related materials to develop and refresh their knowledge and skills.

During the Reporting Period, all directors and supervisors participated in the training arranged by Paul Hastings on the relevant laws and regulations after the listing of H shares and the training arranged by King & Wood Mallesons on the duties and responsibilities of directors after the listing of the Bank. During the Reporting Period, the Board also conducted research on the operation and management of branches, and some of the Bank's directors participated in the research.

During the Reporting Period, some of the supervisors participated in the training on "Governance Practice and Case Analysis of the Board of Supervisors of Commercial Banks", which strengthened the acquiring of professional knowledge and broadened their working concepts and horizon.

During the Reporting Period, some of the supervisors went to Jiangsu Bank for exchanges and inspections and learned from the experience and practices from their peers there.

7.7 SENIOR MANAGEMENT

Senior management has the powers granted by the Board to manage the daily operation of the Bank. The President of the Bank is primarily responsible for implementing the decisions of the Board and is required to report the implementation to the Board. The Bank has also appointed four Vice Presidents and other senior management members who shall fulfill their respective management responsibilities to cooperate with the President.

The Board and the management represented by the President perform their respective duties in accordance with their respective terms of reference established by the Articles of Association. According to the Articles of Association, the senior management of the Bank shall, as required by the Bank's business activities, establish and improve the internal control mechanism focused on internal rules and regulations, operational risk management systems, and credit approval systems, to effectively identify, measure, monitor, and control the various risks faced by the Bank.



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7.8 CHAIRMAN OF THE BOARD AND PRESIDENT

During the Reporting Period, the positions of the Chairman of the Board and the President of the Bank were held by different individuals. The responsibilities of the Chairman and the President were clearly defined and complied with the Hong Kong Listing Rules.

As at the date of this annual report, Mr. CHEN Xiaoming is the Chairman of the Board responsible for the overall work of the Party Committee and the Board. Mr. LUO Yan is the President of the Bank responsible for the overall operation and management of the Bank.

7.9 SECRETARIES

Mr. XU Jihong has been appointed as secretary to the Board of the Bank since September 2006. Mr. XU Jihong and Dr. NGAI Wai Fung have served as joint company secretaries of the Bank since May 2018. Dr. NGAI Wai Fung is a director and the chief executive officer of SWCS Corporate Services Group (Hong Kong) Limited, and is responsible for assisting Mr. XU Jihong in secretarial matters. Mr. XU Jihong is the main contact person of Dr. NGAI Wai Fung in the Bank.

For the year ended December 31, 2018, each of Mr. XU Jihong and Dr. NGAI Wai Fung has taken no less than 15 hours of the relevant professional training on review of the Listing Rules and other compliance requirements.

7.10 RELATIONSHIP AMONG DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT

There is no financial, business, or family relationship among the Bank's directors, supervisors, and senior management.

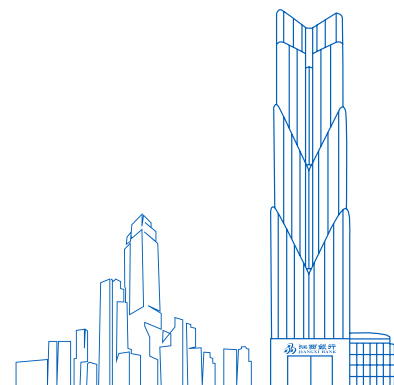
7.11 AMENDMENTS TO THE ARTICLES OF ASSOCIATION

During the Reporting Period, there has been no change in the Articles of Association. The text of the Articles of Association is available on the websites of the Bank and the Hong Kong Stock Exchange.

7.12 COMMUNICATION WITH SHAREHOLDERS

The Bank values the opinions and suggestions of shareholders and actively organizes various communication activities with investors and analysts, to maintain good relations and respond promptly to the reasonable requirements of shareholders. Shareholders can make inquiries to the Board through the Board office. The contact information of the Board is as follows:

Address: No. 699 Financial Street, Nanchang, Jiangxi Province, the PRC
Postal code: 330038
Contact number: +86-0791-86791009
Fax: +86-0791-86791100



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7.13 SHAREHOLDERS' RIGHTS

7.13.1 Procedures for Convening Extraordinary General Meetings

The Bank effectively protects shareholders' rights in accordance with applicable laws and regulations, Hong Kong listing rules, Articles of Association, and corporate governance systems.

According to the Articles of Association and rules of procedure for the shareholders' general meeting:

Shareholders individually or in aggregate holding 10% or more of the Bank's shares for more than 90 consecutive days (hereinafter referred to as "Requesting Shareholders") shall have the right to request the Board to convene an extraordinary general meeting in writing. The Board shall, according to the provisions of laws, regulations, and Articles of Association, provide written feedback on whether to agree or disagree with the convening of the extraordinary general meeting in ten days after the receipt of the request.

In case the Board agrees to convene an extraordinary general meeting, the Board shall, within five days after the Board resolution is made, issue a notice on convening an extraordinary general meeting. The change in the original proposal in the notice shall be subject to the approval of the Requesting Shareholders.

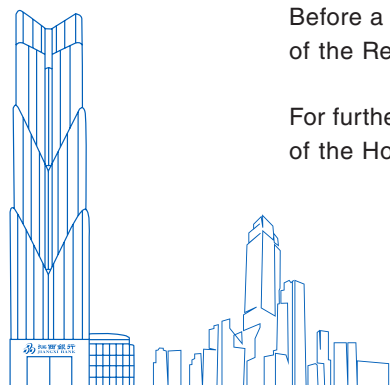
In case the Board does not agree to convene an extraordinary general meeting, or does not provide written feedback within ten days after the receipt of the request, the Requesting Shareholders shall have the right to request the Board of Supervisors to convene an extraordinary general meeting in writing.

In case the Board of Supervisors agrees to convene an extraordinary general meeting, the Board of Supervisors shall, within five days after the receipt of the request, issue a notice on convening an extraordinary general meeting. The change in the original proposal in the notice shall be subject to the approval of the Requesting Shareholders.

The failure of the Board of Supervisors to issue a notice on convening an extraordinary general meeting within the prescribed time limit will be deemed that the Board of Supervisors does not convene an extraordinary general meeting, and the Requesting Shareholders may unilaterally convene.

Before a resolution is made at the extraordinary general meeting, the shareholding percentage of the Requesting Shareholders shall not be less than 10%.

For further details, shareholders may refer to the Articles of Association available on the websites of the Hong Kong Stock Exchange and the Bank.



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7.13.2 Procedure for Submitting Proposals at Shareholders' General Meetings

Shareholders, individually or in the aggregate, holding 3% or more of the Shares with voting rights of the Bank shall have the right to submit proposals to the Bank. The Requesting Shareholders may make interim proposals and submit them to the convener in writing ten days before the shareholders' general meeting is convened. For the interim proposals whose contents and forms comply with the provisions of the Articles of Association, the convener shall, within two days after the receipt of the proposals, issue a supplementary notice to inform the shareholders' general meeting of the contents of the interim proposals. In case the listing rules of the stock exchanges where the stocks of the Bank are listed stipulate otherwise, the proposals shall also meet these stipulations.

7.14 EXTERNAL AUDITORS AND THEIR REMUNERATION

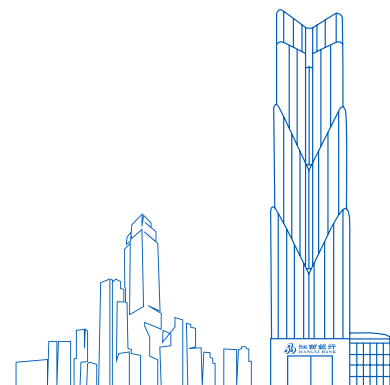
In 2018, the Bank agreed to pay to KPMG Huazhen (SGP) and KPMG RMB2.50 million and RMB1.00 million for the audit of financial statements and professional non-audit services respectively.

7.15 REMUNERATION OF SENIOR MANAGEMENT

During the Reporting Period, the Bank's directors (CHEN Xiaoming, LUO Yan, and XU Jihong), supervisors (LIU Fulin, TAO Yulan, and CHEN Xinxiang), and senior management (CHEN Yong, CHENG Zongli, and CAI Xiaojun), 9 members in total, were paid by the Bank. The total remuneration for 2018 was RMB17.9325 million.

Remunerations paid to the aforesaid senior management by bands for the year ended December 31, 2018 are set out below:

Band of remuneration	Number of employees	% of total
RMB2,000,000 to RMB3,000,000	7	77.78%
RMB1,000,000 to RMB2,000,000	1	11.11%
RMB0 to RMB1,000,000	1	11.11%



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7.16 RISK MANAGEMENT AND INTERNAL CONTROL

7.16.1 Risk Management

(I) Procedures for identifying, evaluating, and managing significant risk

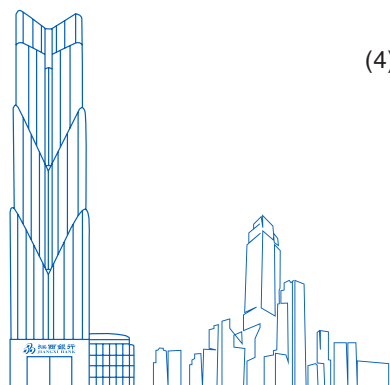
The Bank identifies, measures, and controls a series of quantitative and non-quantitative risk that may be faced by the Bank due to business strategies, product mix, customer needs, and interactions of external macroeconomic environment according to the CBRC's Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) and its annexes, the Basel Committee's definition of risk and related professional terms, and practices of domestic and foreign banks, and in light of the Bank's actual situation.

Based on the capital occupancy of the Bank's risk categories, recognition of the risk faced by the Bank and capital regulatory requirements, the Bank regularly implements the evaluation procedures for comprehensive risk and capital adequacy ratio to effectively identify and assess key risk: credit risk, market risk, operational risk, liquidity risk, bank account interest rate risk, concentration risk, legal compliance risk, reputational risk, and information technology risk, and assess and analyze risk with risk measurement methods and tools.

(II) Characteristics of the risk management system

In the face of increasingly complicated and ever-changing internal and external environments, the Bank optimized the risk management system based on the strategic development plan and the actual operating conditions by drawing on relevant experience of domestic advanced banks, specifically:

- (1) to foster sound risk culture, establish the awareness of comprehensive risk management, and enhance the risk management concept with risk preference as the core;
- (2) to improve the risk management structure, improve relevant policies and systems for risk management, and effectively improve risk prevention capabilities;
- (3) to establish a credit risk monitoring system, fully integrate internal and external data, and conduct risk monitoring of the entire process of credit business;
- (4) to enhance the risk quantification level, accelerate the development and improvement of the risk measurement model, and provide decision support for risk management for the online retail business of the Bank.



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7.16.2 Internal Control

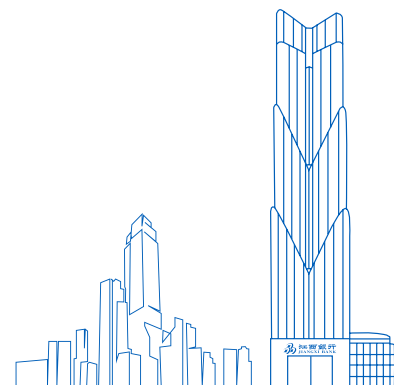
According to the Guidelines for Internal Control of Commercial Banks, Basic Internal Control Norms for Enterprises, Enterprise Internal Control Audit Guidance, Enterprise Internal Control Application Guidance, and other laws and regulations and regulatory regulations, the Bank established an organizational structure with the shareholders' general meeting, Board, Board of Supervisors, and senior management as the core and an internal control system with participation by all staff, by upholding the principles of full coverage, checks and balances, prudence, and matching. According to the hierarchy of the organizational structure and post setting, a restriction mechanism characterized by vertical authorization and horizontal supervision has been established between superior and subordinate and between positions; and an internal control system covering all business and management activities of the Bank has been established, and been revised and supplemented in a timely manner as required by laws and regulations, changes in external operating environments, and risk control.

The Bank attaches great importance to the development of internal control culture and commits to fostering compliance culture by creating good atmosphere for the culture. The Bank continuously improves the performance appraisal system, and promotes the standard operation of the Bank and improves the internal control mechanism through appraisal. It also continuously diversifies and improves various internal control measures to ensure the stable business operation.

The Bank has established a sound supervision and evaluation system for internal control. The Board, Board of Supervisors, and senior management perform their own duties, and supervise, inspect, and evaluate the operation and management activities of all levels and lines according to their duties.

7.17 SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS, AND RELATED EMPLOYEES

The Bank has adopted Appendix 10 to the Listing Rules headed "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as the code of conduct for securities transactions by directors, supervisors, and related employees. After the Bank made specific enquiries to all supervisors, all supervisors of the Bank confirmed that they have complied with the above-mentioned Model Code during the Reporting Period.



CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

8.1 PRINCIPAL BUSINESS AND BUSINESS REVIEW

The Bank is primarily engaged in banking businesses and related financial services, including corporate banking, retail banking, treasury business and other business. A review of the Bank's business during the Reporting Period is set out in the "Management Discussion and Analysis".

8.2 ANNUAL GENERAL MEETING AND DIVIDENDS

8.2.1 Annual General Meeting

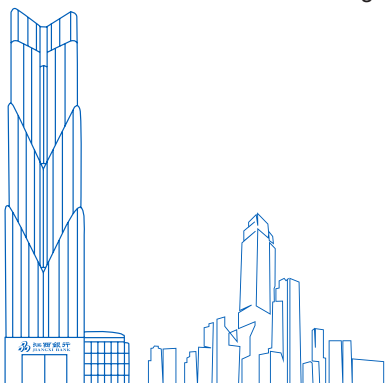
The Bank proposes to hold the 2018 Annual General Meeting on Friday, May 31, 2019. In order to determine the list of Shareholders who are entitled to attend and vote at the 2018 Annual General Meeting, the Bank's register of members will be closed from Wednesday, May 1, 2019 to Friday, May 31, 2019, both days inclusive, during which period no transfer of Shares will be effected. The Shareholders whose names appeared on the Bank's register of members on Tuesday, April 30, 2019 shall be entitled to attend and vote at the 2018 Annual General Meeting. In order to be eligible to attend and vote at the 2018 Annual General Meeting, all transfer documents together with relevant share certificates and other appropriate documents shall be sent for registration to the office of the Board of the Bank at No. 699 Financial Street, Honggutan New District, Nanchang, Jiangxi Province, the PRC (for holders of Domestic Shares) or to the H Share Registrar, namely, Computershare Hong Kong Investor Services Limited (for holders of H Shares) before 4:30 p.m. on Saturday, May 11, 2019.

The Bank will announce the notice and circular for the 2018 Annual General Meeting of the Bank in due course.

8.2.2 Dividends

The shareholders of the Bank have approved the Bank's profit appropriations for 2017 at the 2017 annual general meeting held on March 26, 2018. The Bank has approved an appropriation of RMB468 million at a ratio of 10% for 2017, i.e. RMB0.10 per share (including tax), which has been distributed to the holders of the Bank's domestic shares on April 16, 2018.

The Board of Directors proposed that the Bank to distribute the 2018 dividend amounting to RMB482 million at a ratio of 8% in cash for 2018, i.e. RMB0.08 per share (including tax). The appropriation shall be enforced upon approval by shareholders at the 2018 annual general meeting to be held by the Bank.



CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

Dividend Policy

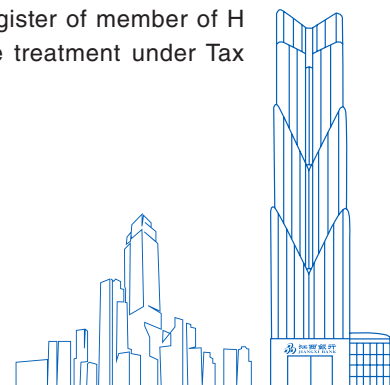
The Bank has adopted the dividend policy with the aim to protect Shareholders' equity and promote the Bank's business development, at the same time, to comply with relevant requirements of the laws, regulations and the Articles of Association. When determining whether to propose the amount of dividends distribution and dividends paid, the Board will consider the following factors of the Group (including but not limited to):

- Operating results;
- Cash flow;
- Financial condition;
- Capital adequacy ratio;
- Future business prospects;
- Statutory and regulatory restrictions on the payment of dividends; and
- Other factors that the Board considers relevant.

8.2.3 Tax Relief

Withholding foreign non-resident enterprises' enterprise income tax

Pursuant to the applicable provisions and the implementing regulations of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), Notice of the State Taxation Administration on Issues Concerning the Disbursement of Dividends by Chinese Resident Enterprises to Shareholders of Overseas H-Share Non-Resident Enterprises and Deduction of Enterprise Income Tax (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897) and Approval of the State Taxation Administration on the Issue of Enterprise Income Tax on Non-Resident Enterprises Obtaining B Shares and Other Stock Dividends (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) (Guo Shui Han [2009] No. 394), the Bank shall withhold the enterprise income tax at the rate of 10% for non-resident enterprise holders of H Shares (including the H Shares registered in the name of HKSCC Nominees Limited) when distributing final dividends for 2018 to the non-resident enterprises listed on the register of member of H shares. Holders of H shares of non-resident enterprises who enjoy the treatment under Tax Treaty pursuant to relevant regulations shall be treated correspondingly.



CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

Withholding foreign non-resident individual shareholder's individual income tax

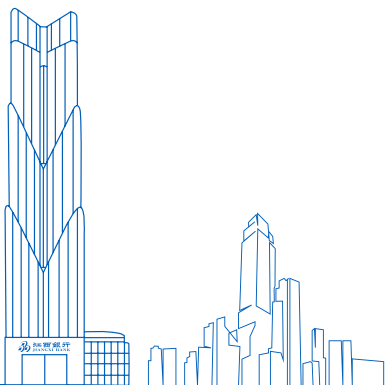
Pursuant to the applicable provisions and the implementing regulations of the Individual Income Tax Law of the PRC and Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 issued by State Administration of Taxation as well as the Announcement of the State Taxation Administration on the Promulgation of Measures for “the Administration of the Treatment of Non-Resident Taxpayer under Tax Treaty” (hereinafter referred to as “Tax Treaty”) (《國家稅務總局關於發佈〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》), the Bank shall withhold individual income tax from the holders of H Shares according to the following arrangement when distributing final dividends for 2018 to the non-resident enterprises listed on the register of member of H shares;

For an individual holder of H Shares who is a resident of Hong Kong, Macau or a country/region that has signed a tax treaty with the PRC stipulating a dividend rate of 10%, the Bank shall withhold and pay individual income tax at the rate of 10% on behalf of such H Shareholders when distributing the final dividend;

For an individual holder of H Shares who is a resident of a country/region which has signed a tax treaty with the PRC stipulating a dividend rate of lower than 10%, the Bank shall temporarily withhold and pay individual income tax at the rate of 10% on behalf of such holders of H Shares while distributing the final dividend. In case the relevant holders of H Shares are to apply for refund of the tax over-withheld, the Bank will follow the Notice of Tax to handle the application of the relevant tax benefits on their behalf. The qualified holders of H Shares are required to timely submit the written authorization and all application materials to the H Share Registrar of the Bank, Computershare Hong Kong Investor Services Limited; the Bank will forward the received documents to the competent tax authorities for review, and if approved, the Bank will assist in handling the refund of the over-withheld tax;

For an individual holder of H Shares who is a resident of a country/region that has signed a tax treaty with the PRC stipulating a dividend rate higher than 10% but lower than 20%, the Bank shall withhold and pay individual income tax at the applicable rate stipulated in the relevant tax treaty while distributing the final dividend; and

For an individual holder of H Shares who is a resident of a country/region which has signed a tax treaty with the PRC stipulating a dividend rate of 20% or has no tax treaty with China or otherwise, the Bank shall withhold and pay individual income tax at the rate of 20% while distributing the final dividend.



CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

8.3 SHARE CAPITAL AND SHAREHOLDERS

For details of the share capital and substantial shareholders of the Bank, please refer to the section headed “Changes in Share Capital and Information on Shareholders”.

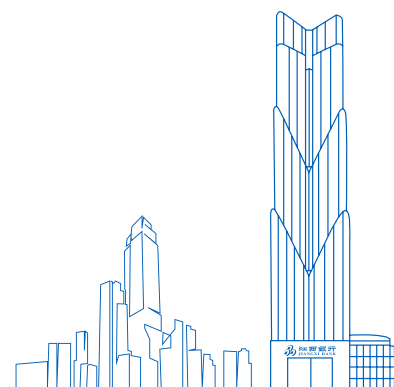
8.4 BOND ISSUE AND REPURCHASE

(1) Bonds issued

Approved by the PBoC and Jiangxi Office of China Banking Regulatory Commission, in July 2016, the Bank issued three-year green financial bonds with a total principal amount of RMB3.5 billion (calculated at a fixed interest rate of 3.41% per annum, and the interest payment method is annual payment, which will expire on July 14, 2019) and five-year green financial bonds with a total principal amount of RMB1.5 billion (calculated at a fixed interest rate of 3.70% per annum, and the interest payment method is annual payment, which will expire on July 14, 2021). In August 2016, the Bank issued three-year green financial bonds with a total principal amount of RMB1.5 billion (calculated at a fixed rate of 3.20% per annum, and the interest payment method is annual payment, which will expire on August 8, 2019), and five-year green financial bonds with a total principal amount of RMB1.5 billion (calculated at a fixed interest rate of 3.48% per annum, and the interest payment method is annual payment, which will expire on August 8, 2021).

Approved by the PBoC and Jiangxi Office of China Banking Regulatory Commission, in June 2017, the Bank issued the 10-year tier-2 capital bonds with a total principal amount of RMB3 billion (calculated at a fixed interest rate of 5.00% per annum, and the interest payment method is annual payment, which will expire on June 7, 2027). The bonds may be partially or fully repurchased by the Bank at its discretion on June 7, 2022, upon approval by the relevant regulatory authorities.

Approved by the PBoC and Jiangxi Office of China Banking Regulatory Commission, in September 2017, the Bank issued the 10-year tier-2 capital bonds with a total principal amount of RMB3 billion (calculated at a fixed interest rate of 5.00% per annum, and the interest payment method is annual payment, which will expire on September 28, 2027). The bonds may be partially or fully repurchased by the Bank at its discretion on September 28, 2022, upon approval by the relevant regulatory authorities.



CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

The detailed information of bonds is as follows:

Detailed information of bonds

Stock name	Variety of bonds	Issue size	Duration	Interest rate of bonds	Interest payment method
16 Green Finance of Jiangxi Bank 01	Fixed interest rate	RMB 3.5 billion	3 years	3.41%	Annual payment
16 Green Finance of Jiangxi Bank 02	Fixed interest rate	RMB 1.5 billion	5 years	3.70%	Annual payment
16 Green Finance of Jiangxi Bank 03	Fixed interest rate	RMB 1.5 billion	3 years	3.20%	Annual payment
16 Green Finance of Jiangxi Bank 04	Fixed interest rate	RMB 1.5 billion	5 years	3.48%	Annual payment
17 Jiangxi Bank Tier-2 01	Fixed interest rate	RMB 3 billion	10 years (redemption rights with preconditions at the end of the fifth year)	5.00%	Annual payment
17 Jiangxi Bank Tier-2 02	Fixed interest rate	RMB 3 billion	10 years (redemption rights with preconditions at the end of the fifth year)	5.00%	Annual payment

(2) Issue of interbank deposit receipts

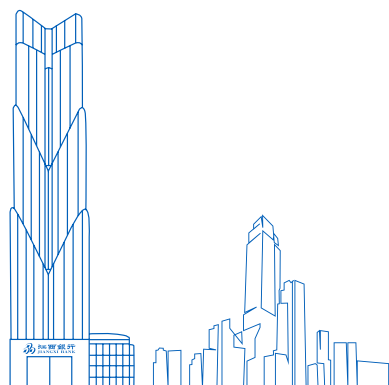
As of December 31, 2018, the Bank has issued 134 interbank deposit receipts, totaling book balance RMB46.893 billion.

(3) Repurchase

During the Reporting Period, the Bank or any of its subsidiaries did not repurchase any bonds.

8.5 RESERVE

Details of the changes in the reserves of the Group for the year ended December 31, 2018 are set out in the consolidated statements of changes in shareholders' equity.



CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

8.6 PROPERTY AND EQUIPMENT

Details of changes in the property and equipment of the Group for the year ended December 31, 2018 are set out in note 22 to the financial statements.

8.7 RELATED PARTY TRANSACTIONS

In the ordinary and usual course of business, the Bank provides commercial banking services and products to the public in China, including connected persons such as Shareholders, Directors, Supervisors, President and their respective associates. Pursuant to the Listing Rules, such transactions, being conducted on normal commercial terms in the ordinary and usual course of the business of the Bank, shall be exempted from reporting, annual review, disclosure and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Bank has reviewed all its related party transactions and acknowledged that those transactions had complied with the requirements under Chapter 14A of the Listing Rules.

The definition of connected persons under Chapter 14A of the Listing Rules is different from the definition of related parties under International Accounting Standard, and its interpretations by the IASB. Certain related party transactions set out in Note 36 to the financial statements also constitute connected transactions or continuing connected transactions as defined under the Listing Rules, but none of them constitutes any connected transaction required to be disclosed as defined under the Listing Rules.

8.8 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

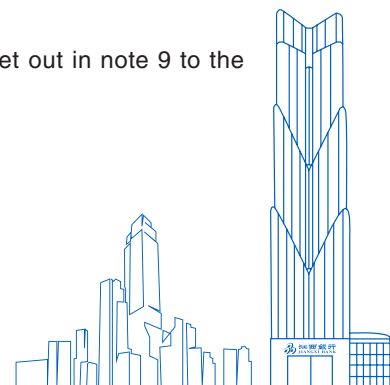
Details regarding the Directors, Supervisors and senior management of the Bank are set out in the section headed "Directors, Supervisors, Senior Management Members, Employees and Institutions" in this annual report.

8.9 INTERESTS OF DIRECTORS AND SUPERVISORS IN BUSINESS IN COMPETITION WITH THE BANK

None of Directors and Supervisors of the Bank holds any interest in any business which competes or is likely to compete, whether directly or indirectly, with the Bank.

8.10 REMUNERATION AND RETIREMENT BENEFITS OF DIRECTORS AND SUPERVISORS

Details of the remuneration of the Directors and Supervisors of the Bank are set out in note 9 to the financial statements.



CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

8.11 SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

During the Reporting Period, none of the Bank's Directors and Supervisors entered into a service contract with the Bank which was not determinable by the Bank within one year without payment of compensation (other than statutory compensation).

8.12 INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at December 31, 2018, none of the Bank's Directors and Chief Executive had any interests or short positions in any of the shares, underlying shares and debentures of the Bank or its associated corporations.

The interests and short positions of the Bank's supervisors are set out in the section headed "Directors, Supervisors, Senior Management Members, Employees and Institutions" of this annual report.

8.13 MATERIAL INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

As of December 31, 2018, neither the Bank nor any of its subsidiaries entered into any significant transaction, arrangement or contract in which the Bank or entity connected with the Bank's Directors or Supervisors directly or indirectly had a material interest.

8.14 ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the Reporting Period, was the Bank or any of its subsidiaries a party to any arrangement to enable the Directors and Supervisors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

8.15 MANAGEMENT CONTRACTS

During the Reporting Period, no management or administrative contracts regarding the whole or any substantial part of any business were entered into by the Bank.

8.16 PERMITTED INDEMNITY PROVISIONS

During the Reporting Period, the Bank has purchased appropriate liability insurance to indemnify its Directors, Supervisors and senior management in respect of the liabilities arising from engaging in the activities of the Bank. Such arrangements remained effective during the Reporting Period.



CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

8.17 PURCHASE, SALE OR REPURCHASE OF LISTED SECURITIES OF THE BANK

During the Reporting Period, the Bank and its subsidiaries did not purchase, sell or redeem any listed securities of the Bank.

8.18 PRE-EMPTIVE RIGHTS

During the Reporting Period, the Bank did not have provisions in respect of pre-emptive rights in the Articles of Association and under PRC law.

8.19 DONATION

During the Reporting Period, the Group made charitable and other donations totaling approximately RMB5.0469 million.

8.20 EQUITY-LINKED AGREEMENTS

During the Reporting Period, the Bank did not enter into or renew any other equity-linked agreements.

8.21 RELATIONS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Bank treats its employees as the most valuable asset of the Bank and pays great attention to safeguarding the legitimate rights and interests of its employees, striving to establish a harmonious and stable employment relationship. The Bank enters into labor contracts with its employees in accordance with the relevant laws, and continuously improves the relevant labor employment system and employee security system. By conscientiously implementing the national policies and regulations on salary and welfare, the Bank has developed the Salary Management System of Jiangxi Bank, under which it pays employees full salaries on time, contributes various social insurance and housing provident fund and built a multi-level pension and medical security system. The Bank also keeps helping employees to enhance their value through building a dual channel for administrative and professional sequences to smooth the career path of employees and providing them with a wide range of professional training to help them grow up quickly.

8.22 PUBLIC FLOAT

As at the Latest Practicable Date, according to the data publicly available to the Bank and to the knowledge of directors, the Bank has complied with the public float requirements under the Listing Rules.



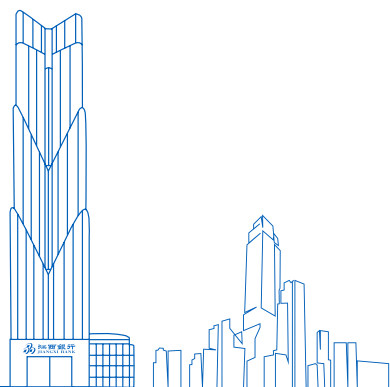
CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

8.23 CORPORATE GOVERNANCE

The Bank is committed to maintaining a high standard of corporate governance. Details of corporate governance of the Bank are set out in the section headed “Corporate Governance Report” of this annual report.

8.24 MAJOR DEPOSITORS AND BORROWERS

The Bank is not dependent on a single major depositor/borrower. As at the end of the Reporting Period, the deposits balance of the five largest depositors and loan balance of the five largest borrowers of the Bank represented no more than 30% of the total deposits balance, gross loans and advances of the Bank.



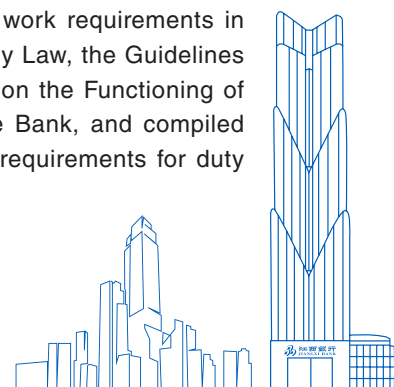
CHAPTER IX REPORT OF THE BOARD OF SUPERVISORS

During the Reporting Period, the Board of Supervisors of the Bank fulfilled the duty of supervision pursuant to relevant laws and regulations, conducted supervision in an orderly manner, actively safeguarded the interests of the Bank and all shareholders, and successfully accomplished each annual work and task in strict accordance with the Company Law, the Guidelines on Corporate Governance of Commercial Banks, the Guidelines on the Functioning of Supervisory Board of Commercial Banks and the Articles of the Bank.

9.1 MAJOR WORKS

(I) Take the Opportunity of “Setting Sail Project” to Further Systematize and Regulate Operation of the Board of Supervisors

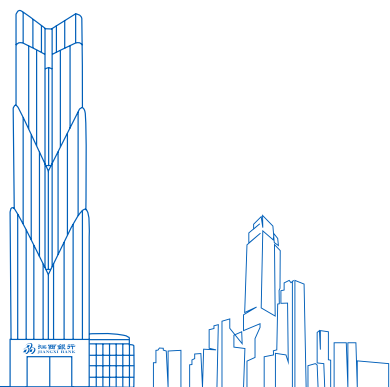
1. The Board of Supervisors organized its meetings in a standardized manner. During the Reporting Period, the Board of Supervisors held 5 meetings of the Board of Supervisors, 5 meetings of the Supervision Committee and 4 meetings of the Nomination Committee, at which the Board of Supervisors discussed and considered 31 topics. Aiming to safeguard the interests of the Bank and shareholders, all supervisors complied with the requirements of their duties by actively attending the meetings, carefully considering proposals presented by the Board of Supervisors and its specialized committees, and independently and objectively providing their opinions at the meetings. At the same time, the Board of Supervisors also organized the supervisors to attend 1 general meeting and 6 meetings of the Board of Directors, at which the supervisors legally supervised the agenda, contents of proposals and voting procedure of the meetings and promptly raised the supervision suggestions or advices.
2. The Board of Supervisors continued improving its system. During the Reporting Period, the Board of Supervisors promptly amended 4 systems, i.e. procedures for selection of and requirements for duty performance of supervisors, work rules for external supervisors, work rules for nomination committee and work rules for supervision committee in accordance with the relevant domestic and foreign laws and regulations, regulatory documents, and the Articles which became applicable after listing. The current systems of the Board of Supervisors cover major works of the Board of Supervisors such as organization of meeting, duty performance assessment, supervision and inspection as well as daily supervision, providing necessary system assurance for the standardized performance of duties for the Board of Supervisors.
3. The Board of Supervisors comprehensively sorted out its duties. During the Reporting Period, the Board of Supervisors sorted out 33 duties of the Board of Supervisors, 31 duties of supervisors and the relevant operation procedure and work requirements in accordance with 9 internal rules of the Bank such as the Company Law, the Guidelines on Corporate Governance of Commercial Banks, the Guidelines on the Functioning of Supervisory Board of Commercial Banks and the Articles of the Bank, and compiled the Board of Supervisor Manual therefrom to respond to higher requirements for duty performance after listing.



CHAPTER IX REPORT OF THE BOARD OF SUPERVISORS

(II) Continue Focusing on Intensifying the Supervision to Perform Duties of the Board of Supervisors in a More Specific and Effective Manner

1. The Board of Supervisors focused on daily supervision to improve time effectiveness of supervision. During the Reporting Period, the Board of Supervisors established a mechanism for submitting supervision information and regularly collected information concerning major meetings, duty performance, financial activities, internal control, risk management, remuneration management, case prevention management as well as significant events and emergencies, with a view to grasping operation and management information relating to the supervision. At the same time, the Board of Supervisors aggregated and analyzed the supervision-related information submitted on a monthly basis so as to give timely reminders of emerging issues that signal unfavorable trends, thus promoting early identification, warning and disposal of potential risks.
2. The Board of Supervisors improved its supervision and inspection competence while focusing on specific inspection. During the Reporting Period, pursuant to the relevant provisions of the Guidelines on the Functioning of Supervisory Board of Commercial Banks, the Board of Supervisors conducted eight inspections and evaluations in the key areas of supervision, which resulted in one management letter, one duty performance report, four evaluation opinions, and three audit opinions, thereby presenting issues in financial budget and final accounts, data governance, internal control, risk control and incentive mechanism to the Board of Directors and senior management. The Board of Supervisors also raised 20 pieces of specific suggestions and advices, positively driving the risk prevention and sound development of the Bank.
3. The Board of Supervisors urged the rectification to enhance effects of supervision-induced rectification. To improve the rectification rate of problems found in supervision, the Board of Supervisors gradually established a rectification urgency mechanism in practices which aims to urge those problems to be rectified on the basis of problem classification, and the rectification is supported by work advancing, rectification review and feedback and briefing. The Board of Supervisors also improved the closed loop management of supervision characterized by “inspection, supervision and rectification”, which well promoted the reasonable application of the results of supervision.

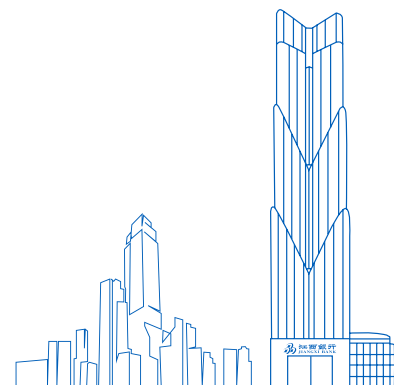


CHAPTER IX REPORT OF THE BOARD OF SUPERVISORS

(III) Take Study and Investigation as Leverage for Further Improving Awareness and Competence of Duty Performance of Supervisors

During the Reporting Period, the Board of Supervisors conducted study and investigation activities of “going out, bringing in”, which not only further broadened the horizon of and expanded the thinking of supervisors, but also further improved their awareness and competence of duty performance.

1. The Board of Supervisors intensified its efforts to conduct researches on specific topics. During the Reporting Period, through spot researches on 20 county sub-branches of 10 branches in Jiangxi province, the Board of Supervisors gained deeper understanding of the first-hand information on the operation and management of those sub-branches, and promptly handled various advices and demands presented by those sub-branches through coordination. On the basis of the research conducted throughout the year, the Board of Supervisors prepared a Research Report of the Board of Supervisors on County Sub-branches, in which the Board of Supervisors raised its suggestions concerning how to strengthen and expand county sub-branches in terms of strategy, management, marketing, product and team.
2. The Board of Supervisors proactively strengthened study and exchanges. During the Reporting Period, the Board of Supervisors organized the supervisors to participate in the training titled “Governance Practice and Case Analysis for Board of Supervisors of Commercial Banks”, allowing the supervisors to study laws and regulations related to corporate governance and accurately learn the latest regulatory requirements. Thanks to the training, the supervisors also became skilled in supervision and inspection practice and had their thinking and horizon broadened and their professional knowledge strengthened. Additionally, the Board of Supervisors also organized the supervisors to visit Bank of Jiangsu to learn from good experience and practices of peer.
3. The Board of Supervisors gave full play to its role in making proposals. During the Reporting Period, the Board of Supervisors organized external supervisors to conduct researches on the topic of financial technology and information disclosure while centering on the Bank. Two reports were derived from the research: Existing Development Status and Enlightenment of Financial Technology and Research Report on Information Disclosure, which were published on the Liaison Brief Special for Directors and Supervisors for reference of directors, supervisors and senior management.



CHAPTER IX REPORT OF THE BOARD OF SUPERVISORS

9.2 INDEPENDENT OPINIONS ON RELEVANT MATTERS

(I) Legal Operation of the Bank

During the Reporting Period, the Bank has complied with such laws and regulations as the Company Law, relevant regulations and the requirements of the Articles of Association of the Bank during its operation and management. The Board of Directors has standardized its decision-making procedures while ensuring their legal and regulatory compliance. The senior management has conducted the operation and management according to laws and regulations, mandate of the Board as well as the rules and regulations of the Bank. No violations against laws and regulations or acts that harmed the Bank were found.

(II) Financial Reporting

During the Reporting Period, KPMG Certified Public Accountants and KPMG Huazhen (SGP) have audited our financial report and issued a standard audit report with unqualified opinions. The financial report is a fair, objective and accurate reflection of the Bank's financial position and operating results.

(III) Related Party Transactions

During the Reporting Period, the reviewing, voting, disclosure and performance of our related party transactions are in compliance with the requirements of laws and regulations in China as well as the Articles of Associations of the Bank. No acts that harmed the interests of shareholders and the Bank were found.

(IV) Implementation of General Meeting's Resolutions

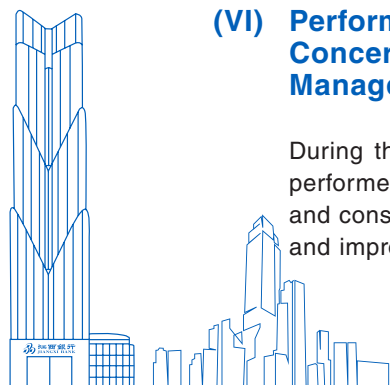
During the Reporting Period, the Board of Supervisors has no objection to the contents of reports and proposals submitted by the Board of Directors to the general meeting for consideration. The Board of Supervisors supervised the implementation of general meeting's resolutions and believed that the Board of Directors of the Bank was able to conscientiously implement the relevant resolutions of the general meeting.

(V) Disclosure of Information

During the Reporting Period, the Bank conscientiously performed on an open, fair and impartial basis its disclosure obligation as a listed company, timely disclosed its information and ensured fair access of all shareholders to the material information of the Bank.

(VI) Performance of Duties of the Board of Directors and Senior Management Concerning Capital Management and Consolidated Financial Statements Management

During the Reporting Period, the Board of Director and senior management conscientiously performed their respective duties in accordance with the requirements of capital management and consolidated financial statements management, which, as a result, were further promoted and improved.



CHAPTER X IMPORTANT MATTERS

10.1 USE OF PROCEEDS

As of the Latest Practicable Date, the Bank issued 1,345.5 million H Shares in total, and the net proceeds from the global offering amounted to approximately HK\$8.598 billion. The funds raised by the Bank from the global offering will be used in accordance with the purposes disclosed in the prospectus.

10.2 MAJOR LAWSUITS, ARBITRATIONS AND MAJOR CASES DURING THE REPORTING PERIOD

As of the end of the Reporting Period, there were 70 pending litigation and arbitration cases with a principal amount of RMB30 million or above claimed by the Bank as a plaintiff and an arbitration applicant, involving a total principal amount of approximately RMB3.532 billion (including the amount written off); there were three pending litigation and arbitration cases with the principal amount of RMB10 million or above with the Bank as a defendant and a respondent, involving a total principal amount of approximately RMB1.514 billion.

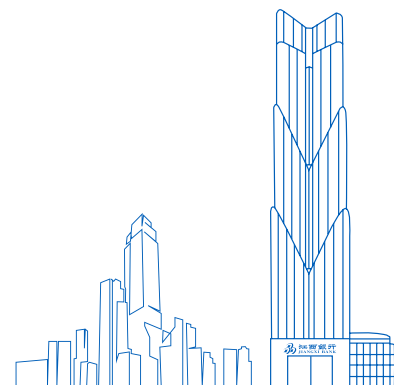
As of the Latest Practicable Date, the progresses of the Bank's two major lawsuits disclosed in the prospectus where the Bank was a defendant or a third party involved were as follows:

1. The plaintiff, Bank A, in the first instance of "Bank A Case" in which the Bank is classified as a third party withdrew the lawsuit on June 7, 2018. The court made the final decision on August 2, 2018 approving Bank A to withdraw the lawsuit, so the case was closed and the Bank did not suffer any loss;
2. The court has made a judgment in the first instance of "Bank B Case" in which the Bank is a defendant on November 15, 2018. All claims from Bank B, the plaintiff, were rejected and the Bank did not bear any responsibility. Bank B has appealed to the Supreme People's Court.

As of the end of the Reporting Period, the Bank expected that the above ongoing litigation or arbitration cases (whether individually or jointly) will not have a material adverse impact on the Bank's operating and financial position.

10.3 SIGNIFICANT RELATED PARTY TRANSACTIONS

During the Reporting Period, there were no significant related party transactions of the Bank which adversely affected its operating results and financial position.



CHAPTER X IMPORTANT MATTERS

10.4 PUNISHMENT AGAINST THE BANK AND THE BANK'S DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, our directors, supervisors and senior management have not been punished by relevant regulatory and judicial authorities.

10.5 MATERIAL CONTRACTS AND THEIR PERFORMANCE

During the Reporting Period, the material contracts entered into by the Bank were the cornerstone investment agreements signed with Yango Investment Limited, Road Shine Developments Limited, Sinolending Fintech Company Limited, ZhongHua Financial Holdings Limited and FTLife Insurance Company Limited, the Hong Kong Underwriting Agreements signed with H-share sponsors.

10.6 MAJOR GUARANTEES AND COMMITMENTS

10.6.1 Major Guarantees

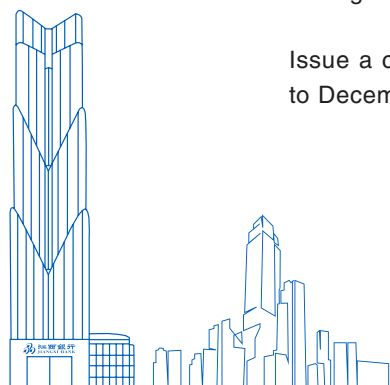
During the Reporting Period, the Bank had five major guarantees:

- (1) Issue a performance bond of RMB340 million to Customer A, validity from January 15, 2016 to December 30, 2019;
- (2) Issue a loan guarantee of RMB130 million to Customer B, validity from October 25, 2017 to June 27, 2022;
- (3) Issue a loan guarantee of RMB300 million to Customer C, validity from November 30, 2017 to November 28, 2022;
- (4) Issue a loan guarantee of RMB145 million to Customer D, validity from December 8, 2017 to December 7, 2022;
- (5) Issue a loan guarantee of RMB500 million to Customer E, validity from September 29, 2018 to September 27, 2023.

10.6.2 Major Commitments

During the Reporting Period, the Bank had one major commitment:

Issue a credit certificate of RMB267 million to Customer E, validity from September 18, 2017 to December 31, 2019.



CHAPTER X IMPORTANT MATTERS

10.7 AUDIT REVIEW

The annual financial statements which have been prepared in accordance with IFRS disclosed in this annual report have been audited by KPMG. KPMG has, in accordance with the Hong Kong Standards on Review Engagements, reviewed the annual financial statements for the year ended December 31, 2018 prepared by the Bank based on the International Accounting Standards issued by the International Accounting Standards Board. This annual financial report has been reviewed by the Audit Committee under the Board of Directors and the Board of the Directors of the Bank.

10.8 APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

The Bank re-appointed KPMG Certified Public Accountants and KPMG Huazhen (SGP) as international and domestic auditors of the Bank for 2018 respectively.

10.9 MAJOR ASSET ACQUISITIONS, SALES AND BUSINESS MERGERS

During the Reporting Period, the Bank did not have any major asset acquisitions, sales or business mergers.

10.10 SIGNIFICANT INVESTMENTS

In February 2018, the Bank increased its shareholding in Jiangxi Financial Leasing Co., Ltd. totaling 1,020 million shares with a par value of RMB1 each at an issue price of RMB1.20 per share, which was completed in February 2018. After that, the Bank holds 75.74% of the equity in Jiangxi Financial Leasing Co., Ltd.

10.11 LOAN AGREEMENT

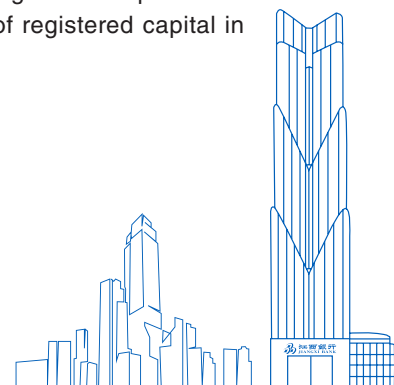
During the Reporting Period, the Bank did not violate any loan agreement.

10.12 SHARE OPTION SCHEME

During the Reporting Period, the Bank did not implement any share option scheme.

10.13 SUBSEQUENT EVENTS

In February 2019, CBIRC Jiangxi Office approved the change of the Bank's registered capital from RMB4,678,776.901 to RMB6,024,276.901. The Bank has included the amount of registered capital in the Articles of Association.



CHAPTER XI INTERNAL CONTROL AND INTERNAL AUDIT

11.1 INTERNAL CONTROL

During the Reporting Period, the Bank launched a “three-in-one” system for managing internal control, compliance and operational risks, which significantly improved the quality and efficiency of internal control and compliance management; through promoting the construction of the compliance departments in branches and sub-branches, the Bank laid a solid foundation for internal control and compliance management; the Bank conducted internal control assessment and proactively guided branches and sub-branches in strengthening internal control, thus motivating the staff responsible for the internal management; the Bank improved the process for administrating violation points, enhanced the usage of violation points and bolster the deterrence against violations; the Bank also improved the problem rectification and inquiry mechanism and set up a rectification and tracking book for problems so as to ensure thorough rectification of violations, thorough control of risks and thorough accountability.

During the Reporting Period, no major deficiencies were found in the Bank’s internal control. The Bank will continue to improve the internal control system, standardize the implementation of internal control measures, enhance the quality and efficiency of internal control supervision and inspection and consistently improve the effectiveness of internal control, so as to promote the steady and sustainable development of the Bank.

11.2 INTERNAL AUDIT

The Group has established an independent internal audit system and the Board assumes ultimate responsibility for the independence and effectiveness of internal audit. The Board has established an Audit Committee to guide and supervise the internal audit work of the Bank. The Board of Supervisors is responsible for supervising the internal audit work. The general manager of the audit department reports to the Board, Audit Committee and Board of Supervisors on a regular basis and informs the senior management. The audit department prepares annual audit plan and submits it to the Audit Committee and the Board for approval. In daily audit work, the Group reviews its operation, information system, financial reporting and risk management through systematic and standardized internal audit methods, and evaluates the effectiveness of the Bank’s internal control and corporate governance. The Group also conducts special audits on various risks faced by the Bank, e.g. credit risk, market risk, operational risk and information technology risk. The Group conducts internal audit work on site or offsite and then issues an audit report. To ensure that the audited department takes appropriate corrective actions according to audit suggestions, the audit department of the Bank conducts follow-up audits based on the results of corrective actions and provides follow-up audit reports.

During the Reporting Period, adhering to the audit concept of “centering on the central work, serving the big picture, disclosing risks and promoting development”, the internal audit department of the Group continuously explored and innovated audit methods, effectively fulfilled its role of supervision and service, continuously optimized the audit system, refined the process of audit quality control, strictly implemented the problem rectification mechanism, attached importance to the effectiveness of achievement transformation, and effectively improved the internal control and management mechanism of the Bank.



CHAPTER XII INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the Board of Directors of Jiangxi Bank Co., Ltd.

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

OPINION

We have audited the consolidated financial statements of Jiangxi Bank Co., Ltd. (the "Bank") and its subsidiary ("the Group") set out on pages 186 to 358, which comprise the consolidated statement of financial position as at 31 December, 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

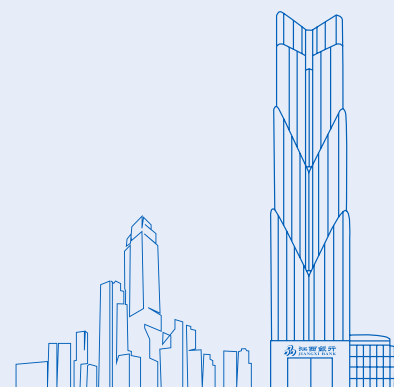
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December, 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



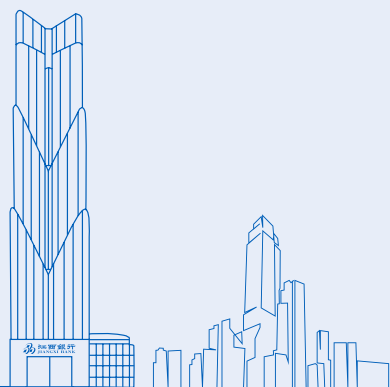
CHAPTER XII INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Loss allowances of loans and financial investments measured at amortized cost

Refer to Note 18 to the consolidated financial statements and the accounting policies in Note 2(9)

The Key Audit Matter	How the matter was addressed in our audit
<p>The Group has applied the amended IFRS 9 – Financial Instruments since 1 January, 2018 and developed a new impairment model for financial assets.</p> <p>The determination of loss allowances using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions.</p> <p>In particular, the determination of the loss allowances is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The expected credit losses for corporate loans and financial investments are derived from estimates including the historical losses, internal and external credit grading and other adjustment factors. The expected credit losses for personal loans are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience for personal loans and other adjustment factors.</p>	<p>Our audit procedures to assess loss allowances of loans and financial investments measured at amortized cost included the following:</p> <ul style="list-style-type: none">• understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of loans and financial investments measured at amortized cost, the credit grading process and the measurement of provisions for impairment.• with the assistance of our internal specialists, assessing the reliability of the expected credit loss model used by management in determining loss allowances, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments.



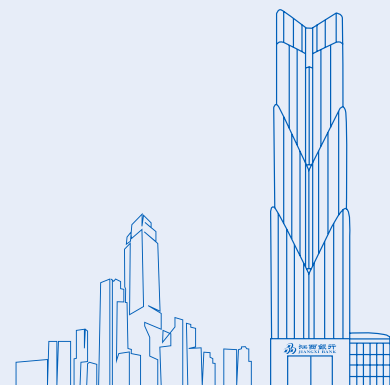
CHAPTER XII INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Loss allowances of loans and financial investments measured at amortized cost

Refer to Note 18 to the consolidated financial statements and the accounting policies in Note 2(9)

The Key Audit Matter	How the matter was addressed in our audit
Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. Management refers to valuation reports issued by qualified third party valuers and considers the influence of various factors including the market price, location and use when assessing the value of property held as collateral. The enforceability, timing and means of realization of collateral can also have an impact on the recoverable amount of collateral and, therefore, the amount of loss allowances as at the end of the reporting period.	<ul style="list-style-type: none">• assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model. For key parameters derived from internal data relating to original loan agreements, we compared the total balance of the loan and financial investment list used by management to assess the allowances for impairment with the general ledger, selecting samples and comparing individual loan and investment information with the underlying agreements and other related documentation to assess the accuracy of compilation of the loan and investment list. For key parameters derived from external data, we selected samples to inspect the accuracy of such data by comparing them with public resources.
We identified the impairment of loans and advances to customers and financial investments measured at amortized cost as a key audit matter because of the inherent uncertainty and management judgment involved and because of its significance to the financial results and capital of the Group.	<ul style="list-style-type: none">• for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Group's internal records including historical loss experience and type of collateral. As part of these procedures, we challenged management's revisions to estimates and input parameters compared with prior period and on transition to the new accounting standard and considered the consistency of judgement. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development.



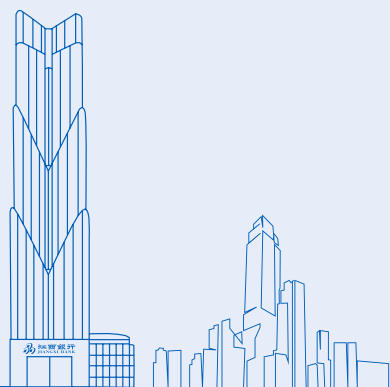
CHAPTER XII INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Loss allowances of loans and financial investments measured at amortized cost

Refer to Note 18 to the consolidated financial statements and the accounting policies in Note 2(9)

The Key Audit Matter	How the matter was addressed in our audit
	<ul style="list-style-type: none">for key parameters used in the expected credit loss model which were derived from system-generated internal data, assessing the accuracy of input data by comparing the input data with original documents on a sample basis. In addition, we involved our IT specialists to assess the logics and compilation of the overdue information and the operational process of the credit grading of corporate customers for selected samples.evaluating the validity of management's assessment on whether the credit risk of the loan has, or has not, increased significantly since initial recognition and whether the loan is credit-impaired by selecting risk-based samples. We analyzed the portfolio by industry sector to select samples in industries more vulnerable to the current economic situation with reference to other borrowers with potential credit risk. We checked loan overdue information, making enquiries of the credit managers about the borrowers' business operations, checking borrowers' financial information and researching market information about borrowers' businesses.



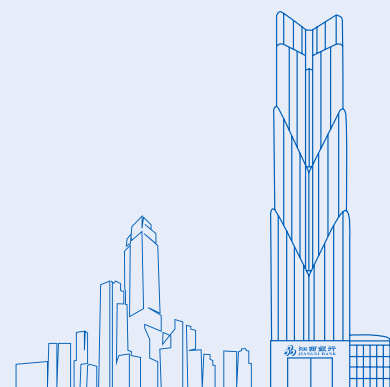
CHAPTER XII INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Loss allowances of loans and financial investments measured at amortized cost

Refer to Note 18 to the consolidated financial statements and the accounting policies in Note 2(9)

The Key Audit Matter	How the matter was addressed in our audit
	<ul style="list-style-type: none">for selected samples of loans and advances to customers that are credit-impaired, evaluating management's assessment of the value of any property collateral held by comparison with market prices based on the location and use of the property and the prices of neighbouring properties. We also evaluated the timing and means of realization of collateral, evaluated the forecast cash flows, challenged the viability of the Group's recovery plans and evaluated other credit enhancements that are integral to the contract terms.evaluating whether the disclosures on impairment of loans and financial investments measured at amortized cost comply with the disclosure requirements in the applicable International Financial Reporting Standards.

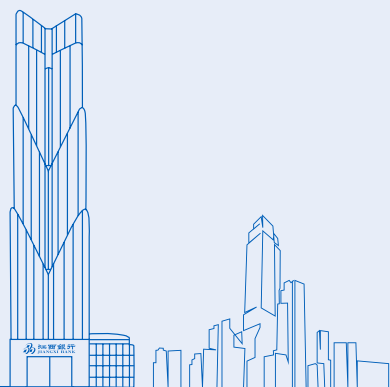


CHAPTER XII INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Transition adjustments and disclosures in relation to the change of financial instruments standards *Refer to the accounting policies in Note 2(3)*

The Key Audit Matter	How the matter was addressed in our audit
<p>The Group has applied the amended IFRS 9 – Financial Instruments (referred to as “the new financial instruments standards” as below) since 1 January, 2018.</p> <p>The new financial instruments standards have amended the previous classification and measurement framework of financial instruments and introduced a more complex expected credit loss model to assess impairment. The Group is required to retrospectively apply the classification and measurement (including impairment) requirements and recognize any difference between the original carrying amount and new carrying amount at the date of initial application (i.e. 1 January, 2018) in the opening equity.</p> <p>We identified the transition adjustments and disclosures in relation to the change of financial instruments standards as a key audit matter, because of the complexity of the transition process which involved changes in internal controls of the financial reporting process, accounting treatment, application of new data and management judgment.</p>	<p>Our audit procedures to the transition adjustments and disclosures in relation to the change in financial instruments standards included the following:</p> <ul style="list-style-type: none">• understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting process over the change of financial instrument standards.• evaluating the accuracy of the classification of financial instruments. We obtained information on how management applied the classification requirements of the new financial instruments standards and the classification results. On a sample basis we assessed the contractual cash flow characteristics of the financial assets and relevant documents in relation to the business model.• for financial assets that are measured at fair value due to changes in classification, we obtained information on the valuation method and key parameters used, selected samples to evaluate the validity of the valuation method and key parameters with the involvement of our internal valuation specialists and in light of industry practice.



CHAPTER XII INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Transition adjustments and disclosures in relation to the change of financial instruments standards
Refer to the accounting policies in Note 2(3)

The Key Audit Matter	How the matter was addressed in our audit
	<ul style="list-style-type: none">• with the assistance of our internal specialists, assessing the reliability of the expected credit loss model used by management in determining loss allowances on transition and assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model.• obtaining journal entries relating to adjustments made on transition to the new financial instruments standards and compared the list of classification of financial instruments, the original carrying amounts, the list of journal entries and new carrying amounts of the financial instruments to assess if the journal entries have been entirely put through the system accurately. We selected samples to assess if the accounting treatment is in accordance with the International Financial Reporting Standards.• selecting samples to recalculate the new carrying amount of the financial instruments and assessing the accuracy of the opening balance at the date of initial application (i.e. 1 January, 2018).• assessing whether the relevant disclosures in relation to the change in financial instruments standards comply with the applicable International Financial Reporting Standards.



CHAPTER XII INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Consolidation of structured entities

Refer to Note 40 to the consolidated financial statements and the accounting policies in Note 2(5)

The Key Audit Matter	How the matter was addressed in our audit
<p>Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities.</p> <p>The Group may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity, through issuing an asset management plan, a trust plan or a wealth management product.</p> <p>In determining whether a structured entity is required to be consolidated by the Group, management is required to consider the risks and rewards retained, the power the Group is able to exercise over the activities of the entity and its ability to influence the Group's own returns from the entity. These factors are not purely quantitative and need to be considered collectively in the overall substance of the transactions.</p> <p>We identified the consolidation of structured entities as a key audit matter because of the complex nature of certain of these structured entities and the judgement exercised by management in the qualitative assessment of the terms and nature of each entity.</p>	<p>Our audit procedures to assess the consolidation of structured entities included the following:</p> <ul style="list-style-type: none">• understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over consolidation of structured entities.• selecting significant structured entities of each key product type and performing the following procedures for each structured entity selected:<ul style="list-style-type: none">– inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity;– reviewing the risk and reward structure of the structured entity, including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns to assess management's judgement as to the exposure, or rights, to variable returns from the Group's involvement in such an entity;



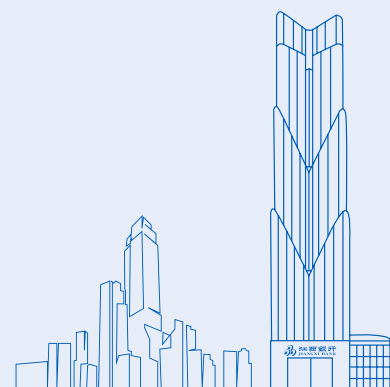
CHAPTER XII INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Consolidation of structured entities

Refer to Note 40 to the consolidated financial statements and the accounting policies in Note 2(5)

The Key Audit Matter	How the matter was addressed in our audit
	<ul style="list-style-type: none">– reviewing management's analysis of the structured entity, including qualitative analysis and the calculation of the magnitude and variability associated with the Group's economic interests in the structured entity to assess management's judgement over the Group's ability to influence its own returns from the structured entity;– assessing management's judgement over whether the structured entity should be consolidated or not.
	<ul style="list-style-type: none">• assessing whether the disclosures in the consolidated financial statements in relation to structured entities comply with the requirements of applicable International Financial Reporting Standards.



CHAPTER XII INDEPENDENT AUDITOR'S REPORT

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

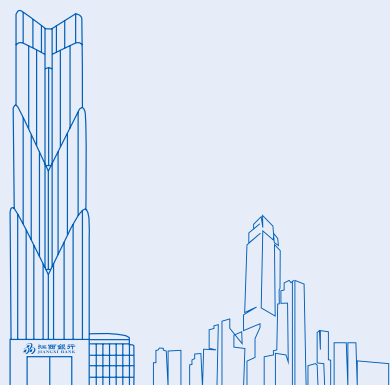
If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.



CHAPTER XII INDEPENDENT AUDITOR'S REPORT

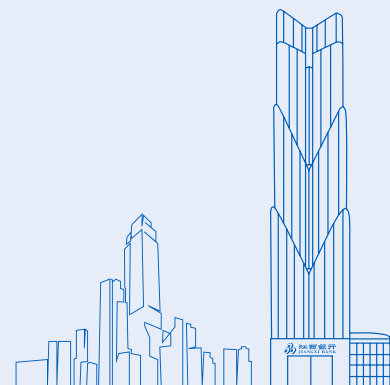
AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



CHAPTER XII INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Li Ka Lam.

KPMG

Certified Public Accountants

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

29 March, 2019



CHAPTER XIII FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

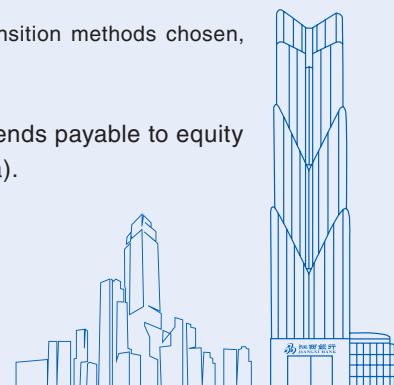
FOR THE YEAR ENDED 31 DECEMBER, 2018

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

	Note	2018	2017 (Note)
Interest income		18,509,149	15,393,748
Interest expense		(9,593,625)	(7,912,645)
Net interest income	3	8,915,524	7,481,103
Fee and commission income		1,140,403	1,643,764
Fee and commission expense		(487,111)	(153,145)
Net fee and commission income	4	653,292	1,490,619
Net trading gains/(losses)	5	92,729	(109,962)
Net gains arising from financial investments	6	1,367,903	572,870
Other operating income	7	321,161	17,639
Operating income		11,350,609	9,452,269
Operating expenses	8	(3,529,618)	(3,147,384)
Impairment losses on assets	11	(4,438,373)	(2,575,802)
Operating profit		3,382,618	3,729,083
Share of (losses)/profits of associates		(15,544)	12,026
Profit before taxation		3,367,074	3,741,109
Income tax	12	(595,809)	(826,285)
Profit for the year		2,771,265	2,914,824
Attributable to:			
Equity shareholders of the Bank		2,733,558	2,865,226
Non-controlling interests		37,707	49,598

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January, 2018. Under the transition methods chosen, comparative information is not restated. See Note 2(3).

The notes on pages 195 to 358 form part of these financial statements. Details of dividends payable to equity shareholders of the Bank attributable to the profit for the year are set out in Note 34(a).



CHAPTER XIII FINANCIAL STATEMENTS

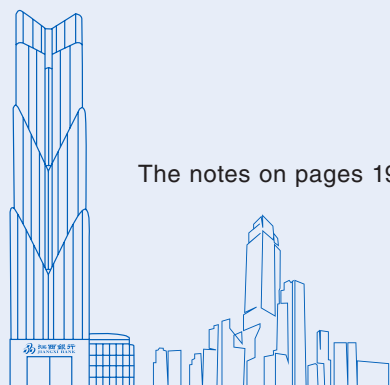
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER, 2018
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

	Note	2018	2017 (Note)
Profit for the year		2,771,265	2,914,824
Basic and diluted earnings per share (in RMB)	13	0.51	0.61
Other comprehensive income for the year, net of tax			
Items that may be reclassified subsequently to profit or loss:			
– Available-for-sale financial assets: net movement in the fair value reserve		–	(325,162)
– Financial assets at fair value through other comprehensive income: net movement in the fair value reserve		439,179	–
– Financial assets at fair value through other comprehensive income: net movement in impairment losses		212,639	–
Other comprehensive income for the year	33(a)	651,818	(325,162)
Total comprehensive income for the year		3,423,083	2,589,662
Attributable to:			
Equity shareholders of the Bank		3,385,376	2,540,064
Non-controlling interests		37,707	49,598
Total comprehensive income for the year		3,423,083	2,589,662

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January, 2018. Under the transition methods chosen, comparative information is not restated. See Note 2(3).

The notes on pages 195 to 358 form part of these financial statements.



CHAPTER XIII FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

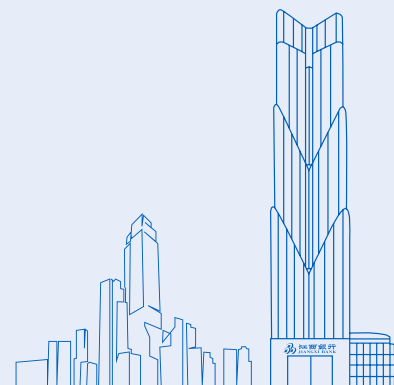
AS AT 31 DECEMBER, 2018

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

	Note	31 December, 2018	31 December, 2017 (Note)
Assets			
Cash and deposits with the central bank	14	37,740,620	40,039,192
Deposits with banks and other financial institutions	15	3,204,920	1,818,235
Placements with banks and other financial institutions	16	4,024,945	500,000
Financial assets held under resale agreements	17	10,966,471	6,180,084
Loans and advances to customers	18	165,523,323	124,769,378
Financial investments	19	190,704,000	188,429,760
Interest in associates	20	113,722	129,266
Property and equipment	22	2,507,638	2,642,897
Deferred tax assets	23	2,194,395	1,522,569
Other assets	24	2,084,240	3,973,917
Total assets		419,064,274	370,005,298
Liabilities and equity			
Liabilities			
Borrowing from the central bank		1,590,065	4,022,343
Deposits from banks and other financial institutions	25	31,863,890	29,820,013
Placements from banks and other financial institutions	26	6,149,980	1,350,000
Borrowing from other financial institutions	27	10,944,698	8,450,000
Financial assets sold under repurchase agreements	28	10,186,847	6,689,051
Deposits from customers	29	260,448,653	243,837,351
Income tax payable		567,441	495,498
Debt securities issued	30	61,129,810	43,473,768
Other liabilities	31	3,371,556	8,595,213
Total liabilities		386,252,940	346,733,237

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January, 2018. Under the transition methods chosen, comparative information is not restated. See Note 2(3).

The notes on pages 195 to 358 form part of these financial statements.



CHAPTER XIII FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER, 2018
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

	Note	31 December, 2018	31 December, 2017 (Note)
Equity			
Share capital	32	6,024,277	4,678,777
Capital reserve	33	13,720,282	7,273,739
Surplus reserve	33	2,518,794	2,253,652
General reserve	33	5,505,856	4,700,715
Retained earnings	34	4,457,010	3,806,862
Total equity attributable to equity shareholders of the Bank		32,226,219	22,713,745
Non-controlling interests		585,115	558,316
Total equity		32,811,334	23,272,061
Total liabilities and equity		419,064,274	370,005,298

Approved and authorised for issue by the Board of Directors on 29 March 2019.

CHEN Xiaoming
Legal Representative

LUO Yan
President

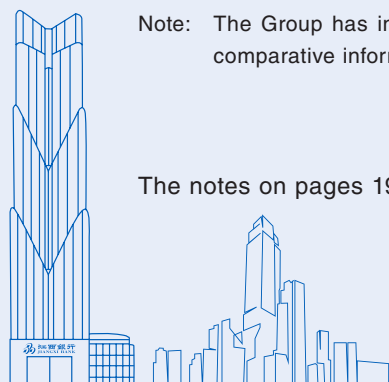
XU Jihong
The Person In Charge of
Accounting Affairs

ZHAO Wanxian
The Head of the Accounting
Department

Jiangxi Bank Co., Ltd.
(Company stamp)

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January, 2018. Under the transition methods chosen, comparative information is not restated. See Note 2(3).

The notes on pages 195 to 358 form part of these financial statements.



CHAPTER XIII FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

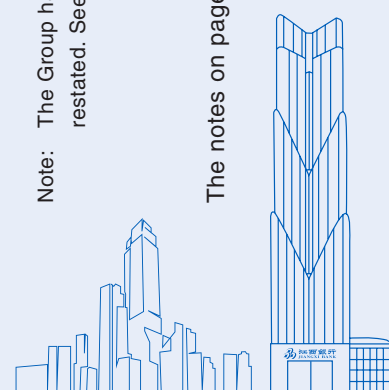
FOR THE YEAR ENDED 31 DECEMBER, 2018

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

	Attributable to equity shareholders of the Bank						Non-controlling interests	Total
	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	Sub-total	
Balance at 31 December, 2017 (Note)		4,678,777	7,273,739	2,253,652	4,700,715	3,806,862	22,713,745	558,316 23,272,061
Impact on initial application of IFRS 9	2	-	134,603	-	-	(545,249)	(410,646)	(1,704) (412,350)
Adjusted balance at 1 January, 2018		4,678,777	7,408,342	2,253,652	4,700,715	3,261,613	22,303,099	556,612 22,859,711
Changes in equity for the year								
Profit for the year		-	-	-	-	2,733,558	2,733,558	37,707 2,771,265
Other comprehensive income		-	651,818	-	-	-	651,818	- 651,818
Total comprehensive income		-	651,818	-	-	2,733,558	3,385,376	37,707 3,423,083
Issue of H Shares		1,345,500	5,672,967	-	-	-	7,018,467	- 7,018,467
Change in interest in subsidiary		-	(12,845)	-	-	-	(12,845)	12,845 -
Appropriation of profits	34	-	-	265,142	-	(265,142)	-	- -
- Appropriation to surplus reserve		-	-	-	-	(805,141)	-	- -
- Appropriation to general reserve		-	-	-	805,141	(805,141)	-	- -
- Appropriation to shareholders		-	-	-	-	(467,878)	(467,878)	(22,049) (489,927)
Balance at 31 December, 2018		6,024,277	13,720,282	2,518,794	5,505,856	4,457,010	32,226,219	585,115 32,811,334

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January, 2018. Under the transition methods chosen, comparative information is not restated. See Note 2(3).

The notes on pages 195 to 358 form part of these financial statements.



CHAPTER XIII FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER, 2018

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

	Attributable to equity shareholders of the Bank						Non-controlling interests	Total
	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	Sub-total	
Balance at January 1, 2017		4,678,777	7,598,901	1,969,997	3,964,106	2,429,778	20,641,559	530,768 21,172,327
Changes in equity for the year								
Profit for the year		-	-	-	-	2,865,226	2,865,226	49,598 2,914,824
Other comprehensive income		-	(325,162)	-	-	-	(325,162)	- (325,162)
Total comprehensive income		-	(325,162)	-	-	2,865,226	2,540,064	49,598 2,589,662
Appropriation of profits	34							
- Appropriation to surplus reserve		-	-	283,655	-	(283,655)	-	- -
- Appropriation to general reserve		-	-	-	736,609	(736,609)	-	- -
- Appropriation to shareholders		-	-	-	-	(467,878)	(467,878)	(22,050) (489,928)
Balance at 31 December, 2017 (Note)		4,678,777	7,273,739	2,253,652	4,700,715	3,806,862	22,713,745	558,316 23,272,061

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January, 2018. Under the transition methods chosen, comparative information is not restated. See Note 2(3).

The notes on pages 195 to 358 form part of these financial statements.

CHAPTER XIII FINANCIAL STATEMENTS

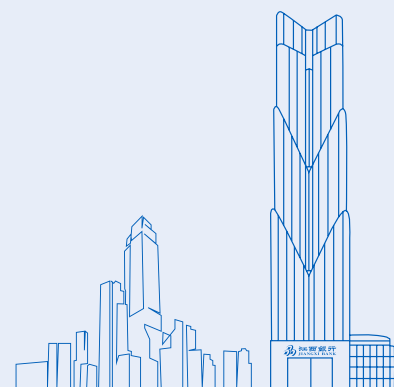
CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER, 2018

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

	Note	2018	2017
Cash flows from operating activities			
Profit before taxation		3,367,074	3,741,109
<i>Adjustments for:</i>			
Impairment losses on assets		4,438,373	2,575,802
Depreciation and amortization		365,301	331,639
Unwinding of discount		(89,324)	(146,603)
Interest income on financial investments		(8,266,548)	(7,477,712)
Unrealized foreign exchange (gains)/losses		(327,933)	27,025
Net trading (gains)/losses		(92,729)	109,962
Net gains arising from financial investments		(1,367,903)	(572,870)
Share of losses/(profits) of associates		15,544	(12,026)
Interest expense on debt securities issued		2,463,019	2,119,127
Net losses on disposal of property and equipment		1,064	26
		505,938	695,479
<i>Changes in operating assets</i>			
Net decrease/(increase) in deposits with the central bank		3,997,974	(7,985,131)
Net (increase)/decrease in deposits with banks and other financial institutions		(1,797,504)	1,984,305
Net increase in placements with banks and other financial institutions		(417,858)	—
Net increase in loans and advances to customers		(42,750,953)	(22,701,915)
Net increase in financial investments held for trading purpose		(2,196,479)	(514,449)
Net decrease/(increase) in other operating assets		897,590	(62,439)
		(42,267,230)	(29,279,629)

The notes on pages 195 to 358 form part of these financial statements.



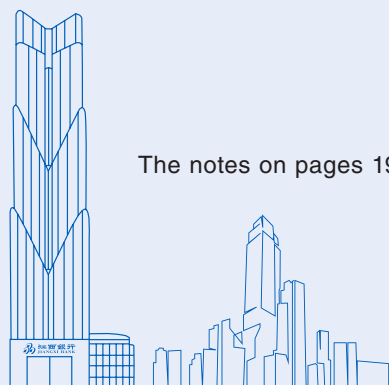
CHAPTER XIII FINANCIAL STATEMENTS

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER, 2018
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

	Note	2018	2017
Cash flows from operating activities (continued)			
<i>Changes in operating liabilities</i>			
Net decrease in borrowing from the central bank		(2,433,118)	(1,977,657)
Net increase in deposits from customers		13,648,693	52,631,632
Net increase/(decrease) in deposits from banks and other financial institutions		1,698,105	(1,033,189)
Net increase in borrowing from other financial institutions		2,323,566	1,970,000
Net increase in placements from banks and other financial institutions		4,720,000	1,271,446
Net increase/(decrease) in financial assets sold under repurchase agreements		3,493,721	(1,743,543)
Income tax paid		(1,079,792)	(1,031,022)
Net (decrease)/increase in other operating liabilities		(1,597,998)	3,368,952
		20,773,177	53,456,619
Net cash flows (used in)/generated from operating activities			
		(20,988,115)	24,872,469
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		153,084,710	172,076,052
Gains received from investment activities		8,839,365	4,099,069
Proceeds from disposal of property and equipment and other assets		3,176	36,843
Payments on acquisition of investments		(152,689,548)	(199,915,357)
Payments on acquisition of property and equipment, intangible assets and other assets		(385,127)	(866,782)
Net cash flows generated from/(used in) investing activities			
		8,852,576	(24,570,175)

The notes on pages 195 to 358 form part of these financial statements.



CHAPTER XIII FINANCIAL STATEMENTS

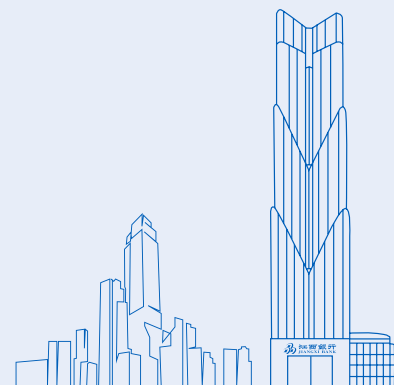
CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER, 2018

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

	Note	2018	2017
Cash flows from financing activities			
Proceeds from capital contribution by equity shareholders		7,018,467	—
Proceeds from debt securities issued	35(c)	65,525,717	87,725,553
Repayment of debt securities issued	35(c)	(49,970,000)	(89,710,000)
Interest paid on debt securities issued		(671,545)	(447,496)
Dividends paid		(509,777)	(490,027)
Payments for initial public offering (“IPO”) costs		(165,592)	(9,198)
Net cash flows generated from/(used in) financing activities		21,227,270	(2,931,168)
Effect of foreign exchange rate changes on cash and cash equivalents		(39,698)	62,079
Net increase/(decrease) in cash and cash equivalents	35(a)	9,052,033	(2,566,795)
Cash and cash equivalents as at 1 January		13,946,882	16,513,677
Cash and cash equivalents as at 31 December	35(b)	22,998,915	13,946,882
Net cash flows generated from operating activities include:			
Interest received		9,799,173	7,736,581
Interest paid (excluding interest expense on debt securities issued)		(6,537,524)	(4,579,262)

The notes on pages 195 to 358 form part of these financial statements.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

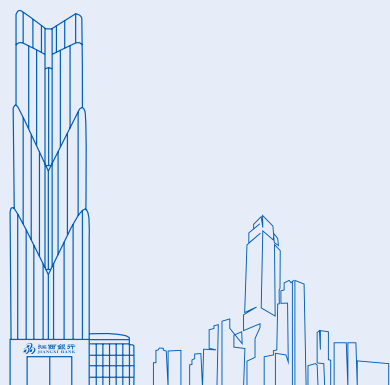
1 BACKGROUND INFORMATION

Jiangxi Bank Co., Ltd. (the “Bank”), formerly known as Nanchang Bank Co., Ltd., headquartered in Nanchang, Jiangxi Province. On 31 December, 1997, the Bank was established by Nanchang Municipal Bureau of Finance, several business entities and natural persons, on the basis of formerly 40 urban credit cooperatives located in Nanchang City, with the approval of the People’s Bank of China (“PBOC”). On 18 February, 1998, the Bank was registered as Nanchang City Commercial Bank Co., Ltd., with the approval of Jiangxi Province Administration of Industry and Commerce.

On 6 August, 2008, the Bank changed its name from Nanchang City Commercial Bank Co., Ltd. to Nanchang Bank Co., Ltd.. On 3 December, 2015, the former China Banking Regulatory Commission (the “former CBRC”) promulgated Yinjianfu 2015 No.658 <Approval of the Acquisition of Jingdezhen City Commercial Bank by Nanchang Bank>. On 7 December, 2015, Jiangxi Province State Council promulgated GanFuzi 2015 No. 85 <Notice on the Issuance of Establishment Plan for Jiangxi Bank Co., Ltd.>, Nanchang Bank Co., Ltd. acquired Jingdezhen City Commercial Bank Co., Ltd. by acquiring its entire equity interest and changed its name to Jiangxi Bank Co., Ltd. on 11 December, 2015. The acquisition is accounted for using acquisition method under IFRS 3, *Business Combinations*.

The Bank obtained its finance permit No. B0792H236010001 from the former CBRC. The principal activities of the Bank and its subsidiary (collectively referred to as the “Group”) are deposit taking; granting of loans; domestic settlement; foreign exchange business, bill acceptances and discounting; issuing financial bonds; acting as agent to issue, settle and underwrite government bonds; trading of government bonds; inter-bank placement; providing guarantee; acting as agent on inward and outward payments, acting as insurance agent; safe-box service; entrusted loans based on local government fund and other business activities approved by the former CBRC. The Bank is regulated by China Banking Insurance Regulatory Commission (the “CBIRC”) authorized by the State Council.

In June 2018, the Bank’s H Shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 1916).



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (the “IFRSs”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (the “IASB”) and the disclosure requirement of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(3) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

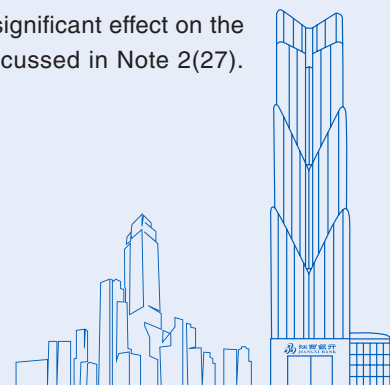
(2) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December, 2018 comprise the Bank and its subsidiary (together referred to as the “Group”).

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

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

Judgments made by management in the application of IFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 2(27).



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(2) Basis of preparation of the financial statements (continued)

The measurement basis used in the preparation of the financial statements is the historical basis, except that the financial instruments classified as available-for-sale, financial assets at fair value through other comprehensive income or financial assets at fair value through profit or loss (see Note 2(9)) are stated at their fair value as explained in the accounting policies.

The financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the Group.

(3) Changes in accounting policies

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

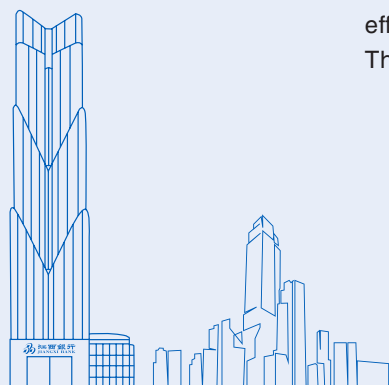
- (i) IFRS 9, Financial instruments
- (ii) IFRS 15, Revenue from contracts with customers
- (iii) IFRIC 22, Foreign currency transactions and advance consideration

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to IFRS 9, Prepayment features with negative compensation which have been adopted at the same time as IFRS 9.

(i) *IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation*

IFRS 9 replaces IAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January, 2018 in accordance with the transition requirements. The Group has recognized the cumulative effect of initial application as an adjustment to the opening equity at 1 January, 2018. Therefore, comparative information continues to be reported under IAS 39.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

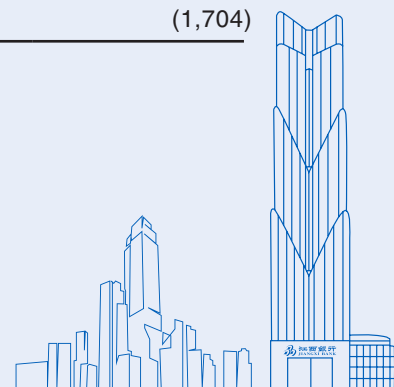
2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(3) Changes in accounting policies (continued)

(i) *IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation* (continued)

The following table summarises the impact of transition to IFRS 9 on retained earnings and capital reserves and the related tax impact at 1 January, 2018.

	Impact on initial application of IFRS 9 on opening balance
Retained earnings	
– Remeasurement under IFRS 9	85,326
– Recognition of expected credit losses under IFRS 9	(812,892)
– Related tax	182,317
Impact at 1 January, 2018	(545,249)
Capital reserve	
– Reclassification of financial investments (debt) from available-for-sale to FVTPL	(33,465)
– Reclassification of financial investments (debt and equity) from available-for-sale to FVOCI	1,277
– Reclassification of financial investments measured at amortized cost to FVOCI	(36,443)
– Recognition of expected credit losses under IFRS 9 for financial investments measured at FVOCI	186,076
– Related tax	17,158
Impact at 1 January, 2018	134,603
Non-controlling interests	(1,704)



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

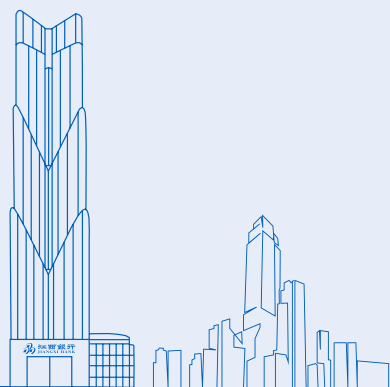
(3) Changes in accounting policies (continued)

(i) *IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation* (continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. *Classification of financial assets and financial liabilities*

IFRS 9 categorizes financial assets into three principal classification categories: measured at amortized cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVTPL). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

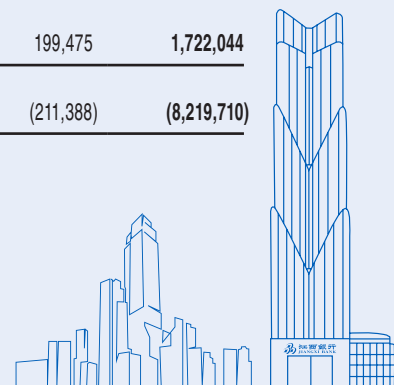
(3) Changes in accounting policies (continued)

(i) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation (continued)

a. Classification of financial assets and financial liabilities (continued)

The following table shows the original measurement categories for each class of the Group's financial assets under IAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with IAS 39 to those determined in accordance with IFRS 9.

	IAS 39 carrying amount at 31 December, 2017	Reclassification	Remeasurement	IFRS 9 carrying amount at 1 January, 2018
Financial assets measured at amortized cost				
Deposits with banks and other financial institutions	1,818,235	–	(411)	1,817,824
Placements with banks and other financial institutions	500,000	–	(284)	499,716
Financial assets held under resale agreements	6,180,084	–	(190)	6,179,894
Loans and advances to customers	124,769,378	(3,525,535)	(91,952)	121,151,891
Financial investments	128,235,795	8,100,101	(300,314)	136,035,582
Other assets	2,548,230	(154,784)	7,145	2,400,591
	264,051,722	4,419,782	(386,006)	268,085,498
Financial assets measured at FVOCI				
Loans and advances to customers	–	3,525,535	74	3,525,609
Financial investments	59,606,148	(36,416,906)	(68,707)	23,120,535
	59,606,148	(32,891,371)	(68,633)	26,646,144
Financial assets measured at FVTPL				
Financial investments	–	28,471,589	54,199	28,525,788
Deferred tax assets	1,522,569	–	199,475	1,722,044
Other liabilities	(8,008,322)	–	(211,388)	(8,219,710)



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(3) Changes in accounting policies (continued)

(i) *IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation* (continued)

a. *Classification of financial assets and financial liabilities* (continued)

For an explanation of how the Group classifies and measures financial assets and recognizes related gains and losses under IFRS 9, see respective accounting policy notes in Note 2(9) and Note 2(10).

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts (see Note 2(20)). The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1 January, 2018 have not been impacted by the initial application of IFRS 9.

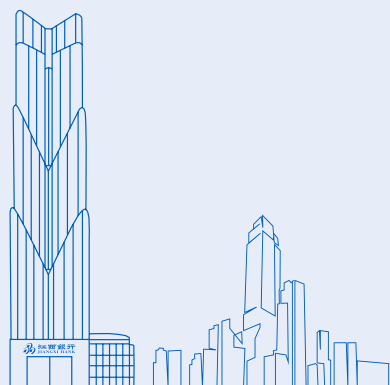
The Group did not designate or de-designate any financial asset or financial liability at FVTPL at 1 January, 2018.

b. *Credit losses*

IFRS 9 replaces the “incurred loss” model in IAS 39 with the “expected credit loss” (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognizes ECLs earlier than under the “incurred loss” accounting model in IAS 39.

The Group applies the new ECL model to the following items:

- financial assets measured at amortized cost;
- loans and advances to customers and debt investments measured at FVOCI;
- lease receivables;
- credit commitments



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(3) Changes in accounting policies (continued)

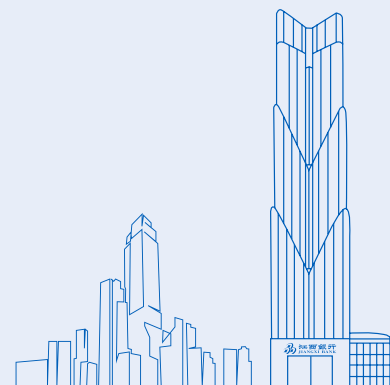
(i) *IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation* (continued)

b. *Credit losses* (continued)

For further details on the Group's accounting policy for accounting for credit losses, see Note 2(9)(vi).

The following table reconciles the closing loss allowances determined in accordance with IAS 39 as at 31 December, 2017 with the opening loss allowances determined in accordance with IFRS 9 as at 1 January, 2018.

Loss allowances at 31 December, 2017 under IAS 39	6,489,418
Additional impairment recognized at 1 January, 2018 on:	
– Deposits with banks and other financial institutions	411
– Placements with banks and other financial institutions	284
– Financial assets held under resale agreements	190
– Loans and advances to customers	97,900
– Financial investments	480,442
– Other assets	(7,145)
– Other liabilities	211,388
Loss allowances at 1 January, 2018 under IFRS 9	7,272,888



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

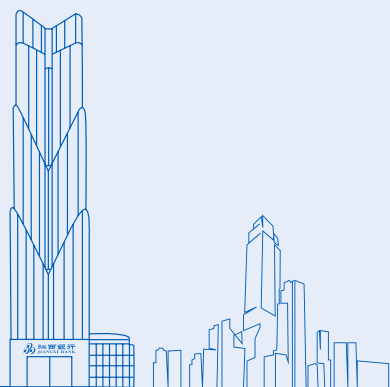
(3) Changes in accounting policies (continued)

(i) *IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation* (continued)

c. *Transition*

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as at 1 January, 2018. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.
- The following assessments have been made on the basis of the facts and circumstances that existed at 1 January, 2018 (the date of initial application of IFRS 9 by the Group):
 - the determination of the business model within which a financial asset is held; and
 - the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognized for that financial instrument.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(3) Changes in accounting policies (continued)

(ii) *IFRS 15, Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, Revenue, which covered revenue arising from rendering of services.

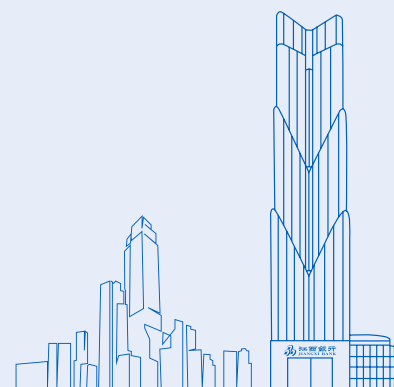
IFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The adoption of IFRS 15 does not have any material impact on the financial position and the financial result of the Group.

(iii) *IFRIC 22, Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining “the date of the transaction” for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that “the date of the transaction” is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 does not have any material impact on the financial position and the financial result of the Group.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(4) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see Note 2(17)). Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

(5) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-Group balances, transactions and cash flows and any unrealized profits arising from intra-Group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-Group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Bank, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Bank. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Bank.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(5) Subsidiaries and non-controlling interests (continued)

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

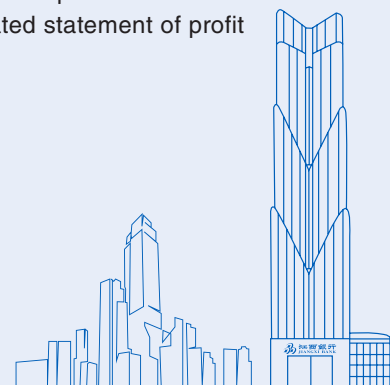
When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate (see Note 2(6)).

In the Bank's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(17)), unless the investment is classified as held for sale (or included in a disposal Group that is classified as held for sale).

(6) Associates

An associate is an entity in which the Group or the Bank has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal Group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(17)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognized in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in the consolidated statement of profit or loss and other comprehensive income.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(6) Associates (continued)

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's any other long-term interests that in substance form part of the Group's net investment in the associate.

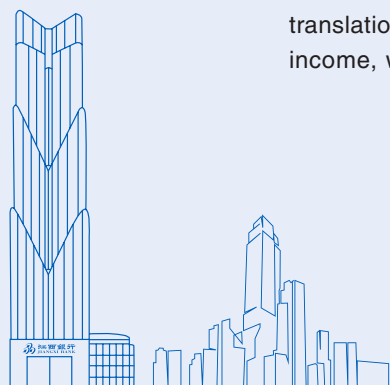
Unrealized profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

In the Bank's statement of financial position, investments in associates are stated at cost less impairment losses (see Note 2(17)), unless classified as held for sale (or included in a disposal Group that is classified as held for sale).

(7) Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the dates of transactions. A spot exchange rate is quoted by the PBOC, the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is determined by a systematic and rational method, normally the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of each of the reporting period. The resulting exchange differences are recognized in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the exchange differences are recognized in profit or loss, except for the exchange differences arising from the translation of non-monetary assets that are measured at fair value through other comprehensive income, which are recognized in capital reserve.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(8) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted balances with central bank, short-term deposits and placements with banks and other financial institutions, financial assets held under resale agreements and highly liquid short-term investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

(9) Financial instruments

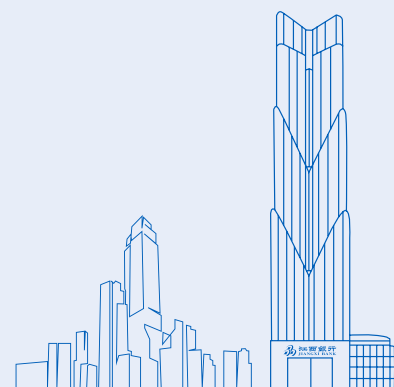
The following accounting policy is applicable from 1 January, 2018. Refer to the financial statements for the year ended 31 December, 2017 for the accounting policy in 2017.

Financial instruments include cash and deposits with the central bank, financial investments, receivables, payables, loans and advances to customers, debt securities issued and share capital.

(i) *Recognition and initial measurement of financial assets and financial liabilities*

A financial asset or financial liability is recognized in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

A financial assets and financial liabilities is measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(9) Financial instruments (continued)

(ii) Classification and subsequent measurement of financial assets

(a) Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortized cost, at fair value through other comprehensive income ("FVOCI"), or at fair value through profit or loss ("FVTPL").

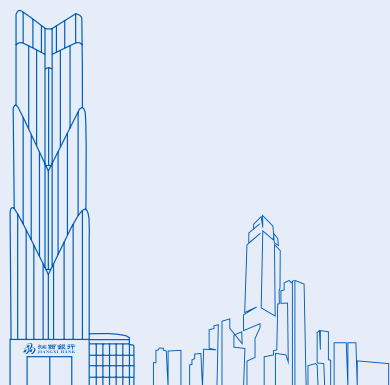
Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(9) Financial instruments (continued)

(ii) Classification and subsequent measurement of financial assets (continued)

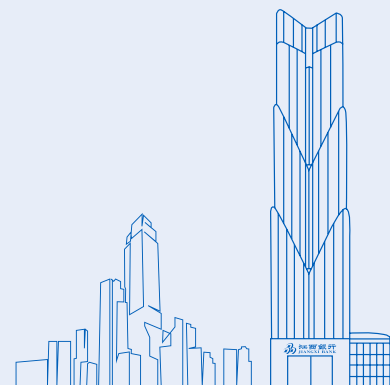
(a) Classification of financial assets (continued)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(9) Financial instruments (continued)

(ii) Classification and subsequent measurement of financial assets (continued)

(b) Subsequent measurement of financial assets

– Financial assets at FVTPL

These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss unless the financial assets are part of a hedging relationship.

– Financial assets at amortized cost

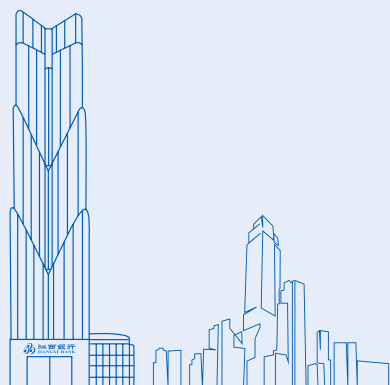
These assets are subsequently measured at amortized cost using the effective interest method. A gain or loss on a financial asset that is measured at amortized cost and is not part of a hedging relationship shall be recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize impairment gains or losses.

– Debt investments measured at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

– Equity investments measured at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(9) Financial instruments (continued)

(iii) *Classification and subsequent measurement of financial liabilities*

Financial liabilities are classified as measured at FVTPL or amortized cost.

- Financial liabilities at FVTPL

A financial liability is classified as at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

Financial liabilities at FVTPL are subsequently measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss, unless the financial liabilities are part of a hedging relationship.

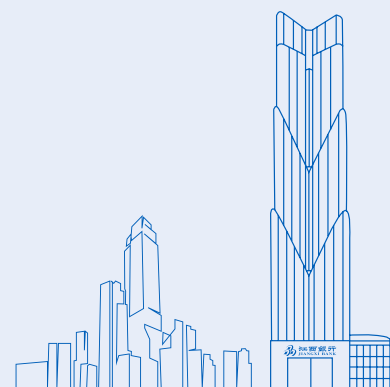
- Financial liabilities at amortized cost

Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

(iv) *Offsetting*

Financial assets and financial liabilities are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- The Group currently has a legally enforceable right to set off the recognized amounts;
- the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(9) Financial instruments (continued)

(v) *Derecognition of financial assets and financial liabilities*

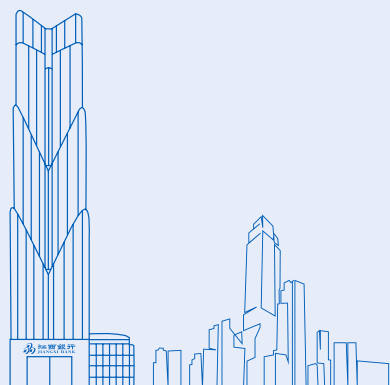
Financial asset is derecognized when one of the following conditions is met:

- the Group's contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or
- the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognized in profit or loss:

- the carrying amount of the financial asset transferred measured at the date of derecognition;
- the sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment measured at FVOCI, any cumulative gain or loss that has been recognized directly in other comprehensive income for the part derecognized.

The Group derecognizes a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(9) Financial instruments (continued)

(vi) Impairment

The Group recognizes loss allowances for expected credit loss (ECL) on:

- financial assets measured at amortized cost;
- loans and advances to customers and debt investments measured at FVOCI;
- lease receivables
- credit commitments

Financial assets measured at fair value, including debt investments or equity securities at FVTPL and equity securities designated at FVOCI, are not subject to the ECL assessment.

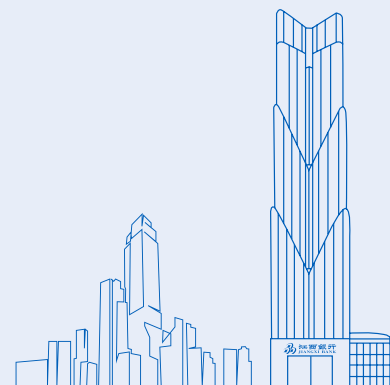
Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months).



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(9) Financial instruments (continued)

(vi) Impairment (continued)

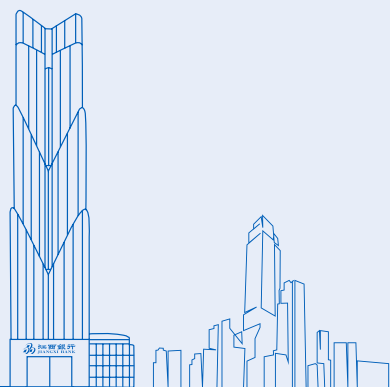
Measurement of ECLs (continued)

The Group measures loss allowances at an amount equal to 12-month ECL for the following financial instruments, and at an amount equal to lifetime ECL for all other financial instruments.

- If the financial instrument is determined to have low credit risk at the balance sheet date;
- If the credit risk on a financial instrument has not increased significantly since initial recognition.

Financial instruments that have low credit risk

The credit risk on a financial instrument is considered low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(9) Financial instruments (continued)

(vi) Impairment (continued)

Significant increases in credit risk

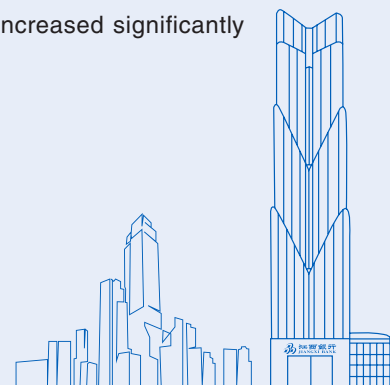
In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including forward-looking information. In particular, the following information is taken into account:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(9) Financial instruments (continued)

(vi) Impairment (continued)

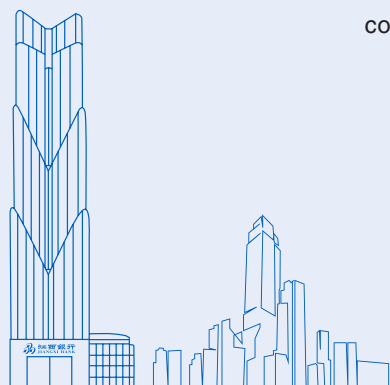
Credit-impaired financial assets

At each balance sheet date, the Group assesses whether financial assets carried at amortized cost and debt investments measured at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- for economic or contractual reasons relating to the borrower's financial difficulty, the Group having granted to the borrower a concession that would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Presentation of allowances for ECL

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt investments that are measured at FVOCI, for which the loss allowance is recognized in other comprehensive income.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(9) Financial instruments (continued)

(vi) *Impairment* (continued)

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(vii) *Equity instrument*

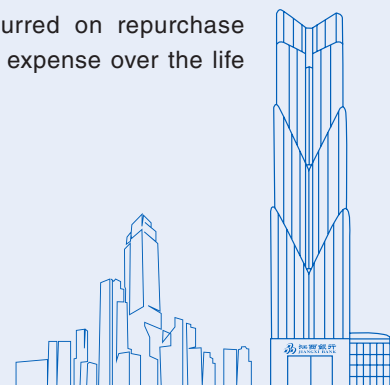
The consideration received from the issuance of equity instruments net of transaction costs is recognized in shareholders' equity. Consideration and transaction costs paid by the Group for repurchasing self-issued equity instruments are deducted from shareholders' equity.

(10) Financial assets held under resale and repurchase agreements

Financial assets purchased under agreements to resell are reported not as purchases of the assets but as receivables and are carried in the statements of financial position at amortized cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the statements of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortized cost.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are recognized respectively as interest income and interest expense over the life of each agreement using the effective interest method.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(11) Investment in subsidiaries

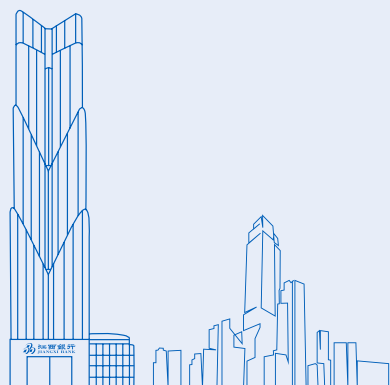
In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the principles described in Note 2(5).

In the Bank's financial statements, investments in subsidiaries are accounted for using the cost method. An investment in a subsidiary acquired other than through a business combination is initially recognized at actual payment cost if the Bank acquires the investment by cash. The investment is stated at cost less impairment loss (see Note 2(17)) in the statements of financial position. Except for declared but not yet distributed cash dividends or profits distribution that have been included in the price or consideration paid in obtaining the investments, the Group recognizes its share of the cash dividends or profit distribution declared by the investees as investment income.

(12) Investment property

Investment property is a property held either for earning rental income or for capital appreciation or for both. Investment property is accounted for using the cost model and stated in the statements of financial position at cost less accumulated depreciation and impairment loss (see Note 2(17)). Investment property is depreciated using the straight-line method over its estimated useful life after taking into account its estimated residual value.

	Estimated useful life	Estimated rate of residual value	Depreciation rate
Premises	20 years	3.00%	4.85%
Land use rights	30 – 50 years	2.00%	1.96% – 3.27%



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(13) Property and equipment and construction in progress

Property and equipment are assets held by the Group for operation and administration purposes with useful lives over one year.

Property and equipment are stated in the statements of financial position at cost less accumulated depreciation and impairment loss (see Note 2(17)). Construction in progress is stated in the statements of financial position at cost less impairment loss (see Note 2(17)).

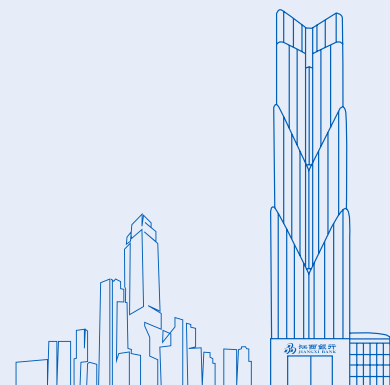
The cost of a purchased property and equipment comprises the purchase price, related taxes, and any expenditure directly attributable to bringing the asset into working condition for its intended use.

All direct and indirect costs that are related to the construction of property and equipment and incurred before the assets are ready for their intended use are capitalised as the cost of construction in progress. Construction in progress is transferred to property and equipment when the item being constructed is ready for its intended use. No depreciation is provided against construction in progress.

Where the individual component parts of an item of property and equipment have different useful lives or provide benefits to the Group in different patterns thus necessitating use of different depreciation rates or methods, they are recognized as a separate property and equipment.

The subsequent costs including the cost of replacing part of an item of property and equipment are recognized in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(13) Property and equipment and construction in progress (continued)

Property and equipment are depreciated using the straight-line method over their estimated useful lives, after taking into account their estimated residual values. The estimated useful lives, residual values and depreciation rates of each class of property and equipment are as follows:

Asset category	Estimated useful life	Estimated rate of residual value	Depreciation rate
Premises	5 – 20 years	3.00% – 5.00%	4.75% – 19.40%
Electronic equipment	3 – 5 years	3.00% – 5.00%	19.00% – 32.33%
Fixtures	5 – 20 years	0.00% – 5.00%	4.75% – 20.00%
Others	3 – 10 years	3.00% – 5.00%	9.50% – 32.33%

Useful lives, residual values and depreciation methods are reviewed at least at each year-end.

(14) Operating leases and finance leases

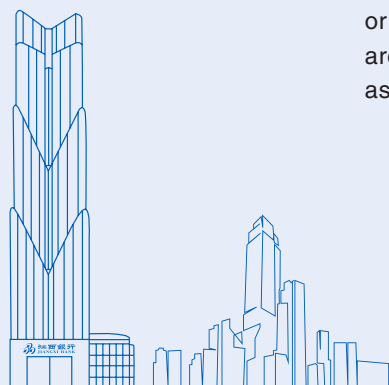
A lease is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

(i) Operating lease charges

Rental payments under operating leases are recognized as part of the cost of another related asset or as expenses on a straight-line basis over the lease term. Contingent rental payments are expensed as incurred.

(ii) Assets leased out under operating leases

Income derived from operating leases is recognized in profit or loss using the straight-line method over the lease term. If initial direct costs incurred in respect of the assets leased out are material, the costs are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Otherwise, the costs are charged to profit or loss immediately. Contingent rentals are recognized as income as they are earned.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(14) Operating leases and finance leases (continued)

(iii) *Assets acquired under finance leases*

When the Group acquires an asset under a finance lease, the asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, each determined at the inception of the lease. At the commencement of the lease term, the minimum lease payments are recorded as long-term payables. The difference between the carrying amounts of the leased assets and the minimum lease payments is accounted for as unrecognized finance charges. Initial direct costs attributable to a finance lease that are incurred by the Group are added to the carrying amount of the leased asset. Depreciation and impairment losses are accounted for in accordance with the accounting policies described in Note 2(13) and Note 2(17), respectively.

If there is reasonable certainty that the Group will obtain ownership of a leased asset at the end of the lease term, the leased asset is depreciated over its estimated useful life. Otherwise, the leased asset is depreciated over the shorter of the lease term and its estimated useful life.

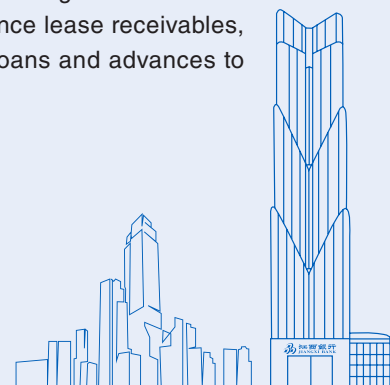
Unrecognized finance charges arising from a finance lease are recognized using an effective interest method over the lease term. The amortisation is accounted for in accordance with the principles of borrowing costs.

At the balance sheet date, the long-term payables arising from finance leases, net of the unrecognized finance charges, are analyzed and presented as other liabilities.

(iv) *Assets leased out under finance leases*

At the commencement of the lease term, the Group recognizes the aggregate of the minimum lease receipts determined at the inception of a lease and the initial direct costs as finance lease receivable. The difference between the aggregate of the minimum lease receipts, the initial direct costs, and the aggregate of their present value is recognized as unearned finance income.

Unearned finance income is allocated to each accounting period during the lease term using the effective interest method. At the balance sheet date, finance lease receivables, net of unearned finance income, are analyzed and presented as loans and advances to customers.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(15) Intangible assets

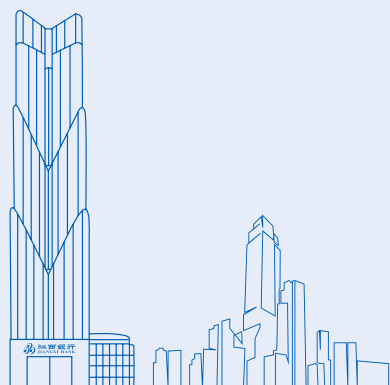
The intangible assets of the Group have finite useful lives. The intangible assets are stated at cost less accumulated amortization and impairment loss (see Note 2(17)). The cost of intangible assets less residual value and impairment loss is amortized on the straight-line method over the estimated useful lives.

The respective amortization periods for intangible assets are as follows:

– Land use rights	30 – 50 years
– Real estate use rights	20 – 25 years
– Computer software	3 – 10 years
– Core deposit	10 years
– Others	20 years

(16) Repossessed assets

Repossessed assets are physical assets or property rights obtained by the Group from debtors, warrantors or third parties following the enforcement of its creditor's rights. The repossessed assets are initially recognized at fair value, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(17) Allowances for impairment losses on non-financial assets

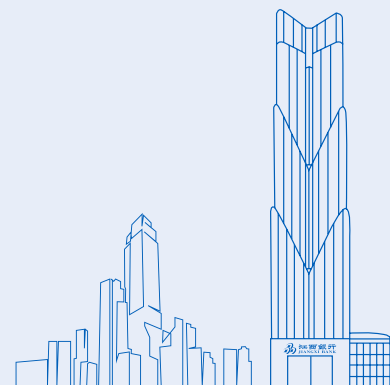
The carrying amounts of the following assets are reviewed at the end of each of the reporting period based on the internal and external sources of information to determine whether there is any indication of impairment:

- property and equipment
- construction in progress
- intangible assets
- investment property measured using a cost model
- long-term deferred expenses
- investment in subsidiaries and associates, etc.

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated.

A cash-generating unit (“CGU”) is the smallest identifiable Group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. A CGU is composed of assets directly relating to cash-generation. Identification of a CGU is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Group also considers how management monitors the Group’s operations and how management makes decisions about continuing or disposing of the Group’s assets.

The recoverable amount of an asset or CGU, or a group of CGUs (hereinafter called “asset”) is the higher of its fair value less costs to sell and its present value of expected future cash flows. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset; if it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the assets belongs.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

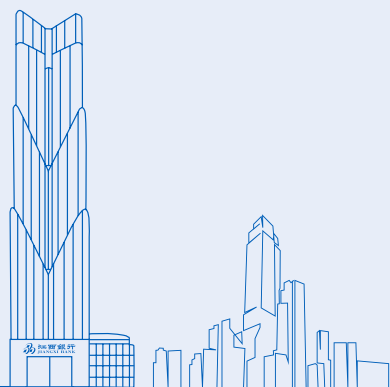
(17) Allowances for impairment losses on non-financial assets (continued)

An asset's fair value less costs to sell is the amount determined by the price of a sale agreement in an arm's length transaction, less the costs that are directly attributable to the disposal of the asset. The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using a pre-tax discount rate that reflects expected future cash flows, the useful life and the discount rate specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(18) Employee benefits

(i) ***Short-term employee benefits and contributions to defined contribution retirement plans***

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

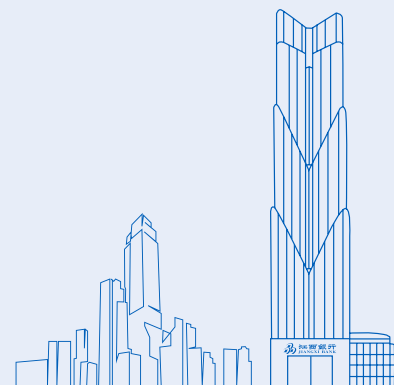
The defined contribution retirement plans of the Group include the social pension schemes.

Social pension schemes

Pursuant to the relevant laws and regulations in the PRC, the Group has participated in the social pension schemes for the employees arranged by local government labour and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the government. The contributions are charged to the profit or loss on an accrual basis. When employees retire, the local government labour and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

Housing fund and other social insurances

In addition to the retirement benefits above, the Group has joined social security contributions schemes for employees pursuant to the relevant laws and regulations of the PRC. These schemes include a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances schemes at the applicable rates based on the amounts stipulated by the relevant government authorities. The contributions are charged to profit or loss on an accrual basis.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(18) Employee benefits (continued)

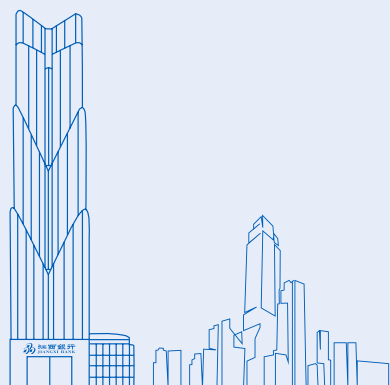
(ii) *Supplementary retirement benefits*

Early retirement benefits

According to the Group's policy on early retirement benefits, certain employees are entitled to take leave of absence and in return receive a certain level of staff salaries and related benefits from the Group. The salaries and benefit payments are made from the date of early retirement to the normal retirement date. The amounts of retirement benefits expense and present value of these liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, retirement benefit growth rates and other factors. Gains and losses arising from the changes in assumptions and amendments to pension plans are recognized in the income statement as they occur.

Retirement benefit annuity plan

In addition to the basic pension insurance scheme, employees and early retirees of the Group also participate in a defined contribution plan established by the Group (the "Annuity Plan"). The Group and its employees are required to contribute a certain percentage of the employees' previous year basic salaries to the Annuity Plan. The contribution is charged to the income statement when it incurs. The Group has no obligation to pay further contributions if the Annuity Plan does not sufficient assets to pay all employee benefits.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(19) Income tax

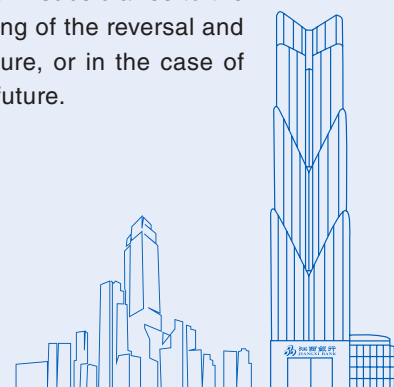
Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(19) Income tax (continued)

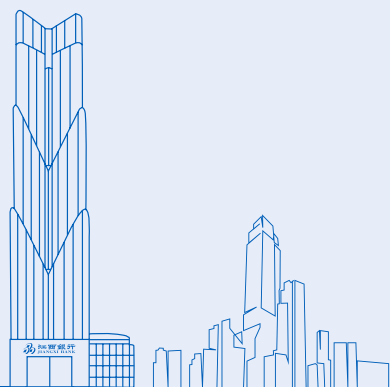
The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Bank or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Bank or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(20) Financial guarantees, provisions and contingent liabilities

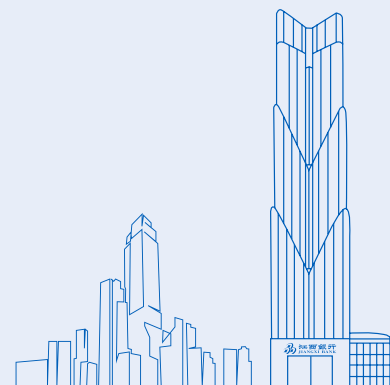
(i) Financial guarantees

Financial guarantees are contracts that require the issuer (the “guarantor”) to make specified payments to reimburse the beneficiary of the guarantee (“holder”) for a loss that the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The fair value of the guarantee (being the guarantee fees received) is initially recognized as deferred income in other liabilities. The deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued. Provisions are recognized in the statements of financial position as stated in Note 2(20)(ii) if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and the amount of that claim on the Group is expected to exceed the carrying amount of the deferred income.

(ii) Other provisions and contingent liabilities

A provision is recognized for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows.

For a possible obligation resulting from a past transaction or event whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events or a present obligation resulting from a past transaction or event, where it is not probable that the settlement of the above obligation will cause an outflow of economic benefits, or the amount of the outflow cannot be estimated reliably, the possible or present obligation is disclosed as a contingent liability.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(21) Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding (“entrusted funds”) to the Group, and the Group grants loans to third parties (“entrusted loans”) under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No allowances for impairment loss is made for entrusted loans.

(22) Income recognition

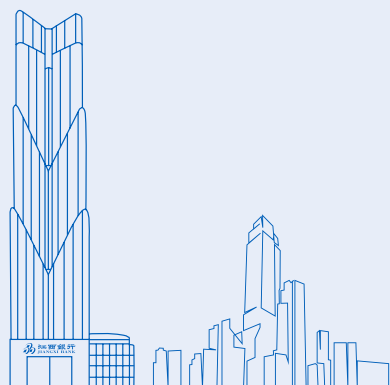
Revenue is the gross inflow of economic benefits arising in the course of the Group’s ordinary activities when the inflows result in increase in shareholders’ equity, other than increase relating to contributions from shareholders.

The following accounting policy is applicable from 1 January, 2018. Refer to the financial statements for the year ended 31 December, 2017 for the accounting policy in 2017.

(i) Interest income

Interest income is recognized under effective interest method. Interest income is calculated by applying the gross carrying amount of financial assets to the effective interest rate, except for:

- For purchased or originated credit-impaired financial assets, the original credit-adjusted effective interest rate is applied to the amortized cost of the financial asset upon initial recognition.
- For financial assets that are not purchased or originated credit-impaired but have subsequently become credit-impaired, interest revenue is calculated by applying the effective interest rate to their amortized cost.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(22) Income recognition (continued)

(i) Interest income (continued)

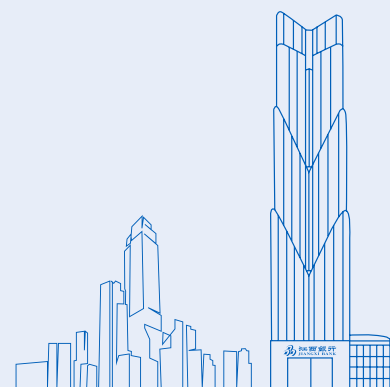
The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the reporting periods. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.

Interest income arising from financial leasing service is recognized in profit or loss in the lease terms based on the effective interest rates. Contingent lease receivables are recognized in profit when incurred.

(ii) Rendering of services

Revenue is recognized when the Group satisfies the performance obligation in the contract by transferring the control over relevant services to the customers.

Where a contract has two or more performance obligations, the Group determines the stand-alone selling price at contract inception of the distinct service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. The Group recognizes as revenue the amount of the transaction price that is allocated to each performance obligation.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(22) Income recognition (continued)

(ii) Rendering of services (continued)

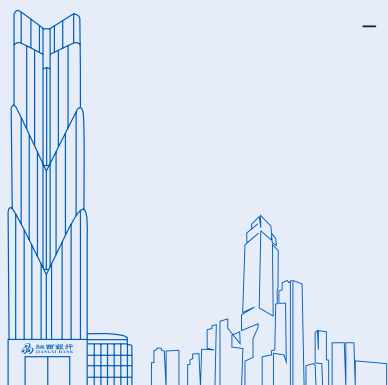
The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring services to a customer, excluding amounts collected on behalf of third parties. The Group recognizes the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The consideration which the Group expects to refund to the customer is recognized as refund liabilities and excluded from transaction price. Where the contract contains a significant financing component, the Group recognizes the transaction price at an amount that reflects the price that a customer would have paid for the services if the customer had paid cash for services when (or as) they transfer to the customer. The difference between the amount of promised consideration and the cash selling price is amortized using an effective interest method over the contract term.

When the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs, the Group satisfies a performance obligation over time. Otherwise, a performance obligation is satisfied at a point in time.

For performance obligation satisfied over time, the Group recognizes revenue over time by measuring the progress towards complete satisfaction of that performance obligation. When the outcome of that performance obligation cannot be measured reasonably, but the Group expects to recover the costs incurred in satisfying the performance obligation, the Group recognizes revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

For performance obligation satisfied at a point in time, the Group recognizes revenue at the point in time at which the customer obtains control of relevant services. To determine whether a customer has obtained control of services, the Group considers the following indicators:

- the Group has a present right to payment for the services;
- the customer has accepted the services.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(23) Expenses recognition

(i) *Interest expense*

Interest expense from financial liabilities is accrued on a time proportion basis with reference to the amortized cost and the applicable effective interest rate.

(ii) *Other expenses*

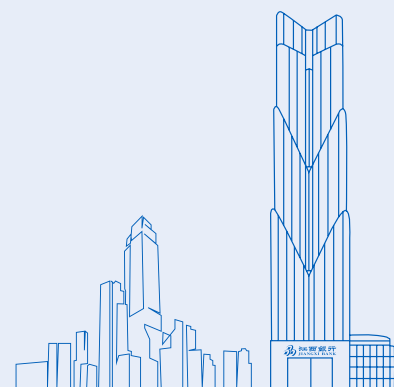
Other expenses are recognized on an accrual basis.

(24) Dividends

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorized and declared after the end of each of the reporting period are not recognized as a liability at the end of each of the reporting period but disclosed separately in the notes to the financial statements.

(25) Related parties

- (i) A person, or a close member of that person's family, is related to the Group if that person:
 - (a) has control or joint control over the Group;
 - (b) has significant influence over the Group; or
 - (c) is a member of the key management personnel of the Group or the Group's parent.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

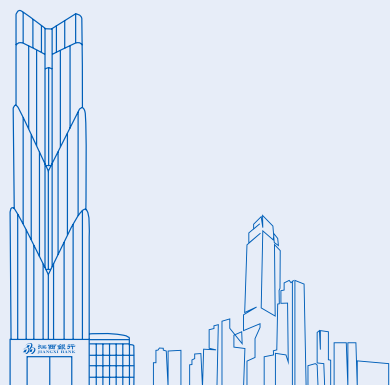
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(25) Related parties (continued)

- (ii) An entity is related to the Group if any of the following conditions applies:
- (a) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member);
 - (c) Both entities are joint ventures of the same third party;
 - (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (f) The entity is controlled or jointly controlled by a person identified in (i);
 - (g) A person identified in (i) (a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
 - (h) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(26) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

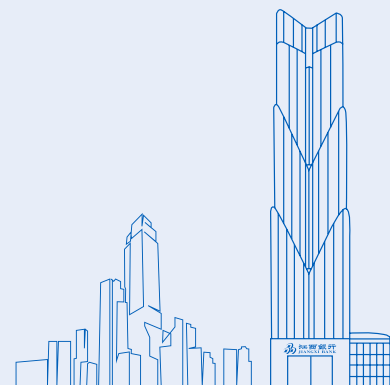
Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(27) Significant accounting estimates and judgements

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

Except for accounting estimates relating to depreciation and amortization of assets such as investment property, property and equipment and construction in progress, intangible assets and other assets (see Note 2(12), Note 2(13) and Note 2(15)) and allowances for impairment of various types of assets (see Notes 15, 16, 17, 18, 19, 22 and 24). Other significant accounting estimates are as follows:

- (i) Note 23: Recognition of deferred tax assets;
- (ii) Note 37: Fair value measurements of financial instruments.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

3 NET INTEREST INCOME

	2018	2017
Interest income arising from		
Loans and advances to customers		
– Corporate loans and advances	5,358,527	5,004,321
– Personal loans and advances	3,616,701	1,921,273
– Discounted bills	153,220	47,040
Financial investments	8,266,548	7,477,712
Deposits with the central bank	520,277	501,671
Financial assets held under resale agreements	380,596	373,895
Deposits with banks and other financial institutions	109,413	52,288
Placements with banks and other financial institutions	103,867	15,548
Sub-total	18,509,149	15,393,748
Interest expense arising from		
Deposits from customers	(4,391,182)	(3,740,652)
Deposits from banks and other financial institutions	(1,598,383)	(1,206,447)
Debt securities issued	(2,463,019)	(2,119,127)
Borrowing from other financial institutions	(502,353)	(335,753)
Financial assets sold under repurchase agreements	(402,966)	(425,512)
Placements from banks and other financial institutions	(214,352)	(25,199)
Borrowing from the central bank	(17,747)	(59,854)
Others	(3,623)	(101)
Sub-total	(9,593,625)	(7,912,645)
Net interest income	8,915,524	7,481,103

Total interest income arising from financial assets that are not at fair value through profit or loss for the years ended 31 December, 2018 and 2017 amounted to RMB18,509.15 million and RMB15,313.76 million, respectively.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

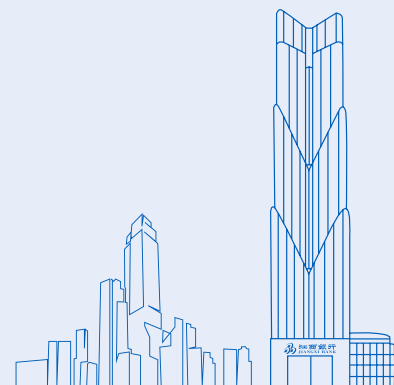
3 NET INTEREST INCOME (continued)

Total interest expense arising from financial liabilities that are not at fair value through profit or loss for the years ended 31 December, 2018 and 2017 amounted to RMB9,593.63 million and RMB7,912.65 million, respectively.

Interest income arising from credit-impaired/impaired loans for the years ended 31 December, 2018 and 2017 amounted to RMB89.32 million and RMB146.60 million, respectively.

4 NET FEE AND COMMISSION INCOME

	2018	2017
Fee and commission income		
Agency and custody services fees	392,746	805,869
Settlement and electronic channel business fees	224,647	177,403
Bank card service fees	212,071	137,220
Financial leasing service fees	163,395	110,838
Advisory and consulting fees	85,629	369,713
Acceptance and guarantee service fees	47,101	33,466
Others	14,814	9,255
Sub-total	1,140,403	1,643,764
Fee and commission expense		
Platform cooperation fees	(352,968)	—
Settlement and clearing fees	(71,398)	(39,371)
Transaction fees	(59,452)	(57,591)
Others	(3,293)	(56,183)
Sub-total	(487,111)	(153,145)
Net fee and commission income	653,292	1,490,619



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

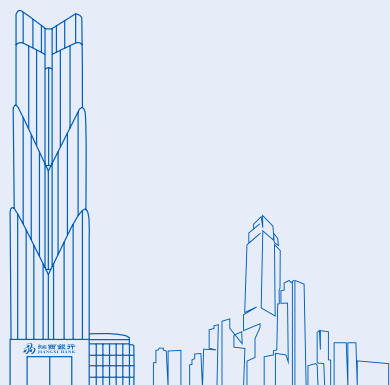
5 NET TRADING GAINS/(LOSSES)

	2018	2017
Net gains/(losses) from debt securities	92,729	(109,962)

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

6 NET GAINS ARISING FROM FINANCIAL INVESTMENTS

	2018	2017
Net gains on financial investments at fair value through profit or loss	506,128	—
Net gains on financial investments at fair value through other comprehensive income	39,932	—
Net losses on financial investments at amortized cost	(371)	—
Net gains on disposal of investments classified as receivables	—	4,315
Net losses on disposal of available-for-sale financial assets	—	(41,101)
Dividend income	1,100	1,550
Realized gains from investment funds	821,114	608,106
Total	1,367,903	572,870



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

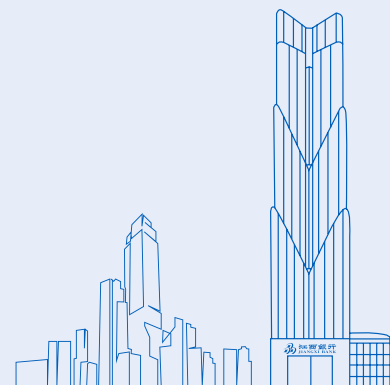
7 OTHER OPERATING INCOME

	2018	2017
Foreign exchange gains/(losses)	327,933	(27,025)
Government grants	18,451	24,939
Rental income	7,865	7,937
Net losses on disposal of non-current assets	(1,064)	(26)
Others	(32,024)	11,814
Total	321,161	17,639

8 OPERATING EXPENSES

	2018	2017
Staff costs		
– Salaries, bonuses and allowances	1,340,248	1,049,097
– Social insurance and supplementary retirement benefits	232,193	200,907
– Staff welfares	124,675	124,666
– Housing allowances	82,592	71,879
– Employee education expenses and labour union expenses	36,395	35,669
– Others	24,612	7,346
Sub-total	1,840,715	1,489,564
Depreciation and amortization	365,301	331,639
Rental and property management expenses	201,893	191,245
Tax and surcharges	70,078	105,178
Other general and administrative expenses	1,051,631	1,029,758
Total	3,529,618	3,147,384

Auditor's remuneration for the years ended 31 December, 2018 and 2017 was RMB3.50 million and RMB0.70 million, respectively.



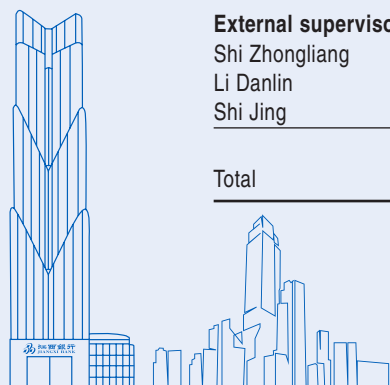
CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' and supervisors' emoluments disclosed pursuant to Section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Year ended 31 December, 2018								
Note	Fees	Salaries	Discretionary bonuses	Sub-total	Contributions to social pension schemes	Other welfares	Total	
Executive directors								
Chen Xiaoming	–	2,527	–	2,527	17	131	2,675	
Luo Yan	(1)	2,317	–	2,317	16	93	2,426	
Xu Jihong	(1)	2,022	–	2,022	17	126	2,165	
Non-executive directors								
Que Yong	–	–	–	–	–	–	–	
Li Zhanrong	–	–	–	–	–	–	–	
Liu Sanglin	–	–	–	–	–	–	–	
Chen Yu	–	–	–	–	–	–	–	
Zeng Zhibin	–	–	–	–	–	–	–	
Deng Jianxin	–	–	–	–	–	–	–	
Tang Xianqing	–	–	–	–	–	–	–	
Independent non-executive directors								
Zhang Rui	150	–	–	150	–	–	150	
Guo Tianyong	150	–	–	150	–	–	150	
Zhang Wangxia	150	–	–	150	–	–	150	
Wong Hin Wing	200	–	–	200	–	–	200	
Wang Yun	150	–	–	150	–	–	150	
Internal Supervisors								
Liu Fulin	–	2,527	–	2,527	17	131	2,675	
Tao Yulan	–	797	132	929	17	64	1,010	
Chen Xinxiang	–	402	28	430	17	39	486	
Chen Chuxin	–	–	–	–	–	–	–	
Zhou Minhui	–	–	–	–	–	–	–	
Huang Zhenping	–	–	–	–	–	–	–	
External supervisors								
Shi Zhongliang	164	–	–	164	–	–	164	
Li Danlin	168	–	–	168	–	–	168	
Shi Jing	161	–	–	161	–	–	161	
Total	1,293	10,592	160	12,045	101	584	12,730	

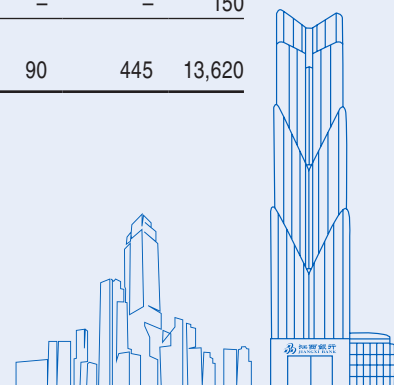


CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

Year ended 31 December, 2017								
	Note	Fees	Salaries	Discretionary bonuses	Sub-total	Contributions to social pension schemes	Other welfares	Total
Executive directors								
Chen Xiaoming		—	2,150	648	2,798	15	115	2,928
Wu Hongtao	(2)	—	2,150	648	2,798	15	19	2,832
Tong Yuming	(3)	—	1,721	518	2,239	15	110	2,364
Non-executive directors								
Que Yong		—	—	—	—	—	—	—
Li Zhanrong		—	—	—	—	—	—	—
Liu Sanglin		—	—	—	—	—	—	—
Chen Yu		—	—	—	—	—	—	—
Zeng Zhibin		—	—	—	—	—	—	—
Deng Jianxin		—	—	—	—	—	—	—
Tang Xianqing	(5)	—	—	—	—	—	—	—
Independent non-executive directors								
Zhang Rui		150	—	—	150	—	—	150
Guo Tianyong		150	—	—	150	—	—	150
Zhang Wangxia	(5)	150	—	—	150	—	—	150
Wong Hin Wing	(5)	—	—	—	—	—	—	—
Wang Yun	(5)	—	—	—	—	—	—	—
Internal Supervisors								
Liu Fulin		—	2,150	648	2,798	15	115	2,928
Tao Yulan		—	711	203	914	15	55	984
Chen Xinxiang		—	603	35	638	15	31	684
Chen Chuxin		—	—	—	—	—	—	—
Jiang Liehui	(4)	—	—	—	—	—	—	—
Zhou Minhui	(5)	—	—	—	—	—	—	—
Huang Zhenping		—	—	—	—	—	—	—
External supervisors								
Shi Zhongliang		150	—	—	150	—	—	150
Li Danlin		150	—	—	150	—	—	150
Shi Jing		150	—	—	150	—	—	150
Total		900	9,485	2,700	13,085	90	445	13,620



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

- (1) At the Shareholders' 2017 annual general meeting held on 26 March, 2018, Luo Yan and Xu Jihong were elected as executive director of the Bank.
- (2) Wu Hongtao resigned as executive director of the Bank on 6 February, 2018.
- (3) Tong Yuming retired as executive director of the Bank on 26 March, 2018.
- (4) Jiang Liehui resigned as internal supervisor on 15 September, 2017.
- (5) At the Shareholders' general meeting held on 12 July, 2017, Tang Xianqing was elected as non-executive director of the Bank, Zhang Wangxia was elected as independent non-executive director of the Bank. At the Shareholders' general meeting held on 15 September, 2017, Wong Hin Wing and Wang Yun were elected as independent non-executive directors of the Bank. Zhou Minhui was elected as internal supervisor of the Bank.

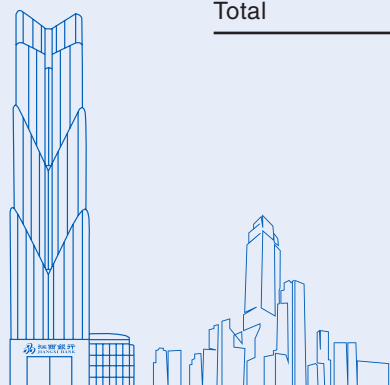
There was no amount paid during the years ended 31 December, 2018 and 2017 to the directors in connection with their retirement from employment or compensation for loss of office with the Group, or inducement to join the Group. There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the years ended 31 December, 2018 and 2017.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the years ended 31 December, 2018 and 2017, the five individuals with the highest emolument included 3 directors and 1 supervisor. Their emoluments are disclosed in Note 9.

The emoluments for the rest of the five highest paid individuals for the years ended 31 December, 2018 and 2017 are as follows:

	2018	2017
Salaries and other emoluments	2,022	1,721
Discretionary bonuses	—	518
Contributions to social pension schemes	17	15
Others	126	110
Total	2,165	2,364



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS (continued)

The number of these individuals whose emoluments are within the following bands is set out below:

	2018	2017
RMB2,000,001-2,500,000	1	1
Total	1	1

None of these individuals received any inducement to join or upon joining the Group or compensation for loss of office, or waived any emoluments during the years ended 31 December, 2018 and 2017.

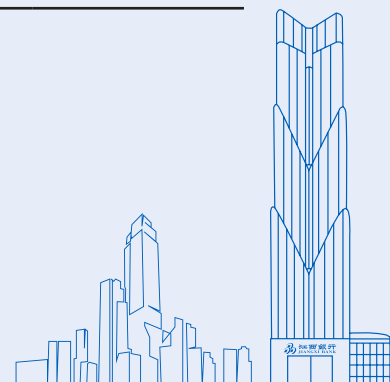
11 IMPAIRMENT LOSSES ON ASSETS

	2018	2017
Loans and advances to customers	2,410,366	2,193,591
Financial investments	1,980,662	356,123
Others	47,345	26,088
Total	4,438,373	2,575,802

12 INCOME TAX

(a) Income tax:

	Note	2018	2017
Current tax		1,259,777	1,061,954
Tax filing differences		(45,224)	31,886
Changes in deferred tax	23(b)	(618,744)	(267,555)
Total		595,809	826,285



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

12 INCOME TAX (continued)

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

	Note	2018	2017
Profit before tax		3,367,074	3,741,109
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		841,769	935,277
Non-taxable income	(i)	(309,306)	(252,273)
Non-deductible expenses		108,570	111,395
Tax filing differences		(45,224)	31,886
Income tax		595,809	826,285

(i) The non-taxable income mainly represents the interest income arising from the PRC government bonds and realized gains from investment funds.

13 BASIC AND DILUTED EARNINGS PER SHARE

	Note	2018	2017
Net profit attributable to equity shareholders of the Bank		2,733,558	2,865,226
Weighted average number of ordinary shares (in thousands)	(i)	5,363,902	4,678,777
Basic and diluted earnings per share attributable to equity shareholders of the Bank (in RMB)		0.51	0.61

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



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

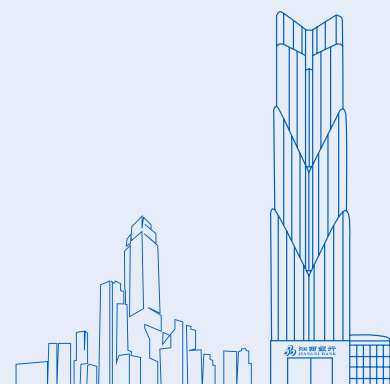
13 BASIC AND DILUTED EARNINGS PER SHARE (continued)

(i) Weighted average number of ordinary shares (in thousand shares)

	2018	2017
Number of ordinary shares as at 1 January	4,678,777	4,678,777
Increase in weighted average number of ordinary shares	685,125	—
Weighted average number of ordinary shares	5,363,902	4,678,777

14 CASH AND DEPOSITS WITH THE CENTRAL BANK

	Note	31 December, 2018	31 December, 2017
Cash on hand		776,920	797,249
Deposits with the central bank			
– Statutory deposit reserves	(a)	27,543,290	32,213,580
– Surplus deposit reserves	(b)	6,575,168	4,906,648
– Fiscal deposits		2,831,913	2,121,715
Sub-total		37,727,291	40,039,192
Interest receivable		13,329	—
Total		37,740,620	40,039,192



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

14 CASH AND DEPOSITS WITH THE CENTRAL BANK (continued)

- (a) The Group places statutory deposit reserves with the PBOC in accordance with relevant regulations. As at 31 December, the statutory deposit reserve ratios applicable to the Bank were as follows:

	31 December, 2018	31 December, 2017
Reserve ratio for RMB deposits	11.0%	13.5%
Reserve ratio for foreign currency deposits	5.0%	5.0%

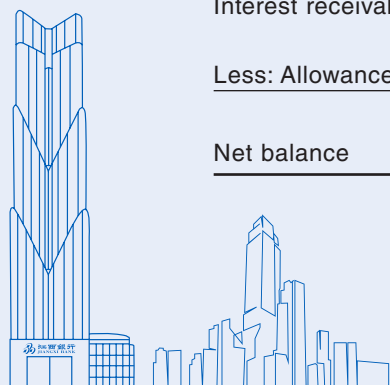
The statutory deposit reserves are not available for the Bank's daily business.

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

15 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analyzed by type and location of counterparty

	31 December, 2018	31 December, 2017
Deposits in mainland China		
– Banks	2,999,607	1,353,349
– Other financial institutions	10,183	11,998
Sub-total	3,009,790	1,365,347
Deposits outside mainland China		
– Banks	125,762	452,888
Gross balance	3,135,552	1,818,235
Interest receivable	69,794	–
Less: Allowances for impairment losses	(426)	–
Net balance	3,204,920	1,818,235



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

16 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

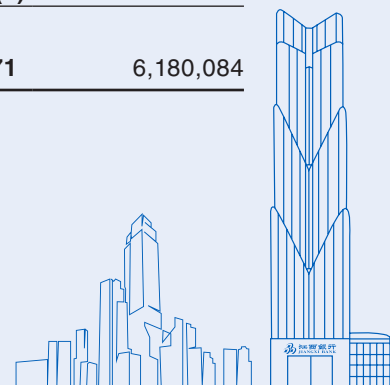
Analyzed by type and location of counterparty

	31 December, 2018	31 December, 2017
In mainland China		
– Banks	212,756	–
– Other financial institutions	3,800,002	500,000
Gross balance	4,012,758	500,000
Interest receivable	12,633	–
Less: Allowances for impairment losses	(446)	–
Net balance	4,024,945	500,000

17 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analyzed by type and location of counterparty

	31 December, 2018	31 December, 2017
In mainland China		
– Banks	10,962,670	5,880,161
– Other financial institutions	–	299,923
Gross balance	10,962,670	6,180,084
Interest receivable	3,805	–
Less: Allowances for impairment losses	(4)	–
Net balance	10,966,471	6,180,084



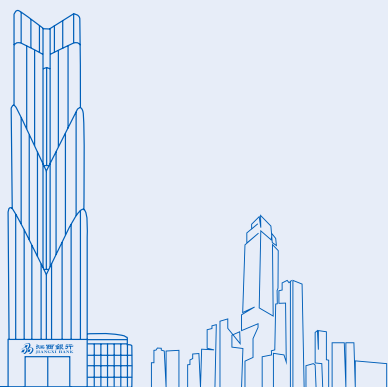
CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

17 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (continued)

(b) Analyzed by collaterals

	31 December, 2018	31 December, 2017
Debt securities		
– Government	1,300,000	1,094,380
– Policy Banks	9,440,480	4,785,781
– Commercial banks and other financial institutions	222,190	100,000
– Corporate	–	199,923
Sub-total	10,962,670	6,180,084
Interest receivable	3,805	–
Less: Allowances for impairment losses	(4)	–
Net balance	10,966,471	6,180,084



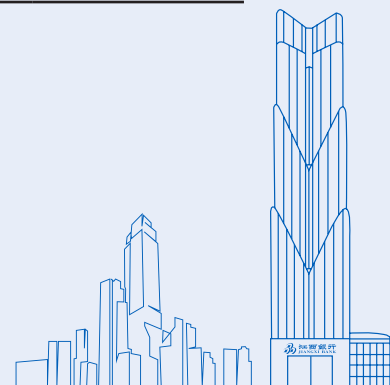
CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

18 LOANS AND ADVANCES TO CUSTOMERS

(a) Analyzed by nature

	31 December, 2018
<hr/>	
Loans and advances to customers measured at amortized cost	
Corporate loans and advances	95,069,386
Personal loans and advances	
– Residential mortgage	43,821,630
– Personal business loans	6,441,537
– Personal consumption loans	13,184,086
– Credit cards	3,483,152
Sub-total	66,930,405
Gross loans and advances to customers measured at amortized cost	161,999,791
Interest receivable	581,136
Less: Allowances for impairment losses on loans and advances to customers measured at amortized cost	(5,558,514)
Net loans and advances to customers measured at amortized cost	157,022,413
<hr/>	
Loans and advances to customers measured at FVOCI	
Corporate loans and advances	538,711
Discounted bills	7,962,199
Total amount of loans and advances to customers measured at FVOCI	8,500,910
Net loans and advances to customers	165,523,323



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

18 LOANS AND ADVANCES TO CUSTOMERS (continued)

(a) Analyzed by nature (continued)

	31 December, 2017
Corporate loans and advances	82,109,036
Personal loans and advances	
– Residential mortgage	25,562,847
– Personal business loans	6,008,981
– Personal consumption loans	9,212,175
– Credit cards	3,242,153
Sub-total	44,026,156
Discounted bills	3,206,520
Gross loans and advances to customers	129,341,712
Less: Allowances for impairment losses	
– Individually assessed	(1,265,205)
– Collectively assessed	(3,307,129)
Total allowances for impairment losses	(4,572,334)
Net loans and advances to customers	124,769,378



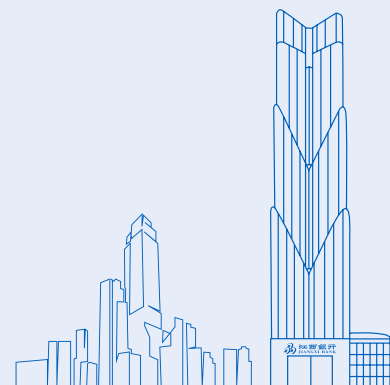
CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

18 LOANS AND ADVANCES TO CUSTOMERS (continued)

(b) Analyzed by industry sector

	31 December, 2018		Loans and advances secured by collaterals
	Amount	Percentage	
Wholesale and retail	19,650,000	11.52%	5,327,732
Water conservancy, environment and public facility management	15,946,956	9.35%	4,984,651
Leasing and commercial services	15,254,968	8.95%	5,419,739
Manufacturing	13,189,390	7.74%	2,313,891
Construction	9,275,280	5.44%	2,215,088
Real estate	7,571,747	4.44%	3,303,040
Transportation, storage and postal services	3,007,737	1.76%	1,708,726
Production and distribution of electricity, heating power, gas and water	1,869,125	1.10%	1,064,275
Accommodation and catering	1,616,348	0.95%	1,170,084
Education	1,279,736	0.75%	154,676
Others	6,946,810	4.07%	1,489,218
Sub-total of corporate loans and advances	95,608,097	56.07%	29,151,120
Personal loans and advances	66,930,405	39.26%	44,791,279
Discounted bills	7,962,199	4.67%	—
Gross loans and advances to customers	170,500,701	100.00%	73,942,399



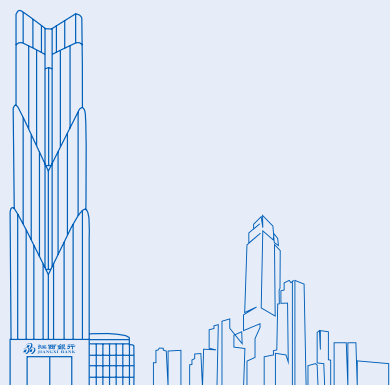
CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

18 LOANS AND ADVANCES TO CUSTOMERS (continued)

(b) Analyzed by industry sector (continued)

	31 December, 2017		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail	19,320,739	14.94%	5,121,101
Water conservancy, environment and public facility management	14,806,318	11.45%	4,514,312
Manufacturing	9,761,682	7.55%	3,342,673
Leasing and commercial services	9,574,652	7.40%	3,022,850
Real estate	7,893,656	6.10%	3,756,601
Construction	7,795,150	6.03%	2,455,878
Transportation, storage and postal services	1,787,057	1.38%	1,028,793
Accommodation and catering	1,754,420	1.36%	1,283,348
Education	1,424,210	1.10%	246,000
Health, social security and social welfare	1,401,310	1.08%	220,159
Others	6,589,842	5.09%	1,333,310
Sub-total of corporate loans and advances	82,109,036	63.48%	26,325,025
Personal loans and advances	44,026,156	34.04%	26,889,839
Discounted bills	3,206,520	2.48%	—
Gross loans and advances to customers	129,341,712	100.00%	53,214,864



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

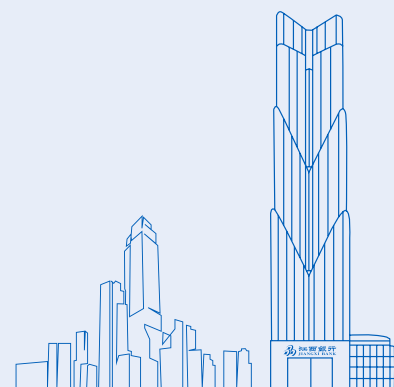
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

18 LOANS AND ADVANCES TO CUSTOMERS (continued)

(c) Analyzed by geographical area

	31 December, 2018	
	Amount	Percentage
Nanchang area	72,115,931	42.29%
Within Jiangxi Province (apart from Nanchang area)	64,312,112	37.72%
Outside Jiangxi Province	24,801,682	14.55%
Head office	9,270,976	5.44%
Gross loans and advances to customers	170,500,701	100.00%

	31 December, 2017	
	Amount	Percentage
Nanchang area	59,765,586	46.21%
Within Jiangxi Province (apart from Nanchang area)	45,533,099	35.20%
Outside Jiangxi Province	17,986,507	13.91%
Head office	6,056,520	4.68%
Gross loans and advances to customers	129,341,712	100.00%



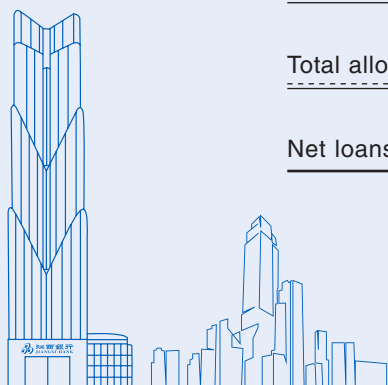
CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

18 LOANS AND ADVANCES TO CUSTOMERS (continued)

(d) Analyzed by type of collateral

	31 December, 2018
Unsecured loans	21,955,798
Guaranteed loans	66,163,667
Collateralized	73,942,399
Pledged	8,438,837
Gross loans and advances to customers	170,500,701
Interest receivable	581,136
Less: Allowances for impairment losses on loans and advances to customers measured at amortized cost	(5,558,514)
Net loans and advances to customers	165,523,323
	31 December, 2017
Unsecured loans	17,232,304
Guaranteed loans	50,492,547
Collateralized	53,214,864
Pledged	8,401,997
Gross loans and advances to customers	129,341,712
Less: Allowances for impairment losses	
– Individually assessed	(1,265,205)
– Collectively assessed	(3,307,129)
Total allowances for impairment losses	(4,572,334)
Net loans and advances to customers	124,769,378



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

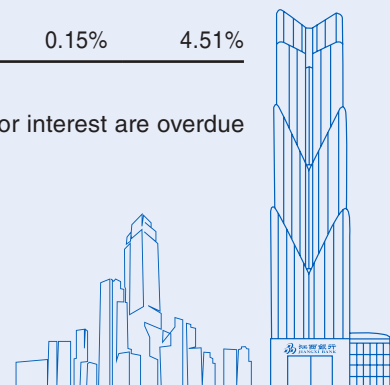
18 LOANS AND ADVANCES TO CUSTOMERS (continued)

(e) Overdue loans analyzed by overdue period

	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	292,528	234,533	72,490	2,602	602,153
Guaranteed loans	2,037,922	812,271	664,312	55,874	3,570,379
Collateralized	965,757	251,488	295,274	265,003	1,777,522
Pledged	82,465	163,949	60,062	10,060	316,536
Total	3,378,672	1,462,241	1,092,138	333,539	6,266,590
As a percentage of gross loans and advances to customers	1.98%	0.86%	0.64%	0.20%	3.68%

	31 December, 2017				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	63,972	44,489	15,276	816	124,553
Guaranteed loans	2,267,838	701,861	445,735	14,150	3,429,584
Collateralized	1,181,170	289,712	427,293	173,769	2,071,944
Pledged	43,158	137,402	13,100	8,590	202,250
Total	3,556,138	1,173,464	901,404	197,325	5,828,331
As a percentage of gross loans and advances to customers	2.75%	0.91%	0.70%	0.15%	4.51%

Overdue loans represent loans, of which the whole or part of the principal or interest are overdue for one day or more.



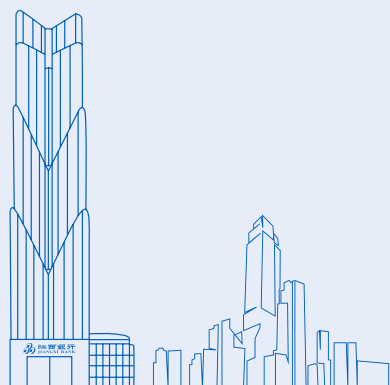
CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

18 LOANS AND ADVANCES TO CUSTOMERS (continued)

(f) Loans and advances and allowances for impairment losses

	31 December, 2018			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
Total loans and advances to customers measured at amortized cost	108,620,738	49,958,699	3,420,354	161,999,791
Interest receivable	487,662	93,128	346	581,136
Less: Allowances for impairment losses on loans and advances to customers measured at amortized cost	(575,414)	(2,583,944)	(2,399,156)	(5,558,514)
Carrying amount of loans and advances to customers measured at amortized cost	108,532,986	47,467,883	1,021,544	157,022,413
Carrying amount of loans and advances to customers measured at FVOCI	8,207,716	293,194	—	8,500,910
Total carrying amount of loans and advances to customers	116,740,702	47,761,077	1,021,544	165,523,323



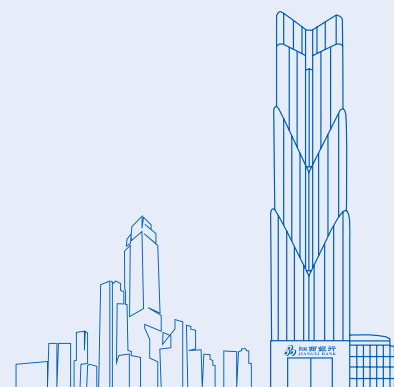
CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

18 LOANS AND ADVANCES TO CUSTOMERS (continued)

(f) Loans and advances and allowances for impairment losses (continued)

	Loans and advances for which provision are collectively assessed	31 December, 2017		Total	Gross impaired loans and advances as a percentage of gross loans and advances
		Impaired loans and advances			
		For which provision are collectively assessed	For which provision are individually assessed		
Gross loans and advances to customers	127,216,693	583,633	1,541,386	129,341,712	1.64%
Less: Allowances for impairment losses	(2,817,931)	(489,198)	(1,265,205)	(4,572,334)	
Net loans and advances to customers	124,398,762	94,435	276,181	124,769,378	



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

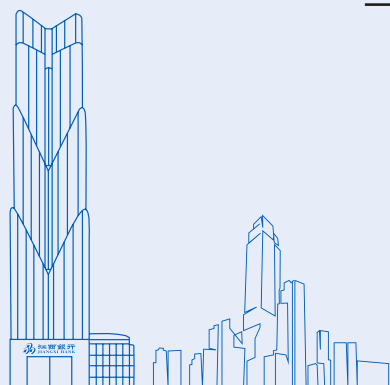
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

18 LOANS AND ADVANCES TO CUSTOMERS (continued)

(g) Movements of allowances for impairment losses

(i) *Movements of allowances for impairment losses on loans and advances to customers measured at amortized cost:*

	Allowances for impairment losses			
As at 31 December, 2017	4,572,334			
Impact on initial application of IFRS 9	91,952			
As at 1 January, 2018	4,664,286			
	Year ended 31 December, 2018			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January	295,810	2,477,203	1,891,273	4,664,286
Transferred				
– to 12-month ECL	163,155	(147,843)	(15,312)	–
– to lifetime ECL not credit-impaired	(9,010)	9,748	(738)	–
– to lifetime ECL credit-impaired	(1,895)	(119,913)	121,808	–
Charged for the year	127,354	364,749	1,914,455	2,406,558
Transferred out	–	–	(282,092)	(282,092)
Recoveries	–	–	166,731	166,731
Write-offs	–	–	(1,307,645)	(1,307,645)
Unwinding of discount	–	–	(89,324)	(89,324)
As at 31 December	575,414	2,583,944	2,399,156	5,558,514



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

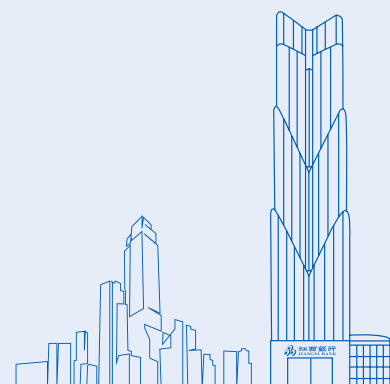
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

18 LOANS AND ADVANCES TO CUSTOMERS (continued)

(g) Movements of allowances for impairment losses (continued)

(ii) *Movements of allowances for impairment losses on loans and advances to customers measured at fair value through other comprehensive income:*

	Allowances for impairment losses		
As at 31 December, 2017			—
Impact on initial application of IFRS 9			5,948
As at 1 January, 2018			5,948
	Year ended 31 December, 2018		
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired
As at 1 January	197	5,751	—
Charged/(released) for the year	5,765	(1,957)	—
As at 31 December	5,962	3,794	—
			9,756



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

18 LOANS AND ADVANCES TO CUSTOMERS (continued)

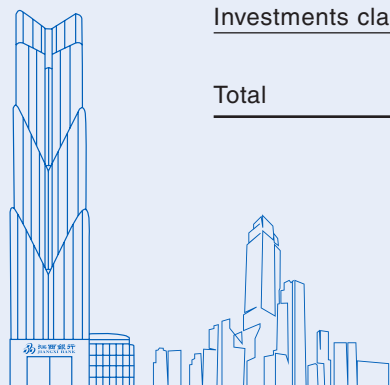
(g) Movements of allowances for impairment losses (continued)

(iii) Movements of allowances for impairment losses:

	Allowances for loans and advances which are collectively assessed	Year ended 31 December, 2017 Allowances for impaired loans and advances		Total
		Which are collectively assessed	Which are individually assessed	
As at 1 January	2,534,465	455,460	839,651	3,829,576
Charged for the year	283,466	125,919	2,180,953	2,590,338
Released for the year	—	—	(396,747)	(396,747)
Transferred out	—	—	(562,594)	(562,594)
Recoveries	—	15,707	189,953	205,660
Write-offs	—	(107,888)	(839,408)	(947,296)
Unwinding of discount	—	—	(146,603)	(146,603)
As at 31 December	2,817,931	489,198	1,265,205	4,572,334

19 FINANCIAL INVESTMENTS

	Note	31 December, 2018	31 December, 2017
Financial investments at fair value through profit or loss	(a)	34,324,103	587,817
Financial investments at fair value through other comprehensive income	(b)	34,338,819	—
Financial investments at amortized cost	(c)	122,041,078	—
Available-for-sale financial assets	(d)	—	59,606,148
Held-to-maturity investments	(e)	—	25,620,386
Investments classified as receivables	(f)	—	102,615,409
Total		190,704,000	188,429,760



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

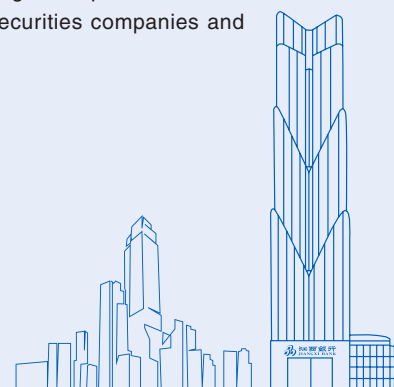
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

19 FINANCIAL INVESTMENTS (continued)

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

	Note	31 December, 2018	31 December, 2017
Debt securities issued by the following institutions in mainland China			
– Government		60,919	29,084
– Policy banks		1,565,443	374,756
– Commercial banks and other financial institutions		1,153,654	9,984
– Corporate		943,308	173,993
Sub-total		3,723,324	587,817
Equity instruments	(i)	104,507	–
Fund investments	(ii)	18,919,490	–
Other financial investments	(iii)	11,576,782	–
Total		34,324,103	587,817
Listed		104,507	–
Unlisted		34,219,596	587,817
Total		34,324,103	587,817

- (i) Equity instruments are acquired by the Group through debt repayment. The Group intends to dispose of them at appropriate opportunity.
- (ii) The fund investments held by the Group are monetary market funds and bond funds issued by financial institutions.
- (iii) Other financial investments held by the Group at FVTPL include wealth management products issued by financial institutions, investment management products managed by securities companies and trust plans.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

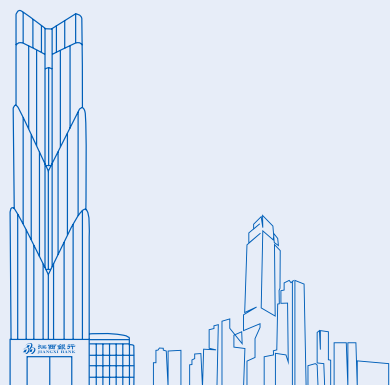
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

19 FINANCIAL INVESTMENTS (continued)

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

	Note	31 December, 2018
Debt securities issued by the following institutions in mainland China	(i)	
– Government		5,156,536
– Policy banks		9,051,744
– Corporate		1,502,107
Sub-total		15,710,387
Equity instruments	(ii)	10,250
Investment management products managed by securities companies and trust plans		18,190,994
Interest receivable		427,188
Total		34,338,819
Unlisted		34,338,819
Total		34,338,819
Allowances for impairment losses recognized in OCI	(iii)	(388,959)

- (i) As at 31 December, 2018 and 2017, certain financial investments at fair value through other comprehensive income were pledged as security for repurchase agreements (Note 39(f)).



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

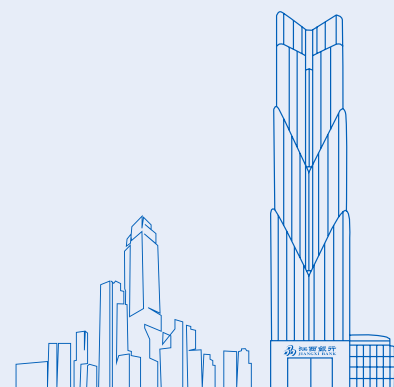
19 FINANCIAL INVESTMENTS (continued)

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

- (ii) On 1 January, 2018, the Group designated the investments shown in the table above as equity instruments that are measured at FVOCI, as the Group intended to hold the equity instruments for a long-term. The details are as follows:

	31 December, 2018	Dividend income recognized for the year ended 31 December, 2018
Clearing Centre for City Commercial Banks	250	—
China UnionPay	10,000	1,100
Total	10,250	1,100
Unlisted	10,250	
Total	10,250	

The Group did not sell the above equity instruments in 2018.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

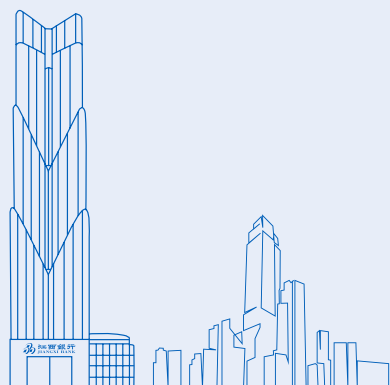
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19 FINANCIAL INVESTMENTS (continued)

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

- (iii) Movements of allowances for impairment of financial investments at fair value through other comprehensive income is as follows:

	Allowances for impairment losses		
As at 31 December, 2017			—
Impact on initial application of IFRS 9			180,128
As at 1 January, 2018			180,128
	year ended 31 December, 2018		
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired
As at 1 January	180,128	—	—
Transferred to lifetime ECL not credit-impaired	(15,633)	15,633	—
Charged for the year	71,830	17,001	120,000
As at 31 December	236,325	32,634	120,000



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

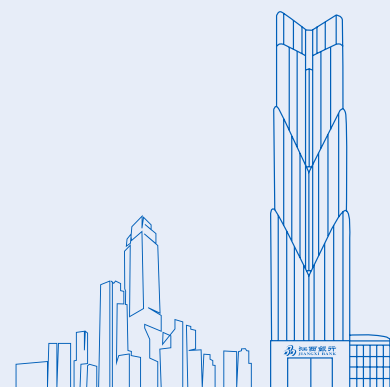
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

19 FINANCIAL INVESTMENTS (continued)

(c) Financial investments at amortized cost

	Note	31 December, 2018
Debt securities issued by the following institutions in mainland China	(i)	
– Government		7,032,157
– Policy banks		15,445,100
– Commercial banks and other financial institutions		730,000
Sub-total		23,207,257
Investment management products managed by securities companies and trust plans		101,853,335
Interest receivable		927,336
Less: Allowances for impairment losses	(ii)	(3,946,850)
Net carrying amount		122,041,078
Unlisted		122,041,078
Total		122,041,078

- (i) As at 31 December, certain debt securities were pledged for repurchase agreements (Note 39(f)).



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

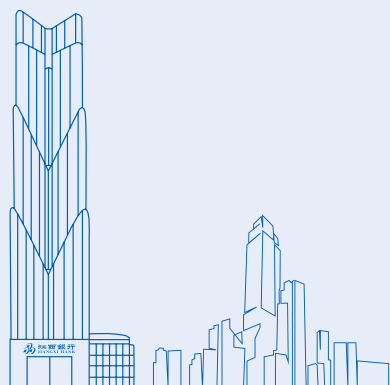
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

19 FINANCIAL INVESTMENTS (continued)

(c) Financial investments at amortized cost (continued)

- (ii) Movements of allowances for impairment of financial investments at amortized cost is as follows:

	Allowances for impairment losses			
As at 31 December, 2017	1,874,705			
Impact on initial application of IFRS 9	300,314			
As at 1 January, 2018	2,175,019			
	year ended 31 December, 2018			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January	1,007,560	–	1,167,459	2,175,019
Transferred:				
– to 12-month ECL	6,352	–	(6,352)	–
– to lifetime ECL not credit-impaired	(19,075)	175,304	(156,229)	–
– to lifetime ECL credit-impaired	(43,242)	–	43,242	–
Charged/(Released) for the year	651,478	(72,109)	1,192,462	1,771,831
As at 31 December	1,603,073	103,195	2,240,582	3,946,850



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

19 FINANCIAL INVESTMENTS (continued)

(d) Available-for-sale financial assets

Analyzed by type of investment and geographical location

	Note	31 December, 2017
Debt securities issued by the following institutions in mainland China		
– Government		4,808,430
– Policy banks		4,362,003
– Commercial banks and other financial institutions		895,748
– Corporate		904,007
Sub-total		10,970,188
Unlisted		10,970,188
Wealth management product issued by financial institutions		
– unlisted		711,350
Fund investments		
– unlisted		14,730,308
Equity investments at cost		
– unlisted	(i)	10,250
Investment management products managed by securities companies and trust plans		
– unlisted		33,184,052
Total		59,606,148

(i) Available-for-sale unlisted equity investments which do not have any quoted price in an active market for an identical instrument and whose fair values cannot otherwise be reliably measured are recognized in the statement of financial position at cost less impairment losses.

(ii) As at 31 December, 2017, certain available-for-sale financial assets were pledged for repurchase agreements (Note 39(f)). No other investments were subject to material restrictions on the realization.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

19 FINANCIAL INVESTMENTS (continued)

(e) Held-to-maturity investments

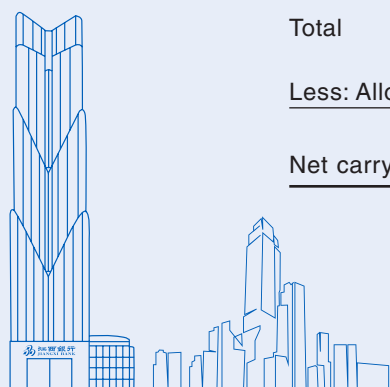
Analyzed by type of investment and geographical location

	31 December, 2017
Debt securities issued by the following institutions in mainland China	
– Government	8,001,796
– Policy banks	16,888,590
– Commercial banks and other financial institutions	730,000
Total	25,620,386
Unlisted	25,620,386
Total	25,620,386
Fair value	24,653,771

(i) As at 31 December, 2017, certain held-to-maturity investments were pledged as security for repurchase agreements (Note 39(f)).

(f) Investments classified as receivables

	31 December, 2017
Wealth management products issued by financial institutions	
– unlisted	3,308,932
Investment management products managed by securities companies and trust plans	
– unlisted	101,181,182
Total	104,490,114
Less: Allowances for impairment losses	(1,874,705)
Net carrying amount	102,615,409



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

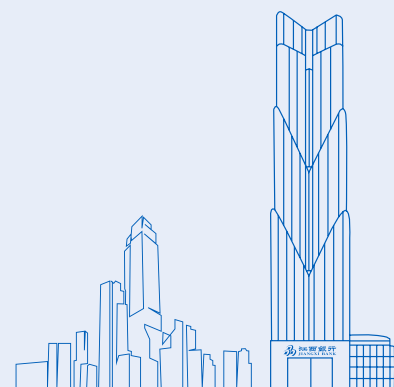
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20 INTEREST IN ASSOCIATES

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:

	Note	31 December, 2018	31 December, 2017
Nanchang Dafeng County Bank Co., Ltd. ("南昌大豐村鎮銀行有限責任公司")		54,569	71,801
Nanfeng Judu County Bank Co., Ltd. ("南豐桔都村鎮銀行有限責任公司")		18,109	17,591
Si Ping Tie Dong De Feng County Bank Co., Ltd. ("四平鐵東德豐村鎮銀行股份有限公司")		17,202	16,760
Guangchang Nanyin County Bank Co., Ltd. ("廣昌南銀村鎮銀行股份有限公司")		13,705	13,790
Jinxian Ruifeng County Bank Co., Ltd. ("進賢瑞豐村鎮銀行有限責任公司")		10,137	9,324
Total	(a)/(b)	113,722	129,266

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



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

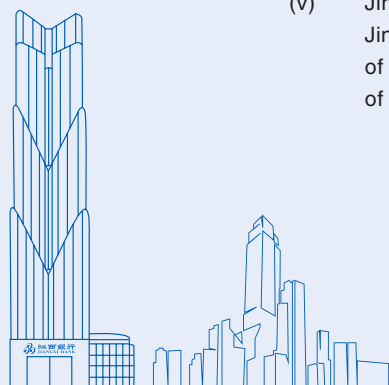
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20 INTEREST IN ASSOCIATES (continued)

	31 December, 2018	31 December, 2017
Aggregate carrying amount of the individually immaterial associates in the consolidated statements of financial position of the Group	113,722	129,266
Aggregate amounts of the Group's share of results of the associates		
– Profit from continuing operations	(15,544)	12,026
– Other comprehensive income	–	–
– Total comprehensive income	(15,544)	12,026

(b) Detailed information of the Group's associates that are not individually material is as follows:

- (i) Nanchang Dafeng County Bank Co., Ltd. ("Nanchang Dafeng") was incorporated on 30 September, 2010 at Nanchang County, Jiangxi Province, with registered capital of RMB220.00 million. The principal activities of Nanchang Dafeng are the provision of corporate and retail banking services. The Bank holds 28.18% of equity interest of Nanchang Dafeng.
- (ii) Nanfeng Judu County Bank Co., Ltd. ("Nanfeng Judu") was incorporated on 20 December, 2011 at Nanfeng County, Fuzhou, Jiangxi Province, with registered capital of RMB50.00 million. The principal activities of Nanfeng Judu are the provision of corporate and retail banking services. The Bank holds 30% of equity interest of Nanfeng Judu.
- (iii) Si Ping Tie Dong De Feng County Bank Co., Ltd. ("Si Ping De Feng") was incorporated on 22 July, 2011 at Si Ping, Jilin Province, with registered capital of RMB30.00 million. The principal activities of Si Ping De Feng are the provision of corporate and retail banking services. The Bank holds 20% of equity interest of Si Ping De Feng.
- (iv) Guangchang Nanyin County Bank Co., Ltd. ("Guangchang Nanyin") was incorporated on 30 December, 2013 at Fuzhou, Jiangxi Province, with registered capital of RMB50.00 million. The principal activities of Guangchang Nanyin are the provision of corporate and retail banking services. The Bank holds 30% of equity interest of Guangchang Nanyin.
- (v) Jinxian Ruifeng County Bank Co., Ltd. ("Jinxian Ruifeng") was incorporated on 15 June, 2012 at Jinxian County, Jiangxi Province, with registered capital of RMB50.00 million. The principal activities of Jinxian Ruifeng are the provision of corporate and retail banking services. The Bank holds 30% of equity interest of Jinxian Ruifeng.



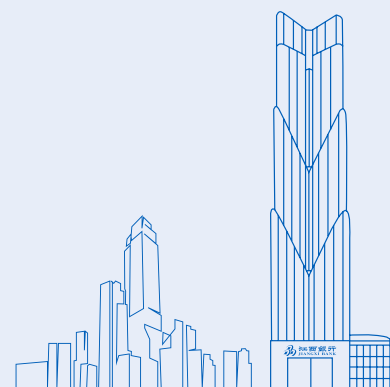
CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

21 INVESTMENTS IN SUBSIDIARIES

	31 December, 2018	31 December, 2017
Jiangxi Financial Leasing Co., Ltd. (“江西金融租賃股份有限 公司”)	1,734,000	510,000

Jiangxi Financial Leasing Co., Ltd. (“JXFL”) was incorporated on 24 November, 2015 at Nanchang, Jiangxi Province, with registered capital of RMB1.00 billion. The principal activities of JXFL are financial leasing services. In accordance with the resolution on the capital increase of Jiangxi Financial Leasing Co., Ltd. at the Bank’s Annual General Meeting on 20 April, 2017, the Bank subscribed for 1.02 billion shares at the price of RMB1.20 per share in JXFL on 13 February, 2018. As at 31 December, 2018, the Bank holds 75.74% of equity interest of JXFL (31 December, 2017: 51.00%).



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

22 PROPERTY AND EQUIPMENT

	Premises	Construction in progress	Electronic equipments	Fixtures	Others	Total
Cost:						
As at 1 January, 2017	2,120,617	407,838	587,758	105,041	180,601	3,401,855
Additions	47,246	354,782	102,313	16,822	43,718	564,881
Transfers in/(out) of construction in progress	210,457	(385,497)	5,854	413	3,167	(165,606)
Disposals	(5,410)	–	(39,219)	(6)	(1,873)	(46,508)
As at 31 December, 2017	2,372,910	377,123	656,706	122,270	225,613	3,754,622
As at 1 January, 2018	2,372,910	377,123	656,706	122,270	225,613	3,754,622
Additions	4,010	124,453	38,883	488	48,544	216,378
Transfers in/(out) of construction in progress	208,213	(451,467)	37,327	106,867	5,719	(93,341)
Disposals	–	–	(3,739)	(3,302)	(4,108)	(11,149)
As at 31 December, 2018	2,585,133	50,109	729,177	226,323	275,768	3,866,510
Accumulated depreciation:						
As at 1 January, 2017	(344,913)	–	(398,275)	(52,995)	(82,985)	(879,168)
Charged for the year	(101,483)	–	(97,916)	(14,821)	(26,015)	(240,235)
Disposals	1,840	–	4,359	6	1,473	7,678
As at 31 December, 2017	(444,556)	–	(491,832)	(67,810)	(107,527)	(1,111,725)
As at 1 January, 2018	(444,556)	–	(491,832)	(67,810)	(107,527)	(1,111,725)
Charged for the year	(111,686)	–	(84,529)	(24,569)	(33,272)	(254,056)
Disposals	–	–	3,611	120	3,178	6,909
As at 31 December, 2018	(556,242)	–	(572,750)	(92,259)	(137,621)	(1,358,872)
Impairment:						
As at 1 January, 2017	(169)	(1,791)	–	–	–	(1,960)
Disposals	169	1,791	–	–	–	1,960
As at 31 December, 2017 and 31 December, 2018	–	–	–	–	–	–
Net book value:						
As at 31 December, 2017	1,928,354	377,123	164,874	54,460	118,086	2,642,897
As at 31 December, 2018	2,028,891	50,109	156,427	134,064	138,147	2,507,638



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

22 PROPERTY AND EQUIPMENT (continued)

As at 31 December, 2018 and 2017 the net book values of premises of which title deeds were not yet finalised were RMB154.73 million and RMB309.56 million, respectively. The Group is still in the progress of application for the outstanding title deeds for the above premises. The directors of the Bank are of the opinion that there would be no significant cost in obtaining the title deeds.

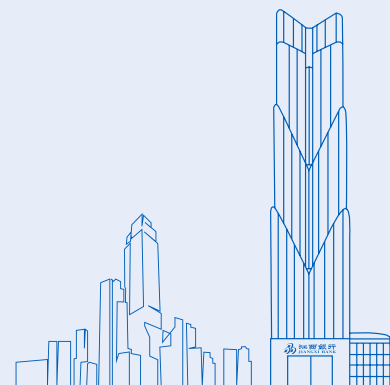
The net book values of premises at 31 December are analyzed by the remaining terms of the leases as follows:

	31 December, 2018	31 December, 2017
Held in mainland China		
– Medium-term leases (10 – 50 years)	2,028,891	1,928,354

23 DEFERRED TAX ASSETS AND LIABILITIES

(a) Analyzed by nature

	31 December, 2018	31 December, 2017
Deferred tax assets	2,262,904	1,522,569
Deferred tax liabilities	(68,509)	–
Net balances	2,194,395	1,522,569



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

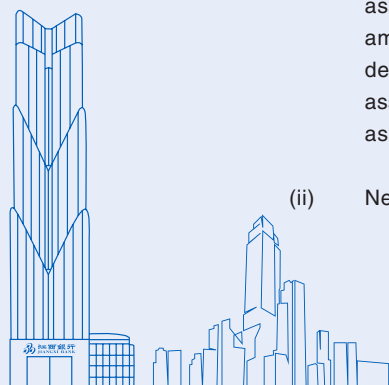
23 DEFERRED TAX ASSETS AND LIABILITIES (continued)

(b) Movements of deferred tax

	Allowance for impairment losses Note (i)	Accrued staff cost	Fair value changes of financial instruments Note (ii)	Others	Net balance of deferred tax assets
1 January, 2017	1,077,908	44,794	10,964	12,961	1,146,627
Recognized in profit or loss	218,613	(232)	1,983	47,191	267,555
Recognized in other comprehensive income	—	—	108,387	—	108,387
31 December, 2017	1,296,521	44,562	121,334	60,152	1,522,569
Impact on initial application of IFRS 9	195,867	—	3,608	—	199,475
1 January, 2018	1,492,388	44,562	124,942	60,152	1,722,044
Recognized in profit or loss	617,813	7,003	(47,058)	40,986	618,744
Recognized in other comprehensive income	—	—	(146,393)	—	(146,393)
31 December, 2018	2,110,201	51,565	(68,509)	101,138	2,194,395

- (i) The Group provided allowances for impairment losses on loans and advances to customers and other assets. The allowances for impairment losses were determined based on the expected recoverable amount of the relevant assets at the end of each of the reporting period. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of each of the reporting period, together with write-offs which fulfill specific criteria as set out in the PRC tax rules and are approved by the tax authorities.

- (ii) Net gains or losses on fair value changes of financial instruments are subject to tax when realized.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

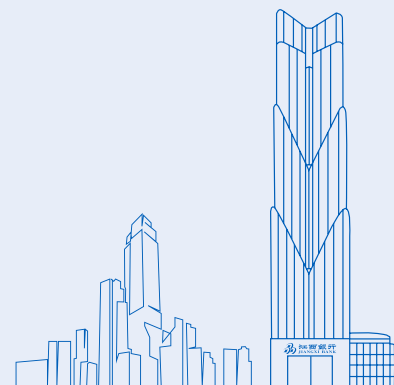
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

24 OTHER ASSETS

	Note	31 December, 2018	31 December, 2017
Prepayments for acquisition of property and equipment		694,825	741,401
Long-term deferred expenses		251,883	268,241
Interests receivable	(a)	222,842	1,498,904
Land use rights	(b)	150,963	155,876
Reposessed assets	(c)	109,231	264,016
Intangible assets	(d)	106,505	41,044
Settlement and clearing accounts		89,467	567,037
Deferred expenses		55,143	63,017
Investment property		13,442	13,807
Others		427,228	402,953
Gross balance		2,121,529	4,016,296
Less: Allowances for impairment losses		(37,289)	(42,379)
Net balance		2,084,240	3,973,917

(a) Interests receivable

	31 December, 2018	31 December, 2017
Interests receivable arising from:		
Financial investments	169,439	1,118,433
Loans and advances to customers	53,403	361,021
Others	—	19,450
Total	222,842	1,498,904



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

24 OTHER ASSETS (continued)

(b) Land use rights

	31 December, 2018	31 December, 2017
Located in Mainland China		
Over 50 years	24,465	24,465
10 – 50 years	126,498	131,411
Total	150,963	155,876

(c) Repossessed assets

	31 December, 2018	31 December, 2017
Land use rights and buildings	109,231	109,231
Others	–	154,785
Total	109,231	264,016
Less: Impairment allowances	(11,565)	(18,710)
Net repossessed assets	97,666	245,306



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

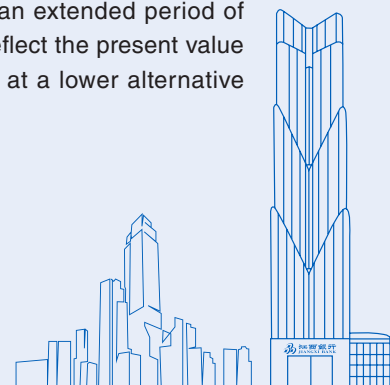
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

24 OTHER ASSETS (continued)

(d) Intangible assets

Cost	
As at 1 January, 2017	69,320
Additions	18,473
As at 31 December, 2017	87,793
As at 1 January, 2018	87,793
Additions	72,828
As at 31 December, 2018	160,621
Accumulated amortization	
As at 1 January, 2017	(38,098)
Charged for the year	(8,651)
As at 31 December, 2017	(46,749)
As at 1 January, 2018	(46,749)
Charged for the year	(7,367)
As at 31 December, 2018	(54,116)
Net book value	
As at 31 December, 2017	41,044
As at 31 December, 2018	106,505

Intangible assets include core deposit, real estate use rights, computer software, etc. Core deposits are accounts that a financial institution expects to maintain for an extended period of time due to ongoing business relationships. The core deposit intangibles reflect the present value of the additional cash flow resulting from the use of the account deposit at a lower alternative financing cost in the future period.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

25 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analyzed by type and location of counterparty

	31 December, 2018	31 December, 2017
Deposits in mainland China		
– Banks	19,763,242	20,390,993
– Other financial institutions	11,760,493	9,429,020
Interest payable	340,155	–
Total	31,863,890	29,820,013

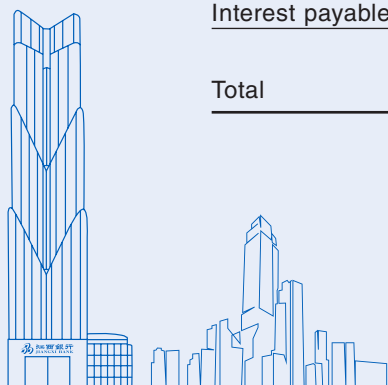
26 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analyzed by type and location of counterparty

	31 December, 2018	31 December, 2017
Placements in mainland China		
– Banks	6,070,000	1,350,000
Interest payable	79,980	–
Total	6,149,980	1,350,000

27 BORROWING FROM OTHER FINANCIAL INSTITUTIONS

	31 December, 2018	31 December, 2017
In mainland China		
– Credit borrowings	10,773,566	8,450,000
Interest payable	171,132	–
Total	10,944,698	8,450,000



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

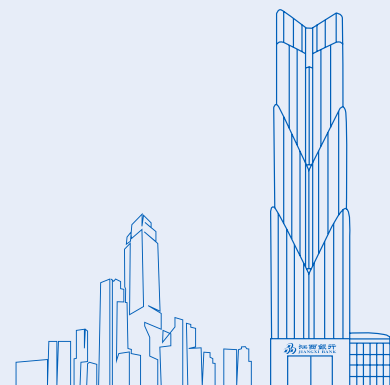
28 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analyzed by type and location of counterparty

	31 December, 2018	31 December, 2017
In mainland China		
– Banks	10,182,772	6,689,051
Interest payable	4,075	–
Total	10,186,847	6,689,051

(b) Analyzed by collaterals

	31 December, 2018	31 December, 2017
Debt securities		
– Government	–	189,600
– Policy banks	10,182,772	6,499,451
Sub-total	10,182,772	6,689,051
Interest payable	4,075	–
Total	10,186,847	6,689,051

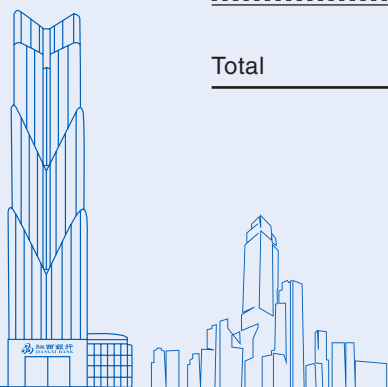


CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

29 DEPOSITS FROM CUSTOMERS

	31 December, 2018	31 December, 2017
Demand deposits		
– Corporate customers	117,737,508	109,756,893
– Individual customers	19,289,361	20,842,492
Sub-total	137,026,869	130,599,385
Time deposits		
– Corporate customers	63,772,441	66,446,134
– Individual customers	45,616,960	37,254,607
Sub-total	109,389,401	103,700,741
Pledged deposits		
– Acceptances	6,225,961	4,803,043
– Letters of guarantees	2,164,502	1,559,981
– Letters of credit	679,940	202,993
– Others	56,410	68,673
Sub-total	9,126,813	6,634,690
Inward and outward remittances	43,276	66,385
Structured deposits		
– Corporate customers	407,990	1,201,230
– Individual customers	1,481,530	1,634,920
Sub-total	1,889,520	2,836,150
Interest payable	2,972,774	—
Total	260,448,653	243,837,351



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

30 DEBT SECURITIES ISSUED

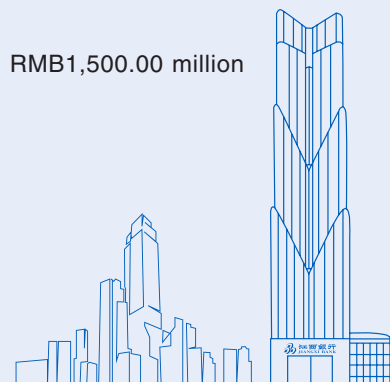
	Note	31 December, 2018	31 December, 2017
Tier-two capital debts issued	(a)	5,995,016	5,993,599
Other debt securities issued	(b)	7,995,513	9,991,119
Certificates of interbank deposits issued	(c)	46,892,764	27,489,050
Interest payable		246,517	—
Total		61,129,810	43,473,768

(a) Tier-two capital debts issued

- (i) The Group issued 10-year fixed-rate tier-two capital bonds with face value of RMB3,000.00 million on 5 June, 2017. The coupon interest rate per annum is 5%. The Group had an option to redeem the tier-two capital bonds at the end of the fifth year.
- (ii) The Group issued 10-year fixed-rate tier-two capital bonds with face value of RMB3,000.00 million on 26 September, 2017. The coupon interest rate per annum is 5%. The Group had an option to redeem the tier-two capital bonds at the end of the fifth year.

(b) Other debt securities issued

- (i) The Group issued 5-year fixed interest rate bonds with face value RMB2,000.00 million on 7 May, 2013. The coupon interest rate per annum is 4.80%. And the Group redeemed the bonds on 9 May, 2018.
- (ii) The Group issued 3-year fixed interest rate bonds with face value RMB3,500.00 million on 12 July, 2016. The coupon interest rate per annum is 3.41%.
- (iii) The Group issued 5-year fixed interest rate bonds with face value RMB1,500.00 million on 12 July, 2016. The coupon interest rate per annum is 3.70%.
- (iv) The Group issued 3-year fixed interest rate bonds with face value RMB1,500.00 million on 4 August, 2016. The coupon interest rate per annum is 3.20%.
- (v) The Group issued 5-year fixed interest rate bonds with face value RMB1,500.00 million on 4 August, 2016. The coupon interest rate per annum is 3.48%.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

30 DEBT SECURITIES ISSUED (continued)

(c) Certificates of interbank deposits issued

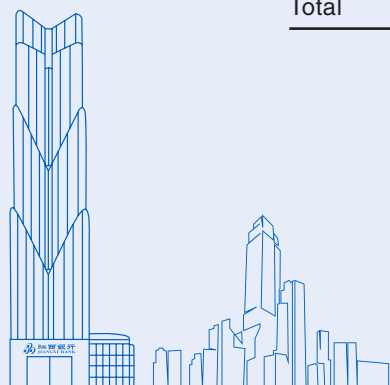
In 2018, the Group issued a number of certificates of interbank deposit with total nominal amount of RMB67,590.00 million and duration between 1-12 months. The effective interest rates ranged from 2.75% to 5.15% per annum.

31 OTHER LIABILITIES

	Note	31 December, 2018	31 December, 2017
Guarantee deposits from leases		791,275	532,763
Accrued staff cost	(a)	626,515	488,862
Settlement and clearing accounts		474,036	2,275,258
Provisions	(b)	278,859	16,566
Non-performing assets collection		237,573	274,403
Receipt in advance		212,697	229,600
Other tax payables		148,387	42,611
Deferred income		113,441	120,365
Payables for purchase of fixed assets		47,959	232,912
Dividend payable		15,729	35,481
Interests payable	(c)	—	3,283,853
Others		425,085	1,062,539
Total		3,371,556	8,595,213

(a) Accrued staff cost

	31 December, 2018	31 December, 2017
Salaries, bonuses and allowances	496,152	361,588
Social insurance	755	1,414
Housing fund	385	231
Labor union expenditure and employee education costs	15,483	11,726
Retirement benefit annuity plan	3,958	22,223
Early retirement benefits	109,782	91,680
Total	626,515	488,862



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

31 OTHER LIABILITIES (continued)

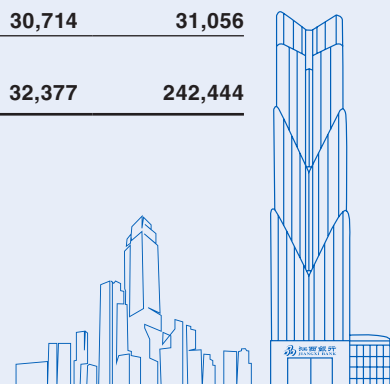
(b) Provisions

	Note	31 December, 2018	31 December, 2017
Litigations and disputes provision		36,415	16,566
Credit commitments provision	(i)	242,444	—
Total		278,859	16,566

(i) Movements of credit commitments provision is as follows:

	Provision for impairment losses		
As at 31 December, 2017			—
Impact on initial application of IFRS 9			211,388
As at 1 January, 2018			211,388

	Year ended 31 December, 2018			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
As at 1 January	207,005	3,435	948	211,388
Transferred:				
– to 12-month ECL	496	(411)	(85)	—
– to lifetime ECL not credit-impaired	(3)	3	—	—
– to lifetime ECL credit-impaired	(3)	(797)	800	—
Charged/(released) for the year	713	(371)	30,714	31,056
As at 31 December	208,208	1,859	32,377	242,444



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

31 OTHER LIABILITIES (continued)

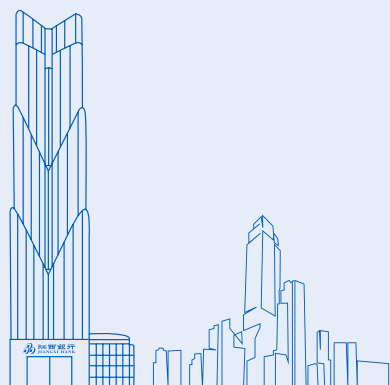
(c) Interests payable

	31 December, 2018	31 December, 2017
Interests payable arising from:		
Deposits from customers	—	2,532,811
Deposits from banks and other financial institutions	—	334,510
Debt securities issued	—	308,851
Borrowing from other financial institutions	—	96,018
Borrowing from the central bank	—	5,561
Financial assets sold under repurchase agreements	—	4,213
Placements from banks and other financial institutions	—	1,889
Total	—	3,283,853

32 SHARE CAPITAL

Share capital of the Group as at 31 December, 2018 and 2017 represented share capital of the Bank, which was fully paid.

	31 December, 2018	31 December, 2017
Ordinary shares in Mainland China	4,678,777	4,678,777
Ordinary shares listed in Hong Kong (H-share)	1,345,500	—
Total	6,024,277	4,678,777



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

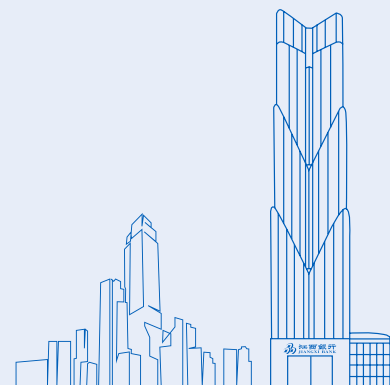
32 SHARE CAPITAL (continued)

	Note	Number of shares	Amount
As at 1 January, 2017		4,678,777	4,678,777
Capital contribution by equity shareholders		—	—
As at 31 December, 2017		4,678,777	4,678,777
As at 1 January, 2018		4,678,777	4,678,777
Capital contribution by equity shareholders	(i)	1,345,500	1,345,500
As at 31 December, 2018		6,024,277	6,024,277

- (i) On 26 June, 2018, the Bank issued 1,170.00 million H Shares with a par value of RMB1.00 at an offering price of HKD6.39 per share (the “H-share offering”).

On 24 July, 2018, the Bank issued 175.50 million H Shares with a par value of RMB1.00 at an offering price of HKD6.39 per share (the “H-share offering”).

All the H shares have been listed on the Stock Exchange of Hong Kong Limited. The H Shares rank pari passu in all respects with the existing ordinary shares in Mainland China including the right to receive all dividends and distributions declared or made.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

33 RESERVES

(a) Capital reserve

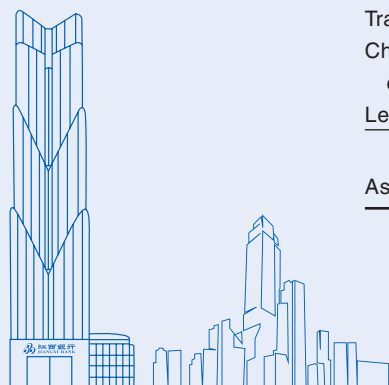
	Note	31 December, 2018	31 December, 2017
Share premium	(i)	13,291,249	7,631,127
Other comprehensive income	(ii)	429,033	(357,388)
Total		13,720,282	7,273,739

(i) Share premium

- (1) As stated in Note 32, the Bank issued H shares with a par value of RMB1.00 at an offering price of HKD6.39 per share in 2018. The premium arising from the issuance of new shares amounting to RMB5.67 billion was recorded in capital reserve.
- (2) As stated in Note 21, the Bank subscribed for 1.02 billion shares at the price of RMB1.20 per share in JXFL on 13 February, 2018. Changes in the Group's interests in JXFL resulted in adjustments of the amounts of share premium.

(ii) Other comprehensive income

	Other comprehensive income	
As at 31 December, 2017		(357,388)
Impact on initial application of IFRS 9		134,603
As at 1 January, 2018		(222,785)
	2018	2017
As at 1 January	(222,785)	(32,226)
Changes in fair value recognized in other comprehensive income	589,584	(402,313)
Transfer to profit or loss upon disposal	(4,012)	(31,236)
Changes in impairment losses recognized in other comprehensive income	212,639	—
Less: Deferred income tax	(146,393)	108,387
As at 31 December	429,033	(357,388)



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

33 RESERVES (continued)

(b) Surplus reserve

The surplus reserve at the end of each 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 appropriated an amount of RMB265.14 million to the statutory surplus reserve fund for the year ended 31 December, 2018 (2017: RMB283.66 million).

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

(c) General reserve

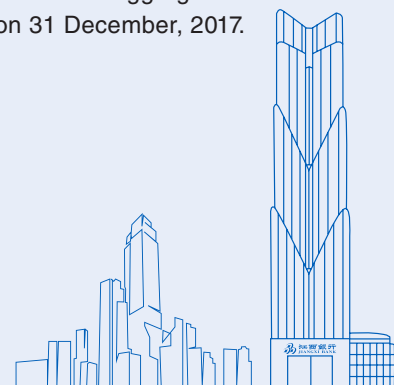
Pursuant to the "Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No. 20)" issued by the Ministry of Finance, the Bank is required to set aside a general reserve through net profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets on an annual basis. The balance of the general reserve amounted to RMB5,505.86 million and RMB4,700.72 million as at 31 December, 2018 and 2017 respectively.

34 RETAINED EARNINGS

(a) Appropriation of profits

In accordance with the resolution at the Bank's Annual General Meeting on 26 March, 2018, the shareholders approved the following profit appropriations for the year ended 31 December, 2017:

- Appropriation of statutory surplus reserve amounted to RMB283.66 million.
- Appropriation of general reserve amounted to RMB736.61 million.
- Declaration of cash dividend of RMB1.00 per 10 shares before tax and in an aggregation amount of RMB467.88 million to all existing shareholders of record on 31 December, 2017.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

34 RETAINED EARNINGS (continued)

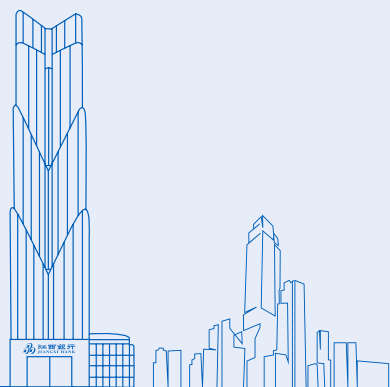
(a) Appropriation of profits (continued)

On 29 March, 2019, the Board reviewed and proposed the following profit appropriations for the year ended 31 December, 2018:

- Appropriation of statutory surplus reserve amounted to RMB265.14 million.
- Appropriation of general reserve amounted to RMB805.14 million.
- Declaration of cash dividend of RMB0.8 per 10 shares before tax and in an aggregation amount of RMB481.94 million to all existing shareholders of record on 31 December, 2018.

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

- (b) As at 31 December, 2017 and 2018, the consolidated retained profits attributable to equity shareholders of the Bank included an appropriation of RMB18.44 million and RMB30.64 million to surplus reserve made by subsidiary.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

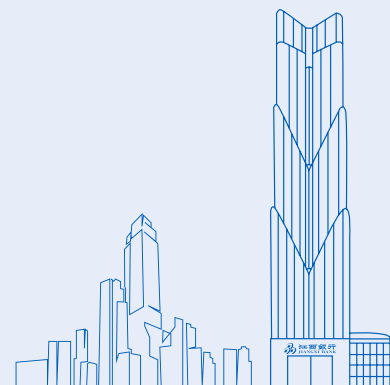
34 RETAINED EARNINGS (continued)

(c) Movements in components of equity

Details of the changes in the Bank's individual components of equity between the beginning and the end of the year are set out below.

	Share capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	Total
Balance at 31 December, 2017 (Note)	4,678,777	7,273,739	2,253,652	4,663,995	3,772,478	22,642,641
Impact on initial application of IFRS 9	—	134,603	—	—	(543,614)	(409,011)
Adjusted balance at 1 January, 2018	4,678,777	7,408,342	2,253,652	4,663,995	3,228,864	22,233,630
Changes in equity for the year						
Profit for the year	—	—	—	—	2,651,418	2,651,418
Other comprehensive income	—	651,818	—	—	—	651,818
Total comprehensive income	—	651,818	—	—	2,651,418	3,303,236
Issue of H Shares	1,345,500	5,672,967	—	—	—	7,018,467
Appropriation of profits						
– Appropriation to surplus reserve	—	—	265,142	—	(265,142)	—
– Appropriation to general reserve	—	—	—	741,884	(741,884)	—
– Appropriation to shareholders	—	—	—	—	(467,878)	(467,878)
Balance at 31 December, 2018	6,024,277	13,733,127	2,518,794	5,405,879	4,405,378	32,087,455

Note: The Bank has initially applied IFRS 15 and IFRS 9 at 1 January, 2018. Under the transition methods chosen, comparative information is not restated.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

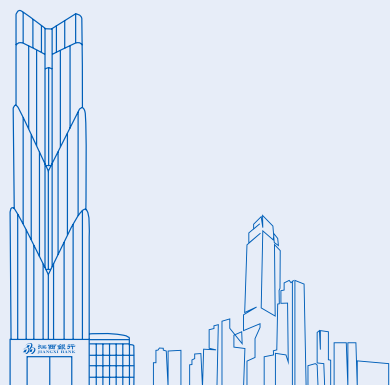
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

34 RETAINED EARNINGS (continued)

(c) Movements in components of equity (continued)

	Share capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	Total
Balance at 1 January, 2017	4,678,777	7,598,901	1,969,997	3,950,336	2,401,117	20,599,128
Changes in equity for the year						
Profit for the year	–	–	–	–	2,836,553	2,836,553
Other comprehensive income	–	(325,162)	–	–	–	(325,162)
Total comprehensive income	–	(325,162)	–	–	2,836,553	2,511,391
Appropriation of profits						
– Appropriation to surplus reserve	–	–	283,655	–	(283,655)	–
– Appropriation to general reserve	–	–	–	713,659	(713,659)	–
– Appropriation to shareholders	–	–	–	–	(467,878)	(467,878)
Balance at 31 December, 2017 (Note)	4,678,777	7,273,739	2,253,652	4,663,995	3,772,478	22,642,641

Note: The Bank has initially applied IFRS 15 and IFRS 9 at 1 January, 2018. Under the transition methods chosen, comparative information is not restated.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

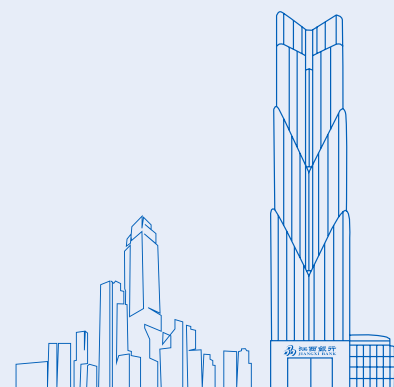
35 NOTES TO CONSOLIDATED CASH FLOW STATEMENTS

(a) Net increase/(decrease) in cash and cash equivalents

	2018	2017
Cash and cash equivalents as at 31 December	22,998,915	13,946,882
Less: Cash and cash equivalents as at 1 January	(13,946,882)	(16,513,677)
Net increase/(decrease) in cash and cash equivalents as at 31 December	9,052,033	(2,566,795)

(b) Cash and cash equivalents

	31 December, 2018	31 December, 2017
Cash on hand	776,920	797,249
Deposits with the central bank	6,575,168	4,906,648
Deposits with banks and other financial institutions	1,084,157	1,552,917
Placements with banks and other financial institutions	3,600,000	500,000
Financial assets held under resale agreements	10,962,670	6,180,084
Debt securities investments	—	9,984
Total	22,998,915	13,946,882



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

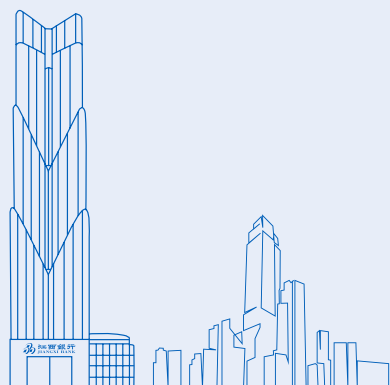
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

35 NOTES TO CONSOLIDATED CASH FLOW STATEMENTS (continued)

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Debt securities issued	Interest payable arising from debt securities issued	Total
Balance at 1 January, 2018	43,473,768	308,851	43,782,619
Changes from financing cash flows:			
– Net proceeds from debt securities issued	65,525,717	–	65,525,717
– Interest paid on debt securities issued	–	(671,545)	(671,545)
– Repayment of debt securities issued	(49,970,000)	–	(49,970,000)
Total changes from financing cash flows	59,029,485	(362,694)	58,666,791
Other change:			
– Interest expense	1,853,808	609,211	2,463,019
Balance at 31 December, 2018	60,883,293	246,517	61,129,810



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Related parties of the Group

(i) Major shareholders

Major shareholders include shareholders of the Bank with direct or indirect 5% or above shareholding, or with the right to appoint a director in the Bank.

Shareholding in the Bank:

	31 December, 2018	31 December, 2017
Jiangxi Provincial Expressway Investment Group Co., Ltd. (“江西省高速公路投資集團有限責任公司”)	15.56%	20.04%
Jiangxi Financial Holding Group Co., Ltd. (“江西省金融控股集團有限公司”)	5.77%	6.27%
Nanchang Municipal Bureau of Finance (“南昌市財政局”)	4.21%	5.42%
China National Tobacco Corporation Jiangxi Branch (“中國煙草總公司江西省公司”)	2.99%	3.85%
Jiangxi Province Investment Group Co., Ltd. (“江西省投資集團有限公司”)	2.99%	3.85%
Ganshang Union (Jiangxi) Co., Ltd. (“贛商聯合（江西）有限公司”)	2.46%	3.17%

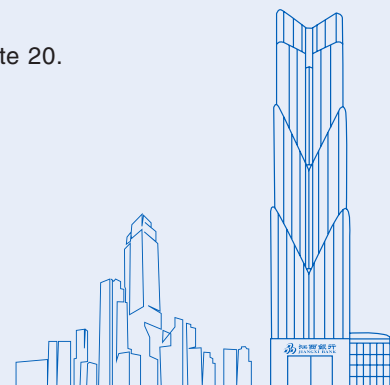
The official names of these related parties are in Chinese. The English translation is for reference only.

(ii) Subsidiary of the Bank

The detailed information of the Bank's subsidiary is set out in Note 21.

(iii) Associates of the Bank

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



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(a) Related parties of the Group (continued)

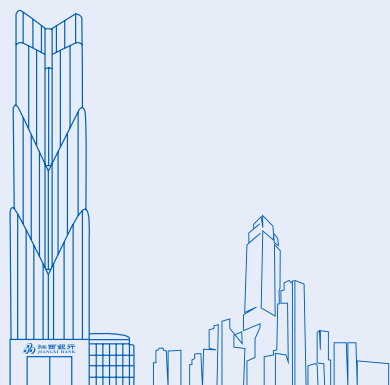
(iv) Other related parties

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 36(a) or their controlling shareholders.

(b) Transactions with related parties other than key management personnel

(i) Transactions between the Bank and major shareholders

	2018	2017
Transactions during the year:		
Interest expense	327,086	341,862
Interest income	50,265	55,835
	31 December, 2018	31 December, 2017
Balances as at the year end:		
Deposits from customers	24,247,952	19,632,781
Loans and advances to customers	550,593	749,050
Interests receivable	—	29,818
Interests payable	—	103,387
Financial investments	—	299,975



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

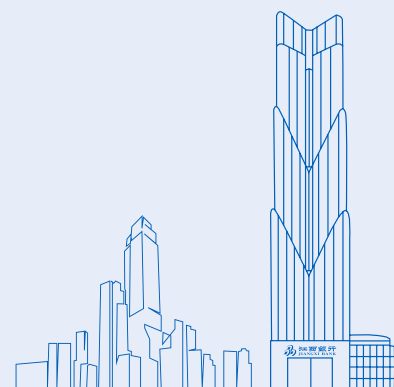
36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(b) Transactions with related parties other than key management personnel (continued)

(ii) Transactions between the Bank and subsidiary

The subsidiary of the Bank is its related party. The transactions between the Bank and its subsidiary and among the subsidiary are eliminated on combination.

	2018	2017
<hr/>		
Transactions during the year:		
Interest expense	5,059	7,680
Fee and commission income	192	285
Interest income	7	1,210
<hr/>		
	31 December, 2018	31 December, 2017
<hr/>		
Balances as at the year end:		
Deposits from banks and other financial institutions	343,984	481,330
Bank acceptances	238,389	655,000
Interests receivable	—	119
Placements with banks and other financial institutions	—	420,000
Deposits from customers	—	7
Interests payable	—	225
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CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

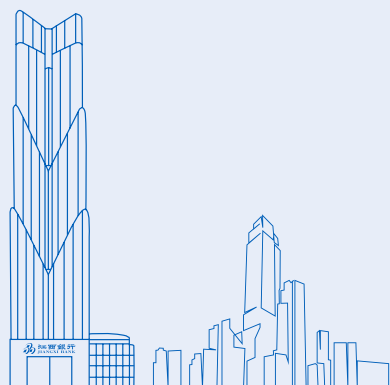
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(b) Transactions with related parties other than key management personnel (continued)

(iii) Transactions between the Bank and associates

	2018	2017
Transactions during the year:		
Interest expense	7,888	8,848
Interest income	—	1,623
Fee and commission income	—	32
	31 December, 2018	31 December, 2017
Balances as at the year end:		
Deposits from banks and other financial institutions	508,311	405,447
Financial investments	259,938	—
Interests payable	—	1,026



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

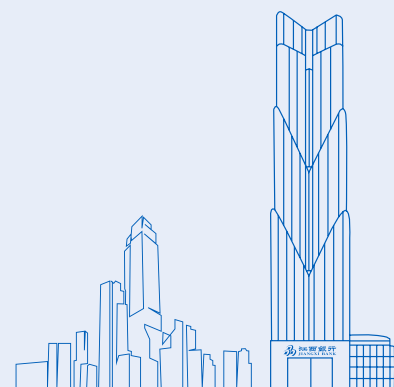
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(b) Transactions with related parties other than key management personnel (continued)

(iv) Transactions between the Bank and other related parties:

	2018	2017
Transactions during the year:		
Interest income	179,838	253,744
Interest expense	70,552	32,416
Fee and commission income	557	634
	31 December, 2018	31 December, 2017
Balances as at the year end:		
Deposits from customers	5,074,801	4,411,848
Loans and advances to customers	3,171,242	1,514,470
Bank acceptances	437,241	377,250
Financial investments	259,938	599,946
Deposits from banks and other financial institutions	—	49,426
Interests receivable	—	63,121
Interests payable	—	73,640



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(c) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the Board of Directors, the Board of Supervisors and executive officers.

(i) Transactions between the Bank and key management personnel

	2018	2017
Transactions during the year:		
Interest income	522	554
Interest expense	19	21
	31 December, 2018	31 December, 2017
Balances as at the year end:		
Loans and advances to customers	9,514	10,070
Deposits from customers	6,503	2,968
Interests receivable	—	17
Interests payable	—	4

(ii) Key management personnel compensation

The aggregate compensation of key management personnel is listed as follows:

	31 December, 2018	31 December, 2017
Salaries and other emoluments	17,951	17,267
Discretionary bonuses	160	4,771
Contributions to social pension schemes	152	151
Other welfare	962	886



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

37 FAIR VALUE

(a) Methods and assumptions for measurement of fair value

The Group adopts the following methods and assumptions when evaluating fair values:

(i) *Debt securities and equity investments*

The fair values of debt securities and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of the reporting period.

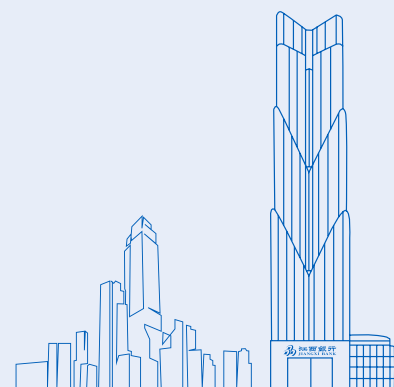
(ii) *Financial investments and other financial assets*

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the reporting period.

(iii) *Debt securities issued and other financial liabilities*

Fair values of debt securities issued are based on their quoted market prices at the end of the reporting period, or the present value of estimated future cash flows. The fair values of other 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 the reporting period.

The Group has established policies and internal controls with respect to the measurement of fair values, specified the framework of fair value measurement of financial instruments, fair value measurement methodologies and procedures.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

37 FAIR VALUE (continued)

(b) Fair value measurement

(i) Financial assets

The Group's financial assets mainly consist of cash and deposits with the central bank, receivables with banks and other financial institutions, loans and advances to customers, and financial investments.

Deposits with the central bank and receivables with banks and other financial institutions are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

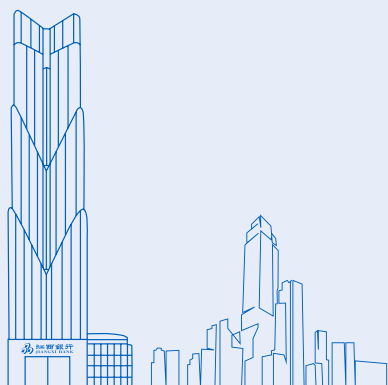
Loans and advances to customers are mostly priced at floating rates close to the PBOC rates. Accordingly, the carrying amounts approximate the fair values. The fair values of loans and advances to customers measured at fair value through other comprehensive income are based on valuation techniques.

Available-for-sale investments, financial investments at fair value through other comprehensive income and financial investments at fair value through profit or loss are stated at fair value. The carrying amount and fair value of held-to-maturity investments are disclosed in Note 37(d). The carrying amounts of financial investments at amortized cost and debt securities classified as receivables are the reasonable approximations of their fair values because, for example, they are short-term in nature or repriced at current market rates frequently.

(ii) Financial liabilities

The Group's financial liabilities mainly include payables to banks and other financial institutions, deposits from customers and debt securities issued.

The book value and the fair value of debt securities issued are presented in Note 37(d). The carrying amounts of other financial liabilities approximate their fair value.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

37 FAIR VALUE (continued)

(c) Fair value hierarchy

The following table presents the fair value of financial instruments measured at the end of the reporting period on a recurring basis, categorized 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:

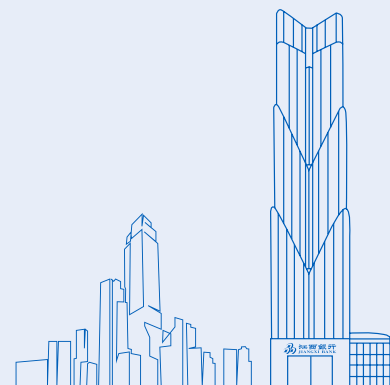
- Level 1: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and
- Level 3: Fair value measured using significant unobservable inputs

Financial investments

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, and discounted cash flow analysis. The inputs used in valuation techniques include risk-free and benchmark interest rates, and credit spreads. Where discounted cash flow analysis is used, estimated cash flows are based on the management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

Loans and advances to customers

Discounted bills and forfeiting in loans and advances to customers are valued by using a discounted cash flow model. For the Bank acceptance bills, the discounted rate is established based on the acceptors' credit risk and market transaction data; for the commercial acceptance bills and forfeiting, the discounted rate is established based on the interbank offered rates and spreads adjusted by credit risk and liquidity.



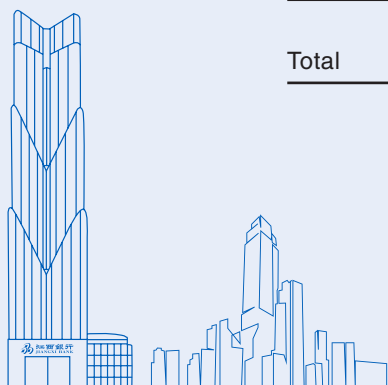
CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

37 FAIR VALUE (continued)

(c) Fair value hierarchy (continued)

	31 December, 2018			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements assets				
<i>Loans and advances to customers measured at FVOCI</i>				
– Corporate loans and advances	–	–	538,711	538,711
– Discounted bills	–	–	7,962,199	7,962,199
Sub-total	–	–	8,500,910	8,500,910
<i>Financial investments at fair value through profit or loss</i>				
– Debt securities	–	3,710,809	12,515	3,723,324
– Equity instruments	104,507	–	–	104,507
– Fund investments	18,919,490	–	–	18,919,490
– Other financial investments	–	–	11,576,782	11,576,782
Sub-total	19,023,997	3,710,809	11,589,297	34,324,103
<i>Financial investments at fair value through other comprehensive income</i>				
– Debt securities	–	16,064,263	–	16,064,263
– Equity instruments	–	–	10,250	10,250
– Investment management products managed by securities companies and trust plans	–	–	18,264,306	18,264,306
Sub-total	–	16,064,263	18,274,556	34,338,819
Total	19,023,997	19,775,072	38,364,763	77,163,832



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

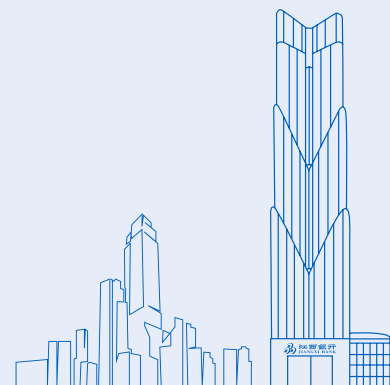
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

37 FAIR VALUE (continued)

(c) Fair value hierarchy (continued)

	31 December, 2017			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements assets				
<i>Financial assets held for trading</i>				
– Debt securities	–	587,817	–	587,817
<i>Available-for-sale financial assets</i>				
– Debt securities	–	10,957,755	12,433	10,970,188
– Wealth management product issued by financial institutions	–	–	711,350	711,350
– Fund investments	14,716,808	–	13,500	14,730,308
– Investment management products managed by securities companies and trust plans	–	–	33,184,052	33,184,052
Total	14,716,808	11,545,572	33,921,335	60,183,715

During the reporting periods, the Group had no significant transfers among instruments in Level 1, Level 2 and Level 3.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

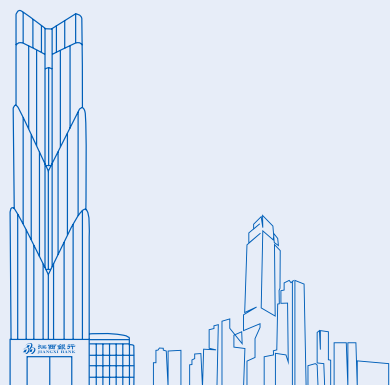
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

37 FAIR VALUE (continued)

(c) Fair value hierarchy (continued)

A reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy on an on-going basis is as below:

	Year ended 31 December, 2018	
	Loans and advances to customers	Financial investments
As at 31 December, 2017	–	33,921,335
Impact on initial application of IFRS 9	3,525,609	(8,058,023)
As at 1 January, 2018	3,525,609	25,863,312
Total gains or (losses)		
– In profit or loss for the current year	178,964	7,062,217
– In other comprehensive income for the current year	367	(35,428)
Purchases	17,008,046	27,355,109
Settlements	(12,212,076)	(30,381,357)
As at 31 December, 2018	8,500,910	29,863,853
Total unrealized gains or losses for the year included in profit or loss for assets and liabilities held at the end of the year	(9,756)	(344,254)



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

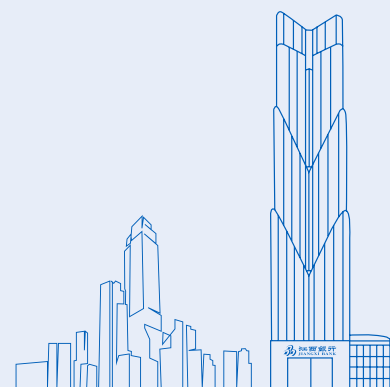
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

37 FAIR VALUE (continued)

(c) Fair value hierarchy (continued)

	Year ended 31 December, 2017 Available-for-sale financial assets
As at 1 January, 2017	39,634,591
Total gains or (losses)	
– In profit or loss for the current year	946,914
– In other comprehensive income for the current year	–
Purchases	15,476,805
Settlements	(22,136,975)
As at 31 December, 2017	33,921,335
Total unrealized gains or losses for the year included in profit or loss for assets and liabilities held at the end of the year	–

During the year ended 31 December, 2018 and 2017, there were no significant transfers into or out of Level 3.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

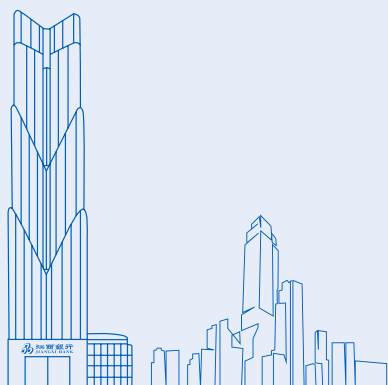
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

37 FAIR VALUE (continued)

(c) Fair value hierarchy (continued)

The valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorized within Level 3. Quantitative information of Level 3 fair value measurement is as below:

	Fair value as at 31 December, 2018		
	The Group	Valuation techniques	Unobservable input
Loans and advances to customers measured at FVOCI			
– Corporate loans and advances	538,711	Discounted cash flow	Risk-adjusted discount rate, cash flow
– Discounted bills	7,962,199	Discounted cash flow	Risk-adjusted discount rate, cash flow
Financial investments at fair value through other comprehensive income			
– Equity instruments	10,250	Discounted cash flow	Risk-adjusted discount rate, cash flow
– Investment management products managed by securities companies and trust plans	18,264,306	Discounted cash flow	Risk-adjusted discount rate, cash flow
Financial investments at fair value through profit or loss			
– Debt securities	12,515	Discounted cash flow	Risk-adjusted discount rate, cash flow
– Other financial investments	11,576,782	Discounted cash flow	Risk-adjusted discount rate, cash flow



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

37 FAIR VALUE (continued)

(c) Fair value hierarchy (continued)

	Fair value as at 31 December, 2017	Valuation techniques	Unobservable input
	The Group		
Available-for-sale financial assets			
– Debt securities	12,433	Discounted cash flow	Risk-adjusted discount rate, cash flow
– Wealth management product issued by financial institutions	711,350	Discounted cash flow	Risk-adjusted discount rate, cash flow
– Investment management products managed by securities companies and trust plans	33,184,052	Discounted cash flow	Risk-adjusted discount rate, cash flow
– Fund investments	13,500	Discounted cash flow	Risk-adjusted discount rate, cash flow

During the year ended 31 December, 2018 and 2017, there were no significant change in the valuation techniques.

As at 31 December, 2018 and 2017, unobservable inputs such as risk-adjusted discount rate and cash flow were used in the valuation of financial investments at fair value classified as Level 3, which were mainly investment management products managed by securities companies and trust plans. The fair value of these financial investments fluctuates according to the changes in the unobservable inputs.

The sensitivity of the fair value measurement on changes in unobservable inputs for Level 3 financial instruments measured at fair value on an ongoing basis.

The fair value of financial instruments are, in certain circumstances, measured using valuation models which incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on observable market data. The following table shows the sensitivity of fair value due to parallel movement of plus or minus 2 percent of change in fair value to reasonably possible alternative assumptions.



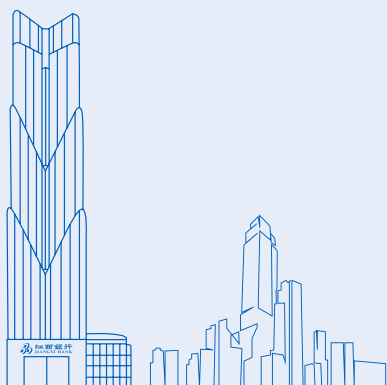
CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

37 FAIR VALUE (continued)

(c) Fair value hierarchy (continued)

	31 December, 2018	
	Effect on profit or loss or other comprehensive income	
	Favourable	(Unfavourable)
Loans and advances to customers measured at FVOCI		
– Corporate loans and advances	10,774	(10,774)
– Discounted bills	159,244	(159,244)
Financial investments at fair value through other comprehensive income		
– Investment management products managed by securities companies and trust plans	365,286	(365,286)
– Equity instruments	205	(205)
Financial investments at fair value through profit or loss		
– Debt securities	250	(250)
– Other financial investments	231,536	(231,536)
	31 December, 2017	
	Effect on other comprehensive income	
	Favourable	(Unfavourable)
Available-for-sale financial assets		
– Debt securities	249	(249)
– Wealth management product issued by financial institutions	14,227	(14,227)
– Investment management products managed by securities companies and trust plans	663,681	(663,681)
– Fund investments	270	(270)



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

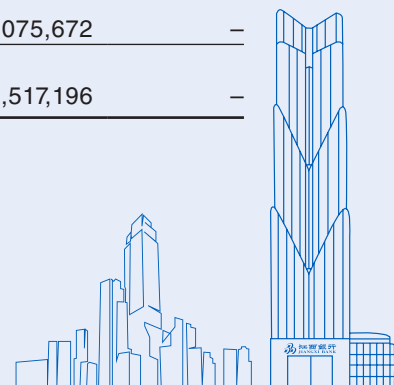
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

37 FAIR VALUE (continued)

(d) Financial instruments carried at other than fair value

As at the end of the reporting period, the carrying amounts and the fair value of the financial assets and the financial liabilities of the Group have no significant difference except following items.

31 December, 2018					
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
– Financial investments at amortized cost – debt securities	23,206,693	23,326,570	–	23,326,570	–
Financial liabilities					
– Tier-two capital debts issued	5,995,016	6,044,514	–	6,044,514	–
– Other debt securities issued	7,995,513	7,963,371	–	7,963,371	–
– Certificates of interbank deposits issued	46,892,764	46,134,046	–	46,134,046	–
Total	60,883,293	60,141,931	–	60,141,931	–
31 December, 2017					
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
– Held-to-maturity investments	25,620,386	24,653,771	–	24,653,771	–
Financial liabilities					
– Tier-two capital debts issued	5,993,599	5,782,800	–	5,782,800	–
– Other debt securities issued	9,991,119	9,658,724	–	9,658,724	–
– Certificates of interbank deposits issued	27,489,050	27,075,672	–	27,075,672	–
Total	43,473,768	42,517,196	–	42,517,196	–



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

38 ENTRUSTED LENDING BUSINESS

The Group provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognized in the statements of financial position. Surplus funding is accounted for as deposits from customers.

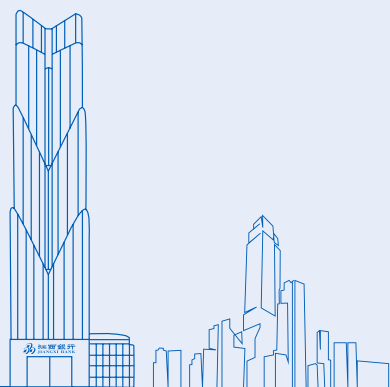
As at 31 December, the entrusted assets and liabilities were as follows:

	31 December, 2018	31 December, 2017
Entrusted loans	61,674,908	63,745,779
Entrusted funds	61,674,908	63,745,779

39 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Credit commitments

The Group's credit commitments take the form of approved loans with signed contracts, unused credit card commitments, bank acceptances, letters of credit and financial guarantees.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

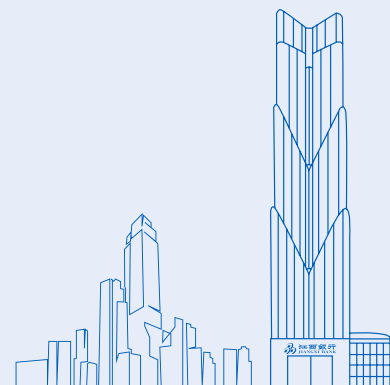
39 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

(a) Credit commitments (continued)

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

	31 December, 2018	31 December, 2017
Loan commitments		
– Original contractual maturity within one year	35,000	118,900
– Original contractual maturity more than one year (inclusive)	484,820	903,900
Sub-total	519,820	1,022,800
Unused credit card commitments		
– Original contractual maturity within one year	5,803,017	4,682,042
Sub-total	5,803,017	4,682,042
Bank acceptances	17,482,026	16,178,690
Letters of credit	1,401,309	1,080,048
Letters of guarantees	4,928,763	3,239,606
Total	30,134,935	26,203,186

The Group may be exposed to credit risk in all the above credit businesses. The management periodically assesses credit risk and makes allowances 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.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

39 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

(b) Credit risk-weighted amount

	31 December, 2018	31 December, 2017
Credit risk weighted amount	15,726,089	8,511,378

The credit risk-weighted amount represents the amount calculated with reference to the guidelines issued by the former CBRC.

(c) Operating lease commitments

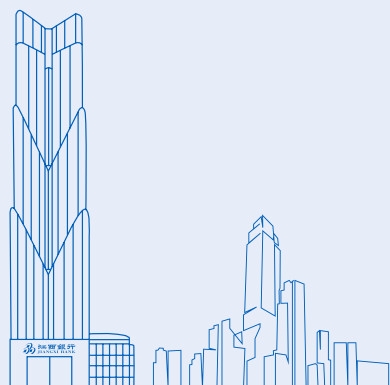
As at 31 December, the Group's future minimum lease payments under non-cancellable operating leases for properties are as follows:

	31 December, 2018	31 December, 2017
Within one year (inclusive)	161,865	206,311
After one year but within five years (inclusive)	432,943	602,037
After five years	154,315	280,142
Total	749,123	1,088,490

(d) Capital commitments

As at 31 December, the Group's authorized capital commitments are as follows:

	31 December, 2018	31 December, 2017
Contracted but not paid for	48,840	75,679



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

39 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

(e) Outstanding litigations and disputes

As at 31 December, 2018, the Group was the defendant in certain pending litigations and disputes with an estimated gross amounts of RMB1,531.98 million (31 December, 2017: RMB1,514.66 million). According to the opinion of the Group's external lawyers, the Group recognized the related litigation provision (see Note 31 (b)), which they believed to be reasonable and sufficient.

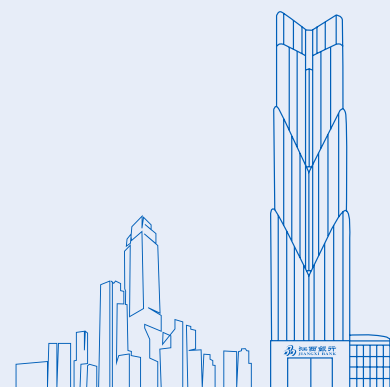
The Bank was involved in a bill dispute litigation with Bank A since March 2017 where Bank A bring suit in court in order to terminate "bank acceptance bill discounting contract" with the Bank. Bank A also requested the Bank to pay back the bill payment of RMB1,483.48 million, together with liquidated damages as stipulated in relevant agreements and relevant litigation fees and costs. On 15 November, 2018, Shandong Higher People's Court announced publicly the first instance judgment on the case and the Bank won. The Bank's directors and its legal advisor of this litigation are of the view that, based on the evidence currently available, the likelihood of the Bank losing the second instance of this bill dispute litigation is low, therefore, no provisions have been made by the Bank for the estimated losses of this bill dispute litigation.

(f) Pledged assets

(i) Assets pledged as collaterals

Analyzed by collaterals

	31 December, 2018	31 December, 2017
Debt securities		
– Government	–	208,724
– Policy banks	10,542,579	6,755,223
Total	10,542,579	6,963,947



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

39 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

(f) Pledged assets (continued)

(i) Assets pledged as collaterals (continued)

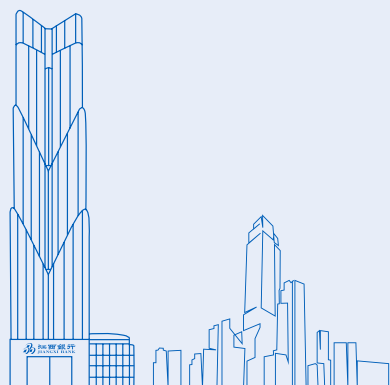
Analyzed by asset types

	31 December, 2018	31 December, 2017
Financial investment		
– Financial assets at fair value through other comprehensive income	2,044,759	–
– Financial assets at amortized cost	8,497,820	–
– Held-to-maturity investments	–	5,445,751
– Available-for-sale financial assets	–	1,504,147
– Financial assets at fair value through profit or loss	–	14,049
Total	10,542,579	6,963,947

Financial assets pledged by the Group as collaterals for liabilities are for repurchase agreements.

(ii) Received pledged assets

As at 31 December, 2018 and 2017, the Group did not sell or repledge any pledged assets which it has an obligation to repurchase when they are due.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

39 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

(g) Redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back its bonds if the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payable to the bond holders are calculated in accordance with relevant rules of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded in the markets at the redemption date. The redemption obligations below represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured at the end of the reporting period:

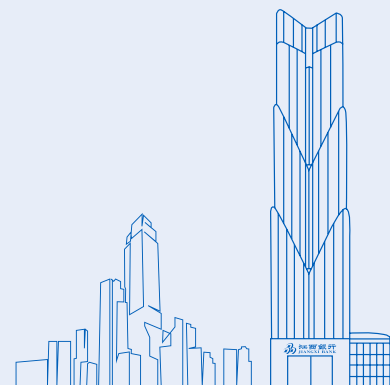
	31 December, 2018	31 December, 2017
Redemption obligations	1,421	2,075

The Group expects that the amount of redemption before the maturity date of these government bonds through the Group will not be material.

40 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

(a) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include investment management products managed by securities companies and trust plans and wealth management products issued by financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of third party investors. These vehicles are financed through the issue of units to investors.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

40 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

(continued)

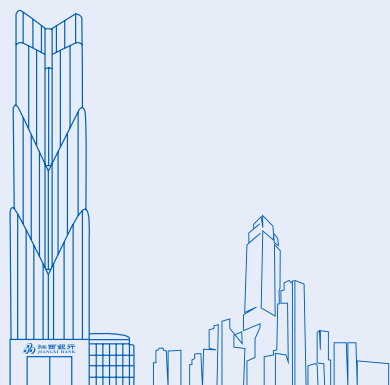
(a) Structured entities sponsored by third party institutions in which the Group holds an interest (continued)

The following table sets out an analysis of the carrying amounts of interests held by the Group in unconsolidated structured entities, as well as an analysis of the line items in the consolidated statement of financial position in which relevant assets are recognized as at 31 December, 2018 and 2017:

	31 December, 2018	
	Carrying amount	Maximum exposure
Financial investments at fair value through profit or loss	30,496,272	30,496,272
Financial investments at fair value through other comprehensive income	18,190,994	18,190,994
Financial investments at amortized cost	97,907,049	97,907,049
Total	146,594,315	146,594,315

	31 December, 2017	
	Carrying amount	Maximum exposure
Available-for-sale financial assets	48,625,710	48,625,710
Investments classified as receivables	102,615,409	102,615,409
Total	151,241,119	151,241,119

As at 31 December, 2018 and 2017, the carrying amounts of the unconsolidated structural entities are equal to the maximum exposures.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

40 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

(continued)

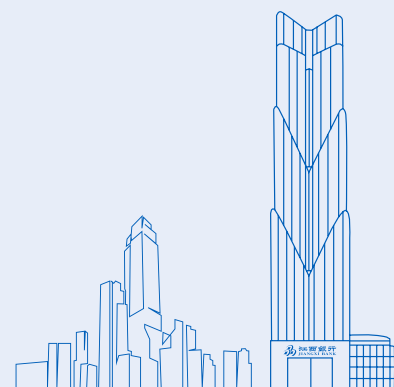
(b) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in

The types of unconsolidated structured 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 units to investors. Interest held by the Group includes investments in units issued by these structured entities and fees charged by providing management services.

As at 31 December, 2018 and 2017, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products, which are sponsored by the Group, are RMB32,630.85 million and RMB35,040.49 million, respectively.

(c) Unconsolidated structure entities sponsored by the Group during the year which the Group does not consolidate and does not have an interest in as at 31 December, 2018 and 2017

During the years ended 31 December, 2018 and 2017, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January, but matured before 31 December amounted to RMB34,564.63 million and RMB55,587.16 million, respectively. During 2018, the Group recorded commission income as the manager of these wealth management products amounting to RMB33.17 million (2017: RMB60.61 million).



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

41 CAPITAL MANAGEMENT

The Group's capital management includes capital adequacy ratio management, capital financing management and economic capital management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines issued by the former CBRC. The capital of the Group is divided into core tier-one capital, other core tier-one capital and tier-two capital.

Capital adequacy ratio management is the key in capital management. The capital adequacy ratio reflects the soundness of the Group's operations and risk management capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading peer banks with reference to its own business environment and conditions.

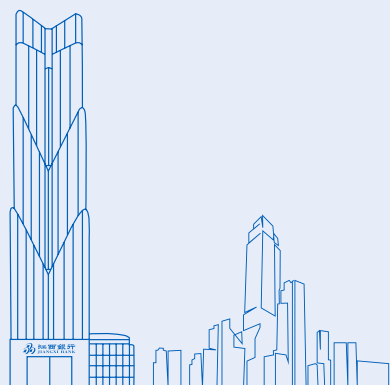
The Group considers its strategic development plans, business expansion plans and risk variables when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio.

The Group calculates its capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and other relevant regulations promulgated by the former CBRC.

The former CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)". For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively.

The on-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, taking into account any eligible collaterals or guarantees. Similar practice is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using basic indicator approach.

The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group's statutory financial statements prepared in accordance with PRC GAAP.



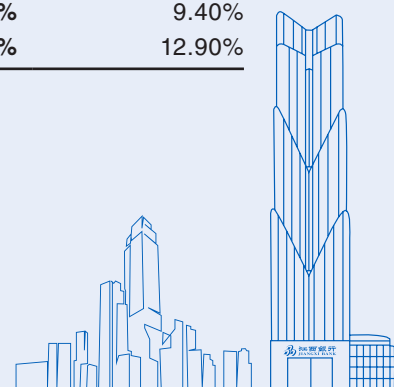
CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

41 CAPITAL MANAGEMENT (continued)

The Group's capital adequacy ratios at 31 December, 2018 and 2017 calculated in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and relevant requirements promulgated by the former CBRC are as follows:

	31 December, 2018	31 December, 2017
Total core tier-one capital	32,499,536	23,148,431
– Share capital	6,024,277	4,678,777
– Qualifying portion of capital reserve	13,720,282	7,273,739
– Surplus reserve	2,518,794	2,253,652
– General reserve	5,505,856	4,700,715
– Retained earnings	4,457,010	3,806,862
– Qualifying portions of non-controlling interests	273,317	434,686
Core tier-one capital deductions	(220,227)	(170,310)
– Other intangible assets other than land use right	(106,505)	(41,044)
– Investment in unconsolidated subsidiaries	(113,722)	(129,266)
Net core tier-one capital	32,279,309	22,978,121
Other tier-one capital	36,442	57,958
Net tier-one capital	32,315,751	23,036,079
Tier-two capital	8,392,784	8,563,230
– Qualifying portions of tier-two capital instruments issued	6,000,000	6,000,000
– Surplus allowances for loan impairment	2,319,900	2,447,314
– Qualifying portions of non-controlling interests	72,884	115,916
Net capital base	40,708,535	31,599,309
Total risk weighted assets	299,426,697	244,970,118
Core tier-one capital adequacy ratio	10.78%	9.38%
Tier-one capital adequacy ratio	10.79%	9.40%
Capital adequacy ratio	13.60%	12.90%



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

42 SEGMENT REPORTING

(a) Operating segments

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 financing and deposit taking activities, agency services, consulting and advisory services, remittance and settlement services and guarantee services.

Retail banking and credit card

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

Financial markets business

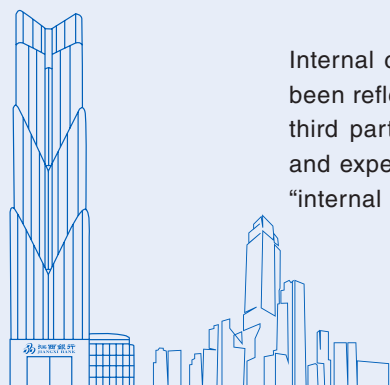
This segment covers the Group's financial markets business operations. The financial markets business includes inter-bank money market transactions, repurchases transactions and investments. It also trades in debt securities. The financial markets business segment also covers management of the Group's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

Others

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

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

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



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

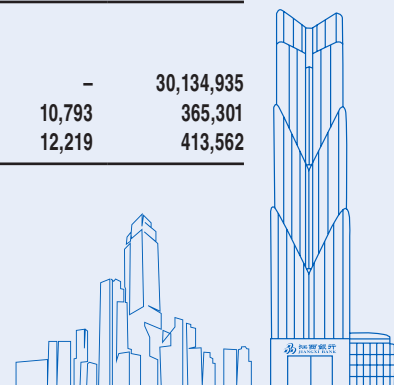
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

42 SEGMENT REPORTING (continued)

(a) Operating segments (continued)

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

	Year ended 31 December, 2018				
	Corporate banking	Retail banking and credit card	Financial markets business	Others	Total
External net interest income	2,108,272	2,228,540	4,578,712	–	8,915,524
Internal net interest income/(expense)	2,627,481	391,049	(2,986,162)	(32,368)	–
Net interest income/(expense)	4,735,753	2,619,589	1,592,550	(32,368)	8,915,524
Net fee and commission income/ (expense)	472,807	(36,296)	215,975	806	653,292
Net trading gains	–	–	92,729	–	92,729
Net gains arising from financial investments	1,661	–	1,366,242	–	1,367,903
Other operating income/(expenses)	22,845	2,055	(162,995)	459,256	321,161
Operating income	5,233,066	2,585,348	3,104,501	427,694	11,350,609
Operating expenses	(1,656,893)	(1,251,873)	(620,487)	(365)	(3,529,618)
Impairment losses on assets	(2,096,865)	(310,526)	(2,014,553)	(16,429)	(4,438,373)
Share of losses of associates	–	–	–	(15,544)	(15,544)
Profit before taxation	1,479,308	1,022,949	469,461	395,356	3,367,074
Segment assets	118,061,392	78,723,907	221,089,953	1,189,022	419,064,274
Segment liabilities	(204,129,085)	(66,777,524)	(114,908,707)	(437,624)	(386,252,940)
Other segment information					
– Credit commitments	24,331,918	5,803,017	–	–	30,134,935
– Depreciation and amortization	172,780	94,453	87,275	10,793	365,301
– Capital expenditure	195,606	106,932	98,805	12,219	413,562



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

42 SEGMENT REPORTING (continued)

(a) Operating segments (continued)

	Year ended 31 December, 2017				
	Corporate banking	Retail banking and credit card	Financial markets business	Others	Total
External net interest income	1,830,783	766,689	4,883,631	–	7,481,103
Internal net interest income/(expense)	2,640,126	853,263	(3,415,061)	(78,328)	–
Net interest income/(expense)	4,470,909	1,619,952	1,468,570	(78,328)	7,481,103
Net fee and commission income/ (expense)	686,414	187,797	640,625	(24,217)	1,490,619
Net trading losses	–	–	(109,962)	–	(109,962)
Net gains arising from financial investments	–	–	572,870	–	572,870
Other operating (expenses)/income	(14,900)	(819)	5,479	27,879	17,639
Operating income/(expenses)	5,142,423	1,806,930	2,577,582	(74,666)	9,452,269
Operating expenses	(1,346,819)	(977,420)	(822,566)	(579)	(3,147,384)
Impairment losses on assets	(2,165,473)	(92,978)	(309,836)	(7,515)	(2,575,802)
Share of profits of associates	–	–	–	12,026	12,026
Profit/(loss) before taxation	1,630,131	736,532	1,445,180	(70,734)	3,741,109
Segment assets	108,079,206	58,013,237	202,410,947	1,501,908	370,005,298
Segment liabilities	(196,473,559)	(59,632,490)	(89,739,008)	(888,180)	(346,733,237)
Other segment information					
– Credit commitments	21,521,144	4,682,042	–	–	26,203,186
– Depreciation and amortization	208,398	103,144	19,438	659	331,639
– Capital expenditure	337,613	167,097	31,490	1,068	537,268



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(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

42 SEGMENT REPORTING (continued)

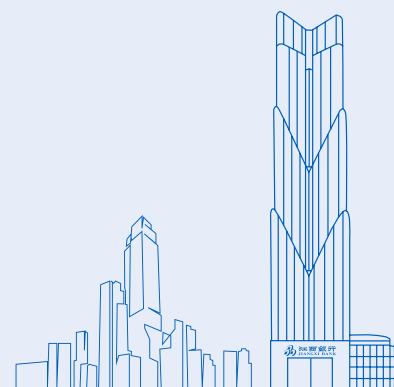
(b) Geographical segments

The Group operates principally in the PRC with branches located in Jiangxi Province, Jiangsu Province, and Guangdong Province. The Group also has a subsidiary, Jiangxi Financial Leasing Co., Ltd., operating in Shanghai.

In presenting information on the basis of geographical regions, operating income is gathered according to the locations of the branches, or the subsidiary that generated the income. For the purpose of presentation, the Group categorizes such information by geographical regions.

To support the Group's operations and management's assessments, the geographical regions are defined as follows:

- “Head office” refers to the head office of the Group and its institutions, including financial market department, micro business credit center, network finance department and bank card department, etc.
- “Nanchang area” refers to sub-branches located in Nanchang area: headquarters business department, Nanchang county sub branch, Jinxian sub branch, Bayi sub branch, etc.
- “Within Jiangxi Province (apart from Nanchang area)” refers to branches located in Jiangxi Province but apart from Nanchang: Fuzhou branch, Ji'an branch, Yingtan branch, Jingdezhen branch, Yichun branch, Pingxiang branch, Jiujiang branch, Shangrao branch, Xinyu branch, Ganzhou branch, etc.
- “Outside Jiangxi Province” refers to branches and subsidiary located outside Jiangxi province: Guangzhou branch, Suzhou branch, and Jiangxi Financial Leasing Co., Ltd.



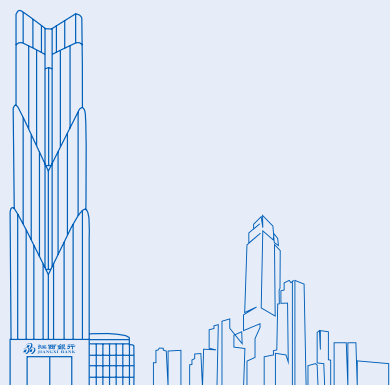
CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

42 SEGMENT REPORTING (continued)

(b) Geographical segments (continued)

	Year ended 31 December, 2018				
	Head office	Nanchang area	Within Jiangxi Province (apart from Nanchang area)	Outside Jiangxi Province	Total
External net interest income	5,059,468	1,888,332	1,551,959	415,765	8,915,524
Internal net interest (expense)/income	(3,828,251)	2,385,272	1,255,584	187,395	-
Net interest income	1,231,217	4,273,604	2,807,543	603,160	8,915,524
Net fee and commission income/(expense)	536,204	(147,175)	34,303	229,960	653,292
Net trading gains	92,729	-	-	-	92,729
Net gains arising from financial investments	1,356,346	-	-	11,557	1,367,903
Other operating income/(expenses)	338,723	(578)	(3,913)	(13,071)	321,161
Operating income	3,555,219	4,125,851	2,837,933	831,606	11,350,609
Operating expenses	(1,024,685)	(963,488)	(1,186,105)	(355,340)	(3,529,618)
Impairment losses on assets	(2,394,229)	(1,131,158)	(499,473)	(413,513)	(4,438,373)
Share of losses of associates	(15,544)	-	-	-	(15,544)
Profit before taxation	120,761	2,031,205	1,152,355	62,753	3,367,074
Segment assets	256,691,855	71,169,226	64,950,471	26,700,164	419,511,716
Elimination					(447,442)
Total assets					419,064,274
Segment liabilities	(231,066,462)	(68,938,021)	(62,637,657)	(24,058,242)	(386,700,382)
Elimination					447,442
Total liabilities					(386,252,940)
Other segment information					
- Credit commitments	5,803,017	12,791,370	5,136,688	6,403,860	30,134,935
- Depreciation and amortization	150,042	56,625	134,444	24,190	365,301
- Capital expenditure	260,687	62,026	79,512	11,337	413,562



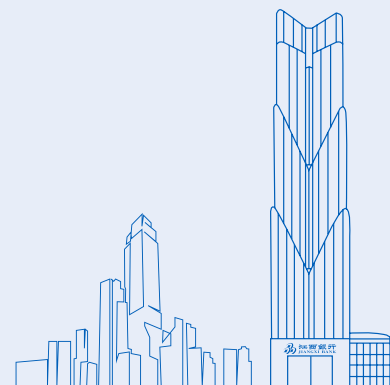
CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

42 SEGMENT REPORTING (continued)

(b) Geographical segments (continued)

	Year ended 31 December, 2017				
	Head office	Nanchang area	Within Jiangxi Province (apart from Nanchang area)	Outside Jiangxi Province	Total
External net interest income	4,573,835	1,480,995	1,087,970	338,303	7,481,103
Internal net interest (expense)/income	(3,279,553)	2,156,749	940,620	182,184	–
Net interest income	1,294,282	3,637,744	2,028,590	520,487	7,481,103
Net fee and commission income	847,272	82,301	402,162	158,884	1,490,619
Net trading losses	(109,962)	–	–	–	(109,962)
Net gains/(losses) arising from financial investments	573,297	–	–	(427)	572,870
Other operating (expenses)/income	(22,926)	4,544	18,722	17,299	17,639
Operating income	2,581,963	3,724,589	2,449,474	696,243	9,452,269
Operating expenses	(882,932)	(901,242)	(1,008,106)	(355,104)	(3,147,384)
Impairment losses on assets	(27,305)	(1,893,606)	(548,984)	(105,907)	(2,575,802)
Share of profits of associates	12,026	–	–	–	12,026
Profit before taxation	1,683,752	929,741	892,384	235,232	3,741,109
Segment assets	248,315,007	57,913,444	44,589,146	20,170,201	370,987,798
Elimination					(982,500)
Total assets					370,005,298
Segment liabilities	(229,797,778)	(56,783,707)	(42,509,202)	(18,625,050)	(347,715,737)
Elimination					982,500
Total liabilities					(346,733,237)
Other segment information					
– Credit commitments	6,395,295	10,926,192	4,443,742	4,437,957	26,203,186
– Depreciation and amortization	147,160	57,336	111,827	15,316	331,639
– Capital expenditure	165,552	31,597	149,439	190,680	537,268



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk and operational risk.

This note presents information about the Group's exposure to each of the above risks and their sources, and the Group's objectives, policies and procedures for measuring and managing these 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 analyzed 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 bond investment portfolios and guarantees granted.

Credit business

The Board is responsible for setting the Group's risk management strategy 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. The Board gives advice on internal controls relating to risk management. The responsible departments for credit risk management include the Credit Approval Department and Risk Management Department. The Risk Management Department is responsible for implementing the Group's overall risk management system. Besides risk monitoring and control, the Risk Management Department is also responsible for formulating risk management policies. To ensure the independence of credit approval, the Credit Approval Department is independent from customer relationship and product management departments. Front office departments of branches carry out credit businesses according to the Group's risk management policies and procedures.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Credit business (continued)

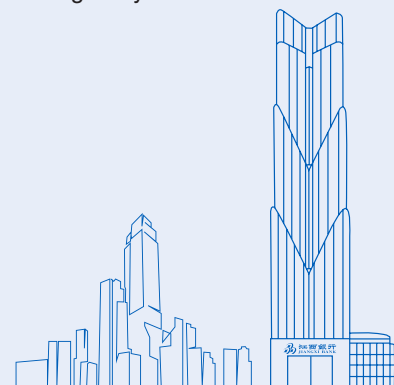
The Group continuously improves the internal control mechanism and strengthens the management of the credit business. The Group has established comprehensive assessment and inquiry mechanisms, assigning the credit management accountability to the relevant departments and individuals.

For corporate and institutional businesses, the Group has established industry-specific limits for credit approval. It has put in place continuous monitoring mechanism, with regular reporting of credit exposures to the Board. The Group's credit risk management covers key operational phases, including pre-lending evaluations, credit approval, and post-lending monitoring. With respect to pre-lending evaluations, the Group assesses customer credit ratings and performs integrated analysis on the risk and return of the loan. In the credit approval phase, all credit applications are approved by designated credit officers. During the post-lending monitoring, the Group continually monitors outstanding loans and other credit related businesses. Any adverse events that may significantly affect a borrower's repayment ability are reported immediately, and actions are taken to mitigate the risks.

For personal credit operation business, credit assessment of applicants is used as the basis for loan approval. In the credit assessment, customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and their recommendations to the loan-approval departments for further approval. The Group monitors borrowers' repayment ability, the status of collaterals and any changes to their value during the post-lending phase. Once a loan becomes overdue, the Group starts the recovery process according to standardized loan recovery procedures.

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.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Treasury Business (continued)

The following credit risk management policies were applicable to the year ended 31 December, 2017:

The Group adopts a loan risk classification approach to manage its loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their levels of risk. Substandard, doubtful and loss loans are considered to be impaired loans and advances. They are classified as such when one or more events demonstrate that there is objective evidence of a loss event. The impairment loss is assessed collectively or individually as appropriate.

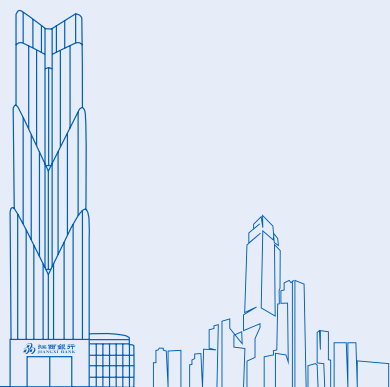
The following credit risk management policies were applicable to year ended 31 December, 2018:

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 allowances 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 allowances 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.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Measurement of ECL (continued)

(i) Significant increase in credit risk

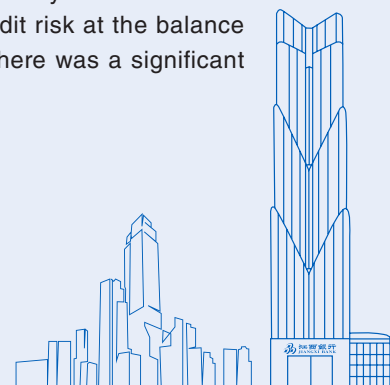
When one or more quantitative, qualitative standards or upper limits are triggered, the Group assumes that credit risk on financial instruments has increased significantly.

If the counterparty 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 counterparty's business, financial and economic status;
- Application of a grace period or debt-restructuring;
- Significant changes with an adverse effect in the counterparty's operating conditions;
- Less value of the collaterals (for the collateralized loans and pledged loans only);
- Early indicators of problems of cash flow/liquidity, such as late payment of accounts payable/repayment of loans;
- The payment is more than 30 days past due.

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 31 December, 2018, 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.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Measurement of ECL (continued)

(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.

(a) Quantitative criterion

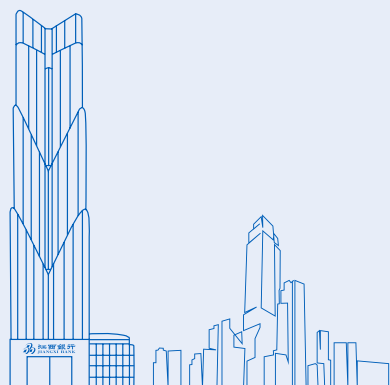
The financial asset is more than 90 days past due.

(b) Qualitative criterion

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

- the counterparty has been in the grace period for a long time;
- the death of the counterparty;
- the counterparty enters bankruptcy;
- the counterparty 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 counterparty;
- the creditor make concessions due to the financial difficulties faced by the counterparty;
- it becomes probable that the counterparty 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.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Measurement of ECL (continued)

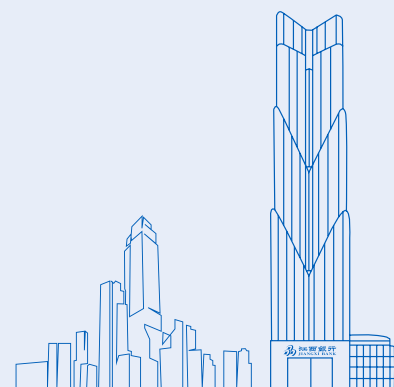
(iii) Notes to the parameters, assumptions and valuation techniques

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 counterparty 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.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

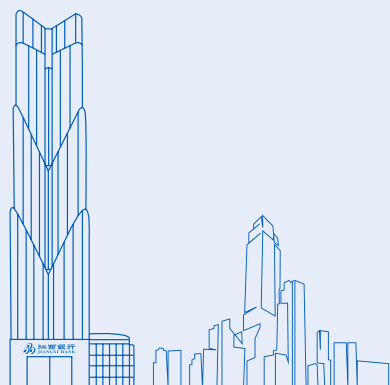
(a) Credit risk (continued)

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 counterparty.
- 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 counterparties. 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.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(a) Credit risk (continued)

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

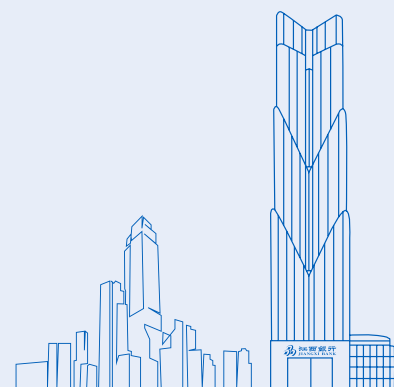
The Group quarterly monitors and reviews assumptions related to the calculation of expected credit losses, including the changes in PD and the value of collaterals under the different time limits.

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, increase in RMB loans, PPI, 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 net 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 31 December is disclosed in Note 39(a).



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

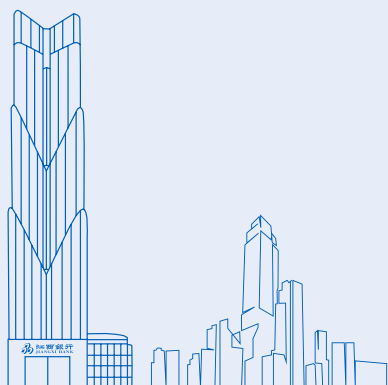
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(a) Credit risk (continued)

(2) The credit quality of financial assets is analyzed as follows:

	31 December, 2018			
	Loans and advances to customers	Deposits/ placements with banks and other financial institutions	Financial assets held under resale agreements	Financial Investments (i)
Balance of financial assets that are assessed for expected credit losses over the next 12 months				
– Overdue but not credit-impaired	254,413	–	–	–
– Neither overdue nor credit-impaired	117,061,703	7,230,734	10,966,475	150,427,755
Sub-total	117,316,116	7,230,734	10,966,475	150,427,755
Balance of financial assets that are not credit impaired and assessed for lifetime expected credit losses				
– Overdue but not credit-impaired	2,816,992	–	–	1,950,742
– Neither overdue nor credit- impaired	47,528,029	–	–	2,853,286
Sub-total	50,345,021	–	–	4,804,028
Balance of credit-impaired financial assets that are assessed for lifetime expected credit losses				
– Overdue and credit-impaired	3,195,185	–	–	3,640,240
– Credit-impaired but not overdue	225,515	–	–	1,444,474
Sub-total	3,420,700	–	–	5,084,714
Less: Allowances for impairment losses	(5,558,514)	(869)	(4)	(3,946,850)
Total	165,523,323	7,229,865	10,966,471	156,369,647



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

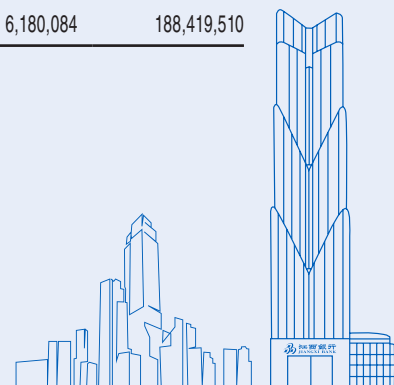
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(a) Credit risk (continued)

(2) The credit quality of financial assets is analyzed as follows: (continued)

	31 December, 2017			
	Loans and advances to customers	Deposits/ placements with banks and other financial institutions	Financial assets held under resale agreements	Financial Investments (i)
<i>Impaired</i>				
Individually assessed gross amount	1,541,386	–	–	2,431,516
Allowances for impairment losses	(1,265,205)	–	–	(676,634)
Sub-total	276,181	–	–	1,754,882
Collectively assessed gross amount	583,633	–	–	–
Allowances for impairment losses	(489,198)	–	–	–
Sub-total	94,435	–	–	–
<i>Overdue but not Impaired</i>				
Less than three months (inclusive)	3,440,378	–	–	–
Between three months and six months (inclusive)	65,597	–	–	–
Between six months and one year (inclusive)	243,152	–	–	–
More than one year	851	–	–	–
Gross amount	3,749,978	–	–	–
Allowances for impairment losses	(808,777)	–	–	–
Sub-total	2,941,201	–	–	–
<i>Neither overdue nor impaired</i>				
Gross amount	123,466,715	2,318,235	6,180,084	187,862,699
Allowances for impairment losses	(2,009,154)	–	–	(1,198,071)
Sub-total	121,457,561	2,318,235	6,180,084	186,664,628
Total	124,769,378	2,318,235	6,180,084	188,419,510



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(a) Credit risk (continued)

- (2) The credit quality of financial assets is analyzed as follows: (continued)

As at 31 December, 2018, financial investments comprise financial investments at amortized cost and financial investments at fair value through other comprehensive income (excluding equity instruments). As at 31 December, 2017, investments comprise financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and investments classified as receivables.

The fair value of collaterals held against loans and advances overdue but not credit-impaired at 31 December, 2018 and overdue but not impaired at 31 December, 2017 amounted to RMB1,379.87 million and RMB1,713.29 million, respectively.

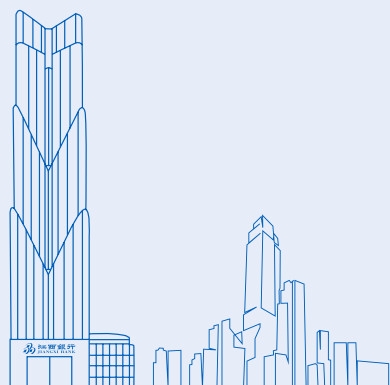
The fair value of collaterals held against loans and advances credit-impaired at 31 December, 2018 and impaired at 31 December, 2017 amounted to RMB1,120.45 million and RMB633.13 million, respectively. The collaterals mainly include land use rights, buildings, machinery and equipment, etc. The fair value of collaterals were estimated by the Bank based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

- (3) Rescheduled loans and advances to customers

The Group has formulated a set of loan restructuring policies to reschedule the contractual terms with customers, to maximize the collectability of loans and to manage customer relationships.

The carrying amount of rescheduled loans and advances to customers is as follows:

	31 December, 2018	31 December, 2017
Rescheduled loans and advances to customers	85,887	99,028
Credit-impaired/impaired loans and advances to customers included in above	85,887	99,028



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

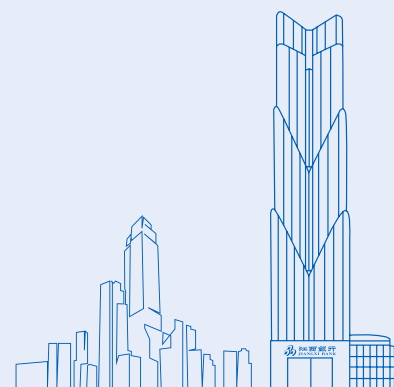
(a) Credit risk (continued)

(4) Credit rating of debt securities

The Group adopts a credit rating approach in managing the credit risk of the debt securities portfolio. Debt securities are rated with reference to major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analyzed by the rating agency designations as at the end of the reporting period are as follows:

	31 December, 2018	31 December, 2017
Neither overdue nor credit-impaired/ impaired		
<i>Ratings</i>		
– AAA	39,244,739	34,680,662
– AA– to AA+	3,383,150	1,999,034
– BBB– to BBB+	–	138,636
Sub-total	42,627,889	36,818,332
<i>Unrated</i>	12,515	360,059
Sub-total	12,515	360,059
Total	42,640,404	37,178,391

The above financial investments include debt securities issued by the government and policy banks, which amounted to RMB38.31 billion and RMB34.47 billion as at 31 December, 2018 and 2017 respectively.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 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, foreign exchange rates, commodity prices, stock prices and other prices.

The Board of Directors is ultimately responsible for monitoring the Group's market risk to ensure that the Group has effectively identified, measured and monitored all types of market risk. The Risk Management Committee monitors the market risk management process within the scope authorized by the Board of Directors, which include review and approval of market risk management strategies, policies and procedures. The Group is primarily exposed to market risk in its financial markets business. The Financial Market Department is responsible for carrying out capital investments and transactions. The Finance Management Department and International Business Department are responsible for monitoring and managing the interest rate risk and foreign exchange risk on a daily basis. The Risk Management Department is responsible for formulating the market risk management policies and procedures, as well as identifying, measuring and monitoring the Group's market risk.

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

Scenario analysis is a multi-factor analysis method which assesses the impact of multiple factors interacting simultaneously, taking into consideration of the probabilities of various scenarios.

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.

Sensitivity 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 categorizing each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

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.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(b) Market risk (continued)

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.

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 financial markets business position.

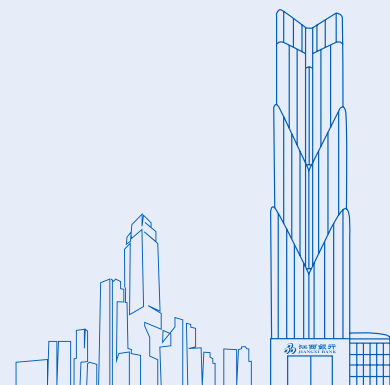
Repricing risk

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 timing causes the Group's income or its inherent economic value to vary with the movement in interest rates.

The Finance Management Department is responsible for 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.

Trading interest rate risk

Trading interest rate risk mainly arises from the financial markets business' investment portfolios. Interest rate risk is monitored using the effective duration analysis method. The Group employs other supplementary methods to measure its interest rate sensitivity, which is expressed as changes in the investment portfolios' fair value given a 100 basis points (1%) movement in the interest rates.



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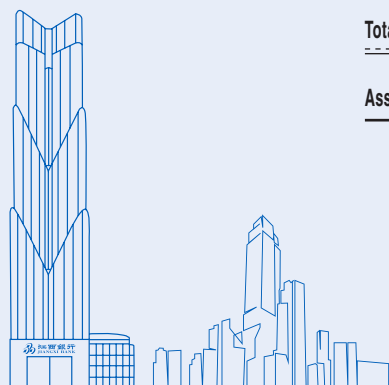
43 RISK MANAGEMENT (continued)

(b) Market risk (continued)

Interest rate risk (continued)

- (i) The following tables indicate the assets and liabilities as at 31 December by the expected next repricing dates or by maturity dates, depending on which is earlier:

	31 December, 2018					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	37,740,620	3,622,162	34,118,458	–	–	–
Deposits with banks and other financial institutions	3,204,920	196,545	2,808,433	199,942	–	–
Placements with banks and other financial institutions	4,024,945	12,633	3,812,361	199,951	–	–
Financial assets held under resale agreements	10,966,471	3,805	10,962,666	–	–	–
Loans and advances to customers (Note (i))	165,523,323	581,136	98,597,173	48,450,790	17,739,659	154,565
Financial Investments (Note (ii))	190,704,000	1,537,692	26,788,563	24,457,672	101,242,491	36,677,582
Others	6,899,995	6,899,995	–	–	–	–
Total assets	419,064,274	12,853,968	177,087,654	73,308,355	118,982,150	36,832,147
Liabilities						
Borrowing from the central bank	1,590,065	840	112,058	1,477,167	–	–
Deposits from banks and other financial institutions	31,863,890	340,685	15,982,384	15,540,821	–	–
Placements from banks and other financial institutions	6,149,980	79,980	4,700,000	1,200,000	170,000	–
Borrowing from other financial institutions	10,944,698	171,132	6,398,576	4,374,990	–	–
Financial assets sold under repurchase agreements	10,186,847	4,075	10,182,772	–	–	–
Deposits from customers	260,448,653	5,538,334	164,885,399	42,831,423	47,193,497	–
Debt securities issued	61,129,810	246,517	16,994,518	34,896,507	2,997,252	5,995,016
Others	3,938,997	3,938,997	–	–	–	–
Total liabilities	386,252,940	10,320,560	219,255,707	100,320,908	50,360,749	5,995,016
Asset-liability gap	32,811,334	2,533,408	(42,168,053)	(27,012,553)	68,621,401	30,837,131



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

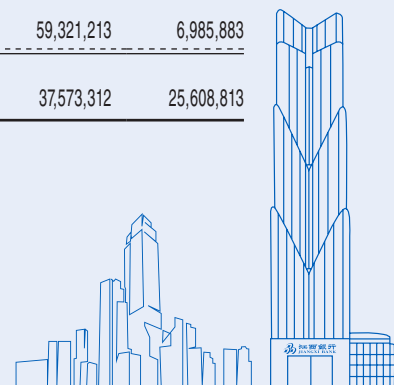
43 RISK MANAGEMENT (continued)

(b) Market risk (continued)

Interest rate risk (continued)

- (i) The following tables indicate the assets and liabilities as at 31 December by the expected next repricing dates or by maturity dates, depending on which is earlier: (continued)

	31 December, 2017					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	40,039,192	2,971,134	37,068,058	–	–	–
Deposits with banks and other financial institutions	1,818,235	454,124	1,364,111	–	–	–
Placements with banks and other financial institutions	500,000	–	500,000	–	–	–
Financial assets held under resale agreements	6,180,084	–	6,180,084	–	–	–
Loans and advances to customers (Note (i))	124,769,378	–	74,887,225	35,205,027	13,527,936	1,149,190
Financial investments (Note (ii))	188,429,760	10,250	46,012,862	27,649,026	83,312,116	31,445,506
Others	8,268,649	8,214,176	–	–	54,473	–
Total assets	370,005,298	11,649,684	166,012,340	62,854,053	96,894,525	32,594,696
Liabilities						
Borrowing from the central bank	4,022,343	–	4,014,352	7,991	–	–
Deposits from banks and other financial institutions	29,820,013	–	7,127,843	22,692,170	–	–
Placements from banks and other financial institutions	1,350,000	–	–	500,000	850,000	–
Borrowing from other financial institutions	8,450,000	–	1,840,000	6,610,000	–	–
Financial assets sold under repurchase agreements	6,689,051	–	6,689,051	–	–	–
Deposits from customers	243,837,351	1,201,660	164,045,757	27,117,845	50,479,805	992,284
Debt securities issued	43,473,768	–	10,160,447	19,328,314	7,991,408	5,993,599
Others	9,090,711	9,090,710	1	–	–	–
Total liabilities	346,733,237	10,292,370	193,877,451	76,256,320	59,321,213	6,985,883
Asset-liability gap	23,272,061	1,357,314	(27,865,111)	(13,402,267)	37,573,312	25,608,813



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(b) Market risk (continued)

Interest rate risk (continued)

- (i) The following tables indicate the assets and liabilities as at 31 December by the expected next repricing dates or by maturity dates, depending on which is earlier: (continued)

- (i) As at 31 December, 2018 and 2017, for loans and advances to customers, the category “Less than three months” includes overdue amounts (net of allowances for impairment losses) of RMB1,761.35 million and RMB2,475.58 million, respectively.
- (ii) As at 31 December, 2018, financial investments include financial assets at amortized cost, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. As at 31 December, 2017, investments include financial assets held for trading, available-for-sale financial assets, held-to-maturity investments and investments classified as receivables.

- (ii) Interest rate sensitivity analysis

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group’s net profit and equity. The following table sets forth the results of the Group’s interest rate sensitivity analysis on net profit and equity with an assumption that all other variables held constant.

	Year ended 31 December, 2018 (decrease)/ increase	Year ended 31 December, 2017 (decrease)/ increase
Changes in net profit		
Up 100 bps parallel shift in yield curves	(433,894)	(232,469)
Down 100 bps parallel shift in yield curves	349,383	233,013
	Year ended 31 December, 2018 (decrease)/ increase	Year ended 31 December, 2017 (decrease)/ increase
Changes in equity		
Up 100 bps parallel shift in yield curves	(532,986)	(445,890)
Down 100 bps parallel shift in yield curves	566,987	476,197



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(b) Market risk (continued)

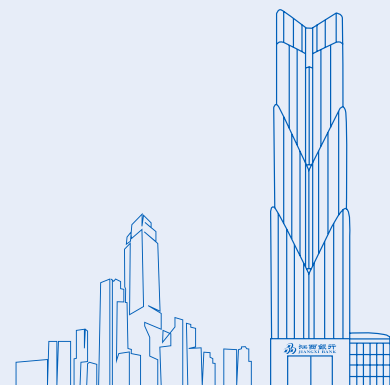
Interest rate risk (continued)

(ii) Interest rate sensitivity analysis (continued)

The sensitivity analysis above is based on a static interest rate risk profile of the Group's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualized net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

- Interest rate movements at the end of each of the reporting period apply to financial instruments of the Group;
- At the end of each of the reporting period, an interest rate movement of 100 basis points is based on the assumption of interest rates movement over the next 12 months;
- 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;
- Other variables (including exchange rates) remain unchanged; 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 profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(b) Market risk (continued)

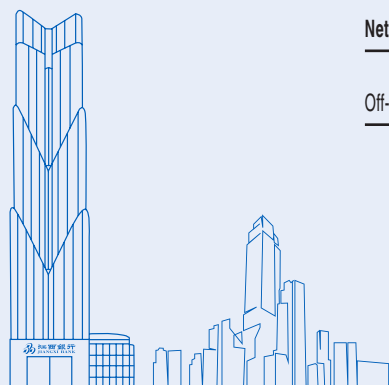
Foreign exchange risk

Foreign currency risk

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

(i) The Group's currency exposures as at 31 December are as follows:

	31 December, 2018				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Assets					
Cash and deposits with the central bank	37,714,668	24,242	1,093	617	37,740,620
Deposits with banks and other financial institutions	2,414,643	709,941	70,191	10,145	3,204,920
Placements with banks and other financial institutions	3,812,186	212,759	-	-	4,024,945
Financial assets held under resale agreements	10,966,471	-	-	-	10,966,471
Loans and advances to customers	164,688,308	835,015	-	-	165,523,323
Financial investments (Note (i))	190,704,000	-	-	-	190,704,000
Other assets	6,894,253	5,742	-	-	6,899,995
Total assets	417,194,529	1,787,699	71,284	10,762	419,064,274
Liabilities					
Borrowing from the central bank	1,590,065	-	-	-	1,590,065
Deposits from banks and other financial institutions	31,626,782	236,850	88	170	31,863,890
Placements from banks and other financial institutions	6,149,980	-	-	-	6,149,980
Borrowing from other financial institutions	10,944,698	-	-	-	10,944,698
Financial assets sold under repurchase agreements	10,186,847	-	-	-	10,186,847
Deposits from customers	259,955,611	489,166	3,091	785	260,448,653
Debt securities issued	61,129,810	-	-	-	61,129,810
Other liabilities	3,921,243	2,285	15,469	-	3,938,997
Total liabilities	385,505,036	728,301	18,648	955	386,252,940
Net position	31,689,493	1,059,398	52,636	9,807	32,811,334
Off-balance sheet credit commitments	28,550,418	1,580,956	-	3,561	30,134,935



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(b) Market risk (continued)

Foreign exchange risk (continued)

Foreign currency risk (continued)

	31 December, 2017				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Assets					
Cash and deposits with the central bank	39,983,511	52,033	2,794	854	40,039,192
Deposits with banks and other financial institutions	814,397	959,510	40,473	3,855	1,818,235
Placements with banks and other financial institutions	500,000	—	—	—	500,000
Financial assets held under resale agreements	6,180,084	—	—	—	6,180,084
Loans and advances to customers	124,490,648	278,730	—	—	124,769,378
Financial investments (Note (i))	188,429,760	—	—	—	188,429,760
Others	8,267,149	1,500	—	—	8,268,649
Total assets	368,665,549	1,291,773	43,267	4,709	370,005,298
Liabilities					
Borrowing from the central bank	4,022,343	—	—	—	4,022,343
Deposits from banks and other financial institutions	29,817,347	1,387	860	419	29,820,013
Placements from banks and other financial institutions	1,350,000	—	—	—	1,350,000
Borrowing from other financial institutions	8,450,000	—	—	—	8,450,000
Financial assets sold under repurchase agreements	6,689,051	—	—	—	6,689,051
Deposits from customers	242,962,878	840,413	32,712	1,348	243,837,351
Debt securities issued	43,473,768	—	—	—	43,473,768
Others	9,086,686	4,011	13	1	9,090,711
Total liabilities	345,852,073	845,811	33,585	1,768	346,733,237
Net position	22,813,476	445,962	9,682	2,941	23,272,061
Off-balance sheet credit commitments	25,448,906	745,805	—	8,475	26,203,186

- (i) As at 31 December, 2018, financial investments include financial assets at amortized cost, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. As at 31 December, 2017, investments include financial assets held for trading, available-for-sale financial assets, held-to-maturity investments and investments classified as receivables.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(b) Market risk (continued)

Foreign exchange risk (continued)

Foreign currency risk (continued)

(ii) Exchange rate sensitivity analysis

	Year ended 31 December, 2018		Year ended 31 December, 2017	
	Change in foreign currency exchange rate (in basis points)		Change in foreign currency exchange rate (in basis points)	
	(100)	100	(100)	100
(Decrease)/increase in annualized net profit	(8,431)	8,431	(3,439)	3,439

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 recognized as a result of one hundred basis points fluctuation in the foreign currency exchange rates against RMB;
- The fluctuation of exchange rates by one hundred basis points is based on the assumption of exchange rates movement over the next 12 months;
- The exchange rates against RMB for the US dollars and other foreign currencies change in the same direction simultaneously, and thus other foreign currencies are converted into US dollars for the sensitivity analysis mentioned above to show how net profit or loss and equity would have been affected;
- Other variables (including interest rates) remain unchanged; 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 profit or loss and equity resulting from the increase or decrease in foreign exchange rates may vary from the estimated results of this sensitivity analysis.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 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 sustain its asset business or meet repayment obligations. This risk exists even if a bank's solvency remains strong. In accordance with liquidity policies, the Group monitors the future cash flows and maintains an appropriate level of highly liquid assets.

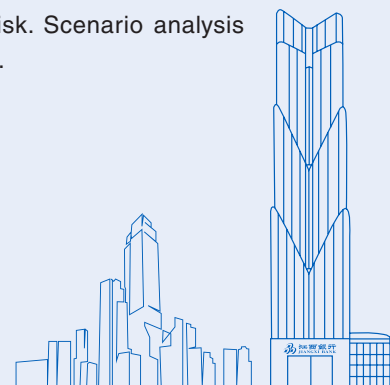
The Asset and Liability Management Committee ("ALMC") is responsible for managing the Group's overall liquidity risk. The ALMC is responsible for the formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

- Maintaining liquidity at a stable and sufficient level; establishing integrated liquidity risk management system; ensuring the meeting on a timely basis of liquidity requirements and the payment of assets, liabilities, and off-balance sheet business, whether under a normal operating environment or a state of stress; balancing the effectiveness and security of funds in an efficient manner; and
- Making timely and reasonable adjustments to capital structure and scale in response to market changes and business developments; pursuing profit maximization and cost minimization to a modest extent while ensuring appropriate liquidity; achieving the integration of the security, liquidity, and effectiveness of the Bank's funds.

The Finance Management Department takes the lead to execute liquidity management policies and is responsible for formulating and revising the liquidity management strategies, and for identifying, measuring, monitoring and releasing the liquidity risk of the Bank. It is also responsible for managing and forecasting the working capital on a regular basis together with the Finance Market Department, and ensuring the liquidity of working capital meets management requirements based on the liquidity strategies. The Finance Market Department is responsible for performing the operation following the instructions of the Finance Management Department. Significant disbursement or portfolio changes must be reported to the ALMC on a timely basis.

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 stable source of funds.

The Group principally uses liquidity gap analysis to measure liquidity risk. Scenario analysis and stress testing are also adopted to assess the impact of liquidity risk.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

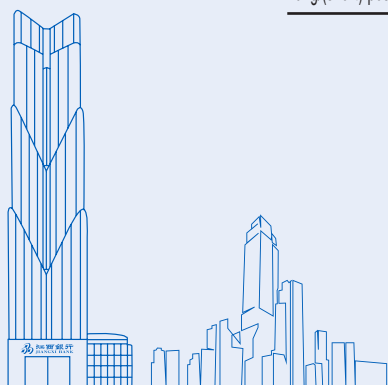
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

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 31 December:

	Indefinite Note (i)	Repayable on demand	Within one month	31 December, 2018 Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with the central bank	30,375,203	7,365,417	-	-	-	-	-	37,740,620
Deposit with banks and other financial institutions	-	986,863	1,499,853	518,262	199,942	-	-	3,204,920
Placements with banks and other financial institutions	-	-	3,608,718	212,725	203,502	-	-	4,024,945
Financial assets held under resale agreements	-	-	10,966,471	-	-	-	-	10,966,471
Loans and advances to customers	1,308,533	4,093,486	5,279,482	9,993,396	54,155,086	45,450,574	45,242,766	165,523,323
Financial investments	3,114,485	19,311,634	2,401,869	4,331,444	24,119,131	100,747,859	36,677,578	190,704,000
Others	6,146,253	224,143	101,291	1,879	56,202	258,296	111,931	6,899,995
Total assets	40,944,474	31,981,543	23,857,684	15,057,706	78,733,863	146,456,729	82,032,275	419,064,274
Liabilities								
Borrowing from the central bank	-	-	11,870	100,187	1,478,008	-	-	1,590,065
Deposits from banks and other financial institutions	-	5,796,797	2,519,864	5,450,104	18,097,125	-	-	31,863,890
Placements from banks and other financial institutions	-	2	2,352,534	2,346,718	1,280,726	170,000	-	6,149,980
Borrowing from other financial institutions	-	-	594,771	2,279,648	8,070,279	-	-	10,944,698
Financial assets sold under repurchase agreements	-	-	10,186,847	-	-	-	-	10,186,847
Deposits from customers	-	141,816,179	11,990,472	14,248,386	43,896,031	48,497,585	-	260,448,653
Debt securities issued	-	-	6,578,922	10,415,596	35,143,024	2,997,252	5,995,016	61,129,810
Others	461,350	137,354	626,535	1,309,156	490,601	539,986	374,015	3,938,997
Total liabilities	461,350	147,750,332	34,861,815	36,149,795	108,455,794	52,204,823	6,369,031	386,252,940
Long/(short) position	40,483,124	(115,768,789)	(11,004,131)	(21,092,089)	(29,721,931)	94,251,906	75,663,244	32,811,334



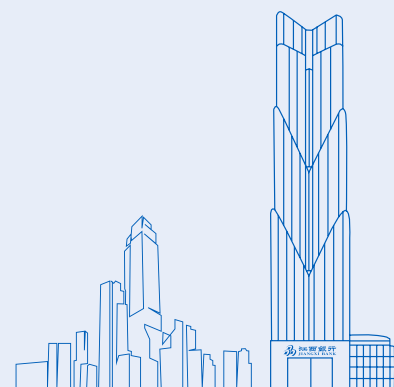
CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

	Indefinite Note (i)	Repayable on demand	Within one month	31 December, 2017 Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with the central bank	34,335,295	5,703,897	-	-	-	-	-	40,039,192
Deposit with banks and other financial institutions	-	1,552,893	65,342	200,000	-	-	-	1,818,235
Placements with banks and other financial institutions	-	-	500,000	-	-	-	-	500,000
Financial assets held under resale agreements	-	-	5,880,161	299,923	-	-	-	6,180,084
Loans and advances to customers	1,364,200	4,017,340	6,201,239	8,675,404	39,305,055	35,506,841	29,699,299	124,769,378
Financial investments	1,765,132	14,730,308	5,104,421	8,384,720	16,988,221	96,328,826	45,128,132	188,429,760
Others	5,625,024	64,748	899,119	391,149	557,076	537,726	193,807	8,268,649
Total assets	43,089,651	26,069,186	18,650,282	17,951,196	56,850,352	132,373,393	75,021,238	370,005,298
Liabilities								
Borrowing from the central bank	-	-	4,012,864	1,488	7,991	-	-	4,022,343
Deposits from banks and other financial institutions	-	255,843	593,000	6,279,000	22,692,170	-	-	29,820,013
Placements from banks and other financial institutions	-	-	-	-	500,000	850,000	-	1,350,000
Borrowing from other financial institutions	-	-	840,000	1,000,000	6,610,000	-	-	8,450,000
Financial assets sold under repurchase agreements	-	-	6,689,051	-	-	-	-	6,689,051
Deposits from customers	-	134,569,608	14,691,385	15,986,424	27,117,845	50,479,805	992,284	243,837,351
Debt securities issued	-	-	3,599,220	6,561,227	19,328,314	7,991,408	5,993,599	43,473,768
Others	312,895	224,964	3,289,442	1,274,674	2,068,812	1,770,686	149,238	9,090,711
Total liabilities	312,895	135,050,415	33,714,962	31,102,813	78,325,132	61,091,899	7,135,121	346,733,237
Long/(short) position	42,776,756	(108,981,229)	(15,064,680)	(13,151,617)	(21,474,780)	71,281,494	67,886,117	23,272,061



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

- (i) Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank.
- (ii) Indefinite amount of loans and advances to customers includes all the credit-impaired/impaired loans, as well as those overdue more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of repayable on demand.
- (iii) As at 31 December, 2018, financial investments comprise financial investments at amortized cost, financial investments at fair value through other comprehensive income and financial investments at fair value through profit or loss. As at 31 December, 2017, investments comprise financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and investments classified as receivables. Indefinite amount of financial investments represent credit-impaired/impaired investments or those overdue more than one month. Equity investments is listed in the category of indefinite.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

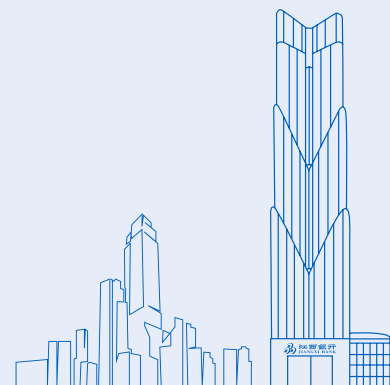
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

The following tables provide an analysis of the contractual undiscounted cash flow of the financial liabilities and credit commitments as at 31 December:

31 December, 2018									
	Carrying amount	Contractual undiscounted cash flow	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Financial liabilities									
Borrowing from the central bank	1,590,065	1,611,624	-	-	11,885	107,461	1,492,278	-	-
Deposits from banks and other financial institutions	31,863,890	32,323,881	-	5,796,797	2,524,524	5,564,327	18,438,233	-	-
Placements from banks and other financial institutions	6,149,980	6,206,187	-	2	2,352,875	2,362,115	1,313,120	178,075	-
Borrowing from other financial institutions	10,944,698	11,212,411	-	-	613,629	2,329,933	8,268,849	-	-
Financial assets sold under repurchase agreements	10,186,847	10,188,418	-	-	10,188,418	-	-	-	-
Deposits from customers	260,448,653	263,461,061	-	141,816,179	12,151,576	14,532,837	44,801,673	50,158,796	-
Debt securities issued	61,129,810	64,830,450	-	-	6,590,000	10,490,000	36,135,050	4,415,400	7,200,000
Total financial liabilities	382,313,943	389,834,032	-	147,612,978	34,432,907	35,386,673	110,449,203	54,752,271	7,200,000
Credit commitments	30,134,935	30,134,935	-	7,008,262	2,124,349	5,578,122	14,099,973	1,324,229	-



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

	31 December, 2017					
	Carrying amount	Contractual undiscounted cash flow	Indefinite	Repayable on demand	Within one month	Between one month and three months
						Between three months and one year
						More than one year and five years
Financial liabilities						
Borrowing from the central bank	4,022,343	4,035,333	-	-	4,025,833	1,500
Deposits from banks and other financial institutions	29,820,013	30,830,927	-	255,843	605,784	6,490,809
Placements from banks and other financial institutions	1,350,000	1,473,385	-	-	-	510,754
Borrowing from other financial institutions	8,450,000	8,663,305	-	-	842,307	1,010,610
Financial assets sold under repurchase agreements	6,689,051	6,694,368	-	-	6,694,368	-
Deposits from customers	243,837,351	246,988,486	-	134,569,608	14,838,775	16,236,841
Debt securities issued	43,473,768	47,881,500	-	-	3,610,000	6,610,000
Other financial liabilities	3,283,853	3,283,853	-	57,980	372,484	549,147
Total financial liabilities	340,926,379	349,851,157	-	134,883,431	30,989,551	30,898,907
						80,406,362
						64,073,280
Credit commitments	26,203,186	26,203,186	-	5,593,302	2,031,572	5,167,107
						11,783,976
						1,626,229
						1,000

CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

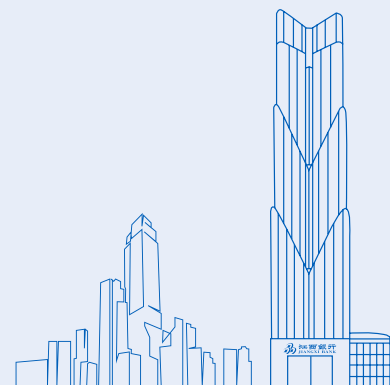
43 RISK MANAGEMENT (continued)

(d) Operational risk

Operational risk refers to the risk of losses associated with internal processes deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group establishes a framework of policies and procedures to identify, assess, control, manage and report operational risk. The framework covers all business functions ranging from corporate banking, retail banking, trading, corporate finance, settlement, intermediary business, asset management and all supporting functions, including human resource management, financial management, legal affairs, anti-money laundering and administration management. The key elements of the framework are listed as below:

- A multi-level operational risk management framework with segregation of duties between front and back offices under the leadership of senior management;
- A series of operational risk management policies covering all businesses on the basis of core operational risk management policy;
- An emergency plan and a business continuity system designed to deal with emergent and adverse circumstances, including public relation issues, natural disasters, IT system errors, bank runs, robberies, etc.;
- An evaluation system on the operational risk management as well as an inquiry and disciplinary system on the non-compliance issues; and
- An independent risk assessment framework based on the internal audit and the compliance review.



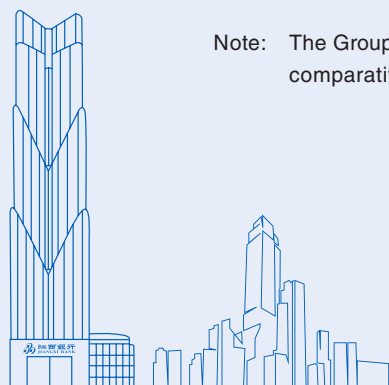
CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

44 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	31 December, 2018	31 December, 2017 (Note)
Assets		
Cash and deposits with the central bank	37,740,620	40,039,192
Deposits with banks and other financial institutions	3,193,016	1,818,211
Placements with banks and other financial institutions	3,935,586	920,000
Financial assets held under resale agreements	10,966,471	6,180,084
Loans and advances to customers	151,758,656	115,231,846
Financial investments	189,584,383	187,290,724
Interest in associates	113,722	129,266
Investment in subsidiary	1,734,000	510,000
Property and equipment	2,505,496	2,639,178
Deferred tax assets	2,133,114	1,499,641
Other assets	1,954,207	3,564,667
Total assets	405,619,271	359,822,809
Liabilities and equity		
Liabilities		
Borrowing from the central bank	1,590,065	4,022,343
Deposits from banks and other financial institutions	32,207,874	30,301,342
Placements from banks and other financial institutions	5,397,443	1,350,000
Financial assets sold under repurchase agreements	10,186,847	6,689,051
Deposits from customers	260,448,653	243,837,358
Income tax payable	506,984	470,730
Debt securities issued	61,129,810	43,473,768
Other liabilities	2,064,140	7,035,576
Total liabilities	373,531,816	337,180,168

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January, 2018. Under the transition methods chosen, comparative information is not restated. See Note 2(3).



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

44 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (continued)

	31 December, 2018	31 December, 2017 (Note)
Equity		
Share capital	6,024,277	4,678,777
Capital reserve	13,733,127	7,273,739
Surplus reserve	2,518,794	2,253,652
General reserve	5,405,879	4,663,995
Retained earnings	4,405,378	3,772,478
Total equity	32,087,455	22,642,641
Total liabilities and equity	405,619,271	359,822,809

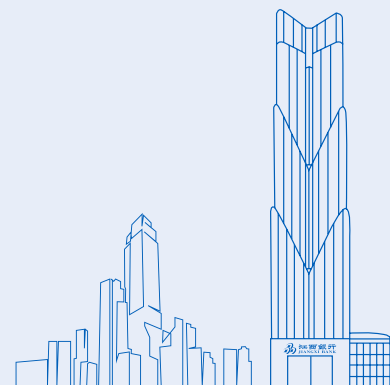
Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January, 2018. Under the transition methods chosen, comparative information is not restated. See Note 2(3).

45 SUBSEQUENT EVENTS

Except for the event as disclosed in Note 34, the Group has no material events for disclosure subsequent to 31 December, 2018 and up to the date of this Financial Statements.

46 COMPARATIVE FIGURES

The Group has initially applied IFRS 15 and IFRS 9 at 1 January, 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 2(3).



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

47 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER, 2018

A number of amendments, new standards and interpretations issued by the International Accounting Standards Board are effective for annual periods beginning from 1 January, 2018 and earlier application is permitted. Except for the amendments to IFRS 9, *Prepayment Features with Negative Compensation*, which have been adopted at the same time as IFRS 9, the Group has not early adopted any new or amended standards in preparing this financial report.

The Group has the following update to the information provided in the last annual financial statements in respect of IFRS 16, *Leases*, which may have a significant impact on the Group's consolidated financial statements.

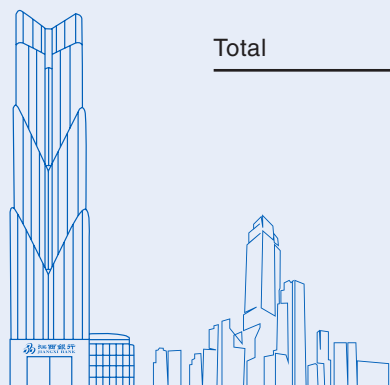
IFRS 16, *Leases*

As discussed in the 2017 annual financial statements, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. Upon the adoption of IFRS 16, where the Group is the lessee under the lease the Group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognize and measure a lease liability at the present value of the minimum future lease payments and recognize a corresponding "right-of-use" asset at the commencement date of the lease, subject to practical expedients. IFRS 16 will primarily affect the Group's accounting as a lessee of leases for items of property, plant and equipment which are currently classified as operating leases.

During the year ended 31 December, 2018, the Group continued the existing lease agreement for its office premise. These leases are currently classified as operating leases.

The following is an updated information about the Group's future minimum lease payments, based on the non-cancellable operating leases that have been entered into by 31 December, 2018:

	Properties
Within one year (inclusive)	161,865
After one year but within five years (inclusive)	432,943
After five years	154,315
Total	749,123



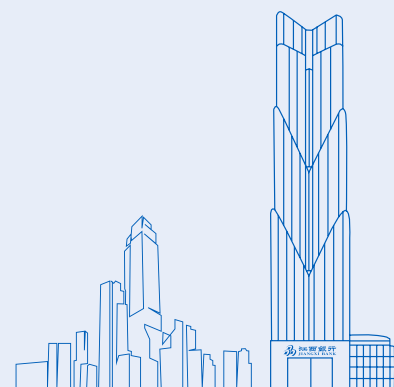
CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

47 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER, 2018 (continued)

IFRS 16, *Leases* (continued)

Upon the initial adoption of IFRS 16 at 1 January, 2019, the present value of most of the future minimum lease payments that are payable after 6 months will be recognized as lease liabilities, with corresponding right-of-use assets recognized as non-current assets. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16.



UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

The information set out below does not form part of the consolidated financial report, and is included herein for information purpose only.

In accordance with the Hong Kong Listing Rules and Banking (Disclosure) Rules, the Bank discloses the unaudited supplementary financial information as follows:

1 LIQUIDITY COVERAGE RATIO AND LEVERAGE RATIO

Liquidity coverage ratio

	31 December, 2018	Average for the year ended 31 December, 2018
Liquidity coverage ratio (RMB and foreign currency)	206.46%	209.50%

	31 December, 2017	Average for the year ended 31 December, 2017
Liquidity coverage ratio (RMB and foreign currency)	247.22%	329.55%

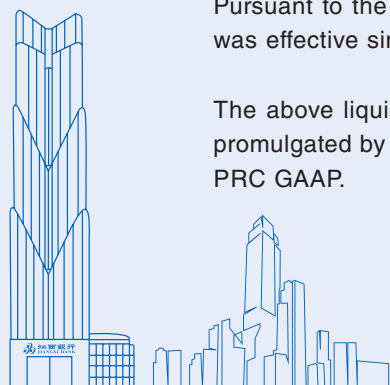
Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks (Provisional), the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018.

Leverage Ratio

	31 December, 2018	31 December, 2017
Leverage Ratio	7.35%	5.98%

Pursuant to the Leverage Ratio Management of Commercial Banks issued by the former CBRC and was effective since 1 April, 2015, a minimum leverage ratio 4% is required for commercial banks.

The above liquidity coverage ratio and leverage ratio are calculated in accordance with the formula promulgated by the former CBRC and based on the financial information prepared in accordance with PRC GAAP.



UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

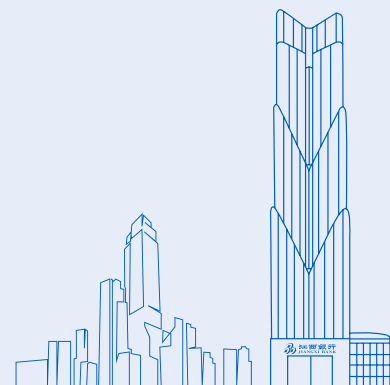
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 CURRENCY CONCENTRATIONS

	31 December, 2018			Total
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	1,805,693	71,284	10,762	1,887,739
Spot liabilities	(746,295)	(18,648)	(955)	(765,898)
Net position	1,059,398	52,636	9,807	1,121,841

	31 December, 2017			Total
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	1,296,381	43,267	4,709	1,344,357
Spot liabilities	(850,419)	(33,585)	(1,768)	(885,772)
Net position	445,962	9,682	2,941	458,585

The Group has no structural position at 31 December.



UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

3 INTERNATIONAL CLAIMS

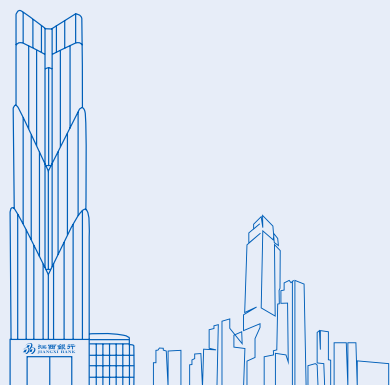
The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as international claims.

International claims include loans and advances to customers, balances with the central bank, amounts due from banks and other financial institutions.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account all 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.

31 December, 2018				
	Banks and other financial institutions	Public sector entities	Others	Total
All regions outside Mainland China	—	—	—	—

31 December, 2017				
	Banks and other financial institutions	Public sector entities	Others	Total
All regions outside Mainland China	—	—	—	—

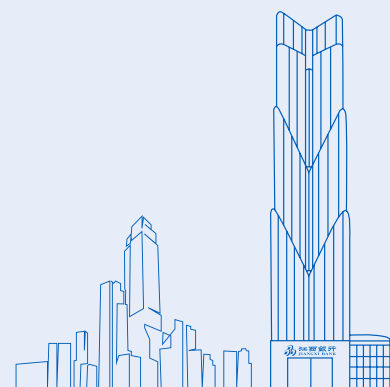


UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

4 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES

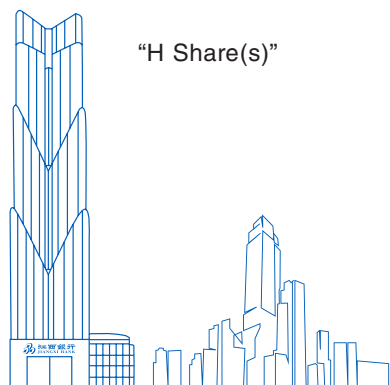
	31 December, 2018	31 December, 2017
Gross loans and advances which have been overdue with respect to either principal or interest for years of		
– Between 3 and 6 months (inclusive)	439,889	278,699
– Between 6 months and 1 year (inclusive)	1,022,352	894,765
– Over 1 year	1,425,677	1,098,729
Total	2,887,918	2,272,193
As a percentage of gross loans and advances		
– Between 3 and 6 months (inclusive)	0.26%	0.22%
– Between 6 months and 1 year (inclusive)	0.60%	0.69%
– Over 1 year	0.84%	0.85%
Total	1.69%	1.76%



DEFINITIONS

In this annual report, unless the context otherwise requires, the following terms shall have the meanings set out below:

“Articles of Association”	articles of association of the Bank (as modified from time to time)
“Bank”, “Company” or “Jiangxi Bank”	Jiangxi Bank Co., Ltd.
“Board”	the board of directors of the Bank
“Board of Supervisors”	the board of supervisors of the Bank
“CBIRC”	China Banking and Insurance Regulatory Commission
“CBRC Jiangxi Office”	China Banking Regulatory Commission Jiangxi Office
“CBIRC Jiangxi Office”	China Banking and Insurance Regulatory Commission Jiangxi Office
“China” or “PRC”	the People’s Republic of China, but for the purpose of this annual report only, excluding the Hong Kong and Macau Special Administrative Regions and Taiwan
“Director(s)”	director(s) of the Bank
“Domestic Share(s)”	ordinary share(s) issued by the Bank, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi
“Domestic Shareholder(s)”	holder(s) of Domestic Shares
“Group”	Jiangxi Bank and its subsidiaries
“HK\$” or “HKD” or “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“H Share(s)”	overseas listed foreign share(s) with a nominal value of RMB1.00 each in the Bank’s share capital, which are listed on the Main Board of the Hong Kong Stock Exchange



DEFINITIONS

“Latest Practicable Date”	March 29, 2019, being the latest practicable date prior to the printing of this annual report for the purpose of ascertaining certain information in this annual report
“Listing Date”	the date on which H Shares are listed and traded on the Main Board of the Hong Kong Stock Exchange, which is June 26, 2018
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“PBoC”	the People’s Bank of China (中國人民銀行)
“Prospectus”	the prospectus issued by the Bank on June 13, 2018 for the global public offering
“Reporting Period”	the twelve months from January 1, 2018 to December 31, 2018
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Shareholders”	shareholders of the Bank
“Supervisors”	supervisors of the Bank
“USD”	United States dollars, the lawful currency of the United States

