九江银行
BANK OF JIUJIANG

九江銀行股份有限公司
Bank of Jiujiang Co., Ltd.

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

Stock Code: 6190

2018 INTERIM REPORT

Content

Company Profile

1. Basics

Legal name in Chinese:
九江銀行股份有限公司

Legal name in English:
Bank of Jiujiang Co., Ltd.

Legal representative:
LIU Xianting (劉羨庭)

Authorized representatives:
PAN Ming (潘明), TONG Faping (童發平)

Board secretary:
TONG Faping (童發平)

Joint company secretaries:
TONG Faping (童發平), NG Wing Yan (伍穎欣)

H-share exchange:
The Stock Exchange of Hong Kong Limited

Stock short name:
BANK OF JIUJIANG

Stock code:
6190

Unified social credit code:
9136040070552834XQ

Number of license for financial business operations:
B0348H236040001

Registered address and office address:
No. 619, Changhong Street, Lianxi District, Jiujiang City, Jiangxi Province, China (Postcode: 332000)

Principal business address in Hong Kong:
40/F, Sunlight Tower, 248 Queen's Road East, Wan Chai, Hong Kong

Contact address:
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Tel: +86 (792) 7783000-1101
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Website: http://www.jjccb.com/

Domestic auditor:
Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership)

International auditor:
Deloitte Touche Tohmatsu

PRC legal advisor:
Jiangxi Yangmingyang Law Firm (江西陽明陽律師事務所)

Hong Kong legal advisor:
Clifford Chance

Compliance advisor:
ABCI Capital Limited

H-share securities registrar and transfer office:
Computershare Hong Kong Investor Services Limited

Domestic share depository:
China Securities Depository and Clearing Corporation Limited (CSDC)

HKEXnews website of the Hong Kong Stock Exchange for publication of this report:
http://www.hkexnews.hk

2. About Us

Approved by Wuhan Branch of the central bank for establishment, Bank of Jiujiang Co., Ltd. ("Bank of Jiujiang" or the "Bank") was a regional commercial bank incorporated in November 2000 from eight urban credit cooperatives in Jiujiang City. In October 2008, the Bank officially changed its name to Bank of Jiujiang Co., Ltd.

Since its establishment 18 years ago, with the care and support of the Board of Directors and all shareholders, as well as the united efforts and innovation of the staff of the Bank, the Bank has been focusing on building both the bank system and corporate cultures while staying devoted to improving the Bank's core competitiveness. As a result, the Bank's development can be characterized as having "low risk, rapid growth and high efficiency", fostering a favorable brand image and competitive advantages among banking financial institutions in Jiujiang City, Jiangxi Province and the country at large. Bank of Jiujiang has developed into a first-class urban commercial bank nationwide full of vitality.

As at June 30, 2018, the Bank has set up 255 physical outlets, including the operation department of the head office in Jiujiang, 13 branches and 241 sub-branches. The Bank controls and consolidates 18 Jiuyin County Banks such as Beijing Daxing Jiuyin County Bank and Xiushui Jiuyin County Bank.

As at June 30, 2018, the Bank of Jiujiang has assets valuing RMB288.336 billion, deposit balance of RMB193.926 billion, and loan balance of RMB118.679 billion. Before applying IFRS 9 Financial Instruments, the Bank also has non-performing loan ratio of 1.65%, and allowance coverage ratio of 191.33%. Bank of Jiujiang ranks 372nd among banks worldwide and 64th among banks nationwide in the rankings published in 2018 by The Banker, a globally authoritative journal in the United Kingdom.

Bank of Jiujiang positions itself as a regional commercial bank rising in an area in the middle of Nanjing and Wuhan and with neighboring Guangzhou and Hefei on two sides, in a bid to be "Rooted in Jiujiang and Centered in Jiangxi Province, Spreading business to across the country and Striding towards the world" and eventually forge a "gold cross" composed of the economic belts in the middle reach of Yangtze River and along the Beijing-Kowloon Railway. It has now grown into a financial brand name from Jiangxi, a headstream of China's modern revolution.

Accounting Data and Key Financial Indicator Highlights

The financial information of the Bank and its subsidiaries (hereinafter collectively referred to as the "Group") set forth in this interim report is prepared on a consolidated basis in accordance with International Financial Reporting Standards and expressed in Renminbi unless otherwise stated.

	For the six months ended June 30, 2018	2017	Change over the corresponding period of last year
	(in millions of RMB, except percentages)		
Results of operations			**Rate of changes (%)**
Net interest income	2,141.0	2,651.4	(19.3)
Net fee and commission income	138.0	149.9	(7.9)
Operating income	3,495.8	2,646.5	32.1
Operating expenses	(1,015.3)	(717.2)	41.6
Impairment losses on assets	(1,180.2)	(1,068.2)	10.5
Profit before tax	1,309.2	867.9	50.8
Net profit	1,055.7	664.8	58.8
Net profit attributable to shareholders of the Bank	1,035.9	679.2	52.5
Calculated on a per share basis (RMB)			**Rate of changes (%)**
Net assets per share attributable to the Bank's shareholders	9.09	8.57	6.0
Gains per share	1.06	0.66	58.8
Profitability indicators (%)			**Changes**
Return on average total assets[(1)]	0.75	0.55	0.20
Return on average equity[(2)]	11.62	8.70	2.92
Net interest spread[(3)]	2.26	2.21	0.05
Net interest margin[(4)]	2.44	2.29	0.15
Net fee and commission income to operating income	3.95	5.66	(1.71)
Cost-to-income ratio[(5)]	28.28	26.43	1.85

	June 30, 2018	December 31, 2017	Change over the end of the period with the end of last year
	(in millions of RMB, except percentages)		
Asset quality indicators (%)			**Changes**
Non-performing loan ratio[6]	1.65	1.62	0.03
General allowance ratio[7]	191.33	192.00	(0.67)
Allowance to gross loan ratio[8]	3.16	3.11	0.05
Other indicator (%)			**Changes**
Loan to deposit ratio	61.20	57.19	4.01
Volume indicator			**Rate of changes (%)**
Total assets	288,335.9	271,254.1	6.3
Including: Net loan products	114,578.9	99,528.2	15.1
Total liabilities	269,635.0	253,602.8	6.3
Including: Taking deposits	193,926.1	179,636.6	8.0
Share capital	2,000.0	2,000.0	0.0
Equity attributable to shareholders of the Bank	18,176.3	17,143.5	6.0
Non-controlling interests	524.6	507.7	3.3
Total equity	18,700.9	17,651.2	5.9

Accounting Data and Key Financial Indicator Highlights

Notes:

(1) Represents net profit for the period as a percentage of average balance of total assets at the beginning and the end of the period.

(2) Represents net profit attributable to the Shareholders of the Bank for the period as a percentage of average balance of total equity attributable to the Shareholders of the Company at the beginning and the end of the period.

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

(4) Calculated by dividing net interest income by average interest-earning assets, and based on daily average interest-earning assets.

(5) Calculated by dividing operating expenses, excluding business tax and surcharges, by operating income.

(6) Calculated by dividing total non-performing loans by gross loans to customers.

(7) Calculated by dividing allowance for impairment losses on loans by total non-performing loans.

(8) Calculated by dividing allowance for impairment losses on loans by gross loans to customers.

Management Discussion and Analysis

1. Historical economic and financial environment

During the reporting period, the economies of the major developed countries in the world continued to show a positive growth momentum, and their statuses of recovery remained unchanged. The global economic situation, however, became increasingly tense, with the risks of trade wars growing more apparent, uncertainties in monetary policies heightening, debt levels rising, as well as geopolitical tensions intensifying, which would all bring uncertainty factors to the economic development.

The overall economy of China remained stable and showed a positive development momentum in the first half of 2018. Through promoting economic structural adjustments and a supply-side reform, the inflation and employment level became stabler. The growth rate of Gross Domestic Product (GDP) remained at the same level as last year at 6.8%. The overall economic growth of Jiangxi Province during the same period was steady and was of good quality. The GDP of the entire city increased by 9% year-on-year, which was 2.2% higher than the national average. The banking industry of the entire province ran stably and soundly, and the asset quality remained steady. As a banking institution, the Bank began to seek for transformative development proactively under strict supervision. We gradually brought our operation back to our core business and our roots, and achieved transformation step-by-step from a high-speed growth to a high-quality development.

2. Operational overview

(1) The scale of results recorded a steady expansion. As at June 30, 2018, total assets of the Bank amounted to RMB288.336 billion, an increase of 6.3% from the beginning of the period; total deposits amounted to RMB193.926 billion, an increase of 8.0% from the beginning of the period.

(2) Profitability continued to enhance. As at June 30, 2018, the operating income of the Bank was RMB3.496 billion, the net fee and commission income was RMB138 million, return on net assets was 11.62%, return on total assets was 0.75% and the net profit was RMB1.056 billion.

(3) The overall asset quality has improved. As at June 30, 2018, before applying IFRS 9 Financial Instruments, the balance of non-performing loans of the Bank was RMB1.960 billion, the non-performing loan ratio was 1.65%, the allowance coverage ratio was 191.33% and the allowance to gross loan ratio was 3.16%.

(4) The brand image has improved significantly. During the reporting period, the Bank was ranked 372nd in the "Top 1,000 World Banks 2018" rankings published by The Banker, moving up 72 places from the previous year. In addition, the Bank was awarded "Active Dealer in Interbank RMB Market in 2017" by the China Foreign Exchange Trade System & National Interbank Funding Center.

3. Income statement analysis

	For the six months ended June 30,			
	2018	2017	Net change	Change
	(in millions of RMB, except percentages)			(%)
Interest income	5,562.6	5,589.0	(26.4)	(0.5)
Interest expense	(3,421.6)	(2,937.6)	(484.0)	16.5
Net interest income	2,141.0	2,651.4	(510.4)	(19.3)
Fee and commission income	215.9	179.0	36.9	20.6
Fee and commission expense	(77.9)	(29.1)	(48.8)	168.0
Net fee and commission income	138.0	149.9	(11.9)	(7.9)
Net gains/(losses) on investment securities	1,208.0	(109.3)	1,317.3	(1,205.5)
Other income, gains or losses	8.8	(45.5)	54.3	(119.4)
Operating income	3,495.8	2,646.5	849.3	32.1
Operating expenses	(1,015.3)	(717.2)	(298.1)	41.6
Impairment losses on assets	(1,180.2)	(1,068.2)	(112.0)	10.5
Share of profit of associates	8.9	6.8	2.1	30.6
Profit before tax	1,309.2	867.9	441.3	50.8
Income tax expense	(253.5)	(203.1)	(50.4)	24.8
Net profit	1,055.7	664.8	390.9	58.8

In the first half of 2018, the Bank achieved a pre-tax profit of RMB1.309 billion, a year-on-year increase of 50.8%; a net profit of RMB1.056 billion, a year-on-year increase of 58.8%.

3.1 Net interest income, net interest spread and net interest margin

In the first half of 2018, the Bank achieved a net interest income (before applying IFRS 9 Financial Instruments) of RMB3.340 billion, a year-on-year increase of RMB689 million, or 26.0%, which accounted for 95.6% of operating income.

The following table sets forth the average balance of interest-earning assets and interest-bearing liabilities, the interest income and expenses of these assets and liabilities, and the average yield of interest-earning assets and the average cost ratio of interest-bearing liabilities for the period indicated.

	For the six months ended June 30,					
	2018			2017		
	Average balance	Interest income/ expense	Average yield/interest rate (%)[1]	Average balance	Interest income/ expense	Average yield/interest rate (%)[1]
	(in millions of RMB, except percentages)					
Assets						
Loans and advances to customers	105,629.4	3,055.8	5.79	79,193.3	2,219.6	5.61
Investments in securities and other financial assets[2]	115,947.0	2,983.3	5.15	106,658.4	2,648.8	4.97
Debt securities	40,413.3	765.8	3.79	26,329.2	538.8	4.09
Investments classified as receivables	75,533.7	2,217.5	5.87	80,329.2	2,110.0	5.25
Financial assets held under resale agreement	17,431.6	470.2	5.39	18,069.0	508.3	5.63
Balances with central bank[3]	25,719.2	202.1	1.57	20,539.7	161.6	1.57
Amounts due from banks and other financial institutions[4]	8,816.3	50.5	1.14	7,411.7	50.7	1.37
Total interest-earning assets	273,543.5	6,761.9	4.94	231,872.1	5,589.0	4.82
Liabilities						
Customer deposits	187,885.3	1,979.8	2.11	147,296.1	1,426.8	1.94
Deposits from banks and other financial institutions	13,657.2	290.1	4.25	15,579.1	315.7	4.05
Financial assets sold under repurchase agreements[5]	11,781.1	176.6	3.00	22,100.7	364.1	3.29
Debt securities issued	40,594.7	966.0	4.76	39,986.6	827.9	4.14
Borrowings from central bank	786.6	9.1	2.31	273.8	3.2	2.34
Total interest-bearing liabilities	254,704.9	3,421.6	2.69	225,236.3	2,937.6	2.61
Net interest income		3,340.3			2,651.4	
Net interest spread[6]		2.26			2.21	
Net interest margin[7]		2.44%			2.29%	

Notes:

(1) Calculated by dividing interest income/expense by average balance.

(2) Consists of our holdings of investments classified as receivables and debt securities. Our investments classified as receivables mainly include asset management, trust plans and other wealth management products issued by PRC commercial banks.

(3) Consists primarily of mandatory reserve deposits and surplus reserve deposits.

(4) Consists of deposits with banks and other financial institutions and placements with banks and other financial institutions.

(5) Consists of tier-two capital bonds issued, interbank negotiable certificates of deposit and asset-backed securities.

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

(7) Calculated by dividing net interest income by the daily average balance of total interest-earning assets.

The following table sets forth the changes in interest income and interest expenses due to changes in scale and interest rates during the period indicated. The change in scale is measured by the change in the average balance of interest-earning assets and interest-bearing liabilities, while the change in interest rates is measured by the change in the average interest rate of interest-earning assets and interest-bearing liabilities. The combined effect of changes in scale and interest rates is included in interest rate changes.

	Change in the current period from the corresponding period last year for the six months ended June 30		
	Scale[1]	Increase/ (decrease) in interest rate[2]	Net increase/ (decrease)[3]
	(in millions of RMB, except percentages)		
Interest-earning assets			
Loans and advances to customers	740.9	95.3	836.2
Investments in securities and other financial assets	230.7	103.9	334.6
Debt securities	288.2	(61.2)	227.0
Investments classified as receivables[4]	(126.0)	233.5	107.5
Financial assets held under resale agreement	(17.9)	(20.2)	(38.1)
Balances with central bank[5]	40.8	(0.3)	40.5
Amounts due from banks and other financial institutions[6]	9.6	(9.9)	(0.3)
Change in interest income	1,004.1	168.8	1,172.9
Interest-bearing liabilities			
Customer deposits	393.2	159.9	553.0
Deposits from banks and other financial institutions	(38.9)	13.4	(25.5)
Financial assets sold under repurchase agreements	(170.0)	(17.5)	(187.5)
Debt securities issued[7]	12.6	125.5	138.1
Borrowings from central bank	6.0	(0.1)	5.9
Change in interest expense	202.9	281.2	484.0
Change in net interest income	801.2	(112.4)	688.9

Notes:

(1) Represents the average balance of the reporting period deducting the average balance of the previous period, multiplied by the average yield/cost ratio of the previous period.

(2) Represents the average yield of the reporting period/cost ratio deducting the average yield/cost ratio of the previous period multiplied by the average balance for the reporting period.

(3) Represents interest income/expense during the reporting period deducting interest income/expense from the previous period.

(4) Our investments classified as receivables mainly include asset management, trust plans and other wealth management products issued by PRC commercial banks.

(5) Consists primarily of mandatory reserve deposits and surplus reserve deposits.

(6) Consists of deposits with banks and other financial institutions and placements with banks and other financial institutions.

(7) Consists of tier-two capital bonds issued, interbank negotiable certificates of deposit and asset-backed securities.

3.2 Interest income

In the first half of 2018, the Bank achieved an interest income of RMB6.762 billion, a year-on-year increase of RMB1.173 billion, or 21.0%. The increase in interest income was mainly due to the increase in the average balance of interest-earning assets and the average return on assets. The increase in the average balance of interest-earning assets during the reporting period was mainly attributable to the increase in the average balance of customer loans and debt securities investment of the Bank as a result of business growth of the Bank. The average asset yield growth was mainly due to the increase in the average yield of customer loans.

3.2.1 Interest income from customer loan

In the first half of 2018, interest income from the Bank's customer loan was RMB3.056 billion, a year-on-year increase of RMB836 million or 37.7% over the same period of last year, mainly attributable to the increase in the average balance of total customer loans and the increase in the average yield of customer loans. During the reporting period, the average balance of total customer loans increased, mainly reflecting the overall growth of the Bank's loan portfolio.

The following table sets forth the average balance, interest income and average yield for each component of the Bank's customer loans during the period indicated.

	For the six months ended June 30,					
	2018			2017		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
	(in millions of RMB, except percentages)					
Corporate loans	65,905.8	1,903.9	5.78	51,171.8	1,443.8	5.64
Personal loans	37,999.0	1,105.6	5.82	26,578.4	738.1	5.55
Discounted bills	1,724.6	46.3	5.37	1,443.1	37.7	5.22
Total	105,629.4	3,055.8	5.79	79,193.3	2,219.6	5.61

3.2.2 Interest income from investments in securities and other financial assets

In the first half of 2018, interest income from investments in our securities and other financial assets was RMB2.983 billion, a year-on-year increase of RMB335 million, or 12.6%. The increase in interest income was mainly due to the increase in the average balance of debt securities investment and then due to the increase in the average yield of other financial asset investments. The increase in the average balance of debt securities investment was mainly due to the continuous rise in assets and the scale of deposits of the Bank, which led to a natural growth of the bond investment balance; the increase in the average yield of investment in other financial assets was due to the rise in the interest rate of the market rate in the entire banking industry from the fourth quarter of 2017 to the first quarter of 2018. Such assets allocated by the Bank increased during this period, and as the stock of assets with lower yields matured, the entire non-standard asset average yield increased in general.

3.2.3 Interest income from financial assets held under resale agreements

In the first half of 2018, interest income from our financial assets held under resale agreements was RMB470 million, a year-on-year decrease of RMB38 million, or 7.5%, mainly due to the decrease in the average yield of financial assets held under resale agreements and then due to the decrease in average balance. The decrease in average yield was mainly due to the decline in the percentage of bills under resale agreement. The decline in the average balance was mainly due to the decrease in bills under resale agreement in 2018, which was partially offset by the rise in average balance of bonds under resale agreement.

3.2.4 Interest income from deposits with central bank

In the first half of 2018, interest income from deposits with the central bank was RMB202 million, a year-on-year increase of RMB40 million, or 25.0%, mainly due to the increase in the average balance of deposits with the central bank. Such increase was mainly attributable to the continued growth in mandatory reserve deposits that was caused by the customer deposits.

3.2.5 Interest income from amounts due from banks and other financial institutions

In the first half of 2018, interest income from amounts due from banks and other financial institutions was RMB50 million, remaining basically the same as that of the same period last year. This was mainly due to the decrease in the average yield of amounts due from banks and other financial institutions, which was partially offset by an increase in the average balance. The decrease in the average yield was mainly attributable to the decrease in the proportion of time deposits deposited in banks and other financial institutions which earn higher yields than demand deposits. The increase in the average balance was due to our gradual improvement on liquidity management measures.

3.3 Interest expense

In the first half of 2018, our interest expense was RMB3.422 billion, a year-on-year increase of RMB484 million, or 16.5% year-on-year.

3.3.1 Interest expense on customer deposits

In the first half of 2018, our interest expense on customer deposits was RMB1.98 billion, a year-on-year increase of RMB553 million, or 38.8%, mainly due to the increase in the average interest rate of customer deposits and the increase in average balance. The increase in the average interest rate on customer deposits was mainly due to fierce competition in the industry. The increase in the average balance of customer deposits was mainly due to (i) (a) our continuous efforts to broaden our corporate customer base, (b) improvements in our customer service and marketing activities, which resulted in an increase in corporate customer deposits; and (ii) our increased personal deposits in line with the expansion of our retail banking branch network.

The following table sets forth average balance, interest expense and average interest rate for each component of the Bank's customer deposits in the period indicated.

	For the six months ended June 30,					
	2018			2017		
	Average balance	Interest expense	Average interest expense (%)	Average balance	Interest expense	Average interest expense (%)
	(in millions of RMB, except percentages)					
Corporate deposits						
Demand	66,196.6	285.2	0.86	47,625.4	164.7	0.69
Time	35,571.7	551.1	3.10	41,438.9	592.2	2.86
Margin deposits	24,173.2	331.1	2.74	9,376.0	65.7	1.40
Subtotal	125,941.5	1,167.4	1.85	98,440.2	822.6	1.67
Personal deposits						
Demand	14,717.5	28.1	0.38	10,742.1	19.6	0.36
Time	46,541.0	784.3	3.37	37,744.4	584.6	3.10
Subtotal	61,258.5	812.4	2.65	48,486.4	604.2	2.49
Others	685.3	0.0	0.00	369.4	0.0	0.00
Total customer deposits	187,885.3	1,979.8	2.11	147,296.1	1,426.8	1.94

3.3.2 Interest expense on deposits from banks and other financial institutions

In the first half of 2018, our interest expense on deposits from banks and other financial institutions was RMB290 million, a year-on-year decrease of RMB26 million, or 8.1%. This was mainly due to the decrease in the average balance of deposits from banks and other financial institutions, which was partially offset by the increase in the average interest rate. The decrease in the average balance of deposits from banks and other financial institutions was mainly due to our adjustment of the financing structure and the reduction of funding from banks and other financial institutions. The increase in the average interest rate of deposits from banks and other financial institutions mainly reflects the increase in market interest caused by the tightened market liquidity from the fourth quarter of 2017 to the first quarter of 2018.

3.3.3 Interest expense from financial assets sold under repurchase agreements

In the first half of 2018, interest expense on financial assets sold under repurchase agreements was RMB177 million, a year-on-year decrease of RMB187 million, or 51.5%. This is mainly due to the decrease in the average balance of financial assets sold under repurchase agreements and the average interest rate. The decrease in the average balance of financial assets sold under repurchase agreements was due to the increase in customer deposits in the first half of 2018, which reduced the number of times carrying out the transaction of selling for repurchase. The decline in the average interest rate on financial assets sold under repurchase agreements was mainly due to the decrease in the percentage of bills sold under repurchase agreement with higher yields.

3.3.4 Interest expense from debt securities issued

In the first half of 2018, our interest expense on debt securities issued amounted to RMB966 million, a year-on-year increase of RMB138 million, or 16.7%. This was mainly due to the increase in the average balance of our debt securities issued and the increase in the average interest rate. The increase in the average balance of debt securities issued and the increase in the average interest rate mainly reflected the additional issuance of tier-two capital bonds with higher interest costs as compared to certificates of interbank deposits during the reporting period.

3.3.5 Interest expense from borrowings from central bank

In the first half of 2018, our interest expense on borrowings from central bank was RMB9 million, a year-on-year increase of RMB6 million. This is mainly due to the increase in the average balance of borrowings from the central bank.

3.4 Net interest spread and net interest margin

In the first half of 2018, our net interest spread increased from 2.21% in the same period of the previous year to 2.26%. The net interest margin increased from 2.29% in the same period of the previous year to 2.44%, mainly due to the fact that loan and investment pricing levels improved as we strengthened loan and investment pricing management.

3.5 Non-interest income

3.5.1 Fee and commission income

In the first half of 2018, we achieved fee and commission income of RMB138 million, a year-on-year decrease of RMB12 million, or 7.9%, mainly due to the increase in third-party platform fees with the expansion of third-party platform business.

The following table sets forth each component of fee and commission income in the period indicated.

	For the six months ended June 30,			
	2018	2017	Amount of change	Change (%)
	(in millions of RMB, except percentages)			
Fee and commission income				
Agency service fee income	93.4	85.5	7.9	9.3
Wealth management fee	56.5	58.5	(2.0)	(3.5)
Acceptance and guarantee commitment fee	15.7	12.5	3.2	25.0
Settlement and clearing service fee	10.4	9.9	0.5	5.6
Bank card fee	26.9	6.4	20.5	321.5
Transaction and consultancy fee	13.0	6.2	6.8	110.4
Subtotal	215.9	179.0	36.9	20.6
Fee and commission expense	(77.9)	(29.1)	(48.8)	168.0
Net fee and commission income	138.0	149.9	(11.9)	(7.9)

In the first half of 2018, we achieved agency service fee income of RMB93 million, a year-on-year increase RMB8 million, or 9.3%, mainly due to our vigorous expansion and extension of a number of agency services such as sales of insurance products and funds.

In the first half of 2018, we achieved wealth management fee income of RMB57 million, which was basically the same as that of the same period last year. This is mainly due to our continuous efforts to broaden the customer base and expand the scale of wealth management products issued by us, which was partially offset by value added tax (VAT) and additional set-offs of asset management products.

In the first half of 2018, we achieved acceptance and guarantee commitment fee income of RMB16 million, a year-on-year increase of RMB3 million, or 25.0%, mainly due to the increase in trading volume as a result of our vigorous development of the acceptance business.

In the first half of 2018, we achieved settlement and clearing service fee income of RMB10 million, a slight increase over the same period last year, or 5.6%, mainly due to our continuous efforts to broaden its customer base and expand trading volume.

In the first half of 2018, our bank card handling fee income reached RMB27 million, a year-on-year increase of RMB21 million, or 321.5%. This was mainly due to the increase in the related handling fee income as a result of promotion and application of our credit cards.

In the first half of 2018, we achieved transaction and consultancy fee income of RMB13 million, a year-on-year increase of RMB7 million, or 110.4%, mainly reflecting our enhanced marketing efforts to continuously develop this business.

3.6 Operating expenses

In the first half of 2018, our operating expenses were RMB1.015 billion, an increase of RMB298 million, or 41.6% over the same period of last year, which was in line with the overall growth of our business.

The following table sets forth amount, amount of change and change for each component of operating expenses of the Bank in the period indicated.

	For the six months ended June 30,			
	2018	**2017**	**Amount of change**	**Change (%)**
	(in millions of RMB, except percentages)			
Staff costs				
Salaries, bonuses and allowances	390.5	246.0	144.5	58.8
Staff welfare	18.4	16.7	1.7	10.1
Social insurance	27.8	26.7	1.1	4.0
Housing funds	13.3	11.8	1.5	12.6
Labor union fees and staff education expenses	4.5	4.2	0.3	7.6
Total staff costs	454.5	305.4	149.1	48.8
General	367.0	236.6	130.4	55.2
Tax and surcharges	26.7	17.7	9.0	50.9
Rental expenses	49.3	47.2	2.1	4.4
Depreciation	73.3	58.3	15.0	25.6
Amortization	30.3	33.6	(3.3)	(10.0)
Others	14.2	18.4	(4.2)	(22.8)
Total operating expenses	1,015.3	717.2	298.1	41.6
Cost-to-income ratio	28.28	26.43	1.8	7.0

In the first half of 2018, our staff costs were RMB454 million, a year-on-year increase of RMB149 million, or 48.8%. This was mainly attributable to the general increase in the number of employees and average remuneration as a result of our continued business expansion, resulting in increases in salaries, bonuses and allowances and housing provident funds for our employees.

In the first half of 2018, our general and administrative expenses were RMB367 million, an increase of RMB130 million or 55.2% over the same period last year. This is mainly due to the increase in the promotion cost as our business grows.

In the first half of 2018, our tax and surcharges were RMB27 million, a year-on-year increase of RMB9 million, or 50.9%, mainly due to our business growth.

In the first half of 2018, our rental expenses were RMB49 million, a year-on-year increase of RMB2 million, or 4.4%. This is mainly due to the expansion of our branch network and the year-by-year increase in housing prices and rentals.

In the first half of 2018, depreciation and amortization values were RMB73 million and RMB30 million respectively. Depreciation increased by RMB15 million year-on-year, and amortization decreased by RMB3 million year-on-year, mainly due to changes in tangible assets, property and equipment and renovation expenses during the relevant period.

In the first half of 2018, other operating expenses were RMB14 million, a year-on-year decrease of RMB4 million, mainly due to the implementation of effective cost control measures.

3.7 Impairment losses

In the first half of 2018, our impairment losses were RMB1.180 billion, an increase of RMB112 million, or 10.5% year-on-year, mainly due to (i) the increase in allowance for impairment loss on customer loans; (ii) the increase in financial assets measured at amortised cost which led to an accelerated rise in impairment allowance; and (iii) the increase in the impairment allowance for financial assets other than customer loans and advances, as well as the impairment allowance for financial guarantees and commitments. The above-mentioned factors manifested after the application of IFRS 9 Financial Instruments.

The following table sets forth amount, amount of change and change in percentage for each component of impairment loss of the Bank in the period indicated.

	For the six months ended June 30,			
	2018	2017	Amount of change	Change (%)
	(in millions of RMB, except percentages)			
Loans and advances to customers	866.4	839.2	27.2	3.2
Investments classified as receivables	–	220.7	(220.7)	–
Financial assets measured at fair value through other comprehensive income	3.9	–	3.9	–
Financial assets measured at amortized cost	222.4	–	222.4	–
Placements with banks and other financial institutions	(0.5)	–	(0.5)	–
Deposits with banks and other financial institutions	0.7	–	0.7	–
Financial assets held under resale agreements	(14.2)	–	(14.2)	–
Financial guarantee and commitment	67.9	–	67.9	–
Repossessed assets	25.5	–	25.5	–
Other assets	8.1	8.3	(0.2)	(1.2)
Total impairment losses	1,180.2	1,068.2	112.0	10.5

3.8 Income tax expenses

In the first half of 2018, our income tax was RMB253 million, a year-on-year increase of RMB50 million, or 24.8%. For the six months ended June 30, 2017 and June 30, 2018, our effective income tax rate was 23.40% and 19.36%, respectively, lower than the statutory tax rate of 25%, mainly due to the exemption of enterprise income tax on interest income from investments in national bonds and local government bonds.

The following table sets forth amount, amount of change and change in percentage for each component of income tax expense of the Bank in the period indicated.

	For the six months ended June 30,			
	2018	**2017**	**Amount of change**	**Change (%)**
	(in millions of RMB, except percentages)			
Profit before tax	1,309.2	867.9	441.3	50.8
Income tax expense				
Current income tax	535.6	307.9	227.7	73.9
Effect of tax for previous years	(21.7)	2.6	(24.3)	(932.5)
Deferred income tax	(260.4)	(107.4)	(153.0)	142.5
Total income tax expenses	253.5	203.1	50.4	24.8
Effective tax rate	19.36	23.40	(4.04)	(17.3)

4. Analysis of major financial position items

4.1 Assets

As at June 30, 2018, our total assets amounted to RMB288.336 billion, an increase of RMB17.082 billion, or 6.3% from the end of the previous year. The increase was mainly due to the increase in the following assets: (i) loans and advances to customers; and (ii) investment in securities and other financial assets.

The following table sets forth, as at the dates indicated, each component of total assets of the Bank.

	June 30, 2018		December 31, 2017	
	Amount	% of total amount	Amount	% of total amount
	(in millions of RMB, except percentages)			
Total loans and advances to customers – measured at amortized cost	114,436.7	39.7	102,725.2	37.9
Allowance for impairment losses	(4,073.1)	(1.4)	(3,197.0)	(1.2)
Net loans and advances to customers – measured at amortized cost	110,363.6	38.3	99,528.2	36.7
Total loans and advances to customers – at fair value through profit and loss	4,242.5	1.5	0.0	0.0
Change in fair value	(27.2)	0.0	0.0	0.0
Net loans and advances to customers – at fair value through profit and loss	4,215.3	1.5	0.0	0.0
Total investments in securities and other financial assets, gross	123,493.4	42.8	104,495.0	38.6
Allowance for impairment losses	(910.4)	(0.3)	(999.6)	(0.4)
Net securities and other financial assets	122,583.0	42.5	103,495.4	38.2
Cash and balances with central banks	29,689.3	10.3	28,750.5	10.6
Deposits with banks and other financial institutions	2,114.0	0.7	1,667.8	0.6
Placements with banks and other financial institutions	374.1	0.1	1,481.0	0.5
Financial assets held under resale agreements	9,314.6	3.3	26,506.7	9.8
Investments in associates	115.2	0.0	111.3	0.0
Other assets	9,566.8	3.3	9,713.2	3.6
Total assets	288,335.9	100.0	271,254.1	100.0

4.1.1 Loans and advances to customers

As at June 30, 2018, our total loans and advances to customers were RMB118.679 billion, an increase of RMB15.954 billion, or 15.5% from the end of the previous year. The growth of the our loan portfolio was mainly due to (i) the stable growth in our corporate loans; and (ii) our continued efforts to develop personal loan business.

The following table sets forth, as at the dates indicated, the distribution of our loans by business type.

	June 30, 2018		December 31, 2017	
	Amount	% of total amount	Amount	% of total amount
	(in millions of RMB, except percentages)			
Corporate loans	75,158.1	63.3	60,998.6	59.4
Personal loans	39,146.7	33.0	37,155.5	36.2
Discounted bills	4,374.4	3.7	4,571.1	4.4
Total loans and advances to customers	118,679.2	100.0	102,725.2	100.0

(1) Corporate loans

As at June 30, 2018, our corporate loans amounted to RMB75.158 billion, an increase of RMB14.160 billion, or 23.2% from the end of the previous year. The overall increase in corporate loans was mainly due to our continued expansion of its corporate loan portfolio.

The following table sets forth, as at the dates indicated, the distribution of our corporate loans by size of corporate borrower.

	June 30, 2018		December 31, 2017	
	Amount	% of total amount	Amount	% of total amount
	(in millions of RMB, except percentages)			
Large enterprises (1)	7,468.0	9.9	2,742.3	4.5
Medium enterprises (1)	15,825.5	21.1	7,604.1	12.5
Small enterprises (1)	29,805.2	39.6	32,462.6	53.2
Micro enterprises (1)	19,524.5	26.0	16,281.4	26.7
Others (2)	2,534.9	3.4	1,908.2	3.1
Total corporate loans	75,158.1	100.0	60,998.6	100.0

Notes:

(1) The classification criteria for large, medium, small and micro enterprises are set forth in the Classification Standards of Small and Medium Enterprises. See "Definitions" for details.

(2) Consist primarily of public sector organizations in China.

Our loans to small and micro enterprises increased from RMB48.744 billion as at December 31, 2017 to RMB49.330 billion as at June 30, 2018. The overall growth of loans to small and micro enterprises mainly reflected our strategy of sustainably developing financial business for small and micro enterprises.

(2) Personal loans

As at June 30, 2018, our personal loans amounted to RMB39.147 billion, an increase of RMB1.991 billion, or 5.4% from the end of the previous year. Our personal loans continued to grow, mainly due to the rapid development of our personal consumption loans and expansion of branch network.

The table below sets out the details of our personal loans by product type as at the dates indicated.

	June 30, 2018		December 31, 2017	
	Amount	% of total amount	Amount	% of total amount
	(in millions of RMB, except percentages)			
Residential mortgage loans	19,681.3	50.3	19,162.3	51.6
Personal business loans	8,878.7	22.7	9,246.8	24.9
Personal consumption loans	9,548.1	24.4	8,113.0	21.8
Bank card balances	1,038.6	2.6	633.4	1.7
Total personal loans	39,146.7	100.0	37,155.5	100.0

As at June 30, 2018, our residential mortgage loans increased from RMB19.162 billion as at December 31, 2017 to RMB19.681 billion. The slight increase in our residential mortgage loans primarily reflected our cooperation with quality property developers, through whom we acquire a steady source of retail customers.

As at June 30, 2018, our personal business loans decreased by 4.0% from RMB9.247 billion as at December 31, 2017 to RMB8.879 billion, mainly due to our efforts to develop personal consumption loans with lower risks.

As at June 30, 2018, our personal consumption loans increased significantly from RMB8.113 billion as at December 31, 2017 to RMB9.548 billion, primarily due to our efforts to develop this product to meet customer demand.

As at June 30, 2018, our bank card balance increased by 64.0% from RMB633 million as at December 31, 2017 to RMB1.039 billion, mainly due to the rapid growth of the Bank's new credit card services.

(3) Discounted bills

As at June 30, 2018, our discounted bills were RMB4.374 billion, a decrease of RMB197 million from the end of the previous year, or 4.3%, primarily due to reduced customer demand with the increasing market rates for discounted bills.

4.1.2 Investment in securities and other financial assets

As at June 30, 2018, our total investment in securities and other financial assets amounted to RMB123.493 billion, an increase of RMB18.998 billion or 18.2% from the end of the previous year, primarily due to the fact that after IFRS 9 Financial Instruments is applied, (i) financial assets measured at amortised cost increased; (ii) investments in trust plan increased; (iii) the Bank's debt securities held by the Bank increased; and (iv) equity investments held by the Bank slightly increased, primarily in bond funds and money market funds.

Management Discussion and Analysis

The following table sets out the components of the Bank's investments in securities and other financial assets by investment intention as of the dates indicated.

	June 30, 2018		December 31, 2017	
	Amount	% of total amount	Amount	% of total amount
	(in millions of RMB, except percentages)			
Financial assets at fair value through profit or loss	48,933.1	39.6	910.8	0.9
Available-for-sale financial assets	–	–	20,554.6	19.7
Held-to-maturity investments	–	–	13,125.5	12.5
Investments classified as receivables	–	–	69,904.1	66.9
Investment at amortized cost	53,780.2	43.6	–	–
Investment at fair value through other comprehensive income	20,780.1	16.8	–	–
Total investments in securities and other financial assets, gross	123,493.4	100.0	104,495.0	100.0

We classify investment securities and other financial assets into three parts: debt securities, investments classified as receivables and equity investments. The following table sets forth the distribution of investment securities and other financial assets by debt securities, investments classified as receivables and equity investments as at the dates indicated.

	June 30, 2018		December 31, 2017	
	Amount	% of total amount	Amount	% of total amount
	(in millions of RMB, except percentages)			
Debt securities				
Government bonds	8,881.5	7.2	8,871.0	8.5
Debt securities issued by PRC policy banks	15,359.4	12.4	14,921.0	14.3
Debt securities issued by other PRC banks and financial institutions	145.0	0.1	124.0	0.1
Debt securities issued by PRC corporate issuers	13,512.1	10.9	6,816.1	6.5
Subtotal	37,898.0	30.6	30,732.1	29.4
Investments classified as receivables				
Trust plans and asset management plans	76,638.3	62.1	69,026.3	66.1
Wealth management products issued by other PRC commercial banks	1,807.9	1.5	877.9	0.8
Subtotal	78,446.2	63.6	69,904.2	66.9
Equity investments				
Equity investments	720.4	0.6	15.1	0.0
Funds investment	6,428.8	5.2	3,843.6	3.7
Subtotal	7,149.2	5.8	3,858.7	3.7
Total investments in securities and other financial assets, gross	123,493.4	100.0	104,495.0	100.0
Allowance for impairment losses	(910.4)	(0.7)	(999.6)	(1.0)
Investments in securities and other financial assets, net	122,583.0	99.3	103,495.4	99.0

4.1.3 Other Components of Our Assets

Other components of our assets consist primarily of (i) cash and balances with central bank; (ii) deposits with banks and other financial institutions; (iii) placements with banks and other financial institutions; and (iv) financial assets held under resale agreements.

As at June 30, 2018, the total amount of cash and balances with central bank was RMB29.689 billion, an increase of RMB939 million or 3.3% from the end of the previous year, primarily due to an increase in our mandatory reserve deposits with central bank in line with the growth in our total customer deposits and our increased surplus reserve deposits with central bank.

As at June 30, 2018, the total amount of deposits with banks and other financial institutions was RMB2.114 billion, an increase of RMB446 million or 26.8% from the end of the previous year, mainly due to our adjustment of liquidity management measures based on the funding situation and market liquidity changes.

As at June 30, 2018, the total amount of placements with banks and other financial institutions was RMB374 million, a decrease of RMB1.107 billion, or 74.7% from the end of the previous year, mainly due to the gradual enhancement of our gradually improved liquidity management measures.

As at June 30, 2018, the total amount of financial assets held under resale agreements was RMB9.315 billion, a decrease of RMB17.192 billion, or 64.9% from the end of the previous year, primarily reflecting our reduced financial assets held under resale agreements based on our liquidity management measures.

4.2 Liabilities

As at June 30, 2018, we recorded total liabilities of RMB269.635 billion, increasing by RMB16.032 billion, or 6.3% over that at the end of last year. Our liabilities are primarily composed of (i) customer deposits; (ii) issued debt securities; (iii) deposits from banks and other financial institutions; and (iv) financial assets sold under repurchase agreements, accounting for 71.9%, 15.9%, 7.2% and 2.4% of our total liabilities, respectively.

The following table sets forth, as at the dates indicated, each component of total liabilities of the Bank.

	June 30, 2018		December 31, 2017	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)			
Borrowings from central bank	736.0	0.3	811.9	0.3
Customer deposits	193,926.1	71.9	179,636.6	70.8
Deposits from banks and other financial institutions	19,309.2	7.2	8,268.7	3.3
Placements from banks	809.5	0.3	1,116.9	0.4
Financial assets sold under repurchase agreements	6,383.6	2.4	17,406.0	6.9
Issued debt securities	43,063.4	15.9	40,247.8	15.9
Other liabilities(1)	5,407.2	2.0	6,114.9	2.4
Total liabilities	269,635.0	100.0	253,602.8	100.0

Note:

(1) Consists of interest payable, other payables, settlement payable, salaries payable, tax payables and dividends payable.

4.2.1 Customer deposits

As at June 30, 2018, we recorded total deposits of RMB193.926 billion, increasing by RMB14.29 billion, or 8.0% over that at the end of last year, mainly due to the rising momentum of our corporate and retail banking business.

The following table sets forth, as at the dates indicated, customer deposits by product type and maturity.

	June 30, 2018		December 31, 2017	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)			
Corporate deposits				
Demand	70,931.9	36.6	73,454.0	40.9
Time	35,181.9	18.1	31,406.9	17.5
Margin deposits	23,102.8	11.9	22,420.4	12.4
Sub-total	129,216.6	66.6	127,281.3	70.8
Personal deposits				
Demand	13,036.3	6.7	11,996.4	6.7
Time	51,296.8	26.5	40,087.1	22.3
Sub-total	64,333.1	33.2	52,083.5	29.0
Other deposits[1]	376.4	0.2	271.8	0.2
Total customer deposits	193,926.1	100.0	179,636.6	100.0

Note:

(1) Consists primarily of funds deposited with us for remittance and outbound remittance.

4.2.2 Deposits from banks and other financial institutions

As at June 30, 2018, the deposits from banks and other financial institutions in our bank recorded a balance of RMB19.309 billion, increasing by RMB11.04 billion, or 133.5% over that at the end of last year. This can be primarily ascribed to our strategic adjustment on the financing structure portfolio which has driven up the deposits from banks and other financial institutions.

4.2.3 Borrowings from central bank

As at June 30, 2018, we recorded a balance of borrowing from central bank at RMB736 million, declining by RMB76 million, or 9.4% from that at the end of last year, which is mainly because of the Bank's due loans of various proportions from the central bank within the reporting period.

4.2.4 Financial assets sold under repurchase agreements

As at June 30, 2018, our financial assets sold under repurchase agreements valued RMB6.384 billion, declining by RMB11.022 billion, or 63.3% from that at the end of last year, which is primarily a result of our adjustment on selling bonds for repurchase in compliance with the working capital management measures.

4.2.5 Issued debt securities

As at June 30, 2018, our issued debt securities totaled RMB43.063 billion, increasing by RMB2.816 billion, or 7.0% over that at the end of last year. This is primarily because our new issue of secondary capital bonds and additional issue of interbank negotiable certificate of deposit for the purpose of meeting liquidity needs at a low cost and risk.

4.3 Shareholders' equity

As at June 30, 2018, our total shareholder's equity valued RMB18.701 billion, increasing by RMB1.05 billion, or 5.9% over that at the end of last year; as at June 30, 2018, our total shareholder's equity attributed to our parent company valued RMB18.176 billion, increasing by RMB1.033 billion, or 6.0% over that at the end of last year. The increase in equity of the Bank's Shareholders can be primarily ascribed to the growing net profit.

The following table sets forth, as at the dates indicated, the various components of the equity of the Bank's shareholders.

	June 30, 2018		December 31, 2017	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)			
Share capital	2,000.0	10.7	2,000.0	11.3
Capital reserve	5,020.0	26.8	5,020.0	28.4
Surplus reserve	2,758.0	14.8	2,758.0	15.6
General reserve	3,275.4	17.5	3,275.4	18.6
Reserve for fair value changes of available-for-sale securities	(624.0)	(3.3)	(1,017.6)	(5.7)
Retained earnings	5,746.9	30.7	5,107.7	28.9
Equity attributable to shareholders of the Bank	18,176.3	97.2	17,143.5	97.1
Non-controlling interests	524.6	2.8	507.7	2.9
Shareholders' equity gross	18,700.9	100.0	17,651.2	100.0

5. Off-balance sheet commitments of assets and liabilities

The following table sets forth, as at the dates indicated, the Bank's off-balance sheet commitments amount of assets and liabilities.

	June 30, 2018	December 31, 2017
	(in millions of RMB)	
Loan commitments	2,421.6	463.4
Bank acceptance bills	28,208.3	27,912.3
Letters of credit	3,545.7	3,268.8
Letters of guarantee	3,307.0	3,018.0
Total	37,482.6	34,662.5

As at June 30, 2018, the Bank's off-balance sheet commitments totaled RMB37.483 billion, mainly due to the Bank's vigorous effort in promoting credit cards, which results in increased loan commitments. For details on off-balance sheet commitments of assets and liabilities, see the note "Commitments and Contingent Liabilities" to the financial statement in this report.

6. Loan quality analysis

In the reporting period, the Bank paid close attention to external dynamics and took concrete steps to strengthen full-process management over loans, sped up credit structure adjustment, intensified recovery and disposal of non-performing loans, and enhanced risk management performance assessment. As a result, the Bank's loan quality was maintained under control overall. However, the external business environment changes, the slowdown in economic growth and the business difficulties in small and medium enterprises jointly posed pressure on rising non-performing loans of the Bank. As at June 30, 2018, the Bank's non-performing loans totaled RMB1.960 billion, recording a non-performing loan ratio at 1.65%, 0.03 percentage point higher than that at the end of last year.

6.1 Distribution of loans by five-category loan classification

The following table sets forth, as at the dates indicated, loans and advances to customers categorized by five-category loan classification.

	June 30, 2018		December 31, 2017	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)			
Normal	114,716.5	96.6	99,534.1	96.9
Special mention	2,002.8	1.7	1,525.9	1.5
Substandard	895.4	0.8	677.3	0.7
Doubtful	814.3	0.7	832.8	0.8
Loss	250.2	0.2	155.1	0.1
Gross amount of loans and advances to customers	118,679.2	100.0	102,725.2	100.0
Non-performing loan ratio[1]		1.65		1.62

Note:

(1) Non-performing loan ratio is calculated by dividing the non-performing loans by the gross amount of loans and advances to customers.

Based on the five-category loan classification system, the Bank's non-performing loans are classified into substandard loans, doubtful loans and loss loans.

6.2 Loans and non-performing loans classified by business type

The following table sets forth, on the dates indicated, loans and non-performing loans of the Bank by business type.

	June 30, 2018				December 31, 2017			
	Amount	% of total	Non-performing loan amount	Non-performing loan ratio (%)	Amount	% of total	Non-performing loan amount	Non-performing loan ratio (%)
	(in millions of RMB, except percentages)							
Corporate loans								
Working capital loans	48,360.2	40.7	1,048.6	2.17	38,826.5	37.8	811.9	2.09
Fixed asset loans	23,704.1	20.0	127.4	0.54	19,284.5	18.8	143.6	0.74
Trade finance loans	1,302.8	1.1	0.0	0.00	960.6	0.9	0.0	0.00
Others	1,791.0	1.5	135.1	7.54	1,927.0	1.9	158.5	8.22
Sub-total	75,158.1	63.3	1,311.1	1.74	60,998.6	59.4	1,114.0	1.83
Personal loans								
Residential mortgage loans	19,681.3	16.6	41.1	0.21	19,162.3	18.7	46.7	0.24
Personal business loans	8,878.7	7.5	466.5	5.25	9,246.8	9.0	455.7	4.93
Personal consumption loans	9,548.1	8.0	127.1	1.33	8,113.0	7.9	44.4	0.55
Bank card balances	1,038.6	0.9	14.1	1.36	633.4	0.6	4.4	0.69
Sub-total	39,146.7	33.0	648.8	1.66	37,155.5	36.2	551.2	1.48
Discounted bills								
Bank acceptance bills	4,260.2	3.6	0.0	0.00	3,881.1	3.8	0.0	0.00
Commercial acceptance bills	114.2	0.1	0.0	0.00	690.0	0.6	0.0	0.00
Sub-total	4,374.4	3.7	0.0	0.00	4,571.1	4.4	0.0	0.00
Gross amount of loans and advances to customers	118,679.2	100.0	1,959.9	1.65	102,725.2	100.0	1,665.2	1.62

6.3 Loans and non-performing loans classified by industry

The following table sets forth, on the dates indicated, loans and non-performing loans of the Bank by industry.

	June 30, 2018			December 31, 2017		
	Amount	% of total	Non-performing loan ratio (%)[1]	Amount	% of total	Non-performing loan ratio (%)[1]
	(in millions of RMB, except percentages)					
Wholesale and retail	8,281.8	7.0	4.86	8,380.8	8.2	4.89
Real estate	21,841.3	18.4	0.86	19,338.5	18.8	1.32
Manufacturing	6,641.4	5.6	5.48	4,888.8	4.8	3.56
Construction	6,835.3	5.8	1.35	7,433.2	7.2	0.96
Agriculture, forestry, animal husbandry and fishery	437.4	0.4	10.25	748.0	0.7	9.40
Hotels and catering	865.4	0.7	7.03	853.6	0.8	6.81
Leasing and commercial services	12,725.2	10.7	0.19	6,814.0	6.6	0.53
Transportation, storage and postal services	640.0	0.5	4.21	532.0	0.5	1.96
Others[2]	16,890.3	14.2	0.64	12,009.7	11.7	0.23
Total corporate loans	75,158.1	63.3	1.74	60,998.6	59.4	1.83
Total personal loans	39,146.7	33.0	1.66	37,155.5	36.2	1.48
Discounted bills	4,374.4	3.7	0.00	4,571.1	4.4	0.00
Gross amount of loans and advances to customers	118,679.2	100.0	1.65	102,725.2	100.0	1.62

Notes:

(1) Calculated by dividing non-performing loans in each industry by gross loans to corporate customers in that industry.

(2) Consist primarily of (i) information transmission, software and information technical services; (ii) culture, sports and entertainment; (iii) residential services, repair and other services; (iv) production and supply of electricity, heat, gas and water; and (v) mining.

As at June 30, 2018, the Bank's non-performing corporate loans were primarily from: (i) wholesale and retail industries; (ii) the real estate industry; (iii) the manufacturing industry; (iv) the construction industry; and (v) hotels and catering industries.

6.4 Loans and non-performing loans classified by collateral

The following table sets forth, on the dates indicated, loans and non-performing loans of the Bank by collateral.

	June 30, 2018				December 31, 2017			
	Loan amount	% of total	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	% of total	Non-performing loan amount	Non-performing loan ratio (%)
	(in millions of RMB, except percentages)							
Unsecured loans	20,090.3	16.9	137.7	0.69	15,951.3	15.5	52.5	0.33
Pledged loans	14,694.1	12.4	67.7	0.46	13,359.2	13.0	62.7	0.47
Guaranteed loans	27,465.2	23.1	351.5	1.28	20,224.6	19.7	244.3	1.21
Collateralized loans	56,429.6	47.6	1,403.0	2.49	53,190.1	51.8	1,305.7	2.45
Total	118,679.2	100.0	1,959.9	1.65	102,725.2	100.0	1,665.2	1.62

6.5 Borrower concentration

As at June 30, 2018, the Bank's loan balance to any single borrower did not exceed 10% of the Bank's net capital base. The following table sets forth, as at the date indicated, our loan balances to our ten largest single borrowers. Such loans were classified as normal.

		June 30, 2018			
	Industry	Loan balance	% of total loans	% of regulatory capital	Loan classification
		(in millions of RMB, except percentages)			
Borrower A	Leasing and commercial services	1,000.0	0.84	4.10	Normal
Borrower B	Real estate	800.0	0.67	3.28	Normal
Borrower C	Water conservancy, environment and public utility management	799.0	0.67	3.27	Normal
Borrower D	Real estate	780.0	0.66	3.20	Normal
Borrower E	Leasing and commercial services	750.0	0.63	3.07	Normal
Borrower F	Leasing and commercial services	700.0	0.59	2.87	Normal
Borrower G	Water conservancy, environment and public utility management	650.0	0.55	2.66	Normal
Borrower H	Real estate	650.0	0.55	2.66	Normal
Borrower I	Scientific research and technical services	618.0	0.52	2.53	Normal
Borrower J	Wholesale and retail businesses	615.0	0.52	2.52	Normal
Total		7,362.0	6.20	30.16	

6.6 Overdue loans

The following table sets forth, on the dates indicated, the Bank's loans and advances to customers by length of maturity.

	June 30, 2018		December 31, 2017	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)			
Current loans	116,031.5	97.8	100,500.0	97.8
Overdue loans				
Up to 3 months (inclusive)	985.5	0.8	852.5	0.8
3 months to 1 year	737.4	0.6	474.0	0.5
1 to 3 years	701.1	0.6	772.0	0.8
Over 3 years	223.7	0.2	153.7	0.1
Sub-total	2,647.7	2.2	2,225.2	2.2
Gross amount of loans and advances to customers	118,679.2	100.0	102,725.2	100.0
Loans overdue for 91 days or more	1,662.2	1.4	1,399.7	1.4

As at June 30, 2018, overdue loans totaled RMB2.648 billion, increasing by RMB423 million over that at the end of last year; overdue loans accounted for 2.2% of the total loans, remaining at equilibrium level as compared to the end of last year. Specifically, loans more than 90 days overdue accounted for 1.4%.

7. Segment reporting

7.1 By geographical region

The following table sets forth, on the dates indicated, the Bank's operating income in various geographical regions and shares in the total operating income.

	For the six months ended June 30,			
	2018	% of total	2017	% of total
	(in millions of RMB, except percentages)			
Jiangxi Province	3,140.7	89.9	2,283.5	86.3
Guangdong Province	140.9	4.0	177.3	6.7
Anhui Province	60.5	1.7	43.3	1.6
Other areas	153.7	4.4	142.4	5.4
Total operating income	3,495.8	100.0	2,646.5	100.0

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7.2 By business segment

The following table sets forth, for the periods indicated, the operating results of the Bank for each of our principal business segments:

	Six months ended June 30,									
	2018					2017				
	Corporate banking	Retail banking	Financial market business	Others[(1)]	Total	Corporate banking	Retail banking	Financial market business	Others[(1)]	Total
	(in millions of RMB)									
External interest income[(2)]	1,874.5	981.2	2,423.6	283.3	5,562.6	1,452.0	633.1	3,325.7	178.2	5,589.0
External interest income[(3)]	(1,139.9)	(770.8)	(1,425.9)	(85.0)	(3,421.6)	(793.3)	(572.0)	(1,557.6)	(14.7)	(2,937.6)
Net inter-segment interest income/(expense)[(4)]	871.9	401.2	(1,349.5)	76.4	0.0	542.7	318.3	(896.0)	35.0	0.0
Net interest income	1,606.5	611.6	(351.8)	274.7	2,141.0	1,201.4	379.4	872.1	198.5	2,651.4
Net fee and commission income/(expense)	79.1	24.0	35.7	(0.8)	138.0	79.3	11.0	56.1	3.5	149.9
Net gains/(losses) arising from investment securities	0.0	0.0	1,208.0	0.0	1,208.0	0.0	0.0	(107.7)	(1.6)	(109.3)
Other income, gains or losses	0.0	0.0	4.8	4.0	8.8	0.0	0.0	2.6	(48.1)	(45.5)
Operating income	1,685.6	635.6	896.7	277.9	3,495.8	1,280.7	390.4	823.1	152.3	2,646.5
Operating expenses	(360.5)	(214.7)	(343.5)	(96.6)	(1,015.3)	(293.0)	(111.2)	(217.4)	(95.6)	(717.2)
Impairment losses on assets	(569.1)	(285.3)	(255.7)	(70.1)	(1,180.2)	(603.0)	(182.9)	(220.7)	(61.6)	(1,068.2)
Share of profit of associates	0.0	0.0	0.0	8.9	8.9	0.0	0.0	0.0	6.8	6.8
Profit before tax	756.0	135.6	297.5	120.1	1,309.2	384.7	96.3	385.0	1.9	867.9

Notes:

(1) Consists primarily of income and expenses that are not directly attributable to any specific segment.

(2) Represents net interest income from each segment's external customers or activities.

(3) Represents net interest expense from each segment's external customers or activities.

(4) Represents net interest income/(expense) attributable to each segment's transactions with other segments.

The following table sets forth, for the periods indicated, the operating income of the Bank's various business segments and shares in the total operating income.

	For the six months ended June 30, 2018		For the six months ended June 30, 2017	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)			
Corporate banking	1,685.6	48.2	1,280.7	48.4
Retail banking	635.6	18.2	390.4	14.8
Financial market business	896.7	25.7	823.1	31.1
Others[1]	277.9	7.9	152.3	5.8
Total operating income	3,495.8	100.0	2,646.5	100.0

Note:

(1) Consists primarily of income and expenses that are not directly attributable to any specific segment.

8 Business operation

8.1 Corporate banking business

We provide our corporate customers with diversified financial products and services, including corporate loans, corporate deposits and fee- and commission-based products and services. Our corporate customers include government departments, public sector organizations and industrial and commercial enterprises. Corporate banking business is one of our most important sources of operating income. For the six months ended June 30, 2018, the Bank registered a corporate banking operating income of RMB1.686 billion, accounting for 48.2% of the total operating income, increasing by 31.6% year-on-year.

8.1.1 Corporate customers

We have established a large and stable corporate customer base in Jiangxi Province, especially in Jiujiang. As at June 30, 2018, the Bank had around 1,800 corporate loan customers and around 31,200 corporate deposits customers. Our corporate banking customers are primarily from the industries of (i) real estate; (ii) leasing and business services; (iii) water, environment and public utility management; (iv) wholesale and retail businesses; and (v) the construction sector, which are critical to the "new urbanization" effort of Jiangxi Province. As at June 30, 2018, our loans to customers in these industries accounted for 29.06%, 16.93%, 13.52%, 11.02%, and 9.09%, respectively, of our total corporate loans as at the same dates.

8.1.2 Corporate loans

The Bank is set to provide better professional, all-round and efficient financing schemes and services to small and micro enterprises, focusing on building a financial service brand for small and micro enterprises while exploring to serve large and medium-sized enterprises with favorable prospects in the supply and distribution chains.

As at June 30, 2018, the Bank issued corporate loans totaling RMB75.158 billion, accounting for 63.3% of the loans to the customer on the same day, increasing by RMB14.160 billion, or 23.2% over that at the end of last year.

8.1.3 Discounted bills

Discounted bills refers to our purchase of (i) bank acceptance bills and commercial acceptance bills with remaining maturities of less than six months; and (ii) electronic bank acceptance bills and commercial acceptance bills with remaining maturities of less than one year at discounts. Bill discounting provides short-term financing to our corporate banking customers. The Bank may resell these bills to the central bank or other financial institutions licensed to conduct bill discounting business, to obtain additional liquidity and net interest income. As at June 30, 2018, the Bank's discounted bills totaled RMB4.374 billion, accounting for 3.7% of the gross amount of loans and advances to customers, decreasing by RMB197 million, or 4.3% over that at the end of last year.

8.1.4 Corporate deposits

We offer our corporate customers time deposits, demand deposits and margin deposits in Renminbi and major foreign currencies such as, U.S. dollar, Hong Kong dollar, Japanese yen and Euro. We provide Renminbi-denominated time deposits with a maximum tenor of five years. We also offer large-denomination certificates of deposit to meet market demand arising from interest rates liberalization in the PRC, and we set interest rates based on the capital management demand of different corporate customers. As at June 30, 2018, the Bank's corporate deposits totaled RMB129.217 billion, accounting for 66.6% of the total corporate deposits of the same day, increasing by RMB1.935 billion, or 1.5% over that at the end of last year.

8.1.5 Fee- and Commission-based Products and Services for Corporate Customers

We provide our corporate banking customers with a broad range of fee- and commission-based products and services, including bank acceptance, the issuance of domestic and international letters of credit, letters of guarantee, agency services, wealth management services, other domestic settlement and fee- and commission-based products and services. During the reporting period, our corporate banking customers produced a net fee and commission income of RMB79 million.

8.2 Retail banking business

We offer a wide range of products and services to our retail banking customers, including loans, deposits, bank cards, and other fee- and commission-based services. Our retail banking business has grown significantly in recent years. The Bank registered a retail banking operating income of RMB636 million, accounting for 18.2% of the total operating income, increasing by 62.8% year-on-year.

8.2.1 Retail customers

We have an extensive retail banking customer base in Jiangxi Province. With China's "new urbanization" plan advances in recent years, the Bank has built 93 community sub-branches on the doorstep of urban residents. As at June 30, 2018, the Bank had around 454,000 personal loans customers, and around 2,851,600 personal deposits customers.

As at June 30, 2018, there are approximately 70,000 customers with their personal deposits and wealth management asset accounts valuing over RMB300,000 in the Bank. The total value of such accounts amounted to RMB47.642 billion.

8.2.2 Personal loans

Our personal loans mainly include residential mortgage loans, personal business loans, personal consumption loans and bank card balances. As at June 30, 2018, the Bank had personal loans of RMB39.147 billion, accounting for 33.0% of the total loans to customers on the same day, increasing by 5.4%, or RMB1.991 billion over that at the end of last year.

We provide retail customers with residential mortgage loans for purchasing new or second-hand houses, individual business owners, farmers and other retail customers engaged in business activities with personal business loans, and retail customers with a wide range of personal consumption loans to support personal and family consumption needs such as home renovation and purchasing durable goods and cars.

8.2.3 Personal deposits

We offer retail banking customers a variety of demand deposit, time deposit and notice deposit products. The time deposits for our retail customers have maturities of no more than five years. As at June 30, 2018, our personal deposits totaled RMB64.333 billion, accounting for 33.2% of the total corporate deposits of the same day, increasing by 23.5%, or RMB12.250 billion over that at the end of last year.

8.2.4 Bank card services

Debit card

We issue Renminbi-denominated debit cards, branded as “Lushan Card (廬山卡)”, to retail customers who maintain deposit accounts with us. We offer our cardholders cross-bank cash deposit and withdrawal services free of charge. As at June 30, 2018, we have issued a total of 2,999,400 debit cards, increasing by 464,300 year-on-year. As a member of China UnionPay, our debit cards are accepted through the China UnionPay network in China and around the world.

Credit card

We obtained the qualification to issue credit cards to the general public in December 2016, and commenced our credit card business in July 2017. As at June 30, 2018, we have issued 86,700 credit cards (public service cards included) with total credit facilities of 2.864 billion. During the reporting period, we had a revenue of RMB25 million generated from the credit card and public service card business. We have formulated concrete strategies and plans to develop our credit card business, and plan to provide value-added services to cardholders depending on the type of credit card.

8.2.5 Fee-and commission-based products and services for retail customers

Our other fee- and commission-based retail banking products and services consist primarily of personal wealth management services, agency services and payroll and payment services. During the reporting period, our retail banking business harvested a net fee and commission income of RMB24 million.

8.3 Small and micro finance business

Our small and micro finance business provides credit services to small and micro enterprises, as well as individual business owners. This business includes loans provided to small and micro enterprises under our corporate banking business and personal business loans under our retail banking business.

Our small and micro finance business has won numerous awards and recognitions, such as the "Outstanding Financial Services Provider to Small and Micro Enterprises in the PRC Banking Industry" award granted by the CBRC several times historically. In 2010, upon approval from the CBRC, we became the first bank in Jiangxi Province to establish a small enterprise credit center to manage our financial services to small and micro enterprises. We also introduced the micro-loan technology developed by International Project Consult GmbH (IPC), a German company specializing in micro-loans, to assess the ability of customers to repay loans and control our risks. In 2016, we established the small and micro finance management department, strengthening the comprehensive management of our small and micro enterprise finance business. Our small and micro finance management department is responsible for managing our small and micro finance business, and its responsibilities include reviewing and approving loans to small and micro enterprises, as well as overseeing and coordinating small and micro financial products development. In September 2017, we further optimized our small and micro finance business management and changed the department name to Inclusive Finance Headquarters.

We offer a number of loan products for small and micro enterprises and individual business owners to cater to their diverse financing needs. For example, our "Cai Yuan Xin Dai Tong" (財園信貸通) targets small and micro enterprises and provides a revolving credit facility backed by dedicated funds from local governments. For another example, our joint-guaranteed loans under the "Dai Dai Xiang Chuan" (貸貸相傳) target individual business owners operating businesses in the marketplaces who form groups to provide mutual guarantees, agree on overall credit limits and jointly apply for credit to us. Each borrower provides a joint guarantee for the benefit of other borrowers in the group. We grant the borrowers in the same group an aggregate credit limit.

We have also developed Internet-based financial services to provide differentiated solutions to our small and micro finance customers. For example, we have participated in the development of the "Kinbong City" (金邦城) Internet-based services platform with the Hefei Building Materials and Hardware City (合肥建材五金城) in Hefei, Anhui Province, which collects and manages supply-chain related market information using "big data" technologies and serves merchants in the Hefei Building Materials and Hardware City.

8.4 Automobile finance business

We provide automobile finance services to cater to the financing needs of automobile manufacturers, dealers and purchasers. We intend to strengthen our cooperation with the BAIC Group by offering corporate deposits and loans services and developing automobile dealer financing product through tripartite financing arrangements.

As at Jun 30, 2018, 280 car dealers of automobile manufacturers were admitted to the "Shang Dai Tong" (商貸通) tripartite financing arrangement. Our total credit line extended to, and total loan balance with, these car dealers were approximately RMB2.943 billion and RMB900 million, respectively.

8.5 Financial market business

Our financial market business primarily includes money market transactions, investments in Standard Investment Products and Non-standard Credit Assets, equity investments, bond underwriting and distribution, interbank discount and rediscounts of bills, as well as wealth management business conducted on behalf of customers. During the reporting period, our financial market business recorded an operating income of RMB897 million, accounting for 25.7% of the total operating income and rising by 8.9% year-on-year.

We have obtained a broad range of licenses and qualifications in recent years, which have enabled us to participate in various market transactions and develop innovative financial products. For example, we have obtained the qualification for underwriting financial bonds issued by the Export-Import Bank of China and debt financing instruments issued by non-financial enterprises in the interbank bond market. In addition, we obtained a qualification for the issuing of credit asset-backed securities in late 2015.

8.5.1 Money market transactions

Our money market transactions consist of (i) interbank deposits, (ii) interbank placement, and (iii) securities repurchase and reverse repurchase transactions with other PRC banks and non-banking financial institutions. The securities underlying repurchase and reverse repurchase transactions primarily include bonds issued by the PRC central government and policy banks.

As at June 30, 2018, the Bank's deposits from banks and other financial institutions totaled RMB19.309 billion, rising by 133.5%, or RMB11.04 billion over that at the end of last year. Our deposits balance with banks and other financial institutions were RMB2.114 billion, rising by 26.8%, or RMB446 million over that at the end of last year.

As at June 30, 2018, our placements from banks totaled RMB809 million, declining by 27.5%, or RMB307 million from that at the end of last year. Our placements with banks and other financial institutions totaled RMB374 million, declining by 74.7%, or RMB1.107 billion from that at the end of last year.

As at June 30, 2018, our financial assets sold under repurchase agreements totaled RMB6.384 billion, declining by 63.3%, or RMB11.022 billion from that at the end of last year. Our financial assets held under resale agreement totaled RMB9.315 billion, declining by 64.9%, or RMB17.192 billion from that at the end of last year.

8.5.2 Investments business

Our investments business mainly includes investments in Standard Investment Products, Non-standard Credit Assets and equity investments. As at June 30, 2018, our investments in Standard Investment Products, Non-Standard Credit Assets and equity investments amounted to RMB123.493 billion, accounting for 42.8% of our asset aggregate of the same day, increasing by 18.2%, or RMB18.998 billion over that at the end of last year.

Our investments in Standard Investment Products primarily comprise investments in bonds issued by PRC government, policy banks, other commercial banks and financial institutions, as well as corporations. According to China Central Depository and Clearing Company Limited, as at June 30, 2018, we ranked 46th among all the PRC financial institutions and 18th among the PRC city commercial banks in terms of bond trading volume. During the reporting period, our bonds investment bagged an interest income of RMB766 million, increasing by 42.1%, or RMB227 million year-on-year.

Our investments in Non-standard Credit Assets mainly include trust plans, asset management plans and wealth management products issued by other PRC commercial banks. As at June 30, 2018, our investment in trust and capital management plans as well as in wealth management products issued by other PRC commercial banks totaled RMB76.638 billion and RMB1.808 billion, respectively. During the reporting period, our investments in Non-standard Credit Assets bagged an interest income of RMB 2.218 billion, increasing by 5.1%, or RMB108 million year-on-year.

Our investments in equity interests consist of holdings of equity securities and equity interests in funds. From time to time, the Group may directly invest in such securities when the Group deems appropriate. The investment funds in which we invest are subject to the supervision and regulation by the CBIRC and other relevant regulatory authorities, and have the required qualifications for investment fund offerings, as well as extensive experience, established reputation and solid performance in the industry. As at June 30, 2018, our equity investments totaled RMB720 million, increasing by 4,671.1%, or RMB705 million over that at the end of last year. As at June 30, 2018, our fund investments totaled RMB6.429 billion, increasing by 67.3%, or RMB2.585 billion over that at the end of last year.

8.5.3 Interbank discounts and rediscounts of bills

We engage in interbank discounts of commercial bills with other qualified financial institutions or rediscounts of commercial bills with the central bank to generate working capital and income from interest spreads. We offer interbank discount services such as bills buyouts, bills sell-offs, and bills held under resale agreements, as well as bills sold under repurchase agreements. We rediscount bills in accordance with the regulation of the central bank.

8.5.4 Wealth management for customers

Our financial market business also includes the management of the proceeds from the issuance of wealth management products for our corporate, retail and interbank customers. During the reporting period, we made 331 issues of wealth management products to our customers, raising RMB58.49 billion, with each issue raising RMB177 million.

We invest the proceeds from our wealth management products mainly in money market instruments, bonds, Non-standard Credit Assets and equity products.

8.6 Businesses of controlling subsidiaries

As at June 30, 2018, we controlled 18 county banks, including 15 in Jiangxi Province and 3 in Beijing, Shandong Province and Jiangsu Province. As at June 30, 2018, the total assets of the 18 county banks reached RMB11.378 billion. Specifically, loans totaled RMB5.576 billion, rising 6.34% year-on-year; the deposit balance totaled RMB9.348 billion, rising 16.71% year-on-year. In the first half of 2018, we delivered a net profit of RMB69 million.

8.7 Distribution channels

8.7.1 Branches and sub-branches

As at June 30, 2018, we operated our business through our head office in Jiujiang, 13 branches and 241 sub-branches which consisted of 138 traditional sub-branches, 93 community sub-branches and ten small and micro enterprises sub-branches. The branch network of the Bank is primarily located in Jiangxi Province, and also covers Guangzhou, Guangdong Province and Hefei, Anhui Province. We plan to steadily expand our distribution network to all major cities in Jiangxi Province. In addition, we controlled and consolidated 18 Jiuyin County Banks as at June 30, 2018.

8.7.2 Electronic banking

Our electronic channels provide comprehensive financial services through online banking, mobile banking, telephone banking and self-service banking in order to enhance customer experience. We place strong emphasis on building up electronic channels to improve our capabilities to provide services to our customers in an efficient and secure way. In the first half of 2018, we completed around 27.7765 million transactions through electronic banking channels, with the total value amounting to RMB394.650 billion. We will continue to promote the use of our electronic banking platform, enlarge our service portfolio and improve service efficiency.

8.7.3 Online banking

Our online banking platform (www.jjccb.com) provides comprehensive financial products and services to our corporate and retail banking customers. Our corporate online banking products and services include account management, collection and payment management, wealth management investments and salary payment. We also provide large enterprise customers with funds transfer services within a group company to meet their needs of centralized liquidity management. Our retail online banking services include account inquiry and management, transfer and remittance, self-service payment and wealth management products investment. As at June 30, 2018, we had around 344,800 online banking customers, including around 24,600 registered corporate banking customers and 320,200 registered retail banking customers. In the first half of 2018, our online banking platform handled 20.2260 million transactions, with the total value of transactions being around RMB335.836 billion.

8.7.4 Mobile banking

We offer mobile banking services to our retail customers, which mainly include basic services such as account management, money transfer and remittance, credit card management, investment wealth management, as well as services related to daily life, such as payment of utility fees. In addition, we also provide an SMS service to contracted customers, primarily including notification of account changes, risk alerts and identity authentication regarding transactions. Our mobile banking application can be downloaded on mobile phones, providing convenient services to our retail customers. In addition, through WeChat, our customers can access information relating to our products, services and promotions, manage accounts, search for outlet locations and have access to other services. As at June 30, 2018, we have around 254,700 mobile banking customers.

8.7.5 Telephone banking

We offer telephone banking services to both corporate and retail customers, including both automated voice and teller-operated services through our 24-hour nationwide customer service hotlines "95316". Our services include information inquiries, account inquiries, and account management, emergency lost card reporting, money-transfer, investment wealth management, as well as handling of customer complaints and recommendations. As at June 30, 2018, we have a total of 137,400 telephone banking customers.

8.7.6 Self-service banking

Our self-service banking facilities include ATMs, self-service deposit and withdrawal machines and self-service terminals, which are effective to provide customers with convenient banking services and reduce operating costs. Our self-service banking facilities are placed on the premises of our outlets, providing customers with balance inquiry, cash deposit and withdrawal, fund transfer, and certain other services. As at June 30, 2018, we had a total of approximately 1,000 self-service banking facilities, including approximately 800 ATMs and 200 multimedia self-service terminals.

8.7.7 WeChat banking

We introduced the WeChat public platform "Bank of Jiujiang" and "Direct Banking of Bank of Jiujiang" on mobile phones to our customers to further diversify our financial services channels. As one of the channels to our banking services on the WeChat public platform, our customers are able to use this platform to order credit cards, purchase wealth management products, make loan applications, make account information enquiries and receive notifications, outlets search and book appointments, and use other services. WeChat has also become one of our important channels in delivering value-added services for our retail banking customers.

8.8 Risk management

During the reporting period, we gradually strengthened our risk management and established an integrated and comprehensive risk management system, through which we successfully met increasingly strict regulatory and other relevant requirements, mitigating risks associated with uncertain external economic conditions, and achieved the sustainable development of our business. In our daily operations, we have been continuously improving our risk management standards through various measures, including setting up a risk management structure to ensure integration of efficient management and all-round support. We have been formulating and implementing effective risk management plans, improving our risk management mechanism and the risk identification and control technical competency. With the help of an effective incentive and accountability system, we have improved our assessment and supervision efficiency, while strengthening and refining our risk management methodologies and measures. During the reporting period, we have seen zero risk incidents, with our risk management competence on constant rise.

8.8.1 Credit risk management

Credit risk refers to the risk of loss resulting from the failure by an obligor or counterparty to fulfill its obligations under the contract, or changes in its credit rating. The Bank is exposed to credit risk primarily related to the Bank's corporate loan business, personal loan business and financial market business.

We have established a three-layered credit risk management structure covering the front, middle and back office comprising the Board and the risk management committee thereunder, senior management and the credit review committee and the risk classification committee thereunder, the risk management departments and officers at the head office, branches and sub-branches. A credit risk management organizational structure has been established based on our business processes and management norms. We have also formulated comprehensive risk management policies and systems covering management of all credit procedures, credit products, controlling procedures for credit extension, disbursement and post-disbursement.

In particular, specific review and approval are arranged for personal loans while a credit business contact system has been established for corporate business whereby the Nanchang Credit Review Sub-Center is responsible for the credit extension business of the branches. Each independent credit review officer takes charge of the credit extension of two to three branches. As a result, regional management has been realized gradually. Moreover, by conducting examinations on business lines responsible for credit extension, examinations on internal control of credit extension, specific examinations on the credit business of small and micro finance and other examinations, we have enhanced the depth and coverage of on-site examinations, and have successfully improved the risk management and compliance awareness of our branches and sub-branches.

Furthermore, we have developed and progressively promoted online image review and approval, realizing a shift of our credit extension method from a paper-oriented approach to a digital credit extension management system. As such, we are less constrained by time and material delivery and are able to continue to improve the efficiency of our credit extension, and to efficiently utilize advanced information technology and the increasingly digitalized overall management of the credit extension process, including pre-loan examination, credit review and post-disbursement examination, so as to further enhance our credit risk control capability.

8.8.2 Market risk management

Market risk is the risk of loss in on- and off-balance sheet positions arising from movements in market prices caused by changes in interest rates, exchange rates and other market factors. The primary source of market risks for our banking business portfolio is interest rate risk and exchange rate risk. The primary source of market risk for our trading portfolio is the fluctuation of market value of our trading positions, which is affected by movements in observable market variables such as interest rates and exchange rates. Our principal objective for market risk management is to keep potential market losses within acceptable limits based on our risk preference while seeking to maximize our risk- adjusted returns.

We have established a three-level market risk management system consisting of our Board, senior management, and other relevant departments including the risk management department, financial market management headquarters and trading and financing department. Our risk officers are assigned to the trading and financing department and the financial market management headquarters to identify, measure, supervise and control the market risks in a timely manner. The financial market management headquarters under our head office, the major supervision department for market risks, is responsible for implementing our market risk management measures in its day-to-day business operations. We manage our market risk mainly through account classification and limit management and also constantly optimize the functions of our existing systems, such as the Monte Carlo simulation and stress tests. Our current capital business system can reflect the daily profit or loss of investment portfolios, and it is expected that our new systems can simulate and estimate potential loss arising from emergencies, in order to evaluate our loss tolerance in extremely adverse conditions. Based on the results of stress tests, the financial market management headquarters adjusts our strategies, policies and limits of debt securities investment management, and formulates emergency plans.

We have implemented a series of internal policies and regulations on market risk management, setting forth various matters relating to market risk, such as the organizational framework, roles and responsibilities of the different institutions, procedures and reporting systems. Our market risk management practices consist of the identification, measuring, reporting, executing and monitoring of market risk, which are carried out by the financial market management headquarters.

8.8.3 Interest rate risk management

Interest rate risk refers to the exposure of our financial condition to adverse movements in interest rates. Interest rate risk arising from our banking book primarily lies in the mismatch of maturity dates or the re-pricing dates of our interest rate-sensitive on- and off-balance sheet assets and liabilities. Maturity or re-pricing date mismatches may result in changes in net interest income and economic value due to fluctuations of the prevailing interest rates. We are exposed to interest rate risk in our day-to-day lending and deposit-taking activities and our financial market business.

We manage our interest rate risk primarily through the adjustment of our asset and liability structure by adjusting the interest rate maturity and pricing of our products, adjusting the transfer pricing of internal capital, development of new products and asset securitization. We conduct maturity analysis upon the bond instruments in our investment portfolios and evaluate their potential price fluctuations through our analysis of the sensitivity of the bonds' price against interest rate fluctuations. We primarily use re-pricing gap analysis, revenue curve analysis, duration analysis, interest rate sensitivity analysis and stress testing to measure our exposure to potential interest rate changes.

8.8.4 Foreign exchange risk management

Exchange rate risk refers to risk caused by the adverse impact on our foreign currency position and cash flow as a result of exchange rate fluctuations in our primary foreign currency. Our primary principle for controlling our exchange rate risk is to match assets and liabilities denominated in each currency and monitor our foreign currency exposure on a daily basis. Based on the relevant regulatory requirements and our management's decisions on the current situation, we seek to control our exposure to exchange rate risk by reasonably arranging our sources and use of funds denominated in foreign currencies to minimize the mismatches of assets and liabilities in different currencies. We also prevent currency exchange loss arising from exchange rate fluctuation through settlement and sales of foreign exchange in a timely manner under our prudent transaction strategy.

8.8.5 Liquidity risk management

Liquidity risk refers to the risk of failure of commercial banks to acquire sufficient funds in a timely manner at a reasonable cost to pay off debts due or meet liquidity demands in line with expansion of our business operations. We are exposed to liquidity risk primarily in the funding of our lending, trading and investment activities, as well as in the management of our liquidity positions.

Our liquidity risk management framework comprises three levels, comprising the Board of Directors, senior management and other relevant departments at the head office. We have established a liquidity risk mitigation structure comprising the Board of Directors and the risk management department thereunder, senior management and the asset and liability committee thereunder to take charge of the formulation of liquidity risk management strategies and the establishment of an internal control system. The planning and finance department is primarily responsible for the management of the daily fund position and liquidity risk, while the financial market management headquarters and the trading and financing department are responsible for implementing and operating our liquidity risk management for Renminbi and foreign currencies, respectively. The audit department performs functions of independent audit and supervision on our liquidity risk management activities. We measure liquidity risk based on the liquidity indicators and liquidity gap, analyze our tolerance towards liquidity incidents and liquidity crises through stress tests, and establish a liquidity risk contingency mechanism and reporting mechanism through limit monitoring and management, so as to enhance our liquidity risk management. We are thus able to comprehensively evaluate the risk tolerance level of our assets under extreme situations, prevent the adverse effects that may be brought by such extreme situations, and provide the basis for our business judgments.

We manage liquidity risk primarily through monitoring the maturities of our assets and liabilities to ensure that we have sufficient funds to meet the obligations as they become due. We impose strict regulatory requirements by closely monitoring multiple liquidity indicators, formulating contingency plans, and strengthening liquidity risk management and stress tests. In particular, we have established an asset and liability management system which controls the aggregate amount and structure of all assets and liabilities in order to enhance the capability of proactive management of liquidity risks and interest rate risks, and promote the integration of risk management, profitability and resource allocation. In addition, through measures including designation of special fund planning positions and establishing leading departments, implementation departments and a work team for liquidity risk contingencies, we continue to optimize our organizational structure to increase the effectiveness of liquidity risk management. Our major liquidity risk management measures are set forth below:

- maintaining the stability of liabilities, and ensuring the proportion of core deposits in liabilities;

- setting up parameters and limits for the monitoring and management of our liquidity position and conducting centralized management of working capital at the head office for unified application;

- maintaining appropriate proportions of cash and excess deposit reserves with the central bank, interbank transactions and investments in debt securities with high liquidity, and participating in the operation of the open market, monetary market and bond market to guarantee satisfactory market financing capability; and

- establishing liquidity alert mechanisms and contingency plans.

8.8.6 Operational risk management

Operational risk refers to risks caused by inadequate or problematic internal procedures, personnel and information technology systems, as well as external events. Our operational risks primarily arise from internal and external frauds, worksite safety failures, business interruptions, and failure in the information technology system.

We have formulated a number of operational risk management policies and procedures, aiming to effectively identify, assess, monitor, and control/alleviate our operational risk, and minimize any losses arising from our operational risk exposure in order to maximize business efficiency on the condition that risks are controllable. We have steadily engaged in prevention in accordance with the requirements of the regulatory authorities. Through various measures, such as case-by-case risk examination, self-examination of employees' behavior, training and examination of the basic know-how of prevention, we have enhanced monitoring and examination of employees' behavior. A whistleblowing and examination system has been established with regard to abnormal behavior in order to improve the professional ethics of our employees.

In addition, we have established an effective operational risk management system, where our Board of Directors is ultimately responsible for our operational risk management, supported by our senior management, which leads our operational risk management on a day-to-day basis. Our business departments, risk management departments and legal compliance departments and audit departments work closely to achieve effective risk control. Our branches and sub-branches, together with our business lines and functions, are the first line of defense against operational risks, taking direct responsibility for operational risk management. The risk management department, operation management department and relevant business departments at our head office are the second line of defense against operational risks, responsible for the establishment of our operational risk management policies and procedures and the coordination, support and supervision of our operational risk management. Our compliance department and audit department are the third line of defense against operational risks, responsible for compliance management and internal control system assessment, and evaluating the adequacy and effectiveness of our operational risk management policies and procedures and conducting internal control audits, respectively. To ensure immediate identification of relevant risks, we have established a bottom-up reporting system for operational risk. Material operational risk incidents are required to be reported immediately by the respective branches and sub-branches, business lines and functions to our senior management.

We seek to further improve our operational risk management through the following measures:

- strictly separating responsibilities of the front, middle and back offices and improving business processes and risk management procedures;

- regularly reviewing risk alerts and updating operational guidelines covering all departments and functions;

- improving staff compliance awareness by, among others, continuous training, compliance checks, on-site audits and off-site monitoring;

- deploying technology, including through upgrading information systems and automation, to improve information security; and

- establishing contingency plans and launching business sustainable development programs.

8.8.7 Information technology risk management

We are subject to information technology risk which may be caused by natural factors, human factors, technical problems and flawed management in the course of our use of information technology, which can cause risks to our operations, legal risks and reputational risks.

We are relying on the proper functioning of IT systems for our business operations. As a result, if we are under cyber-attack, our internet banking, mobile banking and other businesses may be disrupted, causing temporary or prolonged suspension of relevant services, or theft of customer data which may result in complaints or litigation raised by affected customers. To prevent the risks associated with cyber-attacks, we have established an information technology risk management system which sets forth a comprehensive information technology management and information security strategy. In addition, we conduct regular information security training for our employees to enhance their awareness of information security and improve the implementation of our information technology risk management. Furthermore, we maintain the security of our IT systems through various technologies, including antivirus software, firewall and malicious code protection.

Our information technology risk management framework, under the leadership of our Board of Directors and our senior management, is based on the three lines of defense; namely, the information technology department, risk management department and audit department. The information technology department has assigned specific personnel to be responsible for the management of risks in relation to information and technology. The risk management department has assigned information technology risk management officers to the information technology department. The audit department has set up an information technology audit team to audit information technology-related matters. The pre-event, during-event and post-event risks have been effectively ameliorated.

8.8.8 Reputational risk management

Reputational risk refers to the risk of negative comments from relevant interested parties resulting from our operations, management, and other activities or external events. Our reputational risk management enhances the ability of prevention and resilience of media and reputational risk management, and further improves our reputational risk management system. Classification, accountability and management principles concerning reputational risk have been defined. Prevention, monitoring, reporting and handling of risks have been improved so as to minimize the loss and negative impact on us caused by the reputational risk-related events and promote our sustainable and stable operation. During the reporting period, no major reputational risk-related event was experienced.

We have established a tiered organizational framework for reputational risk management. Our Board of Directors bears the ultimate responsibility for reputational risk management of our bank and our senior management is responsible for the management of our reputational risk. We set up outposts at each entity and department, and engage staff to perform a seamless and ongoing monitoring of any news, information and internet discussion in relation to us and news on the banking industry. In addition, we have further expanded the source of information collection to cover new media, including Weibo and WeChat. By expanding the coverage, enhancing the efficiency and improving the quality, we are able to timely identify and duly deal with any negative reputation events. A normalized and effective reputational risk monitoring mechanism has been established which enhances the prospects and predictability of our reputational work. Moreover, we will continue to maintain a good relationship with the media, including newspapers, television and internet, and handle and respond to general complaints by our customers proactively. We aim to prevent reputational risk at the early stage and continue to maintain our outstanding reputation and image.

8.8.9 Compliance risk management

We have implemented an effective risk management system to control our exposure to legal risks, which include (i) risk of legal liability arising from violation of laws and regulations, breach of contracts, infringement of legal rights of others or otherwise in connection with any contract or business activity in which we are involved; and (ii) compliance risk, such as the risk of being subject to legal sanctions, regulatory penalties and significant financial and reputational losses as a result of a failure to comply with applicable laws, regulations, rules and relevant industry standards.

We have established a series of regimes and measures to manage and control our exposure to legal risk pursuant to the "Compliance Policy of Bank of Jiujiang" (《九江銀行股份有限公司合規政策》), "Compliance Management Procedures of Bank of Jiujiang" (《九江銀行合規管理流程》), "Administrative Measures for Review of Compliance of Bank of Jiujiang" (《九江銀行法律合規審查管理辦法》) and "Administrative Measures of Litigations of Bank of Jiujiang" (《九江銀行訴訟案件管理辦法》). To control and manage our exposure to compliance risk, we proactively encourage our business departments to identify and assess compliance risk associated with our business operations, while coordinating and assisting them to organize and revise business-related regulations and systems and operational procedures. We monitor the performance and effectiveness of implemented systems on an ongoing basis, evaluate their compliance, operation and completeness and review any deficiencies in our management, so as to provide compliance recommendations on system improvement, optimization of management procedures and completeness of systems, which strengthens the review and assessment on our compliance risks. A compliance risk alert system has been established. Through compliance risk reminders, a compliance risk library and online compliance risk inquiries, the initiative and sensitivity of employees in understanding and implementing new regulations have been enhanced. Moreover, the compliance department requires each department to duly provide compliance reports in order to reflect the compliance status and collect compliance risk data for making management decisions.

9. Corporate strategy and prospect

We are committed to evolving with the times and becoming a modern and asset-light commercial bank in China with strong innovative capabilities and effective management. We aim to consolidate our leading position in Jiangxi Province, develop industry-leading automobile finance business, and continually create greater value for our shareholders. The Bank intends to achieve these strategic objectives through the following measures:

9.1 Maintain our marketing positioning of "Rooted in Jiujiang and Centered in Jiangxi Province" and further expand our regional business advantages

We believe that Central China is positioned as the key development zone for the next stage of economic development in China. We intend to seize this strategically important development opportunity and further strengthen our business advantages in Jiangxi Province. We intend to expand our distribution network and enhance the targeted marketing within the region to increase our market penetration.

9.2 Strengthen our strategic cooperation with BAIC Group to develop an industry-leading automobile finance business

As one of the key industries in China, the automobile industry plays an important role in the domestic economy. Since 2009, China has ranked first in the world in terms of the production and sales of automobiles for seven consecutive years. Our Shareholder, BAIC Group, is committed to supporting the economic development of Jiangxi Province with its increasing investments in this region in recent years, for example its acquisition and reorganization of Changhe Motor and its construction of an automobile production base in Jiujiang. Through our strategic cooperation with BAIC Group, we can reach high-quality customer resources from the upstream and downstream sectors of the automobile industry, which will help grow our automobile finance business.

9.3 Continue to promote customized financial services for small and micro enterprises and develop platform-based business

We have actively sought to become a bank for small and micro enterprises and individual business owners. We strive to become a well-known leading financial service provider for small and micro enterprises and establish an integrated platform to provide a combination of transaction, financing and credit extension services through our cooperation with strategic partners in order to facilitate the transformation of our business from the traditional credit extension model to an integrated financial services model for the entire supply chain.

9.4 Continue to expand financial market business and become a leading transactional bank

We seek to transform our financial market business into a business with sound management, controllable risks, stable income, diversified products and strong talents. We also strive to make our financial market business a key source of profit, a liquidity management center and a product research and development base, with a view to becoming a transactional bank.

9.5 Reinforce the comprehensive risk management system to maintain our asset quality

We plan to improve a risk management and governance structure to promote our corporate culture and enhance our capabilities of risk management.

9.6 Develop market-oriented human resources systems to attract, motivate and cultivate high- caliber talents

We continue to develop a market-oriented human resources system with improvement in terms of job allocation, remuneration, performance appraisal and training, in order to attract, motivate and cultivate experienced and high-caliber staff who can provide strong support to our sustainable growth.

Share Capital Changes and Shareholders

1. Share capital changes

No share capital changes occur to the Bank during the reporting period.

The Bank issued 360,000,000 H Shares and became listed on the Main Board of the Hong Kong Stock Exchange on July 10, 2018. In addition, the over-allotment option stated in the prospectus has been partially exercised, involving 47,367,200 H Shares in total. The involved shares have been available on the Main Board of the Hong Kong Stock Exchange on August 9, 2018. As at the date of this report, the Bank's total number of issued shares is 2,407,367,200, including 2,000,000,000 Domestic Shares and 407,367,200 H Shares.

2. Shareholders

2.1 Total number of shareholders in the reporting period

As at June 30, 2018, the Bank had not been listed on the Main Board of the Hong Kong Stock Exchange and had 691 domestic shareholders in total.

2.2 Shareholding statuses of the Top 10 shareholders

As at June 30, 2018, the top 10 shareholders are as follows:

Name of Shareholder	Class of Shares	Number of Shares Held (Unit: Share)	Approximate Percentage of Total Issued Share Capital of the Bank by End of Reporting Period (%)
Jiujiang Finance Bureau	Domestic Shares	366,020,000	18.30
Beijing Automotive Group Co., Ltd.	Domestic Shares	366,020,000	18.30
Industrial Bank Co., Ltd.	Domestic Shares	294,400,000	14.72
Dasheng (Fujian) Agriculture Co., Ltd.	Domestic Shares	136,077,498	6.80
Foshan Gaoming Jindun Hengye Computer Special Printing Co., Ltd.	Domestic Shares	135,840,000	6.79
Jiangxi Baoshen Industrial Co., Ltd.	Domestic Shares	86,920,000	4.35
Junhe (Xiamen) Holdings Co., Ltd.	Domestic Shares	86,653,080	4.33
Tellhow Group Limited	Domestic Shares	57,040,000	2.85
Jiujiang Hehui Import & Export Co., Ltd.	Domestic Shares	56,392,500	2.82
Jiujiang State-owned Assets Management Co., Ltd.	Domestic Shares	43,454,831	2.17
Total		1,628,817,909	81.43

2.3 Interests and short positions of substantial shareholders and other personnel in shares and related shares

The Bank had not been listed on the Main Board of the Hong Kong Stock Exchange on June 30, 2018, and hence, Section 336 of the SFO does not apply.

As far as the Bank and its directors acknowledge on the Listing Date, the following substantial shareholders of the Bank and other persons (excluding Directors, Supervisors and the chief executive of the Bank) had interests and short positions in the Shares or underlying Shares that shall be acknowledged to the Bank or the Hong Kong Stock Exchange as stipulated in Divisions 2 and 3 of Part XV of the SFO, or that were recorded in the register as stipulated in Section 336 of the SFO.

Name of Shareholder	Class of Shares	Number of Shares	Nature of interest	Approximate percentage of shareholding in the relevant class of share (%)	Approximate percentage of total share capital of the Bank (%)
Jiujiang Finance Bureau[3]	Domestic Shares	366,020,000(L)[1]	Beneficial Owner	18.30	15.51
Beijing Automotive Group Co., Ltd.[4]	Domestic Shares	366,020,000(L)[1]	Beneficial Owner	18.30	15.51
Industrial Bank Co., Ltd.[5]	Domestic Shares	294,400,000(L)[1]	Beneficial Owner	14.72	12.47
Dasheng (Fujian) Agriculture Co., Ltd.[6]	Domestic Shares	136,077,498(L)[1]	Beneficial Owner	6.80	5.77
Foshan Gaoming Jindun Hengye Computer Special Printing Co., Ltd.[7]	Domestic Shares	135,840,000(L)[1]	Beneficial Owner	6.79	5.76
FORESEA LIFE INSURANCE CO LTD	H Shares	104,666,400(L)[1]	Beneficial Owner	29.07	4.44
Taiping Assets Management (HK) Company Limited	H Shares	104,666,400(L)[1]	Investment Manager	29.07	4.44
EasternGate SPC	H Shares	66,037,600(L)[1]	Beneficial Owner	18.34	2.80
Fairshore Asset Management Company Pte. Ltd.	H Shares	66,037,600(L)[1]	Investment Manager	18.34	2.80
Guangzhou Jinxiu Dadi Property Development Company Limited (廣州錦繡大地房地產發展有限公司)	H Shares	33,557,000(L)[1]	Beneficial Owner	9.32	1.42
Guangzhou Jinxiu Investment Company Limited (廣州錦繡投資有限公司)	H Shares	33,557,000(L)[1]	Beneficial Owner	9.32	1.42
Shaoxing Tiancheng Company Limited (肇慶市天城有限公司)	H Shares	33,557,000(L)[1]	Beneficial Owner	9.32	1.42
Faithful Edge Limited	H Shares	33,557,000(L)[1]	Beneficial Owner	9.32	1.42

Share Capital Changes and Shareholders

Name of Shareholder	Class of Shares	Number of Shares	Nature of interest	Approximate percentage of shareholding in the relevant class of share (%)	Approximate percentage of total share capital of the Bank (%)
Success Cypress Limited[8]	H Shares	33,557,000(L)[1]	Beneficial Owner	9.32	1.42
Rong De Investments Limited[9]	H Shares	33,308,200(L)[1]	Beneficial Owner	9.25	1.41
Hong Kong KaiLi Furniture Company Limited (香港凱利家居有限公司)[10]	H Shares	33,018,800(L)[1] 33,018,800(S)[2]	Beneficial Owner	9.17	1.40
AVICT Global Holdings Limited[11]	H Shares	33,018,800(L)[1] 33,018,800(S)[2]	Beneficial Owner	9.17	1.40
China International Capital Corporation (Hong Kong) Limited	H Shares	31,642,800(L)[1]	Beneficial Owner	8.79	1.34
China International Capital Corporation Hong Kong Securities Limited	H Shares	31,642,800(L)[1]	Beneficial Owner	8.79	1.34
China International Capital Corporation Limited	H Shares	31,642,800(L)[1]	Beneficial Owner	8.79	1.34
Yingcheng Investment Property Company Limited (盈盛投資有限公司)	H Shares	27,370,800(L)[1]	Beneficial Owner	7.60	1.16
Venfi Group Limited[12]	H Shares	22,205,400(L)[1]	Beneficial Owner	6.17	0.94
Guangzhou R&F Properties Co., Ltd.	H Shares	21,909,400(L)[1]	Beneficial Owner	6.09	0.93
R&F Properties (HK) Company Limited[13]	H Shares	21,909,400(L)[1]	Beneficial Owner	6.09	0.93
COAST TOWN LIMITED	H Shares	20,418,800(L)[1]	Beneficial Owner	5.67	0.87

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) The letter "S" denotes the person's short position in the Shares.

(3) Jiujiang Finance Bureau, an official organ as legal person, holds 366.02 million domestic shares of the Bank, accounting for 15.51% of the Bank's total issued share capital as at the Listing Date. The bureau's legal representative is Wu Zexun.

Jiujiang Finance Bureau and Jiujiang State-owned Assets Management Co., Ltd have acted in concert since January 1, 2016 and controlled an aggregate of approximately 17.35% of the interest of the total issued share capital of the Bank.

(4) Beijing Automotive Group Co., Ltd. holds 366.02 million domestic shares of the Bank, accounting for 15.51% of the Bank's total issued share capital as at the Listing Date. The company's legal representative is Xu Heyi. Founded in 1958, Beijing Automotive Group Co., Ltd. is headquartered in Beijing and is one of leading automotive groups in China and a Fortune 500 Company.

(5) Industrial Bank Co., Ltd. ("Industrial Bank") holds 294.40 million domestic shares of the Bank, accounting for 12.47% of the Bank's total share capital as at the Listing Date. The company's legal representative is Gao Jianping. Founded in August 1988 and headquartered in Fuzhou City, Fujian province, Industrial Bank is one of the first joint-stock commercial banks approved by the State Council and the central bank. Industrial Bank was officially listed in Shanghai Stock Exchange on February 5, 2007 (stock code: 601166) and ranks among the Top 50 banks in the world.

(6) Dasheng (Fujian) Agriculture Co., Ltd. ("Dasheng Agriculture") holds 136.08 million domestic shares of the Bank, accounting for 5.77% of the Bank's total share capital as at the end of the reporting period. Founded on May 18, 2006, Dasheng Agriculture, with Lu Tingfu as its legal representative, is situated in Fuzhou city, Fujian province and is wholly owned by Shenzhen D.S Agriculture. It has been consecutively shortlisted as one of the Top 500 Chinese private enterprises from 2015 to 2017.

(7) Foshan Gaoming Jindun Hengye Computer Special Printing Co., Ltd. ("Foshan Gaoming") holds 135.84 million domestic shares of the Bank, accounting for 5.76% of the Bank's total issued share capital as at the end of the reporting period. Foshan Gaoming with Luo Hanmin as its legal representative, was established in 2000 and is located in Foshan city, Guangdong province. The company is engaged in deposit receipt and deposit books printing, R&D and sales, and is the earliest in China to apply hot stamping to magnetic stripes of deposit books. It is also a member of "China Trade Association for Anti-counterfeiting", one of the "Top 500 Printing Enterprises in Guangdong Province", and a "Garden-like Unit in Foshan City".

(8) Success Cypress Limited is a company incorporated in the British Virgin Islands and is ultimately held by Tan Huichuan, Tan Mei, Tan Haocheng and Tan Yuehua as to 43%, 7%, 25% and 25%, respectively. It is principally engaged in investment holding business.

(9) Rong De Investments Limited is a company incorporated in the British Virgin Islands and is owned as to 36%, 34.06% and 29.94% by Liao Tengjia, Zhu Qingsong and Zhu Muzhi, respectively. It is principally engaged in investment holding business.

(10) Hong Kong KaiLi Furniture Company Limited is a company incorporated in Hong Kong and is wholly owned by Che Jianxing. It is principally engaged in home furniture, trade and investment.

(11) AVICT Global Holdings Limited is a company incorporated in the British Virgin Islands and is under effective control of Shenzhen Putai Investment Development Limited. It is principally engaged in equity investment.

(12) Venfi Group Limited is a company incorporated in Hong Kong and is wholly owned by Liu Yang. It is principally engaged in investment holding.

(13) R&F Properties (HK) Company Limited is a company incorporated in Hong Kong and a wholly-owned subsidiary of Guangzhou R&F Properties Co., Ltd. (stock code: 2777). It is principally engaged in investment holding business.

3. Purchasing, sale or redemption of listed securities of the Bank

The Bank or any of its subsidiaries has not purchased, sold or redeemed any listed securities of the Bank during the reporting period.

Directors, Supervisors, Senior Management, Staff and Institution Condition

1. Incumbent Directors, Supervisors and Senior Management

Directors

Name	Gender	Age	Position	Terms of Appointment	Number of shares held
LIU Xianting	Male	57	Chairman and Executive Director	2017.05-2020.05	500,000
PAN Ming	Male	43	Vice Chairman, Executive Director, President and Chief Customer Manager	2017.05-2020.05	224,910
CAI Liping	Female	54	Executive Director and Vice President	2017.05-2020.05	500,000
ZENG Huasheng	Male	54	Non-Executive Director	2017.05-2020.05	Nil
ZHANG Jianyong	Male	42	Non-Executive Director	2017.08-2020.05	Nil
LI Jianbao	Male	44	Non-Executive Director	2017.08-2020.05	Nil
YI Zhiqiang	Male	59	Non-Executive Director	2017.05-2020.05	Nil
CHUA Alvin Cheng-Hock	Male	60	Independent Non-Executive Director	2017.08-2020.05	Nil
GAO Yuhui	Female	68	Independent Non-Executive Director	2017.08-2020.05	Nil
QUAN Ze	Male	46	Independent Non-Executive Director	2017.08-2020.05	Nil
YANG Tao	Male	44	Independent Non-Executive Director	2017.08-2020.05	Nil

Directors, Supervisors, Senior Management, Staff and Institution Condition

Supervisors

Name	Gender	Age	Position	Terms of Appointment	Number of shares held
LUO Xinhua	Male	58	Chairman of the Board of Supervisors	2017.05 – 2020.05	411,600
QIU Jian	Female	38	Supervisor	2017.05 – 2020.05	Nil
GUO Jiequn	Male	47	Supervisor	2017.05 – 2020.05	Nil
CHEN Chunxia	Female	54	Supervisor	2017.05 – 2020.05	Nil
LIAO Jingwen	Female	33	Supervisor	2017.05 – 2020.05	14,000
DAI Wenjing	Female	45	Supervisor and Vice General Manager of the Audit Department	2017.05 – 2020.05	55,125

Senior Management Personnel

Name	Gender	Age	Position	Number of shares held
PAN Ming	Male	43	Vice Chairman, Executive Director, President and Chief Customer Manager	224,910
CAI Liping	Female	54	Executive Director and Vice President	500,000
TONG Faping	Male	45	Vice President and Board Secretary	379,291
WANG Kun	Male	42	Vice President	434,588
XIAO Wenfa(1)	Male	60	Vice President	33,369
HUANG Chaoyang	Male	48	Assistant to President	500,000
QI Yongwen	Male	47	Director of Retail Banking	249,900
XIAO Jing	Male	41	Chief Information Officer	55,566
CHEN Luping	Male	52	Director of Small-enterprise Credit	331,100
XU Cao	Male	50	Assistant to President and President of Fuzhou Branch	217,560
WANG Yuanxin	Male	51	Assistant to the President, Chairman and President of Beijing Daxing Jiuyin County Bank	220,500
CAI Jianhong	Male	49	Assistant to President	16,170
WANG Li	Female	54	Assistant to President	Nil

Note:

(1) Considered and passed at the 7th meeting of the fifth session of the Board, Mr. XIAO Wenfa has reached the retirement age and retired as the Vice President of Bank of Jiujiang on August 24, 2018.

2. Changes in Directors, Supervisors and Senior Management during the Reporting Period

During the reporting period, there were no changes of the Directors, Supervisors and senior management of the Bank.

As at the date of this report, after the approval at the 7th meeting of the fifth session of the Board held on August 24, 2018, Mr. XIAO Wenfa has reached the age of retirement and retired as the Vice President of Bank of Jiujiang on August 24, 2018.

From the end of the reporting period and as at the date of this report, except for the above-mentioned, there were no changes of the other Directors, Supervisors and senior management of the Bank.

3. Securities Transactions by Directors, Supervisors and Relevant Employees

As at June 30, 2018, the Bank had not been listed on the Main Board of the Hong Kong Stock Exchange, therefore, the Model Code was not applicable.

From the Listing Date to the date of this report, the Bank has adopted the Model Code as the code of conduct for securities transactions of the Bank by all Directors and Supervisors. The Bank has also put in place guidelines in respect of dealings in securities of the Bank, which terms are no less exacting than those of the Model Code, for the relevant employees (as defined in the Listing Rules). Having made specific enquiries to all Directors and Supervisors regarding their compliance with the Model Code, each of the Directors and Supervisors confirmed that those standards as provided thereunder have been complied with during the period from the Listing Date to the date of this report. Having made specific enquiries to the relevant employees regarding their compliance with the guidelines of dealing in securities of the Bank, the Bank is not aware of any incompliance with the guidelines.

4. Interests and Short Positions of Directors, Supervisors and Senior Executive Personnel in Shares, Underlying Shares and Debentures

As at June 30, 2018, the Bank had not been listed on the Main Board of the Hong Kong Stock Exchange. Therefore, Section 352 of the SFO and the Model Code were not applicable.

As at the Listing Date, the Directors, Supervisors and chief executive of the Bank who had interests and short positions in the Shares, underlying Shares and debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Bank under Section 352 of the SFO, or which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code were as follows:

Directors, Supervisors, Senior Management, Staff and Institution Condition

Interest in the Shares of the Bank (Long Positions)

Name	Duties	Class of Shares	Nature of interest	Number of shares	Approximate percentage of the total issued share capital of the relevant class of the Bank (%)[(1)]	Approximate percentage of the total issued share capital of the Bank (%)[(1)]
LIU Xianting	Chairman and Executive Director	Domestic Shares	Beneficial Owner	500,000	0.03	0.02
PAN Ming	Vice Chairman, Executive Director, President and Chief Customer Manager	Domestic Shares	Beneficial Owner	224,910	0.01	0.01
CAI Liping	Executive Director and Vice President	Domestic Shares	Beneficial Owner	500,000	0.03	0.02
LUO Xinhua	Chairman of the Board of Supervisors	Domestic Shares	Beneficial Owner	411,600	0.02	0.02
DAI Wenjing	Supervisor and Vice General Manager of the Audit Department	Domestic Shares	Beneficial Owner	55,125	0.00	0.00
LIAO Jingwen	Supervisor	Domestic Shares	Beneficial Owner	14,000	0.00	0.00

Notes:

(1) As at the Listing Date, the number of total issued shares of the Bank was 2,360,000,000, including 2,000,000,000 Domestic Shares and 360,000,000 H Shares.

Interest in associated corporation (Long Positions)

Name	Duties	Associated Corporation	Nature of interest	Number of shares	Approximate percentage of share capital (%)
LIU Xianting	Chairman and Executive Director	Pengze Jiuyin County Bank Co., Ltd.[1] (彭澤九銀村鎮銀行股份有限公司)	Beneficial Owner	125,000	0.25
		Ruichang Jiuyin County Bank Co., Ltd. (瑞昌九銀村鎮銀行股份有限公司)[2]	Beneficial Owner	125,000	0.25
		Zixi Jiuyin County Bank Co., Ltd. (資溪九銀村鎮銀行股份有限公司)[3]	Beneficial Owner	100,000	0.50
		Chongren Jiuyin County Bank Co., Ltd. (崇仁九銀村鎮銀行股份有限公司)[4]	Beneficial Owner	200,000	0.50
		Fenyi Jiuyin County Bank Co., Ltd. (分宜九銀村鎮銀行股份有限公司)[5]	Beneficial Owner	250,000	0.50
PAN Ming	Vice Chairman, Executive Director, President and Chief Customer Manager	Pengze Jiuyin County Bank Co., Ltd.[1] (彭澤九銀村鎮銀行股份有限公司)	Beneficial Owner	125,000	0.25
		Ruichang Jiuyin County Bank Co., Ltd. (瑞昌九銀村鎮銀行股份有限公司)[2]	Beneficial Owner	125,000	0.25
		Zixi Jiuyin County Bank Co., Ltd. (資溪九銀村鎮銀行股份有限公司)[3]	Beneficial Owner	100,000	0.50
		Chongren Jiuyin County Bank Co., Ltd. (崇仁九銀村鎮銀行股份有限公司)[4]	Beneficial Owner	200,000	0.50
		Fenyi Jiuyin County Bank Co., Ltd. (分宜九銀村鎮銀行股份有限公司)[5]	Beneficial Owner	250,000	0.50
CAI Liping	Executive Director and Vice President	Pengze Jiuyin County Bank Co., Ltd.[1] (彭澤九銀村鎮銀行股份有限公司)	Beneficial Owner	100,000	0.20
		Ruichang Jiuyin County Bank Co., Ltd. (瑞昌九銀村鎮銀行股份有限公司)[2]	Beneficial Owner	100,000	0.20
		Zixi Jiuyin County Bank Co., Ltd. (資溪九銀村鎮銀行股份有限公司)[3]	Beneficial Owner	80,000	0.40
		Chongren Jiuyin County Bank Co., Ltd. (崇仁九銀村鎮銀行股份有限公司)[4]	Beneficial Owner	160,000	0.40
		Fenyi Jiuyin County Bank Co., Ltd. (分宜九銀村鎮銀行股份有限公司)[5]	Beneficial Owner	200,000	0.40

Name	Duties	Associated Corporation	Nature of interest	Number of shares	Approximate percentage of share capital (%)
LUO Xinhua	Chairman of the Board of Supervisors	Pengze Jiuyin County Bank Co., Ltd.[1] (彭澤九銀村鎮銀行股份有限公司)	Beneficial Owner	100,000	0.20
		Ruichang Jiuyin County Bank Co., Ltd. (瑞昌九銀村鎮銀行股份有限公司)[2]	Beneficial Owner	100,000	0.20
		Zixi Jiuyin County Bank Co., Ltd. (資溪九銀村鎮銀行股份有限公司)[3]	Beneficial Owner	80,000	0.40
		Chongren Jiuyin County Bank Co., Ltd. (崇仁九銀村鎮銀行股份有限公司)[4]	Beneficial Owner	160,000	0.40
		Fenyi Jiuyin County Bank Co., Ltd. (分宜九銀村鎮銀行股份有限公司)[5]	Beneficial Owner	200,000	0.40
DAI Wenjing	Supervisor and Vice General Manager of the Audit Department	Pengze Jiuyin County Bank Co., Ltd.[1] (彭澤九銀村鎮銀行股份有限公司)	Beneficial Owner	50,000	0.10
		Ruichang Jiuyin County Bank Co., Ltd. (瑞昌九銀村鎮銀行股份有限公司)[2]	Beneficial Owner	50,000	0.10
		Zixi Jiuyin County Bank Co., Ltd. (資溪九銀村鎮銀行股份有限公司)[3]	Beneficial Owner	30,000	0.15
		Chongren Jiuyin County Bank Co., Ltd. (崇仁九銀村鎮銀行股份有限公司)[4]	Beneficial Owner	60,000	0.15
		Fenyi Jiuyin County Bank Co., Ltd. (分宜九銀村鎮銀行股份有限公司)[5]	Beneficial Owner	75,000	0.15
LIAO Jingwen	Supervisor	Ruichang Jiuyin County Bank Co., Ltd. (瑞昌九銀村鎮銀行股份有限公司)[2]	Beneficial Owner	50,000	0.10
		Zixi Jiuyin County Bank Co., Ltd. (資溪九銀村鎮銀行股份有限公司)[3]	Beneficial Owner	20,000	0.10
		Chongren Jiuyin County Bank Co., Ltd. (崇仁九銀村鎮銀行股份有限公司)[4]	Beneficial Owner	40,000	0.10
		Fenyi Jiuyin County Bank Co., Ltd. (分宜九銀村鎮銀行股份有限公司)[5]	Beneficial Owner	50,000	0.10

Notes:

(1) The Bank holds 35.0% equity and 53.9% voting rights of Pengze Jiuyin County Bank Co., Ltd. (彭澤九銀村鎮銀行股份有限公司), a subsidiary of the Bank.

(2) The Bank holds 35.0% equity and 54.0% voting rights of Ruichang Jiuyin County Bank Co., Ltd. (瑞昌九銀村鎮銀行股份有限公司), a subsidiary of the Bank.

(3) The Bank holds 35.0% equity and 54.2% voting rights of Zixi Jiuyin County Bank Co., Ltd. (資溪九銀村鎮銀行股份有限公司), a subsidiary of the Bank.

(4) The Bank holds 35.0% equity and 54.8% voting rights of Chongren Jiuyin County Bank Co., Ltd. (崇仁九銀村鎮銀行股份有限公司), a subsidiary of the Bank.

(5) The Bank holds 35.0% equity and 54.8% voting rights of Fenyi Jiuyin County Bank Co., Ltd. (分宜九銀村鎮銀行股份有限公司), a subsidiary of the Bank.

5. Positions Held by Directors, Supervisors and Senior Management in County Bank

Supervisor Ms. LIAO Jingwen serves as the chairperson of the board of supervisors of Xiushui Jiuyin County Bank, the director of Jingdezhen Changjiang Jiuyin County Bank, the director of Lushan Jiuyin Yishu County Bank and the director of Hukou Jiuyin County Bank.

Assistant to President of the Bank Mr. HUANG Chaoyang serves as the director of Beijing Daxing Jiuyin County Bank.

Assistant to President of the Bank Mr. WANG Yuanxin serves as the chairman of the board of directors of Beijing Daxing Jiuyin County Bank.

6. Staff Condition

6.1 Composition of personnel

By department/function

	As at June 30, 2018	
	Number of staff	**% of total (%)**
Corporate banking	484	14.59
Retail banking	620	18.68
Inclusive financial business	44	1.33
Financial market business	44	1.33
Finance and Accounting	265	7.99
Risk management, internal control and audit	162	4.88
Legal and compliance, human resources and information technology	195	5.88
Management	91	2.74
Teller	915	27.58
Jiuyin county bank	465	14.01
Others	33	0.99
Total	3,318	100

By age

	As at June 30, 2018	
	Number of staff	**% of total (%)**
Aged below 30	2,429	73.21
Aged 31 – 40	694	20.92
Aged 41 – 50	175	5.27
Aged over 50	20	0.60
Total	3,318	100

By education

	As at June 30, 2018	
	Number of staff	**% of total (%)**
Master's degree and above	323	9.74
Undergraduate and junior college	2,984	89.93
Others	11	0.33
Total	3,318	100

6.2 Staff training plan

To help the employees of the Bank to become professional and expert managers in their work, the Bank formulated an annual training program according to its vision regarding its development, strategies and training plan. It started carrying out various training works. It encouraged employees to see learning as a life habit and aimed to enhance the overall quality and professional competency of the employees, as well as to improve continuously the employees' work and provide support for their career development. During the reporting period, the Bank integrated both internal and external training resources of the Bank. It organized initiatives such as launching new businesses, new systems, centralized training for new products, top-down and off-the-job training and training for new employees. It aimed at excelling in their work in organizing training, post-training examination and archiving work, as well as establishing an online learning platform and forming an internal lecturer team. A total of 51 business training sessions across all business lines and 15 off-the-job training sessions were held by the Bank and a total of 6865 employees had received training in the first half of 2018.

6.3 Staff remuneration policies

The Bank established a scientific and reasonable remuneration and welfare policy, adhering to the guiding ideology of "efficiency first, fairness, flexible", adhering to the incentive directions of maintaining our fighting spirit, improving the personnel value creation power as the key line, establishing the remuneration system connecting the ranking with score and connecting the post with performance. The incentivization, bindingness, and protection effects of the remuneration and welfare were fully displayed fostering the organic unification of value creation, value evaluation and value allocation. In the light of the combined strategy of material incentive and mental incentive, guiding personnel to strengthen performance awareness and continue to create win-win value. Comprehensively improving the timeliness, progressiveness and fairness of the incentive and restraint.

7. Basic Information of Institutions under the Bank

As at June 30, 2018, we operated our business through our operation department of head office in Jiujiang, 13 branches and 241 sub-branches which consisted of 138 traditional sub-branches, 93 community sub-branches and 10 small and micro enterprises sub-branches. The branch network of the Bank is primarily located in Jiangxi Province, and also covers Guangzhou, Guangdong Province and Hefei, Anhui Province. We plan to steadily expand our distribution network to all major cities in Jiangxi Province. In addition, we controlled and consolidated 18 Jiuyin County Banks as at June 30, 2018.

District	Name of institution	Operating Address	Remark	Number
Jiangxi Province	Head Office	Bank of Jiujiang Mansion, No.619 Changhong Avenue, Jiujiang, Jiangxi Province	1 operation department of head office, 39 traditional sub-branches, 16 community sub-branches	56
	Nanchang Branch	No.1398 Hongguzhong Avenue, Nanchang, Jiangxi Province	1 head office, 11 traditional sub-branches, 19 community sub-branch, 1 small and micro enterprises sub-branch	32
	Ganjiang River New Area Branch	528 Shuanggang W St, Jingkai District, Nanchang City, Jiangxi Province	1 branch	1
	Ji'an Branch	196 Jinggangshan Avenue, Ji'an City, Jiangxi Province	1 branch, 14 traditional sub-branches, 6 community sub-branches, 3 small and micro enterprises sub-branches	24
	Ganzhou Branch	9 Zanxian Rd, Zhanggong District, Ganzhou City, Jiangxi Province	1 branch, 10 traditional sub-branches, 10 community sub-branches, 1 small and micro enterprises sub-branch	22

District	Name of institution	Operating Address	Remark	Number
	Fuzhou Branch	1250 Gandong Avenue, Fuzhou City, Jiangxi Province	1 branch, 11 traditional sub-branches, 9 community sub-branches	21
	Yichun Branch	206 Yuanshan Middle Rd, Yichun City, Jiangxi Province	1 branch, 11 traditional sub-branches, 3 community sub-branches, 3 small and micro enterprises sub-branches	18
	Shangrao Branch	87 Wusan Avenue, Xinzhou District, Shangrao City, Jiangxi Province (Opposite to Municipal Hospital)	1 branch, 8 traditional sub-branches, 6 community sub-branches	15
	Jingdezhen Branch	197 Licun Garden, Jingdezhen City, Jiangxi Province	1 branch, 6 traditional sub-branches, 5 community sub-branches	12
	Pingxiang Branch	121 Yuejin N Rd, Pingxiang City, Jiangxi Province	1 branch, 5 traditional sub-branches, 2 community sub-branches	8
	Xinyu Branch	720 Xianlai E Ave, Xinyu City	1 branch, 2 traditional sub-branches, 3 community sub-branches, 1 small and micro enterprises sub-branch	7
	Yingtan Branch	Meiyahuijin Guangchang, 31 Shengli W Rd, Yuehu District, Yingtan City	1 branch, 2 traditional sub-branches, 1 community sub-branch, 1 small and micro enterprises sub-branch	5

Directors, Supervisors, Senior Management, Staff and Institution Condition

District	Name of institution	Operating Address	Remark	Number
Guangdong Province	Guangzhou Branch	Aoyuan Daxia, 108, Huangpu W Ave, Tianhe District, Guangzhou City	1 branch, 9 traditional sub-branches, 7 community sub-branches	17
	Nansha Sub-branch in Guangdong Pilot Free-Trade Zone	Rms 105, 401, 402, 403, 404, 405, 406 and 407, 106 (Self-named floor 1) Fengze E Rd, Nansha District, Guangzhou City	1 sub-branch	1
Anhui Province	Hefei Branch	Block B, Jingding Guangchang, 287 Suixi Rd, Luyang District, Hefei City, Anhui Province	1 branch, 9 traditional sub-branches, 6 community sub-branches	16
Total				255

Corporate Governance

1. Overview

During the reporting period, the Bank has been improving its corporate governance and making proactive explorations, in view of its actual situations, in corporate governance structures, decision-making rules and procedures, stimulation and restriction mechanisms, risk management and internal control, external governance systems, and enhancement of the leadership of the Communist Party of China in accordance with laws and regulations concerning corporate governance, such as the Company Law of the PRC and the Corporate Governance Guidelines for Commercial Banks, and under supervision and leadership of competent supervision department.

The Bank's general meeting of shareholders, Board of Directors, Board of Supervisors, as well as various special committees under the Board of Directors and the Board of Supervisors enjoyed efficient operation during the reporting period, which has effectively ensured the Bank's compliance and robust operation as well as sustainable and healthy development. The Bank convened a total of 22 meetings during the reporting period, namely 1 general meeting of shareholders, 4 meetings of the Board of Directors, 9 meetings of special committees under the Board of Directors, 4 meetings of the Board of Supervisors and 4 meetings of special committees under the Board of Supervisors.

2. Compliance with Corporate Governance Code

As at June 30, 2018, as the Bank had not been listed on the Main Board of the Hong Kong Stock Exchange, the Corporate Governance Code was not applicable during the reporting period.

During the Listing Date to the date of this report, the Bank has complied with all the code and provisions under the Corporate Governance Code and has adopted a vast majority of the recommended best practices therein.

3. Compliance with the Model Code for Securities Transactions by Directors of the Listed Issues

The Bank has adopted the Model Code as its code of conduct for Directors' securities transactions. As the Bank was not yet listed on the Hong Kong Stock Exchange during the six months ended June 30, 2018, the provisions under the Listing Rules in relation to the compliance with the Model Code by the Directors were not applicable to the Bank during the reporting period. Having made specific enquiries with the Directors, all of the Directors confirmed that they have complied with the required standards as set out in the Model Code since the listing of the Bank on July 10, 2018 as at the date of this interim report.

4. Holding of general meetings of shareholders

The Bank held 1 general meeting of shareholders during the reporting period. On June 22, 2018, the Bank held the 2017 annual general meeting of shareholders, and deliberated on 18 proposals, such as Proposal on Deliberating on the 2017 Annual Directors' Report of Jiujiang Bank Co., Ltd., Proposal on Deliberating on the 2017 Annual Supervisory Committee Report of Jiujiang Bank Co., Ltd., Proposal on Deliberating on the 2017 Annual Evaluation Report of Directors and Senior Executives from the Board of Directors of Jiujiang Bank Co., Ltd., Proposal on Deliberating on the 2017 Annual Evaluation Report of Directors, Supervisors and Senior Executives from the Supervisory Committee of Jiujiang Bank Co., Ltd., and Proposal on Deliberating on the 2017 Annual Report of Jiujiang Bank Co., Ltd. The convening, notifying, holding and voting procedures concerning the above general meeting of shareholders all comply with relevant laws and regulations as well as the Articles of Association.

5. Holding of meetings of Board of Directors and its special committees

During the reporting period, the Board of Directors held a total of 4 meetings, deliberated on and adopted a total of 54 proposals. The special committees under the Board of Directors held 9 meetings, including 1 meeting of the Risk Management Committee, 2 meetings of the Audit Committee, 2 meetings of the Related Party Transactions Control Committee, 3 meetings of the Strategy Committee, and 1 meeting of the Nomination and Remuneration Committee, and deliberated on and adopted a total of 47 proposals.

6. Holding of meetings of Board of Supervisors and its special committees

During the reporting period, the Board of Supervisors held a total of 4 meetings, deliberated on and adopted a total of 47 proposals. The special committees under the Board of Supervisors held 4 meetings, including 3 meetings of the Monitoring Committee, and 1 meeting of the Nomination Committee, and deliberated on and adopted a total of 29 proposals.

7. Internal control and internal audit

7.1 Internal control

During the reporting period, the Bank set up a well-designed and encompassing internal control system for the purpose of enhancing the Bank's risk control, improving customer services and promoting sustainable development.

The Bank built up a modern corporate governance structure with the general meeting of shareholders as the body of power, the Board of Directors as the decision-making body, the Board of Supervisors as the supervisory body, and the management as the executing body, creating a sound internal control environment. Meanwhile, it improved its internal control system. The system is structured on the Basic Internal Control System of Bank of Jiujiang, Compliance Policies of Bank of Jiujiang Co., Ltd., and Authorization Management Measures for Legal Persons of Bank of Jiujiang, and dominated by business management (product) measures and operating instructions of various business lines and departments.

The Bank laid stress on inspection and evaluation, and effectively supervised and corrected any problems found. It kept enhancing inspection effort targeting specific business development statuses and existing risks, and carried out internal control evaluation in light of the five elements determined by the Internal Control Guidelines for Commercial Banks and Internal Evaluation Measures for Commercial Banks, namely internal control environment, risk identification and evaluation, internal control measures, information exchange and feedback, and supervision, evaluation and correction. It included key problems found during internal audit and regulator inspection into the Problem Base and Records of Implementing Supervision Opinions, enforced pertinent rectifications by means of site correction, follow-up, and coordinated supervision over follow-up audit, which had improved internal control in a sustainable manner.

7.2 Internal audit

Effective internal audit is of vital importance for ensuring sustainable development of the Bank's business operation. The objectives of our internal audit are the review, evaluation and improvement of our business operations, risk management, internal control and compliance and corporate governance through independent and objective supervision, evaluation and advisory activities in a systematic and standardized manner, so as to promote our steady operation and value enhancement. Our audit covers a comprehensive range of areas including our business operations, risk management, internal control and corporate governance. The Bank sticks to the principles of independence, objectivity, prudence, efficiency, importance and relevance throughout the internal audit work.

The Bank has established an independent internal audit organizational structure which is led by its Board of Directors and comprises the audit committee and the audit department of the head office. The Board of Directors of the Bank has an Audit Committee responsible for reviewing and approving the Bank's internal audit methods, audit policies and procedures, as well as annual audit plans, offering guidance and supervising execution. The Audit Committee is supervised by the Board of Directors and reports to it when appropriate. The audit department of the head office is an internal audit department of the Bank. The audit department reports audit work to the Audit Committee on a regular basis and assumes responsibilities dominated by formulating and implementing annual audit plans, and organizing and performing audit work following the requirements of the Board of Directors and the Board of Supervisors. Its subordinate units take on audit projects and implement audit plans, etc. according to the requirements of the audit department of the head office, and report audit work to the audit department of the head office. The audit department of the head office is obliged to guide and supervise the above audit work.

According to the requirements of the Board of Directors, the Board of Supervisors and regulatory departments, the audit department of head office makes annual internal audit plans taking business operation, risk management, and internal control compliance statuses into consideration, reports them to the Audit Committee for approval, and implements the plans upon approval. The Bank carries out special audit centering on various risks, such as credit risks, market risks, operational risks, and information technology risks, and audits the economic responsibilities of the Bank's senior management during their tenure of office according to entrustment terms. The Bank usually carries out internal audit in forms of site audit, off-site audit, and audit survey, etc. The audit procedure is made up of the preparatory stage, the implementation stage, the reporting stage and the concluding stage. The audit report covers the overview, basis, conclusion and opinions of audit. In order to ensure the audit effectiveness, relevant subordinate units inspect the rectifications of auditees from time to time, and ascertain corresponding responsibilities based on results of such inspection.

Significant Issues

1. Initial public offering of overseas listed foreign shares (H Shares)

For the purpose of seeking sustainable business development and expanding its own capital capability, the Bank was successfully listed on the Main Board of the Hong Kong Stock Exchange on July 10, 2018.

The Bank issued H Shares this time, which comprised the issue of 360,000,000 H Shares and 47,367,200 H Shares (for which the Over-allotment Option was partially exercised) respectively, totaling 407,367,200 shares. The nominal value of H Shares was RMB1.00 each, and the aggregate nominal value was RMB407,367,200.00. The issue price was HK$10.60 per share and the purposes of the raised funds are to enrich the capital capability of the Bank and to promote sustainable business development.

The net proceeds from Global Offering of the Bank was approximately HK$4,317.47 million, including the net proceeds amounting to approximately HK$501.91 million from the issuance of H Shares by partially exercising the Over-allotment Option as stated in the prospectus. As of the date of this report, the fund raised through the Global Offering of the Bank has been deposited into special account and will be utilised in accordance with the purposes disclosed in the prospectus.

2. Profits and dividends

The income and financial condition of the Bank for the six months ended June 30, 2018 have been set out in the interim financial statement of the interim report.

According to the relevant resolutions considered and passed at the 2017 Annual General Meetings of shareholders of the Bank held on June 22, 2018, the Bank plans to carry out the profit sharing scheme before September 30, 2018, distributing cash dividend of $0.1 per share (inclusive of tax) to the shareholders of Domestic Shares whose names appear on the register of members of the Bank on June 22, 2018 distributing the 2017 annual cash dividend, the total amount of cash dividend distributed amounted to $200,000,000.00 (inclusive of tax).

The Bank did not recommend the payment of interim dividend for the six months ended June 30, 2018.

3. Substantial related transactions

During the reporting period, no substantial related transactions that adversely impact the Bank's operation performance and financial status occurred.

4. Material lawsuits and arbitration matters

In June 2018, the plaintiff of the case filed a lawsuit against the Bank in the Court of First Instance of the Hong Kong High Court concerning the leasing agreement dispute. The Bank held that it was more appropriate to file the lawsuit in a Mainland China court, and started to prepare the application for jurisdiction objection.

As at June 30, 2018, the Bank had been involved in outstanding legal proceedings in its normal business operation, including 126 outstanding case(s) involving at least RMB10 million. The Bank estimated that any existing and pending legal or arbitrational proceedings will not result in any significant adverse impact (whether individually or jointly) on the Bank's business, financial status and operation performance.

Save as disclosed above, the Bank was not involved in any other lawsuits and arbitration that had a great impact on its business activities during the reporting period.

5. Punishment against the Bank and its Directors, Supervisors and senior management

During the reporting period, the Bank, as well as its Directors, Supervisors and senior management were neither under any investigation, administrative penalty or open criticism by CSRC, nor under any public censure by any stock exchange or punishment by any other regulators.

6. Significant contracts and their performance

During the reporting period, the Bank was not involved in any significant contracts that it must perform.

7. Significant investment and relevant plans

During the reporting period, the Bank neither made any significant investment, nor had any concrete plans on significant investment or on acquiring significant capital assets or other businesses.

8. Share incentive plans and specific implementation during the reporting period

The Bank did not implement any share incentive plan during the reporting period.

9. Auditors

The Bank held the 2017 general meeting of shareholders on June 22, 2018, which deliberated on and adopted the decision on respectively reappointing Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) and Deloitte Touche Tohmatsu as the domestic and overseas financial report auditors of the Bank in 2018.

10. Acquisition and sales of assets, business merger

During the reporting period, the Bank was not involved in any significant assets acquisition, sales or business merger.

11. Approval and opening of newly established county banks

During the reporting period, two county banks funded by the Bank had gained approval on starting business from Jiujiang Branch of CBRC. The Bank actively carried out the following work in strict accordance with the approval opinions:

Hukou Jiuyin County Bank Co., Ltd.

Hukou Jiuyin County Bank Co., Ltd., which was initiated by the Bank, received the "Reply on approving opening of Hukou Jiuyin County Bank Co., Ltd." (Xun Yin Jian Fu [2018] No. 2) issued by Jiujiang Branch of CBRC on February 1, 2018, and obtained the Financial Business Operation Permit (Organization code: S0070H336040001) from Jiujiang Branch of CBRC on February 2, 2018. On February 2, 2018, Hukou Jiuyin County Bank Co., Ltd. obtained the business license (Unified social credit code: 91360400MA37PXD676), and the registered address is No. 29, Sanli Avenue, Shuangzhong Town, Hukou County, Jiujiang City, Jiangxi Province. The legal representative is Tian Lingling. The registered capital is RMB50 million, with the bank holding 50% of the shares. The business scope covers taking public deposits, offering short-term/long-term loans, domestic settlement, bill acceptance and discounting etc.

Duchang Jiuyin County Bank Co., Ltd.

Duchang Jiuyin County Bank Co., Ltd., which was initiated by the Bank, received the "Reply on approving opening of Duchang Jiuyin Rural Bank Co., Ltd." (Xun Yin Jian Fu [2018] No. 3) issued by Jiujiang Branch of CBRC on February 1, 2018, and obtained the Financial Business Operation Permit (Organization code: S0071H336040001) from Jiujiang Branch of CBRC on February 2, 2018. Duchang Jiuyin County Bank Co., Ltd. obtained the business license on February 2, 2018 (Unified social credit code: 91360400MA37PXJN4R) and the registered address is No. 99, Dongfeng Avenue, Duchang County, Jiujiang City, Jiangxi Province. The legal representative is Ji Hongjin. The registered capital is RMB50 million, with the Bank holding 50% of the shares. The business scope covers taking public deposits, offering short-term/long-term loans, domestic settlement, bill acceptance and discounting etc.

12. Review of interim report

The interim financial report disclosed in this interim report is unaudited. Deloitte Touche Tohmatsu Certified Public Accountants LLP has reviewed the unaudited interim financial statement for the six months ended June 30, 2018, which was prepared by the Bank in accordance with the International Financial Reporting Standards, following relevant review standards, and issued the auditors' review report with a clean opinion.

On August 24, 2018, the Audit Committee of the Bank had reviewed and confirmed the interim results announcement of the Bank for the six months ended June 30, 2018, the 2018 interim report, as well as the unaudited interim financial statement for the six months ended June 30, 2018 which was prepared in accordance with the International Financial Reporting Standards.

13. Interim results

The interim results announcement of the Bank for the six months ended June 30, 2018 was published on the HKExnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.jjccb.com) on August 24, 2018.

14. Events after the reporting period

Global offering

The Bank has finished its global offering. The 360,000,000 H Shares of the Bank became listed on the Main Board of Hong Kong Stock Exchange on July 10, 2018.

In addition, the over-allotment option as described in the Prospectus has been partially exercised, involving a total of 407,367,200 H Shares, and such H Shares became listed on the Main Board of the Hong Kong Stock Exchange on August 9, 2018. Please refer to the announcement of the Bank dated July 29, 2018 for details.

Secondary capital bonds

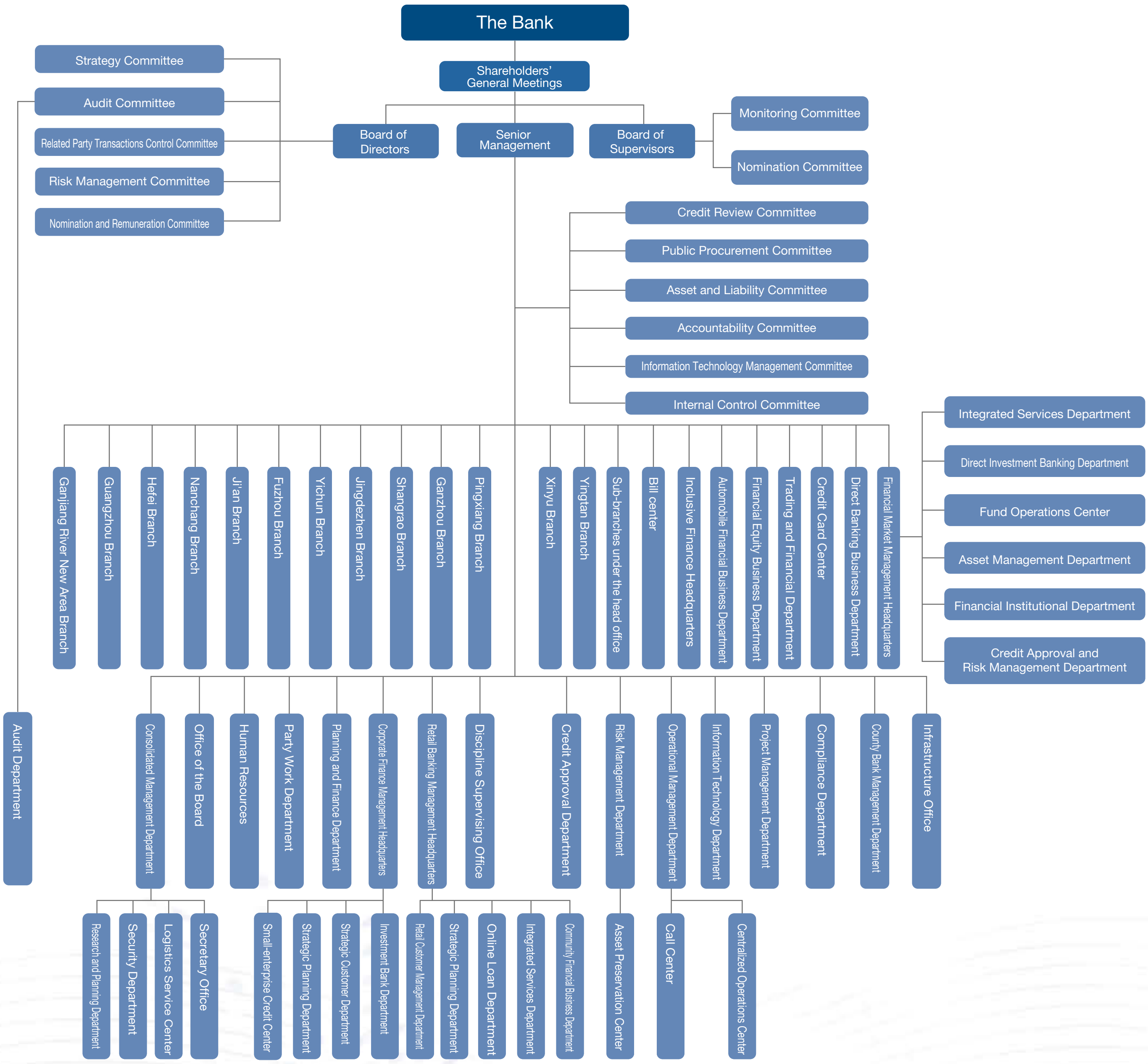
In accordance with the Decision of the People's Bank of China on Granting Administrative Permits (Yin Shi Chang Xu Zhun Yu Zi (2017) No. 235) and the Reply of Jiangxi Branch of CBRC on Issuance of Secondary Capital Bonds by Bank of Jiujiang (Gan Yin Jian Fu (2017) No. 203), the Bank publicly issued the 2018 Phase-II secondary capital bonds of Bank of Jiujiang Co., Ltd. from July 13, 2018 to July 17, 2018, with the issuing scale being RMB1.5 billion, all in form of 10-year fixed-rate bonds (conditional issuer redeemable right at the end of the 5th year). The bond has a face interest rate of 6.29%.

Green financial bonds

In accordance with the Decision of the People's Bank of China on Granting Administrative Permits (Yin Shi Chang Xu Zhun Yu Zi (2018) No. 5) and the Reply of Jiangxi Branch of CBRC on Issuance of Green Bonds by Bank of Jiujiang (Gan Yin Jian Fu (2018) No. 86), the Bank was allowed to issue not more than RMB4 billion of green financial bonds in the inter-bank bond market in China.

The Bank issues the 2018 Phase-I green financial bonds from August 15, 2018 to August 16, 2018. The issuing scale was RMB1 billion, all in form of 3-year fixed-rate bonds with a face interest rate of 4.25%.

Organizational Chart



Report on Review of Condensed Consolidated Financial Statements

TO THE BOARD OF DIRECTORS OF BANK OF JIUJIANG CO., LTD

Introduction

We have reviewed the condensed consolidated financial statements of Bank of Jiujiang Co., Ltd (the "Bank") and its subsidiaries (collectively referred to as the "Group") set out on pages 90 to 149, which comprise the condensed consolidated statement of financial position as of June 30, 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The directors of the Bank are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board (the "IASB"). Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("ISRE 2410") issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Other matters

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 June 2017 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with ISRE 2410.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
August 24, 2018

Condensed Consolidated Statement of Profit or Loss

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTES	Six months ended June 30, 2018 (Unaudited)	Six months ended June 30, 2017 (Unaudited)
Interest income	4	5,562,582	5,589,012
Interest expense	4	(3,421,587)	(2,937,593)
Net interest income	4	2,140,995	2,651,419
Fee and commission income	5	215,892	178,976
Fee and commission expense	5	(77,887)	(29,065)
Net fee and commission income	5	138,005	149,911
Net gains/(losses) arising from financial assets	6	1,208,014	(109,277)
Other income, gains or losses	7	8,833	(45,455)
Operating income		3,495,847	2,646,598
Operating expenses	8	(1,015,311)	(717,247)
Impairment losses, net of reversal	9	(1,180,154)	(1,068,152)
Share of profit of associates		8,921	6,830
Profit before tax		1,309,303	868,029
Income tax expense	10	(253,453)	(203,117)
Profit for the period		1,055,850	664,912
Attributable to:			
Shareholders of the Bank		1,035,866	679,205
Non-controlling interests		19,984	(14,293)
Earnings per share (Expressed in RMB Yuan per share)			
– Basic	11	0.52	0.38
Profit for the period		1,055,850	664,912
Items that may be reclassified subsequently to profit or loss:			
Net changes in investment revaluation reserve for available-for-sale financial assets		–	(391,945)
Income tax		–	97,978
Fair value gain on debt instruments measured at fair value through other comprehensive income, excluding expected credit loss impact		493,364	–
Amount reclassified to loss upon disposal of financial assets measured at fair value through other comprehensive income		15,587	–
Income tax		(127,238)	–
Other comprehensive income/(expenses) for the period, net of tax		381,713	(293,967)
Total comprehensive income for the period		1,437,563	370,945
Total comprehensive income attributable to:			
Shareholders of the Bank		1,417,579	385,238
Non-controlling interests		19,984	(14,293)
Total comprehensive income for the period		1,437,563	370,945

Condensed Consolidated Statement of Financial Position

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTES	As at June 30, 2018 (Unaudited)	As at December 31, 2017 (Audited)
ASSETS			
Cash and balances with central bank	13	29,689,383	28,750,492
Deposits with banks and other financial institutions	14	2,113,975	1,667,765
Placements with banks and other financial institutions	15	374,068	1,480,987
Financial assets held for trading	16	–	910,763
Financial assets held under resale agreements	17	9,314,582	26,506,739
Loans and advances to customers at amortised cost, net	18	110,363,587	99,528,133
Loans and advances to customers at fair value through profit or loss	18	4,215,256	–
Available-for-sale financial assets	19	–	20,554,576
Held-to-maturity investments	20	–	13,125,507
Investments classified as receivables	21	–	68,904,526
Investment securities measured at fair value through profit or loss	22	48,933,125	–
Investment securities measured at amortised cost	22	52,869,764	–
Investment securities measured at fair value through other comprehensive income	22	20,780,083	–
Investments in associates	23	115,251	111,330
Property and equipment	24	2,399,098	2,412,473
Deferred tax assets	25	1,467,921	1,257,970
Other assets	26	5,699,777	6,042,802
Total assets		288,335,870	271,254,063
LIABILITIES			
Borrowings from central bank		736,000	811,940
Deposits from banks and other financial institutions	27	19,309,154	8,268,704
Placements from banks	28	809,478	1,116,931
Financial assets sold under repurchase agreements	29	6,383,617	17,405,997
Customer deposits	30	193,926,108	179,636,570
Income tax payable		425,970	352,600
Debt securities issued	31	43,063,399	40,247,839
Provision for credit commitments and financial guarantees		289,406	–
Other liabilities	32	4,691,838	5,762,322
Total liabilities		269,634,970	253,602,903
EQUITY			
Share capital	33	2,000,000	2,000,000
Capital reserve		5,020,023	5,020,023
Investment revaluation reserve	34	(624,036)	(1,017,581)
Surplus reserve		2,758,046	2,758,046
General reserve		3,275,358	3,275,358
Retained earnings		5,746,908	5,107,661
Equity attributable to Shareholders of the Bank		18,176,299	17,143,507
Non-controlling interests		524,601	507,653
Total equity		18,700,900	17,651,160
Total equity and liabilities		288,335,870	271,254,063

The condensed consolidated financial statements on pages 90 to 149 were approved and authorized for issue by the Board of Directors on August 24, 2018 and are signed on its behalf by:

Liu Xianting
Chairman of the Board

Pan Ming
Executive Director

Condensed Consolidated Statement of Changes in Equity

(Amounts in thousands of Renminbi, unless otherwise stated)

		Attributable to Shareholders of the Bank								
	NOTE	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Subtotal	Non-controlling interests	Total
As at December 31, 2017 (Audited)		2,000,000	5,020,023	(1,017,581)	2,758,046	3,275,358	5,107,661	17,143,507	507,653	17,651,160
Effect of change in accounting principles for financial instruments		–	–	11,832	–	–	(196,619)	(184,787)	(45,326)	(230,113)
As at January 1, 2018		2,000,000	5,020,023	(1,005,749)	2,758,046	3,275,358	4,911,042	16,958,720	462,327	17,421,047
Profit for the period		–	–	–	–	–	1,035,866	1,035,866	19,984	1,055,850
Other comprehensive income for the period		–	–	381,713	–	–	–	381,713	–	381,713
Total comprehensive income for the period		–	–	381,713	–	–	1,035,866	1,417,579	19,984	1,437,563
Capital injection by non-controlling shareholders		–	–	–	–	–	–	–	50,000	50,000
Dividend distribution	12	–	–	–	–	–	(200,000)	(200,000)	(7,710)	(207,710)
As at June 30, 2018 (Unaudited)		2,000,000	5,020,023	(624,036)	2,758,046	3,275,358	5,746,908	18,176,299	524,601	18,700,900

		Attributable to Shareholders of the Bank								
		Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Subtotal	Non-controlling interests	Total
As at January 1, 2017 (Audited)		1,516,000	2,178,943	(346,431)	2,421,043	2,804,016	4,491,724	13,065,295	533,016	13,598,311
Profit for the period		–	–	–	–	–	679,205	679,205	(14,293)	664,912
Other comprehensive expenses for the period		–	–	(293,967)	–	–	–	(293,967)	–	(293,967)
Total comprehensive (expenses)/ income for the period		–	–	(293,967)	–	–	679,205	385,238	(14,293)	370,945
Capital injection by the shareholders of the Bank		484,000	2,841,080	–	–	–	–	3,325,080	–	3,325,080
Capital injection by non-controlling shareholders		–	–	–	–	–	–	–	17,336	17,336
Appropriation to general reserve		–	–	–	–	500	(500)	–	–	–
Dividend distribution	12	–	–	–	–	–	(240,000)	(240,000)	(1,568)	(241,568)
As at June 30, 2017 (Unaudited)		2,000,000	5,020,023	(640,398)	2,421,043	2,804,516	4,930,429	16,535,613	534,491	17,070,104

Condensed Consolidated Statement of Cash Flows

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended June 30,	
	2018 (Unaudited)	2017 (Unaudited)
OPERATING ACTIVITIES		
Profit before tax	1,309,303	868,029
Adjustments for:		
Depreciation and amortisation	103,994	92,410
Impairment losses	1,180,154	1,068,152
Interest income arising from investment securities	(1,827,231)	–
Interest income arising from other financial assets at fair value through profit or loss	(1,169,410)	–
Interest income arising from bonds investment	–	(484,387)
Interest income arising from investments classified as receivables	–	(2,109,957)
Interest income arising from impaired financial assets	(21,913)	(24,214)
Interest expense arising from debt securities issued	966,007	827,883
Net unrealised gains on bond investments measured at fair value through profit or loss	(47,844)	–
Net unrealised losses on financial assets held for trading	–	43,132
Net losses on available-for-sale financial assets	–	77,943
Net losses on other financial instruments at fair value through profit or loss	22,609	–
Net losses on financial assets measured at fair value through other comprehensive income	15,587	–
Share of profit of associates	(8,921)	(6,830)
(Gains)/losses on disposal of property and equipment and other assets	1	(152)
Unrealised exchange (gains)/losses	(3,084)	6,500
Operating cash flows before movements in working capital	519,252	358,509
Increase in balances with central bank and deposits with banks and other financial institutions	(1,078,338)	(1,161,130)
Decrease/(increase) in placements with banks and other financial institutions	1,218,226	(2,116,336)
Decrease in financial assets held under resale agreements	17,183,687	12,500,493
(Increase)/decrease in bonds investment measured at fair value through profit or loss	(404,544)	461,297
Increase in loans and advances to customers	(16,249,471)	(12,774,647)
Decrease in borrowings from central bank	(75,940)	(2,850,020)
Increase in deposits from banks and other financial institutions	11,040,450	2,342,067
Increase/(decrease) in placements from banks	(307,453)	273,071
Decrease in financial assets sold under repurchase agreements	(11,022,380)	(184,214)
Increase in customer deposits	14,289,538	15,958,588
Decrease/(increase) in other operating assets	57,559	(345,881)
Decrease in other operating liabilities	(1,353,281)	(130,225)
Cash generated by operating activities	13,817,305	12,331,572
Income tax paid	(440,568)	(337,893)
Net cash generated by operating activities	13,376,737	11,993,679

Consolidated Statement of Cash Flows

(Amounts in thousands of Renminbi, unless otherwise stated)

		Six months ended June 30,	
		2018 (Unaudited)	2017 (Unaudited)
INVESTING ACTIVITIES			
Cash received from disposal and redemption of investment securities		34,875,242	70,339,932
Cash received from disposal of property and equipment and other assets		135	463
Dividends received from an associate		5,000	3,750
Dividends received from fund investment		23,245	2,629
Interest received		2,707,208	2,577,799
Cash paid for purchase of investment securities		(52,353,598)	(96,499,448)
Cash paid for purchase of property and equipment and other assets		(181,653)	(279,180)
Net cash used in investing activities		(14,924,421)	(23,854,055)
FINANCING ACTIVITIES			
Cash received from capital contribution		50,000	17,336
Cash received from debt securities issued		25,110,000	54,151,906
Repayment of debt securities issued		(22,941,040)	(38,714,600)
Payments for the costs of debt securities issued		(1,600)	(1,335)
Interest expenses paid for debt securities issued		(237,556)	(253,263)
Dividends paid		(6,857)	(246,749)
Issue costs paid		(9,300)	–
Net cash generated by financing activities		1,963,647	14,953,295
Net increase in cash and cash equivalents		415,963	3,092,919
Cash and cash equivalents at beginning of the period		6,886,213	5,013,413
Effect of foreign exchange rate changes		3,084	(6,500)
Cash and cash equivalents at end of the period	35	7,305,260	8,099,832
Net cash generated by operating activities include:			
Interest received		3,681,775	3,063,658
Interest paid		2,279,157	2,024,081
Net interest received from operating activities		1,402,618	1,039,577

Notes to the Condensed Consolidated Financial Statements

(Amounts in thousands of Renminbi, unless otherwise stated)

1. General Information and Basis of Preparation

1.1 General information

Bank of Jiujiang Co., Ltd. (hereinafter referred to as the "Bank") is formerly known as Jiujiang Commercial Bank, a joint-stock commercial bank established on the basis of Jiujiang Urban Credit Cooperatives as approved by the People's Bank of China Wuhan Branch (Wuyinfu [1999]No. 300). The Bank changed its name to Bank of Jiujiang Co., Ltd. in September 2008.

The Bank is licensed as a financial institution by the China Banking Regulatory Commission (the "CBRC") Jiangxi Province Bureau (No. B0348H236040001) and is registered as a business enterprise with the approval of Jiujiang Administration of Industry and Commerce of the People's Republic of China (the "PRC") (No. 9136040070552834XQ). In March 2018, the CBRC was merged with the then insurance industry regulator to become the China Banking and Insurance Regulatory Commission. On July 10, 2018, the Bank was listed on The Stock Exchange of Hong Kong Limited with the stock code of 06190.

As at June 30, 2018, the Bank was headquartered in Jiujiang, Jiangxi Province, the PRC. It had 13 tier- one branches and 241 sub-branches, which consisted of 138 traditional sub-branches, 93 community sub-branches and 93 small and micro enterprises sub-branches.

The principal activities of the Bank and its subsidiaries (collectively, the "Group") comprise of deposit taking, granting short-term, medium-term and long-term loans; domestic and overseas settlements; bill acceptance and discounting; issuing financial bonds; acting as agent to issue, settle and underwrite government bonds; trading of government bonds and financial bonds; inter-bank placement; providing letters of credit services and guarantee; acting as agent on inward and outward payments, acting as insurance agent; safe-box service and other business approved by the CBRC.

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

1.2 Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 34) Interim Financial Reporting issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

(Amounts in thousands of Renminbi, unless otherwise stated)

2. Principal Accounting Policies

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

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2018 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended December 31, 2017.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

In addition, the Group has applied Amendments to IFRS9 Prepayment Features with Negative Compensation in advance of the effective date, i.e. January 1, 2019.

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which result in changes in accounting policies, amounts reported and/or disclosures as described below.

2. Principal Accounting Policies (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The Group's revenue mainly included interest income and fee and commission income, among which fee and commission income was within the scope of IFRS 15, while interest income was within the scope of IFRS 9 for the annual periods beginning on or after January 1, 2018.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, January 1, 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at January 1, 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue.

Key changes in accounting policies resulting from application of IFRS 15

IFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

2. Principal Accounting Policies (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers (continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The Group recognises the wealth management fees and credit commitments and financial guarantees fees overtime as the related services are transferred overtime. The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

2. Principal Accounting Policies (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers (continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (continued)

Regarding the credit card services, those contracts that contain more than one performance obligations, the credit card service and the benefit from exchanging of points, the Group allocates the transaction price to each performance obligation on a relative stand-alone fair value of these performance obligations.

The stand-alone selling price of the distinct service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised loan service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised services to the customer.

In current period, the Group's revenue mainly includes interest income and fee and commission income, among which fee and commission income will be within the scope of IFRS 15, while interest income is within the scope of IFRS 9 for the annual periods beginning on or after January 1, 2018.

The directors of the Bank consider that the adoption of IFRS 15 as of January 1, 2018 does not have any significant impact on the amount of equity attributable to the owners of the Bank as at December 31, 2017.

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments

In the current period, the Group has applied IFRS 9 Financial Instruments, Amendments to IFRS 9 Prepayment Features with Negative Compensation and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets, and other items (for example, financial guarantee contracts and credit commitments), and 3) general hedge accounting.

2. Principal Accounting Policies (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments (continued)

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at January 1, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at January 1, 2018. The difference between carrying amounts as at December 31, 2017 and the carrying amounts as at January 1, 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement.

2.2.1 Key changes in accounting policies resulting from application of IFRS 9

Classification and measurement of financial assets

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under IAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset, the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

2. Principal Accounting Policies (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments (continued)

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Classification and measurement of financial assets (continued)

Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of investments revaluation reserve. Impairment allowance are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Financial assets at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The gains or losses recognised in profit or loss includes interest earned on the financial assets and is included in the "Net gains/losses arising from financial assets" line item.

The directors of the Bank reviewed and assessed the Group's financial assets as at January 1, 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.2.2.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including loans and advances to customers, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, investment securities measured at amortised cost, investment securities measured at FVTOCI, other receivables, credit commitments and financial guarantee contracts). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

2. Principal Accounting Policies (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments (continued)

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Impairment under ECL model (continued)

The Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

2. Principal Accounting Policies (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments (continued)

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Significant increase in credit risk (continued)

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) 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. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

For credit commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

2. Principal Accounting Policies (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments (continued)

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Significant increase in credit risk (continued)

Measurement and recognition of ECL (continued)

For undrawn credit commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the credit commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

For ECL on financial guarantee contracts or on credit commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, credit commitments and financial guarantees contracts, the Group recognises an impairment gain or loss in profit or loss for/ all financial instruments by adjusting their carrying amount where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the investment revaluation reserve without reducing the carrying amounts of these debt instruments.

For financial guarantee contracts and credit commitments, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

As at January 1, 2018, the directors of the Bank reviewed and assessed the Group's existing financial assets, credit commitments and financial guarantee contracts for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.2.2.

2. Principal Accounting Policies (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments (continued)

2.2.2 Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, January 1, 2018.

	Available-for-sale investment and other assets	Held-to-maturity	Financial assets at FVTPL required by IAS39/IFRS9	Debt instruments at FVTOCI	Amortised cost (previously classified as loans and receivables)	Provision for credit commitments and financial guarantees	Deferred tax assets/ liabilities	Investment revaluation reserve	Retained earnings	Non-controlling interests
As at December 31, 2017 – IAS 39	21,266,323	13,125,507	910,763	–	227,933,847	–	1,257,970	(1,017,581)	5,107,661	507,653
Effect arising from initial application of IFRS 9	(21,266,323)	(13,125,507)	29,809,985	16,681,029	(12,184,470)	(221,531)	76,704	11,832	(196,619)	(45,326)
Reclassification										
From available-for-sale	(21,266,323)	–	4,585,294	16,681,029	–	–	–	(13,580)	13,580	–
From held-to-maturity	–	(13,125,507)	–	–	13,125,507	–	–	–	–	–
From loans and receivables	–	–	24,983,266	–	(24,983,266)	–	–	–	–	–
Remeasurement										
Impairment under ECL model	–	–	–	–	(326,711)	(221,531)	137,060	25,412	(391,268)	(45,326)
From cost less impairment to fair value	–	–	14,717	–	–	–	(3,679)	–	11,038	–
From amortised cost to fair value	–	–	226,708	–	–	–	(56,677)	–	170,031	–
As at January 1, 2018	**-**	**-**	**30,720,748**	**16,681,029**	**215,749,377**	**(221,531)**	**1,334,674**	**(1,005,749)**	**4,911,042**	**462,327**

(Amounts in thousands of Renminbi, unless otherwise stated)

2. Principal Accounting Policies (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments (continued)

2.2.2 Summary of effects arising from initial application of IFRS 9 (continued)

All loss allowances for financial assets including loans and advances to customers, other financial assets at amortised cost, financial guarantee contracts and credit commitments, and debt instruments at FVTOCI as at December 31, 2017 reconciled to the opening loss allowance as at January 1, 2018 is as follows:

	Loans and advances to customers	Trust beneficiary rights and asset management plans	Other financial assets at amortised cost	Financial guarantees and loan commitments	Debt instruments at FVTOCI
At December 31, 2017 – IAS 39	3,197,047	999,619	18,379	–	–
Reversal of allowance arising from reclassification	(42,031)	(370,249)	–	–	–
Amounts remeasured through opening retained earnings/ investment revaluation reserve	244,595	730	81,386	221,531	33,883
As January 1, 2018 – IFRS 9	3,399,611	630,100	99,765	221,531	33,883

Other financial assets at amortise cost include deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, held-to-maturity investments under IAS 39 and other receivables.

2. Principal Accounting Policies (continued)

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards, amendments and interpretations

As a result of the changes in accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	December 31, 2017	IFRS 9	January 1, 2018
ASSETS			
Cash and balances with central bank	28,750,492	–	28,750,492
Deposits with banks and other financial institutions	1,667,765	(80)	1,667,685
Placements with banks and other financial institutions	1,480,987	(663)	1,480,324
Financial assets held for trading	910,763	(910,763)	–
Financial assets held under resale agreements	26,506,739	(22,732)	26,484,007
Loans and advances to customers at amortised cost	99,528,133	(2,226,844)	97,301,289
Loans and advances to customers at FVTPL	–	2,025,322	2,025,322
Available-for-sale financial assets	20,554,576	(20,554,576)	–
Held-to-maturity investments	13,125,507	(13,125,507)	–
Investments classified as receivables	68,904,526	(68,904,526)	–
Investment securities measured at FVTPL	–	28,695,426	28,695,426
Investment securities measured at amortised cost	–	58,970,375	58,970,375
Investment securities measured at FVTOCI	–	16,681,029	16,681,029
Investments in associates	111,330	–	111,330
Property and equipment	2,412,473	–	2,412,473
Deferred tax assets	1,257,970	76,704	1,334,674
Other assets	6,042,802	(711,747)	5,331,055
Total assets	271,254,063	(8,582)	271,245,481

(Amounts in thousands of Renminbi, unless otherwise stated)

2. Principal Accounting Policies (continued)

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards, amendments and interpretations (continued)

	December 31, 2017	IFRS 9	January 1, 2018
LIABILITIES			
Borrowings from central bank	811,940	–	811,940
Deposits from banks and other financial institutions	8,268,704	–	8,268,704
Placements from banks	1,116,931	–	1,116,931
Financial assets sold under repurchase agreements	17,405,997	–	17,405,997
Customer deposits	179,636,570	–	179,636,570
Income tax payable	352,600	–	352,600
Debt securities issued	40,247,839	–	40,247,839
Provision for financial guarantees and commitments	–	221,531	221,531
Other liabilities	5,762,322	–	5,762,322
Total liabilities	253,602,903	221,531	253,824,434
EQUITY			
Share capital	2,000,000	–	2,000,000
Capital reserve	5,020,023	–	5,020,023
Investment revaluation reserve	(1,017,581)	11,832	(1,005,749)
Surplus reserve	2,758,046	–	2,758,046
General reserve	3,275,358	–	3,275,358
Retained earnings	5,107,661	(196,619)	4,911,042
Equity attributable to Shareholders of the Bank	17,143,507	(184,787)	16,958,720
Non-controlling interests	507,653	(45,326)	462,327
Total equity	17,651,160	(230,113)	17,421,047
Total equity and liabilities	271,254,063	(8,582)	271,245,481

Except as described above, the application of other amendments to IFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

2. Principal Accounting Policies (continued)

2.4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 periods if the revision affects both current and future periods.

Critical judgements in applying the group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

Business model assessment

Classification and measurement of financial assets depend on whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding (SPPI) and the results of business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

2. Principal Accounting Policies (continued)

2.4 Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the group's accounting policies (continued)

Significant increase of credit risk

ECL are measured as an allowance equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or

- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3). 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. Credit-impaired financial assets are referred to as Stage 3 assets.

An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

2. Principal Accounting Policies (continued)

2.4 Critical accounting judgements and key sources of estimation uncertainty-continued (continued)

Critical judgements in applying the group's accounting policies (continued)

Models and assumptions used

The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

Key sources of estimation uncertainty

The following are key estimations that the directors have used in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward looking information relevant to each scenario: When measuring ECL, the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Fair value measurement and valuation process: In estimating the fair value of a financial asset or a liability, the Group uses market-observable data to the extent it is available. Where such Level 1 inputs are not available the Group uses valuation models to determine the fair value of its financial instruments.

3. Segment Analysis

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors and relevant management committees (chief operating decision maker) for the purposes of allocating resources to segments and assessing their performance. The Group's chief operating decision maker reviews condensed consolidated financial statements mainly based on operating segments for the purpose of allocating resources and performance assessment.

Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the condensed consolidated financial statements as disclosed in Note 2.

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

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group provides a diversified range of banking and related financial services. The products and services offered to customers are organised into the following operating segments:

Corporate banking

The corporate banking segment provides financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit takings and other types of corporate intermediary services except for those carried by subsidiaries of the Bank.

Personal banking

The personal banking segment provides financial products and services to individual customers. The products and services include personal loans, deposit products, card business, personal wealth management services and other types of personal intermediary services except for those carried by subsidiaries of the Bank.

Treasury operations

The Group's treasury operations conduct money market or repurchase transactions, and debt instruments investment for its own accounts or on behalf of customers except for those carried by subsidiaries of the Bank.

3. Segment Analysis (continued)

	Corporate banking	Personal banking	Treasury operations	Unallocated	Total
Six months ended June 30, 2018 (Unaudited)					
External interest income	1,874,543	981,216	2,423,586	283,237	5,562,582
External interest expense	(1,139,948)	(770,757)	(1,425,921)	(84,961)	(3,421,587)
Net inter-segment interest income/(expense)	871,949	401,195	(1,349,559)	76,415	–
Net interest income	1,606,544	611,654	(351,894)	274,691	2,140,995
Fee and commission income	111,022	39,874	64,033	963	215,892
Fee and commission expense	(31,943)	(15,883)	(28,344)	(1,717)	(77,887)
Net fee and commission income	79,079	23,991	35,689	(754)	138,005
Net gains arising from financial assets	–	–	1,208,014	–	1,208,014
Other income, gains or losses	–	–	4,832	4,001	8,833
Operating income	1,685,623	635,645	896,641	277,938	3,495,847
Operating expenses	(360,456)	(214,756)	(343,489)	(96,610)	(1,015,311)
Impairment losses, net of reversal	(569,101)	(285,308)	(255,664)	(70,081)	(1,180,154)
Share of profit of associates	–	–	–	8,921	8,921
Profit before tax	756,066	135,581	297,488	120,168	1,309,303
Income tax expense					(253,453)
Profit for the period					1,055,850
Depreciation and amortisation	49,464	24,463	19,063	11,004	103,994
Purchase of non-current assets	73,526	37,148	70,366	613	181,653
As at June 30, 2018 (Unaudited)					
Segment assets	78,062,810	35,743,945	164,310,139	10,218,976	288,335,870
Including: Investments in associates	–	–	–	115,251	115,251
Segment liabilities	126,320,025	62,168,269	72,635,162	8,511,514	269,634,970
Supplementary information -Credit commitments	35,060,988	2,421,625	–	–	37,482,613

(Amounts in thousands of Renminbi, unless otherwise stated)

3. Segment Analysis (continued)

	Corporate banking	Personal banking	Treasury operations	Unallocated	Total
Six months ended June 30, 2017 (Unaudited)					
External interest income	1,452,028	633,096	3,325,719	178,169	5,589,012
External interest expense	(793,295)	(572,021)	(1,557,578)	(14,699)	(2,937,593)
Net inter-segment interest income/(expense)	542,674	318,297	(895,977)	35,006	–
Net interest income	1,201,407	379,372	872,164	198,476	2,651,419
Fee and commission income	96,380	14,200	63,149	5,247	178,976
Fee and commission expense	(17,141)	(3,172)	(7,028)	(1,724)	(29,065)
Net fee and commission income	79,239	11,028	56,121	3,523	149,911
Net losses arising from financial assets	–	–	(107,645)	(1,632)	(109,277)
Other income, gains or losses	–	–	2,649	(48,104)	(45,455)
Operating income	1,280,646	390,400	823,289	152,263	2,646,598
Operating expenses	(293,015)	(111,156)	(217,451)	(95,625)	(717,247)
Impairment losses, net of reversal	(603,007)	(182,871)	(220,707)	(61,567)	(1,068,152)
Share of profit of an associate	–	–	–	6,830	6,830
Profit before tax	384,624	96,373	385,131	1,901	868,029
Income tax expense					(203,117)
Profit for the period					664,912
Depreciation and amortisation	46,418	14,077	31,194	721	92,410
Purchase of non-current assets	140,233	42,528	94,241	2,178	279,180
As at June 30, 2017 (Unaudited)					
Segment assets	62,017,030	26,962,745	159,400,762	8,367,578	256,748,115
Including: Investment in an associate	–	–	–	86,944	86,944
Segment liabilities	107,562,609	49,676,650	75,648,113	6,801,051	239,688,423
Supplementary information					
-Credit commitments	29,384,630	115,880	–	–	29,500,510

4. Net Interest Income

	Six months ended June 30,	
	2018	2017
Interest income:		
Balances with central bank	202,076	161,650
Deposits with banks and other financial institutions	29,253	32,293
Placements with banks and other financial institutions	21,217	18,449
Financial assets held under resale agreements	470,160	508,268
Loans and advances to customers at amortised cost, including:	3,012,645	2,219,601
Corporate loans and advances	1,903,662	1,443,772
Personal loans and advances	1,105,552	738,140
Discounted bills	3,431	37,689
Investment, including:	1,827,231	2,648,751
Bonds investment	–	538,794
Other investments classified as receivables	–	2,109,957
Investment securities measured at amortised cost	1,392,370	–
Investment securities measured at FVTOCI	434,861	–
Subtotal	5,562,582	5,589,012
Interest expense:		
Borrowings from central bank	(9,072)	(3,201)
Deposits from banks and other financial institutions	(277,246)	(315,564)
Placements from banks	(12,925)	(118)
Financial assets sold under repurchase agreements	(176,581)	(364,079)
Customer deposits	(1,979,756)	(1,426,748)
Debt securities issued	(966,007)	(827,883)
Subtotal	(3,421,587)	(2,937,593)
Net interest income	2,140,995	2,651,419
Impaired loans' interest income	21,913	24,214

(Amounts in thousands of Renminbi, unless otherwise stated)

5. Net Fee and Commission Income

	Six months ended June 30,	
	2018	2017
Fee and commission income		
Agency service fees	93,445	85,484
Wealth management fees	56,510	58,556
Settlement and clearing service fees	10,413	9,860
Bank card fees	26,880	6,377
Credit commitments and financial guarantees fees	15,649	12,523
Transaction and consultancy fees	12,995	6,176
Subtotal	215,892	178,976
Fee and commission expense	(77,887)	(29,065)
Total	138,005	149,911

6. Net Gains/(Losses) Arising from Financial Assets

	Six months ended June 30,	
	2018	2017
Net losses on available-for-sale financial assets	–	(77,943)
Net gains on financial assets measured at FVTPL (1)	1,223,601	–
Net losses on financial assets held for trading	–	(31,334)
Net losses on financial assets measured at FVTOCI	(15,587)	–
Total	1,208,014	(109,277)

(1) Net gains on financial assets measured at FVTPL included interest income of RMB1,199,280 thousand.

7. Other Income, Gains or Losses

	Six months ended June 30,	
	2018	2017
Rental income	4,487	4,769
Government subsidies	5,808	3,882
Exchange gains	4,832	2,649
Tax refund	443	1,860
Depreciation of investment properties	(420)	(420)
Donation	(198)	(247)
Others	(6,119)	(57,948)
Total	8,833	(45,455)

8. Operating Expenses

	Six months ended June 30,	
	2018	2017
Staff costs (1)	454,465	305,375
General and administrative expenses	367,025	236,553
Tax and surcharges	26,733	17,710
Minimum rental expenses	49,295	47,203
Depreciation (excluding investment properties)	73,305	58,362
Amortisation	30,269	33,628
Others	14,219	18,416
Total	1,015,311	717,247

(1) Staff costs

	Six months ended June 30,	
	2018	*2017*
Salaries, bonuses and allowances	*390,532*	*245,998*
Staff welfare	*18,357*	*16,679*
Social insurance	*27,803*	*26,727*
Including: defined contribution plans	*19,154*	*18,663*
Housing funds	*13,259*	*11,775*
Labor union fees and staff education expenses	*4,514*	*4,196*
Total	*454,465*	*305,375*

9. Impairment Losses, Net of Reversal

	Six months ended June 30,	
	2018	2017
Loans and advances to customers at amortised cost	866,370	839,210
Investments classified as receivables	–	220,707
Investment securities measured at FVTOCI	3,914	–
Investment securities measured at amortised cost	222,419	–
Placements with banks and other financial institutions	(506)	–
Deposits with banks and other financial institutions	740	–
Financial assets held under resale agreements	(14,262)	–
Financial guarantees and credit commitments	67,875	–
Repossessed assets	25,468	–
Other assets	8,136	8,235
Total	1,180,154	1,068,152

(Amounts in thousands of Renminbi, unless otherwise stated)

10. Income Tax Expense

	Six months ended June 30,	
	2018	2017
Income tax expense comprises:		
Current income tax	535,624	307,925
Effect of tax for prior years	(21,686)	2,605
Deferred tax (Note 25)	(260,485)	(107,413)
Total	253,453	203,117

The Group carries out its operation in mainland China and all group entities are subject to the PRC Enterprise Income Tax. It is calculated at 25% of the estimated assessable profit for the period.

The tax charges for the period can be reconciled to profit before tax per the condensed consolidated statement of profit or loss and other comprehensive income as follows:

	Six months ended June 30,	
	2018	2017
Profit before tax	1,309,303	868,029
Tax calculated at applicable statutory tax rate of 25%	327,326	217,008
Tax adjustment for prior years	(21,686)	2,605
Effect of expenses not deductible for tax purpose	502	2,817
Effect of tax-free income (1)	(55,480)	(36,160)
Effect of unused losses and deductible temporary difference not recognised as deferred tax assets	2,791	16,847
Total	253,453	203,117

(1) The income not taxable for tax purpose mainly represents interest income arising from government bonds, dividends distributed from mutual fund investment, which is income tax free in accordance with the PRC tax regulations.

11. Earnings per Share

The calculation of basic earnings per share is as follows:

	Six months ended June 30, 2018	2017
Earnings:		
Profit for the period attributable to shareholders of the Bank	1,035,866	679,205
Numbers of shares:		
Weighted average number of shares in issue (in thousand)	2,000,000	1,780,729
Basic earnings per share (RMB Yuan)	0.52	0.38

No diluted earnings per share for the six months ended June 30, 2018 and 2017 were presented as there were no dilutive potential ordinary shares outstanding during the respective periods.

12. Dividends

A final dividend of RMB10 cents per share (tax inclusive) in respect of the year ended December 31, 2017 amounting to a total of RMB200 million was proposed by the Board of Directors of the Bank and approved by the 2017 annual general meeting of the Bank on June 22, 2018.

A final dividend of RMB12 cents per share (tax inclusive) in respect of the year ended December 31, 2016 amounting to a total of RMB240 million was proposed by the Board of Directors of the Bank and approved by the 2016 annual general meeting of the Bank on May 8, 2017.

13. Cash and Balances with Central Bank

	As at June 30, 2018	As at December 31, 2017
Cash	435,657	481,398
Mandatory reserve deposits (1)	24,266,452	23,589,230
Surplus reserve deposits (2)	4,858,499	4,652,105
Other deposits (3)	128,775	27,759
Total	29,689,383	28,750,492

(1) The Group places mandatory reserve deposits with the People's Bank of China (the "PBOC"). This includes RMB reserve deposits and foreign currency reserve deposits. These mandatory reserve funds are not available for the Group's daily operations.

As at June 30, 2018 and December 31, 2017, mandatory reserve deposits with the PBOC were calculated at 12.5% and 13.5% of eligible RMB deposits for the Banks and at 9% and 9% of those for the subsidiaries respectively; and at 5% of foreign currency deposits for the Bank and its subsidiaries. The foreign currency reserve deposits placed with the PBOC are non-interest bearing.

(2) The surplus reserve deposits are maintained with the PBOC mainly for the purpose of clearing.

(3) Other deposits mainly represent fiscal deposits placed with the PBOC, which are non-interest bearing.

(Amounts in thousands of Renminbi, unless otherwise stated)

14. Deposits With Banks and Other Financial Institutions

	As at June 30, 2018	As at December 31, 2017
Deposits with:		
Banks and other financial institutions in mainland China	1,963,484	1,446,314
Banks outside mainland China	151,311	221,451
Less: Impairment loss allowance	(820)	–
Total	2,113,975	1,667,765

15. Placements with Banks and Other Financial Institutions

	As at June 30, 2018	As at December 31, 2017
Placements with:		
Banks in mainland China	124,225	1,316,042
Other financial institutions in mainland China	250,000	80,000
Banks outside mainland China	–	84,945
Less: Impairment loss allowance	(157)	–
Total	374,068	1,480,987

16. Financial Assets Held for Trading

	As at December 31, 2017
Debt securities issued by:	
Government	146,529
Financial institutions – Policy banks	764,234
Total	910,763

17. Financial Assets Held Under Resale Agreements

Analysed by counterparties:

	As at June 30, 2018	As at December 31, 2017
Banks in mainland China	3,734,253	22,610,528
Other financial institutions in mainland China	5,588,799	3,896,211
Less: Impairment loss allowance	(8,470)	–
Total	9,314,582	26,506,739

18. Loans and Advances to Customers

(1) Distributions of loans and advances to customers by corporate and retail customers are set out as follows:

	As at June 30, 2018	As at December 31, 2017
Corporate loans and advances		
– Loans	73,847,716	60,037,983
– Discounted bills	738,553	4,571,087
– Trade financing	696,166	960,630
Subtotal	75,282,435	65,569,700
Retail loans and advances		
– Residential mortgage loans	19,681,332	19,162,283
– Personal loans for consumption	9,556,236	8,113,025
– Personal loans for business purposes	8,878,094	9,246,760
– Credit card	1,038,563	633,412
Subtotal	39,154,225	37,155,480
Gross loans and advances to customers at amortised cost	114,436,660	102,725,180
Allowance for impairment losses	(4,073,073)	(3,197,047)
Loans and advances to customers at amortised cost, net	110,363,587	99,528,133
Loans and advances to customers at FVTPL (Note)	4,215,256	–
Total loans and advances to customers	114,578,843	99,528,133

Note: Loans and advances to customers at FVTPL mainly include discounted bills and forfaiting of the Bank. These financial assets are held with a business model whose objective is neither to collect contractual cash flows nor to both collect contractual cash flows and sell these financial assets, and therefore will be measured subsequently at fair value with fair value gains or losses to be recognized in profit or loss under IFRS 9.

(Amounts in thousands of Renminbi, unless otherwise stated)

18. Loans and Advances to Customers (continued)

(2) Analysis of loans and advances to customers by collective and individual assessments:

	Loans and advances for which allowance is collectively assessed (i)	Identified impaired loans and advances (ii) For which allowance is collectively assessed	For which allowance is individually assessed	Subtotal	Total	Identified impaired loans and advances as a % of gross loans a advances
As at December 31, 2017						
Gross loans and advances	101,060,012	551,224	1,113,944	1,665,168	102,725,180	1.62%
Allowance for impairment losses	(2,130,984)	(375,556)	(690,507)	(1,066,063)	(3,197,047)	
Loans and advances to customers, net	98,929,028	175,668	423,437	599,105	99,528,133	

Note:

(i) *Loans and advances for which allowance is collectively assessed consist of loans and advances which have not been specifically identified as impaired.*

(ii) *Identified impaired loans and advances include loans for which objective evidence of impairment exists and which have been identified as bearing an impairment loss and are assessed either individually or collectively.*

(iii) *Movements of allowance on loans and advances to customers are as follows:*

	Individually assessed allowance	*Collectively assessed allowance*	*Total*
As at January 1, 2017	*557,761*	*2,040,029*	*2,597,790*
Charge for the year	*1,220,873*	*694,410*	*1,915,283*
Reversal for the year	*(586,617)*	*(56,094)*	*(642,711)*
Written off	*(467,867)*	*(178,825)*	*(646,692)*
Recovery	*2,210*	*18,369*	*20,579*
Unwinding of discount on allowance	*(35,853)*	*(11,349)*	*(47,202)*
As at December 31, 2017	*690,507*	*2,506,540*	*3,197,047*

(iv) *For more disclosures of loans and advances to customers as at June 30,2018, please refer to Note 40.1.*

19. Available-for-sale Financial Assets

	As at December 31, 2017
Debt instruments	
Debt securities	16,681,029
Asset-backed securities	14,840
Subtotal	16,695,869
Equity investment (1)	15,100
Fund investment	3,843,607
Total	20,554,576
Analysed by debt securities issuers:	
Debt securities issued by:	
Government	3,388,212
Financial institutions	
– Policy banks	9,887,172
– Commercial banks and other financial institutions	124,048
Corporations	3,296,437
Total	16,695,869

(1) *The unlisted equity investments are measured at cost because their fair values cannot be reliably measured.*

(Amounts in thousands of Renminbi, unless otherwise stated)

20. Held-to-maturity Investments

	As at December 31, 2017
Debt securities	13,113,168
Asset-backed securities	12,339
Total	13,125,507
Analysed by debt securities issuers:	
Debt securities issued by:	
Government	5,336,238
Financial institutions	
– Policy banks	4,269,653
Corporations	3,519,616
Total	13,125,507

21. Investments Classified as Receivables

	As at December 31, 2017
Trust beneficiary rights (1)	49,291,388
Asset management plans (2)	19,734,891
Wealth management products (3)	877,866
Subtotal	69,904,145
Allowance for impairment losses	(999,619)
Total	68,904,526

(1) Trust beneficial rights are beneficial rights of trusts that mainly invest in loans.

(2) Asset management plans are mainly operated by asset management companies and securities companies.

(3) Wealth management products are issued by other commercial banks with finite terms.

22. Investment Securities

	As at June 30, 2018
Investment securities measured at FVTPL (1)	48,933,125
Investment securities measured at amortised cost (2)	52,869,764
Investment securities measured at FVTOCI (3)	20,780,083
Total	122,582,972

(1) Investment securities measured at FVTPL

	As at June 30, 2018
Trust beneficiary rights and asset management plans	38,604,435
Funds	6,428,786
Wealth management products	1,807,911
Debt securities	1,371,551
Equity investments	720,442
Total	48,933,125

(2) Investment securities measured at amortised cost

	As at June 30, 2018
Debt securities	15,746,313
Trust beneficiary rights and asset management plans	38,033,881
Less: Impairment loss	(910,430)
Total	52,869,764

(3) Investment securities measured at FVTOCI

	As at June 30, 2018
Debt securities	20,780,083

(Amounts in thousands of Renminbi, unless otherwise stated)

23. Investments in Associates

	As at June 30, 2018	As at December 31, 2017
Cost of unlisted investments in associates	83,187	83,187
Share of post-acquisition profits and other comprehensive income, net of dividends received	32,064	28,143
Total	115,251	111,330

24. Property and Equipment

	Leasehold land and buildings	Electronic equipment	Motor vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
COST							
As at January 1, 2017	1,157,404	167,082	16,260	93,109	258,995	838,101	2,530,951
Additions	18,802	38,012	3,543	17,535	36,333	425,062	539,287
Transfers	125,222	26,592	–	24,679	23,689	(200,182)	–
Transfers to other assets	–	–	–	–	–	(17,931)	(17,931)
Disposals	–	(5,466)	(2,059)	(2,303)	(7,856)	–	(17,684)
As at December 31, 2017	1,301,428	226,220	17,744	133,020	311,161	1,045,050	3,034,623
Additions	13,998	6,138	1,297	1,995	1,878	103,668	128,974
Transfers	208,418	32,969	–	3,402	234	(245,023)	–
Transfers to other assets	–	–	–	–	–	(44,376)	(44,376)
Disposals	(900)	(436)	(345)	(10)	(5,105)	–	(6,796)
As at June 30, 2018 (unaudited)	1,522,944	264,891	18,696	138,407	308,168	859,319	3,112,425
ACCUMULATED DEPRECIATION							
As at January 1, 2017	(215,109)	(92,323)	(9,865)	(36,774)	(97,616)	–	(451,687)
Provided for the year	(60,327)	(44,910)	(2,170)	(17,554)	(59,925)	–	(184,886)
Disposals	–	4,084	2,008	1,703	6,628	–	14,423
As at December 31, 2017	(275,436)	(133,149)	(10,027)	(52,625)	(150,913)	–	(622,150)
Provided for the period	(34,986)	(26,304)	(1,282)	(11,153)	(24,112)	–	(97,837)
Disposals	817	397	333	8	5,105	–	6,660
As at June 30, 2018 (unaudited)	(309,605)	(159,056)	(10,976)	(63,770)	(169,920)	–	(713,327)
NET BOOK VALUE							
As at December 31, 2017	1,025,992	93,071	7,717	80,395	160,248	1,045,050	2,412,473
As at June 30, 2018 (unaudited)	1,213,339	105,835	7,720	74,637	138,248	859,319	2,399,098

24. Property and Equipment (continued)

The carrying amount of buildings of the Group with incomplete title deeds as at June 30, 2018 and December 31, 2017 amounted to RMB28.74 million and RMB119.23 million, respectively. The Group is still in the process of applying for the outstanding title deeds for the above buildings. The directors of the Bank are of the opinion that these incomplete title deeds would not cause any significant impact on the Group's operations.

As at June 30, 2018 and December 31, 2017, leasehold land and buildings of the Group with net book value amounting to RMB9.12 million and RMB9.54 million were rented out to third parties as investment properties.

The net book value of investment properties are analysed by the remaining terms of the land leases as follows:

	As at June 30, 2018	As at December 31, 2017
Held in mainland China		
over 50 years	–	–
10-50 years	9,117	9,536
less than 10 years	–	–
Total	9,117	9,536

(Amounts in thousands of Renminbi, unless otherwise stated)

25. Deferred Taxation

The followings are the major deferred tax assets and liabilities recognised and movements thereon:

	Allowance for impairment losses	Accrued salaries, bonuses and allowances	Fair value changes of available-for-sale financial assets/ investment securities measured at FVTOCI	Fair value changes of financial assets held for trading/ investment securities measured at FVTPL	Others	Total
As at December 31, 2017	766,754	101,694	339,242	13,303	36,977	1,257,970
Effect of adoption of IFRS9	43,023	–	(3,944)	37,625	–	76,704
As at January 1, 2018	809,777	101,694	335,298	50,928	36,977	1,334,674
Credit/(charge) to profit or loss	205,933	58,595	–	(4,520)	477	260,485
Charge to other comprehensive income	–	–	(127,238)	–	–	(127,238)
As at June 30, 2018 (Unaudited)	1,015,710	160,289	208,060	46,408	37,454	1,467,921

	Allowance for impairment losses	Accrued salaries, bonuses and allowances	Fair value changes of available-for-sale financial assets	Fair value changes of financial assets held for trading	Others	Total
As at January 1, 2017	595,680	54,040	115,445	1,908	36,520	803,593
Credit to profit or loss	171,074	47,654	–	11,395	457	230,580
Credit to other comprehensive income	–	–	223,797	–	–	223,797
As at December 31, 2017	766,754	101,694	339,242	13,303	36,977	1,257,970

26. Other Assets

	As at June 30, 2018	As at December 31, 2017
Repossessed assets (1)	3,157,768	4,254,042
Interest receivables	1,683,058	1,444,352
Other receivables	507,077	132,251
Intangible assets	72,268	31,673
Deferred issue costs	43,802	20,976
Land use rights	6,268	6,426
Precious metals	1,782	2,304
Others	227,754	150,778
Total	5,699,777	6,042,802

(1) Repossessed assets:

	As at June 30, 2018	As at December 31, 2017
Analysed as:		
Property and equipment	2,860,743	3,122,784
Land use rights	362,309	460,221
Others	9,556	721,303
Gross repossessed assets	3,232,608	4,304,308
Allowance for impairment losses	(74,840)	(50,266)
Repossessed assets, net	3,157,768	4,254,042

(Amounts in thousands of Renminbi, unless otherwise stated)

27. Deposits From Banks and Other Financial Institutions

	As at June 30, 2018	As at December 31, 2017
Banks in mainland China	12,126,410	6,734,954
Other financial institutions in mainland China	7,182,744	1,533,750
Total	19,309,154	8,268,704

28. Placements From Banks

	As at June 30, 2018	As at December 31, 2017
Banks in mainland China	809,478	1,031,986
Banks outside mainland China	–	84,945
Total	809,478	1,116,931

29. Financial Assets Sold Under Repurchase Agreements

Analyzed by counterparties:

	As at June 30, 2018	As at December 31, 2017
Banks in mainland China	6,383,617	17,297,997
Other financial institutions in mainland China	–	108,000
Total	6,383,617	17,405,997

29. Financial Assets Sold Under Repurchase Agreements (continued)

Analyzed by collateral type:

	As at June 30, 2018	As at December 31, 2017
Bonds	5,984,300	17,088,550
Bills	399,317	317,447
Total	6,383,617	17,405,997

30. Customer Deposits

	As at June 30, 2018	As at December 31, 2017
Demand deposits		
Corporate customers	70,931,880	73,453,973
Individual customers	13,036,322	11,996,411
Time deposits		
Corporate customers	35,181,930	31,406,862
Individual customers	51,296,783	40,087,057
Pledged deposits (1)	23,102,803	22,420,436
Others	376,390	271,831
Total	193,926,108	179,636,570

(1) Pledged deposits analyzed by products for which deposit is required:

	As at June 30, 2017	As at December 31, 2017
Bank acceptances	18,186,076	17,208,618
Guarantees and Letters of guarantee	577,593	414,780
Letters of credit	1,765,752	1,955,048
Others	2,573,382	2,841,990
Total	23,102,803	22,420,436

(Amounts in thousands of Renminbi, unless otherwise stated)

31. Debt Securities Issued

Analysis of the liquidity risk of debt securities issued

The tables below summarise the maturity analysis of the debt securities issued by remaining contractual maturities at the end of each reporting period.

	As at June 30, 2018				
	Less than 1 year (1 year inclusive)	1 to 2 years (2 years inclusive)	2 to 5 years (5 years inclusive)	over 5 years	Total
15 Jiujiang Bank bonds (1)	–	–	–	2,000,000	2,000,000
18 Jiujiang Bank bonds (2)	–	–	–	1,500,000	1,500,000
Interbank negotiable certificates of deposit (3)	38,173,399	–	–	–	38,173,399
Asset-backed securities (4)	1,270,000	–	120,000	–	1,390,000
Total	39,443,399	–	120,000	3,500,000	43,063,399

	As at December 31, 2017				
	Less than 1 year (1 year inclusive)	1 to 2 years (2 years inclusive)	2 to 5 years (5 years inclusive)	over 5 years	Total
15 Jiujiang Bank bonds (1)	–	–	–	2,000,000	2,000,000
Interbank negotiable certificates of deposit (3)	36,752,839	–	–	–	36,752,839
Asset-backed securities (4)	618,000	757,000	120,000	–	1,495,000
Total	37,370,839	757,000	120,000	2,000,000	40,247,839

(1) On December 25, 2015, the Bank issued a fixed-rate tier-two capital bond with nominal value of RMB2 billion. Pursuant to the agreement, the bond has a term of 10 years, expiring on December 24, 2025, bearing an interest at 4.9% per annum. The Bank has the right to redeem the bond in full at nominal value at the end of the fifth year. No adjustment is made to the bond interest rate after five years of issue, if the bond is not redeemed in the fifth year.

(2) On January 28, 2018, the Bank issued a fixed-rate subordinated bond with nominal value of RMB1.5 billion. Pursuant to the agreement, the bond has a term of 10 years, expiring on January 27, 2028, bearing an interest at 5.00% per annum. The Bank has the right to redeem the bond in full at nominal value at the end of the fifth year. No adjustment is made to the bond interest rate after five years of issue, if the bond is not redeemed in the fifth year.

(3) As at June 30, 2018, the Bank had 75 outstanding interbank negotiable certificates of deposit with total notional amount of RMB38.82 billion. As at December 31, 2017, the Bank had 86 outstanding interbank negotiable certificates of deposit with total notional amount of RMB37.47 billion. All of these certificates were due within 1 year at the time of issuance. Such certificates were issued at a discount of which interests should be paid in lump sum at the maturity date.

(4) On May 21, 2016, the Bank authorised Tebon Securities Co., Ltd. to issue asset-backed securities, named the "De Xun No.1 Special Asset Management Plan" with initial size of RMB3,528 million, expiring on December 28, 2022. As at June 30, 2018 and December 31, 2017, outstanding amount of the asset-backed securities issued were RMB1,390 million and RMB1,495 million respectively. The interest rates range from 4.75% to 9.00%. The full amount of the consideration received for the issuance of the asset-backed securities was recognised as debt securities issued as the Bank retained substantially all the risks and rewards associated with financial assets transferred.

32. Other Liabilities

	As at June 30, 2018	As at December 31, 2017
Interest payable	2,152,343	1,895,669
Other payables	892,474	2,651,121
Salaries payable	819,816	697,767
Settlement payable	307,007	244,854
Business and other tax payables	268,784	249,058
Dividends payable	214,990	14,137
Accruals for issue costs and listing expenses	36,424	9,716
Total	4,691,838	5,762,322

33. Share Capital

	As at June 30, 2018	As at December 31, 2017
Ordinary shares of RMB1 yuan each (in thousand)		
At beginning of the period/year	2,000,000	1,516,000
Increase during the period/year	–	484,000
At end of the period/year	2,000,000	2,000,000
Issued and fully paid		
At beginning of the period/year	2,000,000	1,516,000
Issuance of shares	–	484,000
At end of the period/year	2,000,000	2,000,000

34. Investment Revaluation Reserve

	As at June 30, 2018	As at December 31, 2017
Available-for-sale financial assets	–	(1,017,581)
Investment securities measured at FVTOCI	(624,036)	–

(Amounts in thousands of Renminbi, unless otherwise stated)

35. Cash and Cash Equivalents

Cash and cash equivalents include the following balances with an original maturity equal to or less than three months:

	As at June 30, 2018	As at June 30, 2017
Cash	435,657	376,963
Balances with central bank	4,858,499	5,190,839
Deposits with banks and other financial institutions	1,814,695	2,532,030
Placements with banks and other financial institutions	196,409	–
Total	7,305,260	8,099,832

36. Structured Entities

36.1 Consolidated structured entities

The consolidated structured entities of the Group mainly included non-principal-guaranteed wealth management products issued by the Bank that were invested by its subsidiaries and principal-guaranteed wealth management products sponsored by the Bank. As at June 30, 2018 and December 31, 2017, the scale of the consolidated structured entities amounted to RMB3,125 million and RMB124 million respectively.

As the initiator and manager of the above mentioned wealth management products, the Group considers it has control over such structured entities and those structured entities should be consolidated by the Group.

36.2 Unconsolidated structured entities

(1) Structured entities managed by third party institutions in which the Group holds an interest

The Group holds an interest in these structured entities managed by third party institutions through investments in the beneficial rights or plans issued relating to these structured entities. The Group does not consolidate these structured entities. Such structured entities include wealth management products issued by financial institutions, asset management plans, trust beneficiary rights and asset-backed securities.

The following tables set out an analysis of the gross carrying amounts of interests held by the Group as at June 30, 2018 and December 31, 2017 in the structured entities sponsored and managed by third party institutions.

36. Structured Entities (continued)

36.2 Unconsolidated structured entities (continued)

(1) Structured entities managed by third party institutions in which the Group holds an interest (continued)

	As at June 30, 2018			
	Investment securities measured at FVTPL	Investment securities measured at amortised cost	Maximum risk exposure	Type of income
Wealth management products	1,807,911	–	1,807,911	Net gains/losses
Funds	6,428,786	–	6,428,786	Net gains/losses
Trust beneficiary rights and asset management plans	38,604,435	38,033,881	75,755,206	Interest income/ Net gains/losses
Subordinated tranches of asset-backed securities	8,400	–	8,400	Net gains/losses
Total	46,849,532	38,033,881	84,000,303	

	As at December 31, 2017				
	Available-for-sale financial assets	Held-to-maturity investments	Investments classified as receivables	Maximum risk exposure	Type of income
Wealth management products	–	–	877,866	877,866	Interest income
Funds	3,843,607	–	–	3,843,607	Net gains/losses
Trust beneficiary rights	–	–	49,291,388	48,597,051	Interest income
Asset management plans	–	–	19,734,891	19,429,609	Interest income
Assets-backed securities	14,840	12,339	–	27,179	Interest income
Total	3,858,447	12,339	69,904,145	72,775,312	

(2) Unconsolidated structured entities managed by the Group

The types of unconsolidated structured entities managed by the Group mainly include non-principal-guaranteed wealth management products. The purpose of managing these structured entities is to generate fees from managing assets on behalf of investors. Interest held by the Group includes fees charged by providing management services to these structured entities.

For the six months ended June 30, 2018 and 2017, the management fee recognised amounting to RMB56.51 million, and RMB58.56 million, respectively.

As at June 30,2018 and December 31, 2017, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products managed by the Bank amounting to RMB33,536 million and RMB34,021 million respectively.

The Group did not provide any financial or other support to these unconsolidated structured entities during the six months ended June 30, 2018 and 2017.

(Amounts in thousands of Renminbi, unless otherwise stated)

37. Related Party Transactions

(1) Major shareholders and entities under their control

Following major shareholders holding more than 5% shares of the Bank are considered as related parties of the Group:

	Percentage of shares held	
	As at June 30, 2018 %	As at December 31, 2017 %
Name of shareholders		
Jiujiang City Bureau of Finance	18.30%	18.30%
Beijing Automotive Group Co., Ltd.	18.30%	18.30%
Industrial Bank Co., Ltd.	14.72%	14.72%
Foshan Gaomin Jindun Hengye Computer Special Printing Co., Ltd.	6.79%	6.79%
Dasheng (Fujian) Agricultural Co., Ltd.	6.80%	6.80%

The shareholders with less than 5% interest in the Bank are not considered as related parties of the Group.

Balances and transactions between the Group and the major shareholders and entities under their control are as follows:

During the period/year, the Group had the following material balances and entered into the following material transactions with major shareholders and entities under their control. These transactions were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties.

37. Related Party Transactions (continued)

(1) Major shareholders and entities under their control (continued)

	As at June 30, 2018	As at December 31, 2017
Balances at end of the period/year		
Assets		
Interest receivable	6,003	29,591
Deposits with banks and other financial institutions	619,970	113,801
Loans and advances to customers at amortised cost	1,308,375	708,000
Investments classified as receivables (1)	–	2,093,857
Investment securities measured at FVTPL (1)	1,337,500	–
Investment securities measured at amortised cost (1)	200,000	–
Total	3,471,848	2,945,249
Liabilities		
Customer deposits	7,005,758	6,809,754
Deposits from banks and other financial institutions	37,865	12,502
Interest payable	25,059	49,886
Total	7,068,682	6,872,142
Non-principal-guaranteed wealth management products (2)	1,200,000	1,200,000

(1): It represented the trust products purchased by the Group, which was issued by a subsidiary of Industrial Bank Co., Ltd. and the asset management plan purchased by the Group of which the underlying borrower is a related party of the Group.

(2): It represented the non-principal-guaranteed wealth management product issued by the Group where the underlying asset is a loan, and the borrower is a related party of the Group.

	Six months ended June 30,	
	2018	2017
Transactions during the period:		
Interest income	29,389	59,870
Interest expense	32,891	67,829
Fee and commission income	–	1,802
Net gains arising from investment securities	8,626	–

(Amounts in thousands of Renminbi, unless otherwise stated)

37. Related Party Transactions (continued)

(2) Associates of the Bank

	As at June 30, 2018	As at December 31, 2017
Balances at the end of the period/year:		
Deposits from banks and other financial institutions	757,422	868,712
Interest payable	1,834	3,702
Total	759,256	872,414

During the six months ended June 30, 2018, the Bank received a dividend of RMB5 million from Zhongshan Xiaolan County Bank Co., Ltd.

	Six months ended June 30,	
	2018	2017
Transactions during the period:		
Interest income	–	10
Interest expense	15,475	12,751

(3) 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. Transactions with other related parties were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties.

37. Related Party Transactions (continued)

(3) Other related parties (continued)

Balances and transactions between the Group and other related parties are as follows:

	As at June 30, 2018	As at December 31, 2017
Balances at the end of the period/year:		
Assets		
Interest receivable	19	29
Loans and advances to customers at amortised cost	13,839	19,164
Total	13,858	19,193
Liabilities		
Customer deposits	8,624	8,968
Interest payable	58	67
Total	8,682	9,035

	Six months ended June 30,	
	2018	2017
Transactions during the period:		
Interest income	232	319
Interest expense	16	40

(4) Key management personnel

Key management personnel are those persons in the Group who have the authority and responsibility to plan, direct and control the activities of the Group.

The remuneration of directors and other members of key management during the six months ended June 30, 2018 and 2017 were as follows:

	Six months ended June 30,	
	2018	2017
Fees	225	45
Basic salaries, bonuses and allowances	7,521	6,421
Contribution to pension schemes	1,059	1,038
Total	8,805	7,504

(Amounts in thousands of Renminbi, unless otherwise stated)

38. Contingent Liabilities and Commitments

Legal proceedings

The group entities are involved as defendants in certain lawsuits arising from their normal business operations. As at June 30, 2018 and December 31, 2017 in light of court decisions or advice from legal counsels, the Group considered it not necessary to provide for any potential losses from these claims.

Capital commitment

	As at June 30, 2018	As at December 31, 2017
Contracted but not provided for	134,800	221,764

Operating lease commitments

At the end of each reporting period, the Group has the following non-cancellable operating lease commitments as lessee with fixed lease term and lease payment:

	As at June 30, 2018	As at December 31, 2017
Within 1 year	73,226	70,863
1 to 5 years	211,037	217,614
Over 5 years	104,929	114,420
Total	389,192	402,897

38. Contingent Liabilities and Commitments (continued)

Credit commitments

	As at June 30, 2018	As at December 31, 2017
Loan commitments	2,421,625	463,413
Letters of credit	3,545,688	3,268,750
Guarantees and Letters of guarantee	3,307,029	3,018,059
Bank acceptances	28,208,271	27,912,253
Total	37,482,613	34,662,475

Credit commitments represent general facility limits granted to customers. These credit facilities may be drawn in the form of loans and advances or through the issuance of letters of credit, acceptances or letters of guarantee.

The Group grants loan commitments to specific customers. The directors of the Bank are of the opinion that such commitments are conditional and revocable.

Collateral

Assets pledged

The carrying amount of assets pledged as collateral under repurchase agreements by the Group are as follows:

	As at June 30, 2018	As at December 31, 2017
Bonds	5,823,960	17,433,941
Bills	399,317	317,447
Total	6,223,277	17,751,388

As at June 30, 2018, the carrying amount of financial assets sold under repurchase agreements for the Group amounted to RMB6,384 million (December 31, 2017: RMB17,406 million).

All repurchase agreements were due within twelve months from inception.

39. Fiduciary Activities

The Group commonly acts as asset manager or in other fiduciary capacities that results in its holding or managing assets on behalf of individuals or corporations. These assets and any gains or losses arising thereon are not included in the condensed consolidated financial statements of the Group as they are not the Group's assets.

As at June 30, 2018 and December 31, 2017, the entrusted loans balance of the Group amounted to RMB47,042 million and RMB42,131 million respectively.

As at June 30, 2018 and December 31, 2017, the balance of the non-principal-guaranteed wealth management products issued and managed by the Group amounted to RMB33,536 million and RMB34,021 million respectively.

40. Financial Risk Management

The primary objectives of risk management of the Group are to maintain risk within acceptable parameters and satisfy the regulatory requirements.

The Group's risk management policies are designed and controls are set up to identify, analyse, monitor and report risks arising from normal operation. The Group regularly reviews its risk management policies and systems to address changes in markets, products and emerging best practices.

Details of the financial instruments are disclosed in respective notes to the condensed consolidated financial statements. The risks associated with these financial instruments include credit risk, liquidity risk and market risk (i.e. interest rate risk, currency risk and other price risk). The policies on how to mitigate these risks for the six-month period ended June 30, 2018 are the same as those presented in the Group's consolidated financial statements for the year ended December 31, 2017, except that credit risk management has been changed due to the adoption of IFRS 9. Key changes are summarised below:

40.1 Credit risk

After the adoption of IFRS 9, in addition to the credit risk management in prior years, the Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime ECL rather 12-month ECL.

In order to minimize credit risk, the Group has tasked to develop and maintain the Group's credit risk grading to categorize exposures according to their degree of risk of default. The credit grading information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgment. The nature of the exposure and the type of counterparty are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

40. Financial Risk Management (continued)

40.1 Credit risk (continued)

The five category classifications in which the Group classifies its loans and advances to customers at amortised cost and trust beneficiary rights and asset management plans measured at amortised cost are set out below:

- Normal: Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
- Special mention: Borrowers are able to repay their loans currently, although repayment may be adversely affected by specific factors.
- Substandard: Borrowers' ability to repay their loans is in question and they cannot rely entirely on normal operational revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.
- Doubtful: Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.
- Loss: Only a small portion or none of the principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.

The internal credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases, the difference in risk of default between grades changes. Each exposure is allocated to a credit's risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The Group uses credit risk grades as a primary input into the determination of the term structure of the probability of default ("PD") for exposures. The Group uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative information that are indicative of risk of default.

The Group uses forward-looking macro-economic data such as gross domestic product growth, producer price index and consumer price index in its assessment of significant increase of credit risk as well as in its measurement of ECL.

An analysis of the Group's credit risk exposure per class of financial asset, internal rating and "stage" without taking into account the effects of any collateral or other credit enhancements is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

(Amounts in thousands of Renminbi, unless otherwise stated)

40. Financial Risk Management (continued)

40.1 Credit risk (continued)

Credit risk management (continued)

The tables below analyse the movement of the loss allowance during the period per class of assets.

Loss allowance – Loans and advances to customers at amortised cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2018	2,175,585	318,946	905,080	3,399,611
Changes in the loss allowance				
– Transfer to stage 1	–	–	–	–
– Transfer to stage 2	(31,384)	82,118	(50,734)	–
– Transfer to stage 3	–	(85,633)	85,633	–
– Write-offs	–	–	(210,123)	(210,123)
– Charge to profit or loss	311,092	128,701	426,577	866,370
– Recovery	–	–	17,215	17,215
Loss allowance as at June 30, 2018	2,455,293	444,132	1,173,648	4,073,073

Loss allowance – Trust beneficiary rights and asset management plans at amortised cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2018	621,194	–	8,906	630,100
Changes in the loss allowance				
– Transfer to stage 1	–	–	–	–
– Transfer to stage 2	–	–	–	–
– Transfer to stage 3	–	–	–	–
– Charge/(reversal) to profit or loss	257,935	–	(4,925)	253,010
Loss allowance as at June 30, 2018	879,129	–	3,981	883,110

40. Financial Risk Management (continued)

40.1 Credit risk (continued)

Investment securities measured at FVTOCI

For investment securities measured at FVTOCI, the Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of investment securities measured at FVTOCI is at Stage 1 of which the loss allowance is measured at 12 month ECL.

Placements with banks and other financial institutions

For placements with banks and other financial institutions, the Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of placements with banks and other financial institutions is at Stage 1 of which the loss allowance is measured at 12 month ECL.

Deposits with banks and other financial institutions

For deposits with banks and other financial institutions, the Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of deposits with banks and other financial institutions is at Stage 1 of which the loss allowance is measured at 12 month ECL.

Financial assets held under resale agreements

For financial assets held under resale agreements, the Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of financial assets held under resale agreements is at Stage 1 of which the loss allowance is measured at 12 month ECL.

Financial guarantees and loans commitments

For financial guarantees and loans commitments, the Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of financial guarantees and loans commitment is at Stage 1 of which the loss allowance is measured at 12 month ECL.

Other receivables

For other receivables, the Group has applied the general approach in IFRS 9 to measure ECL. Other receivables at Stage 1 of which the loss allowance is measured at 12 month ECL. Other receivables at Stage 2 or Stage 3 of which the loss allowance is measured at lifetime ECL.

41. Fair Value of Financial Instruments

Certain financial assets of the Group are measured at fair value at the end of each reporting period. Fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements is observable and the significance of the inputs to the fair value measurement in its entirety, which is described below:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available such as the market price of listed equity securities on exchanges. Where level 1 fair value measurements are not available, the fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models, including discounted cash flow analysis, using prices from observable current market transactions for similar instruments to the extent available.

The main valuation technique used by the Group is discounted cash flow model for financial instruments. The main inputs used in discounted cash flow model include interest rates, credit spread of the Bank and counterparty credit spreads, as appropriate. If these parameters used in the model are substantively based on observable market data and/or obtainable from active open market, the instruments are classified as level 2.

The following tables give the information about how the fair values of these financial assets and financial liabilities are categorised and determined, in particular, the valuation technique(s) and input(s) used.

41. Fair Value of Financial Instruments (continued)

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

	As at June 30, 2018			
	Level 1	Level 2	Level 3	Total
Investment securities measured at FVTPL				
– Debt securities	–	1,371,551	–	1,371,551
– Funds	–	6,428,786	–	6,428,786
– Wealth management products	–	1,807,911	–	1,807,911
– Trust beneficial rights and asset management plans	–	–	38,604,435	38,604,435
– Equity investment	–	–	720,442	720,442
Investment securities measured at FVTOCI				
– Debt securities	–	20,780,083	–	20,780,083
Loans and advances to customers at FVTPL	–	–	4,215,256	4,215,256
Total	–	30,388,331	43,540,133	73,928,464

Note 1: The fair value of trust beneficial rights and asset management plans measured at FVTPL and loans and advances to customers at FVTPL are determined by using discounted cash flow method. The future cash flows are estimated based on expected contractual amounts, discounted at rates that reflect the credit risk of various counterparties, which are unobservable inputs for the fair value measurement. The higher the discount rate, the lower the fair value.

Note 2: The fair value of equity investment is determined with reference to the quoted market multiples with an adjustment of discount for lack of marketability, which are unobservable inputs for the fair value measurement. The higher the discount for lack of marketability, the lower the fair value.

	As at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
– Debt securities	–	910,763	–	910,763
Available-for-sale financial assets				
– Debt instruments	–	16,695,869	–	16,695,869
– Fund investments	–	3,843,607	–	3,843,607
Total	–	21,450,239	–	21,450,239

There were no transfers between Level 1 and Level 2 during the six months ended June 30, 2018 and the year ended December 31, 2017.

(Amounts in thousands of Renminbi, unless otherwise stated)

41. Fair Value of Financial Instruments (continued)

Reconciliation of Level 3 fair value measurements of financial assets and financial liabilities

	Trust beneficial rights and asset management plans	Equity investment	Loans and advances to customers	Total
As at December 31, 2017	–	–	–	–
Effect of adoption of IFRS 9	22,299,604	741,662	2,025,322	25,066,588
As at January 1, 2018	22,299,604	741,662	2,025,322	25,066,588
Changes in fair value recognised in profit or loss	(254,788)	(21,220)	(28,241)	(304,249)
Additions	16,559,619	–	2,218,175	18,777,794
As at June 30, 2018 (Unaudited)	38,604,435	720,442	4,215,256	43,540,133

The total gains or losses for the period included an unrealised gain relating to financial assets that are measured at fair value at the end of each reporting period. Such fair value gains or losses are included in "net gains/(losses) arising from financial assets".

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

Debt instruments traded on China Interbank Market are classified into Level 2. Their fair values are provided by China Central Depository & Clearing Co., Ltd. and determined by using discounted cash flow method.

	As at June 30, 2018		As at December 31,2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and advances to customers at amortised cost	110,363,587	111,098,790	99,528,133	99,640,300
Held-to-maturity investments	–	–	13,125,507	12,739,490
Investment securities measured at amortised cost	52,869,764	53,801,439	–	–
Investments classified as receivables	–	–	68,904,526	68,988,740
Total	163,233,351	164,900,229	181,558,166	181,368,530
Financial liabilities				
Customer deposits	193,926,108	195,395,014	179,636,570	181,716,931
Debt securities issued	43,063,399	42,473,775	40,247,839	39,452,828
Total	236,989,507	237,868,789	219,884,409	221,169,759

41. Fair Value of Financial Instruments (continued)

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (continued)

Other financial assets and financial liabilities including balances with central bank, deposits and placements with banks and other financial institutions, financial assets held under resale agreements, borrowing from central bank, placements and deposits from banks and other financial institutions, financial assets sold under repurchase agreements mostly have terms within one year. Their carrying values approximate their fair values.

42. Subsequent Events

On July 10, 2018, the Bank was listed on The Stock Exchange of Hong Kong Limited with initial public offering of 360,000,000 H shares at HK$10.60 per share.

The Over-allotment option was partially exercised on July 28, 2018, in respect of an aggregate of 47,367,200 H Shares at HK$10.60 per share. After the partial exercise of the Over-allotment option, the total number of shares issued by the Bank increased to 2,407,367,200.

Definition

In this interim report, unless the context otherwise requires, the following terms and expressions have the meanings set forth below:

"Articles of Association" or "Articles"	the articles of association of the Bank, the version of which was passed by our shareholders at the shareholders' meeting on May 8, 2017 and was approved by the CBRC Jiangxi Bureau on August 30, 2017, as the same may be amended, supplemented or otherwise modified from time to time
"Bank", "Bank of Jiujiang", "Group", "we" or "us"	Bank of Jiujiang Co., Ltd.(九江銀行股份有限公司), a joint stock company incorporated on November 17, 2000 in Jiangxi Province, China with limited liability in accordance with PRC laws and regulations and, if the context requires, includes its predecessors, subsidiaries, branches and sub-branches
"Board" or "Board of Directors"	the board of Directors of the Bank
"Board of Supervisors"	the board of Supervisors of the Bank
"Prospectus"	the Prospectus of the Bank dated June 26, 2018
"CBIRC"	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會), a regulatory authority formed via the merger of the CBRC and CIRC according to the Notice of the State Council regarding the Establishment of Organizations (國務院關於機構設置的通知) (Guo Fa [2018] No.6) issued by the State Council on March 24, 2018
"CBRC"	former China Banking Regulatory Commission (原中國銀行業監督管理委員會), which recently merged with Chinese Insurance Regulatory Commission (中國銀行保險監督管理委員會) according to the Notice of the State Council regarding the Establishment of Organization (國務院關於機構設置的通知) (Guo Fa [2018] No.6) issued by the State Council on March 24, 2018, and in the context requires, includes its successor, the CBIRC

"CBRC Jiangxi Bureau"	China Banking Regulatory Commission Jiangxi Bureau (中國銀行業監督管理委員會江西監管局)
"CBRC Jiujiang Branch Office"	China Banking Regulatory Commission Jiujiang Branch Office (中國銀行業監督管理委員會九江監管分局)
"Central China"	a geographical region that covers six provinces located in the central area of China, including Henan Province, Hubei Province, Anhui Province, Shanxi Province, Jiangxi Province and Hunan Province
"China" or "PRC"	the People's Republic of China, but excluding, for the purpose of this Interim Report only, Hong Kong, Macau Special Administrative Region and Taiwan
"city commercial banks"	banks with branches at municipal or higher levels created with the approval of the CBIRC pursuant to the PRC Company Law and the PRC Commercial Banking Law
"Classification Standards of Small and Medium Enterprises"	the Classification Standards of Small and Medium Enterprises ("中小企業劃型標準規定") jointly promulgated by the PRC Ministry of Industry and Information Technology, the NBS, the NDRC and the MOF on June 18, 2011, which classifies SMEs in 16 industries into medium, small and micro enterprises with consideration of the nature of the industry in terms of number of employees, operating income, and total assets
"commercial banks"	all the banking financial institutions in the PRC other than policy banks, including the Large Commercial Banks, the Nationwide Joint-stock Commercial Banks, city commercial banks, foreign banks and other banking financial institutions
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)

Definition

"Director(s)"	the director(s) of the Bank
"Domestic Shares"	ordinary shares issued by the Bank in the PRC, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in full for in RMB
"Global Offering"	Hong Kong Public Offering and International Offering as stated in the Prospectus
"H Shares"	overseas-listed shares in the share capital of the Bank, with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and for which an application has been made for listing and permission to trade on the Hong Kong Stock Exchange
"HK$" or "HKD" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRS"	International Financial Reporting Standards and International Accounting Standards ("IAS"), which include the related standards, amendments and interpretations issued by the International Accounting Standards Board ("IASB")
"Independent Third Party(ies)"	person(s) or company(ies) and their respective ultimate beneficial owner(s), which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, are independent of the Bank or are not its Connected Persons
"Jiuyin County Banks"	18 Jiuyin County Banks controlled and consolidated by us as at June 30, 2018

"Large enterprises"	enterprises other than those classified as medium, small or micro enterprises under the Classification Standards of Small and Medium Enterprises. For example, industrial enterprises with 1,000 or more employees and operating income of RMB400 million or more shall be classified as large enterprises
"Listing Date"	July 10, 2018, the date on which dealings in the H Shares of the Bank first commence on the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"medium enterprises"	the enterprises classified as medium enterprises under the Classification Standards of Small and Medium Enterprises ("中小企業劃型標準規定")
"micro enterprises"	the enterprises classified as micro enterprises under the Classification Standards of Medium and Small Enterprises
"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"NBS"	National Bureau of Statistics of the PRC (中華人民共和國國家統計局)
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Non-standard Credit Assets"	credit assets that are not traded on the interbank markets or stock exchanges, which for the purpose of this report represent our investment in trust plans, asset management plans and wealth management products issued by other PRC commercial banks
"central bank"	The People's Bank of China (中國人民銀行), the central bank of the PRC

Definition

"related party" or "related parties"	has the meaning ascribed to it under the Administrative Measures for the Related Party Transactions between the Commercial Banks and their Insiders or Shareholders promulgated by the CBRC, Accounting Standards for Business Enterprises promulgated by the MOF, and/or IFRS
"related party transaction(s)"	has the meaning ascribed to it under the Administrative Measures for the Related Party Transactions between the Commercial Banks and their Insiders or Shareholders promulgated by the CBRC, Accounting Standards for Business Enterprises promulgated by the MOF, and/or IFRS
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"small enterprises"	before June 18, 2011, the enterprises classified as small enterprises under the Interim Provisions on the Standards for Small and Medium Enterprises; on and after June 18, 2011, the enterprises classified as small enterprises under the Classification Standards of Small and Medium Enterprises
"Standard Investment Products"	debt securities issued by the PRC government, PRC policy banks, other PRC commercial banks and other financial institutions and PRC corporate issuers
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Supervisor(s)"	the supervisor(s) of the Bank
"reporting period"	six months from January 1, 2018 to June 30, 2018
"US$", "USD" or "US dollars"	United States dollars, the lawful currency of the United States of America

"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
"Corporate Governance Code"	Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules
"Company Law of the PRC"	the Company Law of the PRC (中華人民共和國公司法), which was promulgated by the 5th session of the 8th Standing Committee of the National People's Congress on December 29, 1993 and became effective on July 1, 1994, as amended, supplemented or otherwise modified from time to time
"Corporate Governance Guidelines for Commercial Banks"	the Corporate Governance Guidelines for Commercial Banks (商業銀行公司治理指引), as promulgated by the CBRC on July 19, 2013 and effective on the same date, as amended, supplemented or otherwise modified from time to time
"BAIC Group"	Beijing Automotive Group Co., Ltd. (北京汽車集團有限公司), a state-owned enterprise incorporated in the PRC on June 30, 1994 as Beijing Automotive Industry Holding Co., Ltd. (北京汽車工業控股有限責任公司) and changed to its current name on September 28, 2010, the substantial shareholder of the Bank

Definition

"Over-allotment Option"	the option to be granted by the Bank to the International Underwriters pursuant to the International Underwriting Agreement, exercisable by the Joint Representatives on behalf of the International Underwriters, from the date on which shares first commence dealing on the Hong Kong Stock Exchange until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Bank to allot and issue up to aggregate of 54,000,000 H Shares at the Offer Price under International Offering (representing 15% of the Offer Shares initially being offered). On July 28, 2018, the Over-allotment Option has been partially exercised by the Joint Representatives, in respect of an aggregate of 47,367,200 H Shares, which has been commenced on the Main Board of the Hong Kong Stock Exchange on August 9, 2018, representing approximately 13.16% of the total number of the Offer Shares initially available under the Global Offering
"RMB"	Renminbi yuan
"county bank"	banking institution(s) incorporated with the approval of the CBIRC, pursuant to the Company Law of the PRC and the PRC Commercial Banking Law, to provide services to local growers or enterprises in rural areas