



**JIANGXI BANK CO., LTD.**

**江西銀行股份有限公司**

(A Joint stock company incorporated in the People's Republic of China with limited liability)  
(於中華人民共和國註冊成立的股份有限公司)

Stock Code 股份代號 : 1916

Interim Report  
中期報告  
**2018**

A smaller version of the Jiangxi Bank logo and name, located at the base of the main building image on the left side of the cover.

江西銀行  
JIANGXI BANK





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

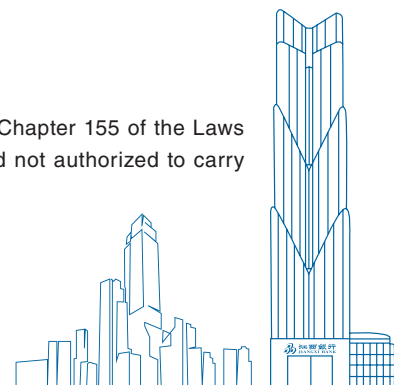
^ For identification purpose only.

# CHAPTER I COMPANY PROFILE

## 1.1 BASIC INFORMATION

Statutory Chinese name of the Company:	江西銀行股份有限公司*
Statutory English name of the Company:	JIANGXI BANK CO., LTD.*
Legal representative:	Chen Xiaoming
Authorized representatives:	Chen Xiaoming, Ngai Wai Fung
Secretary of the Board of Directors:	Xu Jihong
Joint company secretaries:	Xu Jihong, Ngai Wai Fung
Stock short name:	JIANGXI BANK
Stock Code:	1916
Unified Social Credit Code:	913601007055009885
Number of financial license:	B0792H236010001
Registered and office address:	Jiangxi Bank Tower, No. 699 Financial Street, Honggutan New District, Nanchang, Jiangxi Province, the PRC
Principal place of business in Hong Kong:	40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong (former address: 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong)
Contact number:	+86-791-86791008/+86-791-86791009
Fax:	+86-791-86771100
Website of the Bank:	www.jx-bank.com (the contents of the website do not form a part of this report)
Service hotline:	+86-400-78-96266
Auditor:	KPMG
Legal adviser in mainland China:	Zhong Lun Law Firm
Legal adviser in Hong Kong:	King & Wood Mallesons
Stock exchange on which H Shares are listed:	The Stock Exchange of Hong Kong Limited
H Share Registrar:	Computershare Hong Kong Investor Services Limited
Domestic shares custodian:	China Securities Depository and Clearing Corporation Limited
Compliance advisor:	SPDB International Capital Limited

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



## CHAPTER I COMPANY PROFILE

### 1.2 MAJOR AWARDS IN THE FIRST HALF OF 2018

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

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

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

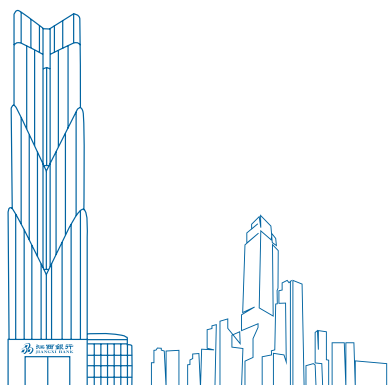
In January 2018, the Bank was awarded the honorary title of “Advanced Unit in the Month of ‘Generalising Finance’ Promotion Service of 2017” by CBRC Jiangxi Office.

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

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

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

In June 2018, the Bank was awarded the prize of “Demonstrative” Technological Achievement (first prize) in the National 6 Sigma Project Publication Contest by China Association for Quality.

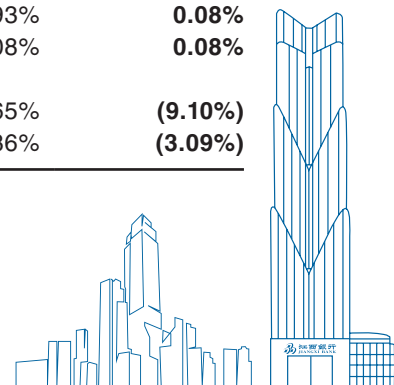


## CHAPTER II SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

### 2.1 FINANCIAL DATA

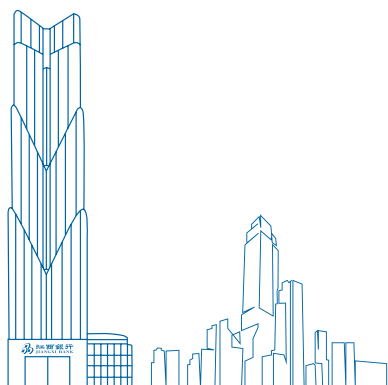
Financial information set out in this interim report has been prepared on a combined basis in accordance with International Financial Reporting Standards. Unless otherwise stated, data of the Group are denominated in RMB.

	For the six months ended June 30,		Current period compared to the corresponding period of last year
	2018	2017	
<b>Operating results (in millions of RMB)</b>			<b>Change rate (%)</b>
Net interest income	4,131.07	3,447.15	19.84
Net fee and commission income	402.80	726.28	(44.54)
Operating income	5,336.96	4,361.95	22.35
Operating expenses	(1,503.29)	(1,395.91)	7.69
Impairment losses on assets	(1,825.21)	(1,466.04)	24.50
Total profit	2,010.84	1,503.08	33.78
Net profit	1,592.80	1,150.70	38.42
Net profit attributable to equity shareholders of the Bank	1,574.95	1,124.53	40.05
<b>Per share (in RMB)</b>			<b>Change rate (%)</b>
Net assets per share attributable to equity shareholders of the Bank	5.11	4.54	12.51
Basic earnings per share	0.33	0.24	37.50
<b>Indicators for profitability</b>			<b>Change</b>
Average return on total assets <sup>(1)</sup>	0.82%	0.69%	0.13%
Average return on equity <sup>(2)</sup>	11.98%	10.74%	1.24%
Net interest spread <sup>(3)</sup>	2.01%	1.93%	0.08%
Net interest margin <sup>(4)</sup>	2.16%	2.08%	0.08%
Net fee and commission income to operating income	7.55%	16.65%	(9.10%)
Cost-to-income ratio <sup>(5)</sup>	27.77%	30.86%	(3.09%)



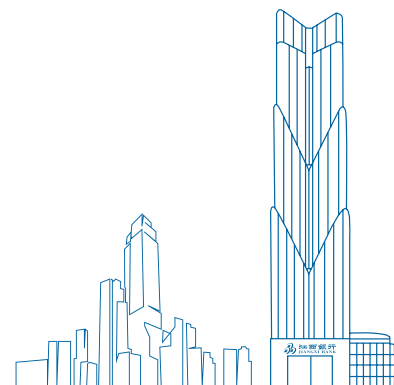
## CHAPTER II SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

	As of June 30, 2018	As of December 31, 2017	The end of the first half of 2018 compared to the end of 2017
<b>Indicators for volume (in millions of RMB)</b>			<b>Change rate (%)</b>
Total assets	404,092.59	370,005.30	9.21
Including: net loan and advance amount to customers	142,436.83	124,769.38	14.16
Total liabilities	373,650.23	346,733.24	7.76
Including: deposits from customers	255,059.49	243,837.35	4.60
Share capital	5,848.78	4,678.78	25.01
Equity attributable to equity shareholders of the Bank	29,877.10	22,713.74	31.54
Non-controlling interests	565.26	558.32	1.24
Total equity	30,442.36	23,272.06	30.81
<b>Indicators for quality of assets</b>			<b>Change</b>
Non-performing loan ratio	1.70%	1.64%	0.06%
Provision coverage ratio <sup>(6)</sup>	214.54%	215.17%	(0.63%)
Provision ratio of loans <sup>(7)</sup>	3.65%	3.54%	0.11%
<b>Indicators for capital adequacy ratio</b>			<b>Change</b>
Core tier-1 capital adequacy ratio	10.79%	9.38%	1.41%
Tier-1 capital adequacy ratio	10.80%	9.40%	1.40%
Capital adequacy ratio	14.03%	12.90%	1.13%
Total equity to total assets	7.53%	6.29%	1.24%
<b>Other indicators</b>			<b>Change</b>
Liquidity coverage ratio	203.22%	246.59%	(43.37%)
Liquidity ratio	55.07%	47.94%	7.13%
Loan-to-deposit ratio	57.96%	53.04%	4.92%



## CHAPTER II SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

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





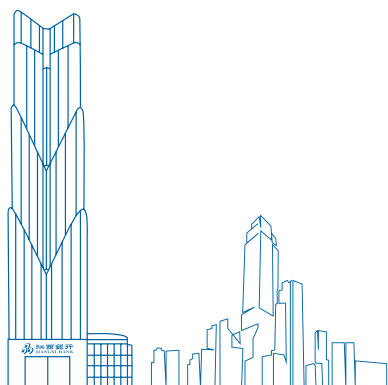
## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.1 REVIEW OF THE ECONOMIC, FINANCIAL AND POLICY ENVIRONMENT

In the first half of 2018, in the face of the complex domestic and international economic environment, China's economy grew steadily, the economic structure was optimized and upgraded, new momentum was increased significantly, and the overall situation remained stable and positive. The GDP was RMB41,896.1 billion, increased by 6.8% year-on-year; value added of national industrial enterprises above designated size actually increased by 6.7% year-on-year; investment in fixed assets (excluding farmers) was RMB29,731.6 billion, up by 6.0% year-on-year; the CPI increased by 2.0% year-on-year; and the PPI was up by 3.9% year-on-year. By the end of June 2018, the balance of broad money (M2) was RMB177.02 trillion, representing a year-on-year increase of 8%; the balance of narrow money (M1) was RMB54,390 billion, up by 6.6% year-on-year; the balance in domestic and foreign currency of loans was RMB134,810 billion, up by 12.1% year-on-year; and the balance in domestic and foreign currency of deposits was RMB178,340 billion, representing a year-on-year growth of 8.1%. In the first half of 2018, the economic development of Jiangxi Province in China, where the Bank's main business activities are located, assumed the characteristics of "overall stability and steady improvement". The growth rate of the main economic indicators ranked among the "first list" of the country. Among them, the province's GDP reached RMB1,012.45 billion with a growth rate of 9.0%, which was 2.2 percentage points higher than the national average; the growth rate of value added of national industrial enterprises above designated size, investment in fixed assets and total retail sales of consumer goods was 2.4, 5.7 and 1.8 percentage points respectively higher than the national average.

### 3.2 GENERAL OPERATION SUMMARY

In the first half of 2018, the Group focused on the overall deployment of the five-year strategic plan to enhance the level of financial risk prevention and control and the level of service to the real economy, emphatically achieve important breakthroughs in innovation and transformation, and strived to promote efforts in capital market, risk prevention, financial science and technology, and continue to maintain a stable and healthy development momentum.



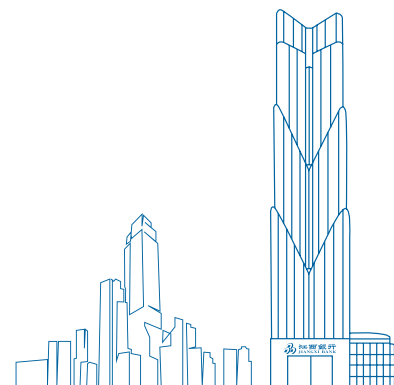
## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### I. Speed of development has been effectively promoted

First, seize opportunities and maintain a stable overall growth. As of the end of the Reporting Period, the total assets of the Group amounted to RMB404.093 billion, representing an increase of 9.21% over the end of the previous year; total deposits amounted to RMB255.059 billion, representing an increase of 4.60% over the end of the previous year; and the balance of loans amounted to RMB147.833 billion, representing an increase of 14.30% over the end of the previous year. At the end of the Reporting Period, the Group's operating income, pre-tax profit and net profit were RMB5.337 billion, RMB2.011 billion and RMB1.593 billion respectively. Second, sail for dream and make a continuous leap in the development platform. During the Reporting Period, the Bank was successfully listed on the Hong Kong Stock Exchange, becoming the first listed financial enterprise in Jiangxi Province and the first overseas listed enterprise since the implementation of the "Yingshanhong Action" in Jiangxi Province. At the same time, it took Jiangxi Bank only two and a half years from its establishment to its listing, setting a new record of the shortest time for domestic banks in this respect. Third, develop connotation with an improving brand image. During the Reporting Period, the Bank was successfully elected as the eighth member of the China Banking Association, and was granted numerous awards such as the "Award for 2017 Outstanding Issuer of China Bond", "2017 Top 300 Inter-bank Market Transaction in Local Currency" and "2017 Improvement Award on Information Registration Work of Wealth Management Product in National Banks". The market awareness, public recognition and social reputation were universally recognized.

### II. Quality and efficiency of services have been effectively promoted

First, boost local development. During the Reporting Period, the Bank actively integrated into the "smart city" construction, accelerated the promotion of "smart medicine", "smart transportation", "smart education" and other areas of people's livelihood product development and model optimization, and strived to provide the public with high-quality, efficient and convenient financial services. Second, vigorously promote green finance. During the Reporting Period, the Bank accelerated the establishment of the green financial system, to build a green financial system of Jiangxi Bank from the aspects of vision planning, governance structure, policy and system, process management, risk management, incentives and constraints, and information disclosure. Third, implement the inclusive benefit to the people. The Bank formulated the credit program for small and micro enterprises, agriculture-related enterprises and poverty alleviation, focusing on the operating characteristics and financing needs of small and micro enterprises to promote the development of inclusive finance.



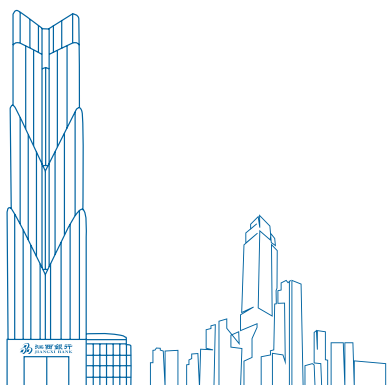
## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### III. Reform and innovation have been effectively promoted

First, implement the innovation of system. Since its establishment, the Bank has steadily carried out institutional and mechanism reforms in auditing, human resource management, asset preservation, retail business and online finance, promoting development through institutional innovation and achieving benefits from mechanism reforms. During the Reporting Period, the Bank officially launched the construction of the Financial Science and Technology Innovation Laboratory, and further optimized the scientific and technological innovation system by means of improving the organizational structure, perfecting the supporting system and standardizing the operation mode, so as to lay a solid foundation for accelerating the distribution of financial science and technology business and innovating the financial service mode. Second, implement the innovation of product. During the Reporting Period, the Bank improved the payment function of non-tax revenue collection e-business system in mobile banking, self-service terminals and other channels, followed up the reform of non-tax revenue collection e-management in Nanchang to seize market share, developed and popularized separate bidding guarantee business, tapped the market demand for bidding and tendering, developed online supply chain finance, and expanded industrial chain financial business.

### IV. Management level has been effectively promoted

First, strictly regulate financial management. During the Reporting Period, the Bank firmly established the concept of cost-effectiveness, steadfastly took the road of intensive development, further strengthened cost control, reducing expenditure and increasing efficiency. Second, strengthen the risk management and control. During the Reporting Period, the Bank advanced the construction of a comprehensive risk management system, formed well reachable and coverable risk control line; steadily carried out the construction of big data risk control system, and continued to deepen the application of cloud computing, block chains and other financial technologies in the field of risk control, further improving its risk management and control technology. Third, comprehensively implement meticulous management. During the Reporting Period, the Bank vigorously promoted the meticulous management, actively utilized meticulous management tools and measures, and promoted the scientific and meticulous degree of internal management and service optimization consciousness to continue a strong and dynamic development.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.3 PROFIT STATEMENT ANALYSIS

	For the six months ended June 30,		Amount of change	Change rate (%)
	2018	2017		
	(in millions of RMB)			
Interest income	<b>8,755.13</b>	7,070.00	1,685.13	<b>23.83</b>
Interest expense	<b>(4,624.06)</b>	(3,622.85)	(1,001.21)	<b>27.64</b>
<b>Net interest income</b>	<b>4,131.07</b>	3,447.15	683.92	<b>19.84</b>
Fee and commission income	<b>578.04</b>	780.29	(202.25)	<b>(25.92)</b>
Fee and commission expense	<b>(175.24)</b>	(54.01)	(121.23)	<b>224.46</b>
<b>Net fee and commission income</b>	<b>402.80</b>	726.28	(323.48)	<b>(44.54)</b>
Net trading gains/(losses)	<b>1.84</b>	(37.45)	39.29	<b>(104.91)</b>
Net gains arising from investment securities	<b>736.04</b>	204.53	531.51	<b>259.87</b>
Other operating income	<b>65.21</b>	21.44	43.77	<b>204.15</b>
<b>Operating income</b>	<b>5,336.96</b>	4,361.95	975.01	<b>22.35</b>
Operating expenses	<b>(1,503.29)</b>	(1,395.91)	(107.38)	<b>7.69</b>
Impairment losses on assets	<b>(1,825.21)</b>	(1,466.04)	(359.17)	<b>24.50</b>
Share of profits of associates	<b>2.38</b>	3.08	(0.70)	<b>(22.73)</b>
<b>Profit before tax</b>	<b>2,010.84</b>	1,503.08	507.76	<b>33.78</b>
Income tax	<b>(418.04)</b>	(352.38)	(65.66)	<b>18.63</b>
<b>Net profit for the period</b>	<b>1,592.80</b>	1,150.70	442.10	<b>38.42</b>
Net profit attributable to equity shareholders of the Bank	<b>1,574.95</b>	1,124.53	450.42	<b>40.05</b>
<b>Non-controlling interests</b>	<b>17.85</b>	26.17	(8.32)	<b>(31.79)</b>

In the first half of 2018, the Group realized RMB2.011 billion in profit before tax, representing an increase of 33.78% over the same period of last year; and RMB1.593 billion in net profit, representing an increase of 38.42% over the same period of last year.



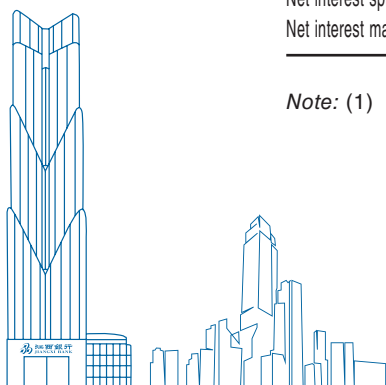
## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

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

In the first half of 2018, the Group achieved net interest income of RMB4.131 billion, representing an increase of RMB684 million, or 19.84%. The following table sets forth the average balance of Group's interest-bearing assets and interest-bearing liabilities, the interest income and expense of such assets and liabilities, and the average yield on interest-bearing assets and the average cost ratio of interest-bearing liabilities for the periods indicated.

	For the six months ended June 30,					
	2018			2017		
	Average balance	Interest income/expense	Average annualized yield/cost ratio (in millions of RMB)	Average balance	Interest income/expense	Average annualized yield/cost ratio
<b>Interest-bearing assets</b>						
Loans and advances to customers	137,637.51	4,096.31	5.95%	114,904.24	3,177.20	5.53%
Investment securities and other financial assets <sup>(1)</sup>	189,233.05	4,113.85	4.35%	169,048.85	3,489.83	4.13%
Deposits with the central bank	36,687.65	274.30	1.50%	32,407.09	225.88	1.39%
Deposits with banks and other financial institutions	2,956.18	35.52	2.40%	5,205.94	42.20	1.62%
Financial assets held under resale agreements	13,111.30	195.18	2.98%	9,822.52	132.86	2.71%
Placements with banks and other financial institutions	2,062.54	39.97	3.88%	146.41	2.03	2.77%
<b>Total interest-bearing assets</b>	<b>381,688.23</b>	<b>8,755.13</b>	<b>4.59%</b>	<b>331,535.05</b>	<b>7,070.00</b>	<b>4.27%</b>
<b>Interest-bearing liabilities</b>						
Deposits from customers	241,433.68	2,001.76	1.66%	203,203.55	1,688.17	1.66%
Deposits from banks and other financial institutions	37,966.04	904.83	4.77%	30,250.03	563.44	3.73%
Borrowings from the central bank	375.69	7.27	3.87%	2,071.82	38.98	3.76%
Placements from banks and other financial institutions	3,456.34	73.48	4.25%	137.93	2.15	3.12%
Financial assets sold under repurchase agreements	14,383.98	191.90	2.67%	13,950.54	190.07	2.72%
Debt securities issued	52,245.78	1,212.09	4.64%	54,164.05	1,011.00	3.73%
Borrowings from other financial institutions	8,413.05	231.61	5.51%	6,271.33	129.04	4.12%
Bill rediscounted	88.41	1.12	2.53%	5.90	-	-
<b>Total interest-bearing liabilities</b>	<b>358,362.96</b>	<b>4,624.06</b>	<b>2.58%</b>	<b>310,055.15</b>	<b>3,622.85</b>	<b>2.34%</b>
Net interest income		4,131.07			3,447.15	
Net interest spread		2.01%			1.93%	
Net interest margin		2.16%			2.08%	

*Note:* (1) includes financial assets held for trading and investment securities, whereas the average balance of investment securities and other financial assets in 2018 was calculated on the basis of net interest spread and net interest margin, and did not include those at fair value through profit or loss.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

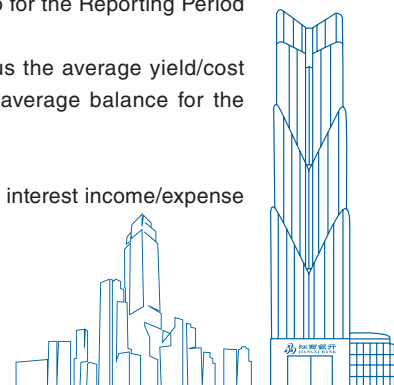
The following table sets forth the changes in interest income and interest expense resulting from the changes in the Group's volume and interest rates during the Reporting Period indicated. Changes in volume are measured by the change in average balance of interest-bearing assets and interest-bearing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

	For the six months ended June 30 Compared 2018 with 2017		
	Reasons for increase/(decrease)		Net increase/ (decrease) <sup>(3)</sup>
	Volume <sup>(1)</sup>	Interest rate <sup>(2)</sup>	
(in millions of RMB)			
<b>Interest-bearing assets</b>			
Loans and advances to customers	676.58	242.53	919.11
Investment securities and other financial assets	438.80	185.22	624.02
Deposits with the central bank	32.00	16.42	48.42
Deposits with banks and other financial institutions	(27.03)	20.35	(6.68)
Financial assets held under resale agreements	48.96	13.36	62.32
Placements with banks and other financial institutions	37.13	0.81	37.94
<b>Changes in interest income</b>	<b>1,206.44</b>	<b>478.69</b>	<b>1,685.13</b>
<b>Interest-bearing liabilities</b>			
Deposits from customers	316.97	(3.38)	313.59
Deposits from banks and other financial institutions	183.89	157.50	341.39
Borrowings from the central bank	(32.82)	1.11	(31.71)
Placements from banks and other financial institutions	70.55	0.78	71.33
Financial assets sold under repurchase agreement	5.78	(3.95)	1.83
Debt securities issued	(44.50)	245.59	201.09
Borrowings from other financial institutions	58.96	43.61	102.57
Bill rediscounted	1.05	0.07	1.12
<b>Changes in interest expense</b>	<b>559.88</b>	<b>441.33</b>	<b>1,001.21</b>

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

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

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



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.3.2 Interest Income

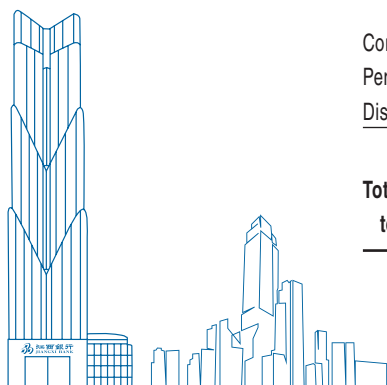
In the first half of 2018, the Group achieved interest income of RMB8.755 billion, representing a year-on-year increase of RMB1,685 million, or 23.83%. The increase in interest income was mainly due to the increase in the Group's loans and advances to customers, investment securities and other financial assets, deposits with central bank, financial assets held under resale agreements and placements with banks and other financial institutions, resulting in an increase of 15.13% in the average balance of the Group's interest-bearing assets from RMB331.535 billion for the six months ended June 30, 2017 to RMB381.688 billion for the six months ended June 30, 2018, and an increase in the average yield on interest-bearing assets from 4.27% in the first half of 2017 to 4.59% in the first half of 2018 for the same period. The increase in average yield on interest-bearing assets was mainly attributable to the increase in average yield on loans and advances to customers, and placements and deposits with banks and other financial institutions in the first half of 2018.

#### (1) Interest Income from Loans and Advances to Customers

In the first half of 2018, the Group achieved interest income of loans and advances to customers of RMB4.096 billion, representing a year-on-year increase of RMB919 million, or 28.93%. The main reason is that the average balance of the Group's total loans and advances to customers increased from RMB114.904 billion in the first half of 2017 to RMB137.638 billion in the first half of 2018, and the average yield increased from 5.53% in the first half of 2017 to 5.95% in the first half of 2018. The increase in the average balance of total loans and advances to customers was mainly due to the expansion of the Group's business, particularly retail banking. The increase in the average yield on loans and advances to customers was mainly attributable to an adjustment in the Group's pricing of customer loans resulting from the rise in market interest rates.

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

	For the six months ended June 30,					
	Average balance	2018 Interest income	Average yield (in millions of RMB)	Average balance	2017 Interest income	Average yield
Corporate loans and advances	88,211.52	2,521.71	5.72%	83,714.62	2,360.03	5.64%
Personal loans and advances	48,428.54	1,535.04	6.34%	30,275.77	799.09	5.28%
Discounted bills	997.44	39.56	7.93%	913.85	18.08	3.96%
<b>Total loans and advances to customers</b>	<b>137,637.51</b>	<b>4,096.31</b>	<b>5.95%</b>	<b>114,904.24</b>	<b>3,177.20</b>	<b>5.53%</b>



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### (2) *Interest Income from Investment Securities and Other Financial Assets*

In the first half of 2018, the Group achieved the interest income from investment securities and other financial assets of RMB4.114 billion, representing a year-on-year increase of RMB624 million, or 17.88%. Average returns on investment securities and other financial assets rose slightly as compared with the same period of last year. The increase in interest income was mainly due to an increase of 11.94% in the average balance of investment securities and other financial assets in the first half of 2018 over the same period of last year with a 0.22 percentage-point increase in average yield.

### (3) *Interest Income from Deposits with the Central Bank*

In the first half of 2018, the Group's interest income from deposit with the central bank was RMB274 million, representing a year-on-year increase of RMB48 million, or 21.44%, which was mainly due to the year-on-year increase of RMB4.281 billion in the average balance of deposits with the central bank in the first half of 2018, and the increase of 0.11 percent point in the average yield over the same period of the previous year.

### (4) *Interest Income from Deposits with Banks and Other Financial Institutions*

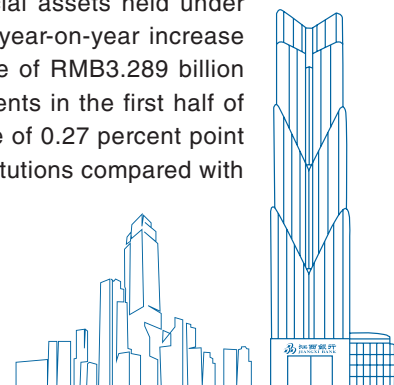
In the first half of 2018, the Group's interest income of deposits with banks and other financial institutions was RMB36 million, representing a year-on-year decrease of RMB7 million, or 15.83%. It was mainly due to the decrease of RMB2.25 billion in average balance of deposits with banks and other financial institutions in the first half of 2018 as compared with the same period of last year.

### (5) *Interest Income from Placements with Banks and Other Financial Institutions*

In the first half of 2018, the Group's interest income from placements with banks and other financial institutions was RMB40 million, representing a year-on-year increase of RMB38 million, or 1,868.97%. It was primarily due to an increase of RMB1.916 billion in average balance of the placements with banks and other financial institutions in the first half of 2018 as compared with the same period of last year, and an increase of 1.11 percent points in average yield on placements with banks and other financial institutions as compared with the same period of last year.

### (6) *Interest Income from Financial Assets Held under Resale Agreements*

In the first half of 2018, the Group's interest income from financial assets held under resale agreements amounted to RMB195 million, representing a year-on-year increase of RMB62 million, or 46.91%. It was primarily due to an increase of RMB3.289 billion in average balance of financial assets held under resale agreements in the first half of 2018 compared with the same period of last year, and an increase of 0.27 percent point in average yield on placements with banks and other financial institutions compared with the same period of last year.





## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

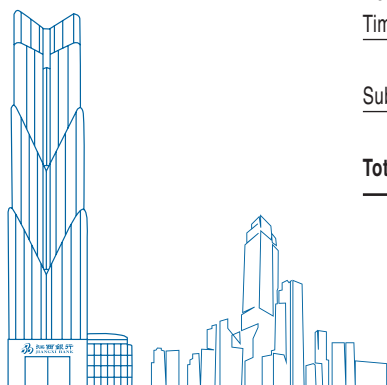
### 3.3.3 Interest Expense

In the first half of 2018, the Group achieved interest expense of RMB4.624 billion, representing a year-on-year increase of RMB1,001 million, or 27.64%. The increase in the interest expense was primarily attributable to an increase of 15.58% in the average balance of the Group's interest-bearing liabilities from RMB310.055 billion for the six months ended June 30, 2017 to RMB358.363 billion for the six months ended June 30, 2018, as a result of the increase in the Group's deposits from customers, deposits from banks and other financial institutions, placements from banks and other financial institutions, financial assets sold under repurchase agreements, borrowings from other financial institutions and rediscounted bills, and the rise of the average cost ratio of interest-bearing liabilities from 2.34% in the same period of last year to 2.58% in the first half of 2018. The increase in the average cost ratio of interest-bearing liabilities was primarily due to the increase in the average cost ratio of deposits from banks and other financial institutions, placements from banks and other financial institutions, borrowings from other financial institutions and rediscounted bills in the first half of 2018.

#### (1) Interest Expense on Deposits from Customers

In the first half of 2018, the Group's interest expense of deposits from customers was RMB2.002 billion, representing a year-on-year increase of RMB314 million, or 18.58%, which was primarily attributable to the increase of RMB38.23 billion in the average balance of customer deposits in the first half of 2018 compared with the same period of last year. The increase in the average balance of customer deposits was mainly due to the Group's increased marketing efforts and enriched retail and public banking products.

	For the six months ended June 30,					
	Average balance	2018 Interest expense	Average cost ratio	Average balance	2017 Interest expense	Average cost ratio
	(in millions of RMB)					
<b>Corporate deposits</b>						
Demand	108,391.75	462.54	0.85%	84,336.55	336.75	0.80%
Time	70,208.86	891.03	2.54%	66,757.71	830.58	2.49%
Subtotal	178,600.61	1,353.57	1.52%	151,094.26	1,167.33	1.55%
<b>Personal deposits</b>						
Demand	21,267.50	31.92	0.30%	14,771.42	27.10	0.37%
Time	41,565.57	616.27	2.97%	37,337.88	493.74	2.64%
Subtotal	62,833.07	648.19	2.06%	52,109.30	520.84	2.00%
<b>Total customer deposits</b>	<b>241,433.68</b>	<b>2,001.76</b>	<b>1.66%</b>	<b>203,203.55</b>	<b>1,688.17</b>	<b>1.66%</b>



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### (2) *Interest Expense on Deposits from Banks and Other Financial Institutions*

In the first half of 2018, the Group's interest expense on deposit from banks and other financial institutions was RMB905 million, representing an increase of RMB341 million, or 60.59%. This was mainly due to the increase of the Group's average balance of deposit from banks and other financial institutions from RMB30.25 billion in the first half of 2017 to RMB37.966 billion in the first half of 2018, and the increase of the average cost ratio of deposits from banks and other financial institutions from 3.73% in the first half of 2017 to 4.77% in the first half of 2018. The increase in the average balance of related liabilities was mainly due to the expansion of the Group's sources of funds to finance business expansion.

### (3) *Interest Expense on Debt Securities Issued*

In the first half of 2018, the Group's interest expense on debt securities issued was RMB1.212 billion, representing an increase of RMB201 million, or 19.89%. It was mainly due to the increase in average cost ratio of debt securities issued from 3.73% in the first half of 2017 to 4.64% in the first half of 2018, which was partly offset by the decrease in average balance of debt securities issued by the Group from RMB54.164 billion in the first half of 2017 to RMB52.246 billion in the first half of 2018. The growth of the average cost ratio of related liabilities was mainly affected by the rise of market capital prices.

### (4) *Interest Expense on Borrowings from the Central Bank*

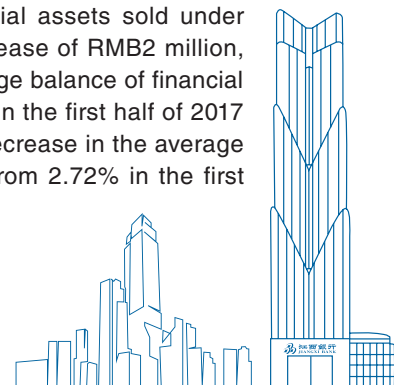
In the first half of 2018, the Group's interest expense on borrowings from the central bank was RMB7 million, representing a decrease of RMB32 million, or 81.35%. It was mainly due to the decrease of RMB1.696 billion in average balance of borrowings from the central bank in 2018 compared with the same period of last year.

### (5) *Interest Expense on Placements from Banks and Other Financial Institutions*

In the first half of 2018, the Group's interest expense on placements from banks and other financial institutions was RMB73 million, representing an increase of RMB71 million, or 3,317.67%. This was mainly due to the increase of the Group's average balance of placements from banks and other financial institution from RMB138 million in the first half of 2017 to RMB3,456 million in the first half of 2018, and the increase of the average cost ratio of placements from banks and other financial institution from 3.12% in the first half of 2017 to 4.25% in the first half of 2018.

### (6) *Interest Expense on Financial Assets Sold under Repurchase Agreements*

In the first half of 2018, the Group's interest expense on financial assets sold under repurchase agreement was RMB192 million, representing an increase of RMB2 million, or 0.96%. This was mainly due to the increase of the Group's average balance of financial assets sold under repurchase agreement from RMB13.951 billion in the first half of 2017 to RMB14.384 billion in the first half of 2018, partly offset by the decrease in the average cost ratio of financial assets sold under repurchase agreement from 2.72% in the first half of 2017 to 2.67% in the first half of 2018.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.3.4 Non-interest Income

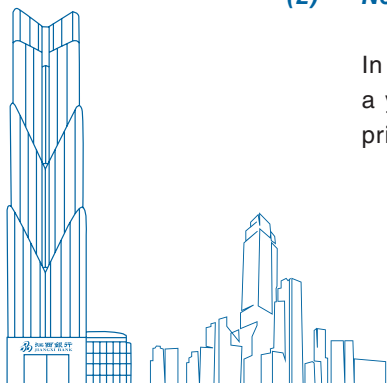
#### (1) Net Fee and Commission Income

In the first half of 2018, the Group's realized a net fee and commission income of RMB403 million, representing a decrease of RMB323 million, or 44.54% as compared with the same period of the previous year, which was primarily due to the decrease in the Group's asset management business fees and agency service fees under the impact of new regulatory regulations.

	For the six months ended June 30,		Amount of change	Change rate (%)
	2018	2017		
	(in millions of RMB)			
<b>Fee and commission income</b>	<b>578.04</b>	780.29	(202.25)	<b>(25.92)</b>
Custodial service fees	<b>80.13</b>	72.17	7.96	<b>11.03</b>
Asset management business fees	<b>27.32</b>	356.65	(329.33)	<b>(92.34)</b>
Settlement and electronic channel business fees	<b>97.60</b>	60.91	36.69	<b>60.24</b>
Advisory and consulting fees	<b>87.78</b>	86.09	1.69	<b>1.96</b>
Bank card service fees	<b>96.06</b>	56.46	39.60	<b>70.14</b>
Agency service fees	<b>90.45</b>	97.33	(6.88)	<b>(7.07)</b>
Acceptance and guarantee service fees	<b>21.28</b>	7.67	13.61	<b>177.44</b>
Financial lease service fees	<b>71.61</b>	42.96	28.65	<b>66.69</b>
Others	<b>5.81</b>	0.05	5.76	<b>11,520.00</b>
<b>Fee and commission expense</b>	<b>(175.24)</b>	(54.01)	(121.23)	<b>224.46</b>
Settlement and clearing fees	<b>(41.30)</b>	(10.89)	(30.41)	<b>279.25</b>
Other fees	<b>(133.94)</b>	(43.12)	(90.82)	<b>210.62</b>
<b>Net fee and commission income</b>	<b>402.80</b>	726.28	(323.48)	<b>(44.54)</b>

#### (2) Net Trading Gains

In the first half of 2018, the Group's net trading gains were RMB2 million, representing a year-on-year increase of RMB39 million, which was mainly due to fluctuations in the price in debt security market.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### (3) Net Gains Arising from Investment Securities

In the first half of 2018, the Group's net gains arising from investment securities were RMB736 million, representing a year-on-year increase of RMB532 million, or 259.87%, which was mainly due to the increase of net gains and valuation on financial assets measured at FVTPL in the first half of 2018.

### (4) Other Operating Income

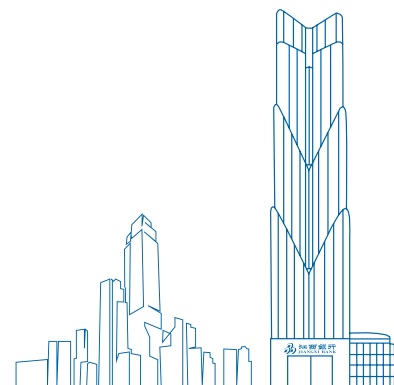
In the first half of 2018, the Group's other operating income were RMB65 million, representing a year-on-year increase of RMB44 million, or 204.15%, which was mainly due to the increase of foreign exchange gains as a result of fluctuations in the exchange rate.

### 3.3.5 Operating Expenses

In the first half of 2018, the Group's operating expenses were RMB1.503 billion, representing an increase of RMB107 million, or 7.69%.

	For the six months		Amount of change	Change rate (%)
	ended June 30, 2018	2017		
			(in millions of RMB)	
Staff costs	<b>792.36</b>	654.47	137.89	<b>21.07</b>
Other general and administrative expenses	<b>415.29</b>	431.89	(16.60)	<b>(3.84)</b>
Tax and surcharges	<b>21.41</b>	49.77	(28.36)	<b>(56.98)</b>
Depreciation and amortization	<b>172.98</b>	160.56	12.42	<b>7.74</b>
Rental and property management expenses	<b>101.25</b>	99.22	2.03	<b>2.05</b>
<b>Total operating expenses</b>	<b>1,503.29</b>	1,395.91	107.38	<b>7.69</b>

Staff costs were the largest component of the Group's operating expenses, accounting for 46.88% and 52.71% of the total operating expenses in the first half of 2017 and the first half of 2018, respectively.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

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

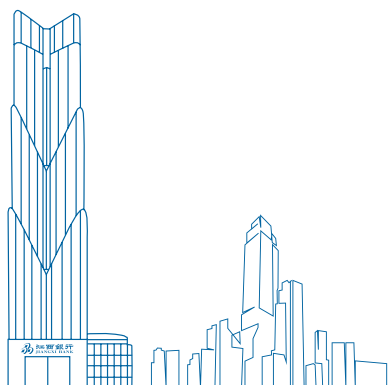
	For the six months ended June 30,		Amount of change	Change rate (%)
	2018	2017		
(in millions of RMB)				
<b>Staff costs</b>				
Salaries, bonuses and allowances	<b>599.99</b>	494.20	105.79	<b>21.41</b>
Social insurance and supplementary retirement benefits	<b>100.12</b>	80.97	19.15	<b>23.65</b>
Staff welfares	<b>40.72</b>	33.91	6.81	<b>20.08</b>
Housing allowances	<b>35.69</b>	31.08	4.61	<b>14.83</b>
Employee education expenses and labor union expenses	<b>12.42</b>	13.01	(0.59)	<b>(4.53)</b>
Others	<b>3.42</b>	1.30	2.12	<b>163.08</b>
<b>Total</b>	<b>792.36</b>	654.47	137.89	<b>21.07</b>

In the first half of 2018, the Group's staff costs were RMB792 million, representing an increase of RMB138 million, or 21.07%. It was primarily due to the increased staff size and optimized salary structure of the Group, which increased the salaries, bonuses and allowances of staff.

In the first half of 2018, the Group's tax and surcharges were RMB21 million, representing a decrease of RMB28 million, or 56.98%. It was primarily due to tax exemption policy of non-guaranteed capital management products leading to a decrease in the Group's value added tax accordingly.

In the first half of 2018, the Group's depreciation and amortization were RMB173 million, representing an increase of RMB12 million, or 7.74%. It was mainly due to the increase in capital expenditure related to the business premises of the Group.

In the first half of 2018, the Group's rental and property management expenses were RMB101 million, representing an increase of RMB2 million, or 2.05%. It was mainly due to the Group's expansion of its business.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.3.6 Impairment Losses on Assets

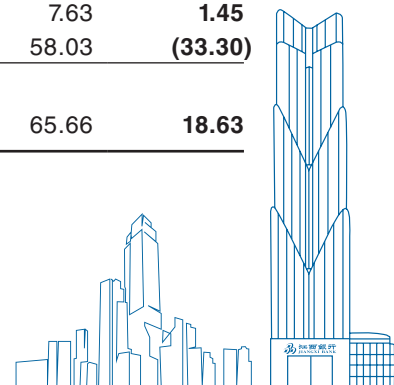
In the first half of 2018, the Group's impairment losses on assets was RMB1,825 million, representing an increase of RMB359 million, or 24.50%. It was mainly due to the impairment loss on the Group's investment securities which changed from a reversal of RMB236 million in the first half of 2017 to a provision of RMB443 million in the first half of 2018 and the Group's implementation of IFRS 9, which expanded the scope of impairment provision.

	For the six months			Change rate (%)
	ended June 30, 2018	2017	Amount of change (in millions of RMB)	
Loans and advances to customers	1,322.59	1,683.23	(360.64)	(21.43)
Investment securities	442.62	(235.67)	678.29	(287.81)
Deposits with banks and other financial institutions	2.92	–	2.92	–
Placements with banks and other financial institutions	7.36	–	7.36	–
Financial assets held under resale agreements	0.03	–	0.03	–
Off Balance Sheet Items	44.63	–	44.63	–
Others	5.06	18.48	(13.42)	(72.62)
<b>Total impairment losses on assets</b>	<b>1,825.21</b>	<b>1,466.04</b>	<b>359.17</b>	<b>24.50</b>

### 3.3.7 Income Tax

In the first half of 2018, the Group's income tax was RMB418 million, representing a year-on-year increase of RMB66 million, or 18.63%. It was mainly due to the Group's profit increase.

	For the six months			Change rate (%)
	ended June 30, 2018	2017	Amount of change (in millions of RMB)	
Current tax	534.29	526.66	7.63	1.45
Deferred tax	(116.25)	(174.28)	58.03	(33.30)
<b>Total</b>	<b>418.04</b>	<b>352.38</b>	<b>65.66</b>	<b>18.63</b>



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.4 ANALYSIS ON MAIN ITEMS OF ASSETS AND LIABILITIES

#### 3.4.1 Assets

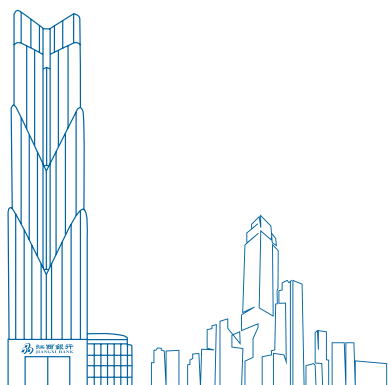
As of June 30, 2018, the total assets of the Group amounted to RMB404.093 billion, representing an increase of RMB34.087 billion, or 9.21% as compared with the end of the previous year. The increase in the total assets was mainly due to the increase in Group's total loans and advances to customers, investment securities and other financial assets and deposits with banks and other financial institutions.

	As of June 30, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Total loans and advances to customers	147,832.79	36.58	129,341.71	34.96
Less: Provision for impairment loss	(5,395.96)	(1.33)	(4,572.33)	(1.24)
Net amount of loans and advances to customers	142,436.83	35.25	124,769.38	33.72
Investment securities and other financial assets <sup>(1)</sup>	194,923.10	48.24	188,429.76	50.93
Cash and deposits with the central banks	38,224.91	9.46	40,039.19	10.82
Deposits and placements with banks and other financial institutions and financial assets held under resale agreements <sup>(2)</sup>	20,109.50	4.98	8,498.32	2.30
Other assets <sup>(3)</sup>	8,398.25	2.07	8,268.65	2.23
<b>Total assets</b>	<b>404,092.59</b>	<b>100.00</b>	<b>370,005.30</b>	<b>100.00</b>

Notes: (1) Include financial assets held for trading and investment securities.

(2) Include deposits with banks and other financial institutions, placements with banks and other financial institutions and financial assets held under resale agreements.

(3) Include interest in associates, properties and equipment, deferred tax assets and other assets.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### (1) Loans and Advances to Customers

As at June 30, 2018, the Group's loans and advances to customers amounted to RMB147.833 billion, representing an increase of RMB18.491 billion, or 14.30% as compared with the end of the previous year. The following table sets forth the Group's distribution of loans by business types for the periods indicated.

	As of June 30, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
(in millions of RMB)				
<b>Loans and advances to customers at amortised costs</b>				
Corporate loans and advances to customers	91,603.19	61.96	82,109.03	63.48
Personal loans and advances to customers	54,474.78	36.86	44,026.16	34.04
Discounted bills	–	–	3,206.52	2.48
<b>Subtotal</b>	<b>146,077.97</b>	<b>98.82</b>	129,341.71	100.00
<b>Loans and advances to customers at FVOCI</b>				
Corporate loans and advances to customers	567.17	0.38	–	–
Discounted bills	1,187.65	0.80	–	–
<b>Subtotal</b>	<b>1,754.82</b>	<b>1.18</b>	–	–
<b>Total loans and advances to customers</b>	<b>147,832.79</b>	<b>100.00</b>	129,341.71	100.00

#### *Corporate loans and advances*

As at June 30, 2018, the Group's corporate loans and advances amounted to RMB92.170 billion, representing an increase of RMB10.061 billion, or 12.25% as compared with the end of the previous year, which was mainly due to the expansion of the Group's corporate credit business.

#### *Personal loans and advances*

As at June 30, 2018, the Group's personal loans and advances amounted to RMB54.475 billion, representing an increase of RMB10.449 billion, or 23.73% as compared with the year ended December 31, 2017, which was mainly due to the Group's commitment to marketing personal loans, especially mortgage loans and consumer loans for high-quality customers.



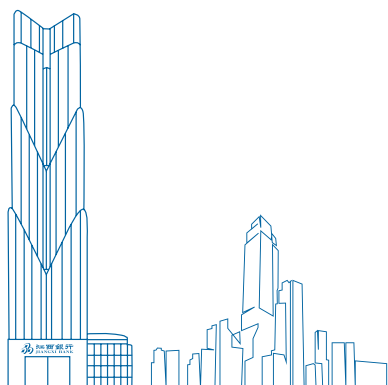


## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### (2) Investment Securities and Other Financial Assets

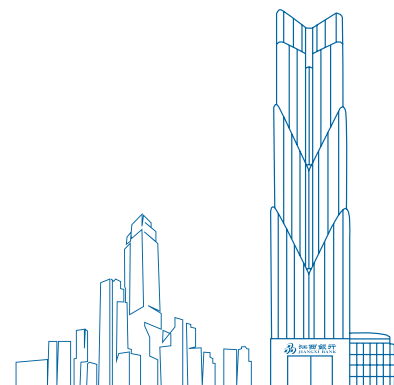
As at June 30, 2018, the Group's balance of investment securities and other financial assets amounted to RMB194.923 billion, representing an increase of RMB6.493 billion, or 3.45% as compared with the end of the previous year. In the first half of 2018, the increase in the Group's such assets was mainly due to the Group's active development of financial markets business, expansion of capital utilization channels, and the optimization of the investment portfolio.

	As of June 30, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
(in millions of RMB)				
<b>Financial assets held for trading</b>				
<b>Investment securities</b>	<b>550.33</b>	<b>0.28</b>	587.82	0.31
– Financial assets measured at amortised cost	131,109.32	67.26	–	–
– Financial assets at fair value through profit or loss	32,292.66	16.57	–	–
– Financial assets at fair value through other comprehensive income – debt instrument	30,960.54	15.88	–	–
– Financial assets designated to be measured at fair value through other comprehensive income – equity instrument	10.25	0.01	–	–
– Available-for-sale financial assets	–	–	59,606.15	31.63
– Held-to-maturity investments	–	–	25,620.39	13.60
– Investment classified as receivables	–	–	102,615.40	54.46
<b>Balance of investment securities and other financial assets</b>	<b>194,923.10</b>	<b>100.00</b>	188,429.76	100.00



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

	As of June 30, 2018		As of December 31, 2017	
	Amount	% of total (in millions of RMB)	Amount	% of total
<b>Distribution of investment securities and other financial assets</b>				
<b>Debt securities</b>				
Government bonds	12,761.76	6.55	12,839.31	6.81
Policy bank bonds	24,637.68	12.64	21,625.35	11.48
Commercial banks and other financial institutions bonds	1,428.94	0.73	1,635.73	0.87
Corporate bonds	1,633.84	0.84	1,078.00	0.57
<b>Subtotal</b>	<b>40,462.22</b>	<b>20.76</b>	<b>37,178.39</b>	<b>19.73</b>
<b>Other financial assets</b>				
Wealth management product issued by financial institutions	4,050.42	2.08	4,020.28	2.13
Fund investments	18,323.91	9.40	14,730.31	7.82
Equity investments	115.20	0.06	10.25	0.01
Investment management products managed by securities companies and trust plans	131,971.35	67.70	132,490.53	70.31
<b>Subtotal</b>	<b>154,460.88</b>	<b>79.24</b>	<b>151,251.37</b>	<b>80.27</b>
<b>Balance of investment securities and other financial assets</b>	<b>194,923.10</b>	<b>100.00</b>	<b>188,429.76</b>	<b>100.00</b>



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

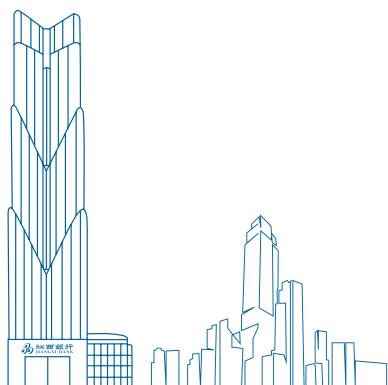
### 3.4.2 Liabilities

As of June 30, 2018, the Group's total liabilities amounted to RMB373.650 billion, representing an increase of RMB26.917 billion, or 7.76% as compared with the end of the previous year.

	As of June 30, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Deposits from customers	255,059.49	68.26	243,837.35	70.32
Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements <sup>(1)</sup>	50,406.62	13.48	37,859.06	10.92
Borrowings from the central bank	170.79	0.05	4,022.34	1.16
Borrowings from other financial institutions	8,660.83	2.32	8,450.00	2.44
Debt securities issued	51,641.75	13.82	43,473.77	12.54
Income tax payable	359.19	0.10	495.50	0.14
Other liabilities <sup>(2)</sup>	7,351.56	1.97	8,595.22	2.48
<b>Total liabilities</b>	<b>373,650.23</b>	<b>100.00</b>	<b>346,733.24</b>	<b>100.00</b>

Notes: (1) Consist primarily of deposits from banks and other financial institutions, placements from banks and other financial institutions and financial assets sold under repurchase agreements.

(2) Consist primarily of interest payable, collection and payment, accrued staff costs, other taxes payable, dividends payable and other accounts payable.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### (1) Deposits from Customers

As of June 30, 2018, the Group's total deposits from customers amounted to RMB255.059 billion, representing an increase of RMB11.222 billion, or 4.60% as compared with the end of the previous year, which was mainly due to the Group's efforts to expanding distribution channels such as e-banks and meticulous promotion of deposit marketing.

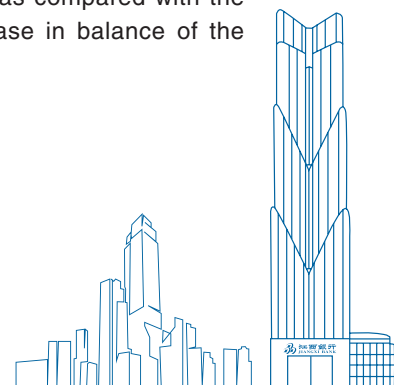
	As of June 30, 2018		As of December 31, 2017	
	Amount	% of total (in millions of RMB)	Amount	% of total
Corporate deposits				
Demand deposits	124,404.65	48.77	113,707.50	46.64
Time deposits	71,760.14	28.14	70,378.22	28.86
Subtotal	196,164.79	76.91	184,085.72	75.50
Personal deposits				
Demand deposits	17,215.70	6.75	20,862.10	8.55
Time deposits	41,679.00	16.34	38,889.53	15.95
Subtotal	58,894.70	23.09	59,751.63	24.50
<b>Total customer deposits</b>	<b>255,059.49</b>	<b>100.00</b>	<b>243,837.35</b>	<b>100.00</b>

### (2) Deposits from Banks and Other Financial Institutions

As of the end of the Reporting Period, the Group's balance of deposits from banks and other financial institutions was RMB34.457 billion, representing an increase of RMB4.637 billion, or 15.55% over the year ended December 31, 2017. The changes in the deposits from banks and other financial institutions were mainly due to the increase in deposits from other banks based on the market liquidity and the Group's business capital needs.

### (3) Debt Securities Issued

As of the end of the Reporting Period, the Group's debt securities issued was RMB51.642 billion, representing an increase of RMB8.168 billion, or 18.79% as compared with the year ended December 31, 2017. It was mainly due to the increase in balance of the Group's interbank deposit.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

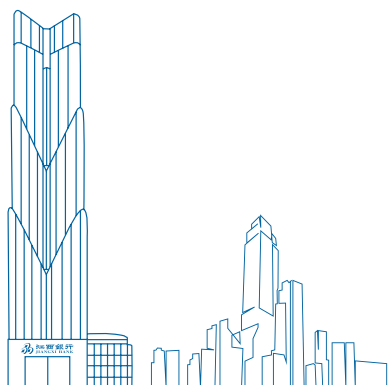
### (4) Financial Assets Sold under Repurchase Agreements

As of the end of the Reporting Period, the Group's amount of financial assets sold under repurchase agreements was RMB9.83 billion, representing an increase of RMB3.141 billion, or 46.95% as compared with the year ended December 31, 2017. It was mainly due to the Group's increase of receiving funds to meet its liquidity requirements.

### 3.4.3 Equity

As of the end of the Reporting Period, the Groups' total equity was RMB30.442 billion, representing an increase of RMB7.17 billion, or 30.81% compared with the year ended December 31, 2017. The total equity attributable to equity shareholders of the Bank was RMB29.877 billion, representing an increase of RMB7.163 billion, or 31.54% as compared with the year ended December 31, 2017. The increase in equity was mainly due to the successful listing of the Group in Hong Kong on June 26, 2018, resulting in an increase of RMB1.17 billion in share capital and RMB5.432 billion in capital reserve.

	As of June 30, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Share capital	5,848.78	19.21	4,678.78	20.10
Capital reserve	12,705.27	41.74	7,273.74	31.26
Surplus reserve	2,253.65	7.40	2,253.65	9.68
General reserve	4,700.71	15.44	4,700.71	20.20
Retained earnings	4,368.69	14.35	3,806.86	16.36
<b>Total equity attributable to equity shareholders of the Bank</b>	<b>29,877.10</b>	<b>98.14</b>	<b>22,713.74</b>	<b>97.60</b>
Non-controlling interests	565.26	1.86	558.32	2.40
<b>Total Shareholders' equity</b>	<b>30,442.36</b>	<b>100.00</b>	<b>23,272.06</b>	<b>100.00</b>



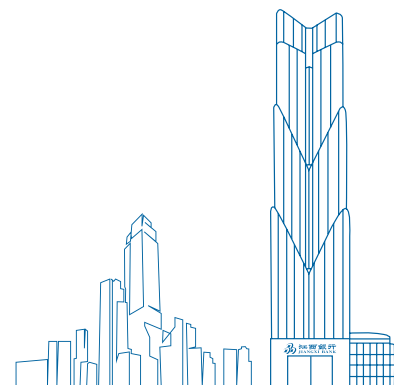
## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.5 OFF-BALANCE SHEET CREDIT COMMITMENTS

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

As at June 30, 2018, the balance of major off-balance sheet items was as follows:

	As of June 30, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
		(in millions of RMB)		
Bank acceptances	15,026.35	49.60	16,178.69	59.11
Letters of credit	1,698.07	5.61	1,080.05	3.95
Credit card commitments	5,179.74	17.10	4,682.04	17.11
Letter of guarantees	6,570.28	21.69	3,239.61	11.84
Loan commitments	1,000.60	3.30	1,022.80	3.74
Subtotal	29,475.04	97.30	26,203.19	95.75
Operating lease commitments	796.89	2.63	1,088.49	3.97
Capital commitments	21.49	0.07	75.68	0.28
<b>Total</b>	<b>30,293.42</b>	<b>100.00</b>	<b>27,367.36</b>	<b>100.00</b>



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.6 LOAN QUALITY ANALYSIS

As of the end of the Reporting Period, the Bank's total loans were RMB147.833 billion, representing an increase of RMB18.491 billion, or 14.30% as compared with the year ended December 31, 2017.

#### 3.6.1 Distribution of Loans by Five-category Classification

	As of June 30, 2018		As of December 31, 2017	
	Total	% of total	Total	% of total
(in millions of RMB)				
<b>Five-category classification</b>				
Normal	138,143.16	93.45	120,197.13	92.93
Special mention	7,174.53	4.85	7,019.57	5.43
Substandard	383.98	0.26	98.19	0.08
Doubtful	1,954.51	1.32	1,599.50	1.23
Loss	176.61	0.12	427.33	0.33
Total loans and advances to customers	147,832.79	100.00	129,341.72	100.00
Non-performing loans and non-performing loan ratio	2,515.10	1.70	2,125.02	1.64

As of the end of the Reporting Period, the Group's normal loans amounted to RMB138.143 billion, accounting for 93.45%, representing an increase of RMB17.946 billion, or 14.93% as compared with the year ended December 31, 2017, remarking a steady growth momentum. The Group's special mention loans amounted to RMB7.175 billion, accounting for 4.85%, representing an increase of RMB155 million, or 2.21% as compared with the year ended December 31, 2017; the Group's non-performing loans amounted to RMB2.515 billion, representing an increase of RMB390 million as compared with the year ended December 31, 2017, with a non-performing loan ratio of 1.70%, increased by 0.06 percent point as compared with the year ended December 31, 2017. The increase in special mention loans and non-performing loans was caused by the slowdown of economic growth, the decrease in operational efficiency of enterprises and the weak risk resistance capacity of small and micro enterprises, resulting in further increase in non-performing loans; on the other hand, the lengthened lawsuits for non-performing loans and greater difficulty in disposal, which caused to lagging in the settlement of non-performing loans. However, the Group's credit risk can be controlled as a whole.



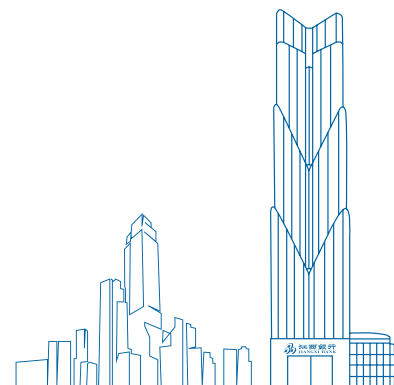
## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.6.2 Distribution of Loans and Non-performing Loans by Product Type

Item	As of June 30, 2018				As of December 31, 2017			
	Amount	% of total	NPL	NPL ratio (%) (in millions of RMB)	Amount	% of total	NPL	NPL ratio (%)
Corporate loans								
Working capital loan	50,010.76	33.84	1,614.28	3.23	45,054.40	34.83	1,385.03	3.07
Fixed asset loans	28,772.15	19.46	78.58	0.27	25,885.30	20.01	18.08	0.07
Financial lease	11,639.15	7.87	–	–	9,711.26	7.51	–	–
Others <sup>(1)</sup>	1,748.30	1.18	139.14	7.96	1,458.08	1.13	138.27	9.48
<b>Subtotal</b>	<b>92,170.36</b>	<b>62.35</b>	<b>1,832.00</b>	<b>1.99</b>	<b>82,109.04</b>	<b>63.48</b>	<b>1,541.38</b>	<b>1.88</b>
Personal loans								
Personal business loans	5,687.50	3.85	260.19	4.57	6,008.98	4.65	300.92	5.01
Residential mortgage loans	33,829.43	22.88	252.51	0.75	25,562.85	19.76	212.22	0.83
Personal consumption loans	11,562.13	7.82	70.29	0.61	9,212.18	7.12	18.21	0.20
Credit card balances	3,395.72	2.30	100.11	2.95	3,242.15	2.51	52.29	1.61
<b>Subtotal</b>	<b>54,474.78</b>	<b>36.85</b>	<b>683.10</b>	<b>1.25</b>	<b>44,026.16</b>	<b>34.04</b>	<b>583.64</b>	<b>1.33</b>
<b>Discounted bills</b>	<b>1,187.65</b>	<b>0.80</b>	<b>–</b>	<b>–</b>	<b>3,206.52</b>	<b>2.48</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>147,832.79</b>	<b>100.00</b>	<b>2,515.10</b>	<b>1.70</b>	<b>129,341.72</b>	<b>100.00</b>	<b>2,125.02</b>	<b>1.64</b>

Notes: (1) Mainly include trade financing, advance payment of acceptance bill and syndicated loan.

As of the end of the Reporting Period, the Bank's total loan was RMB147.833 billion, representing an increase of RMB18.491 billion as compared with the year ended December 31, 2017. Among them, the corporate loans increased by RMB10.061 billion, or 12.25%, and personal loans increased by RMB10.449 billion, or 23.73% as compared with the year ended December 31, 2017, both developed fastly. In particular, residential mortgage loans in the personal loans increased by RMB8.267 billion, or 32.34% as compared with the year ended December 31, 2017.

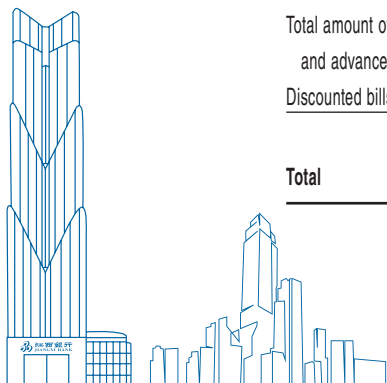




## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.6.3 Distribution of Loans and Non-performing Loans by Industry

Industry	As of June 30, 2018				As of December 31, 2017			
	Amount	% of total	NPL	NPL ratio (%) (in millions of RMB)	Amount	% of total	NPL	NPL ratio (%)
Agriculture, forestry, animal husbandry and fishing	945.77	0.64	16.54	1.75	1,188.60	0.92	23.89	2.01
Mining	548.73	0.37	7.50	1.37	342.30	0.26	11.10	3.24
Manufacturing	11,496.73	7.78	307.55	2.68	9,761.68	7.55	204.03	2.09
Production and distribution of electricity, heating power, gas and water	1,698.78	1.15	-	-	1,369.28	1.06	-	-
Construction	8,512.92	5.76	80.47	0.95	7,795.15	6.03	43.77	0.56
Wholesale and retail trade	19,432.23	13.13	1,283.55	6.61	19,320.74	14.94	1,158.98	6.00
Transportation, storage and postal services	2,938.65	1.99	-	-	1,787.06	1.38	-	-
Accommodation and catering	1,576.41	1.07	0.14	0.01	1,754.42	1.36	0.14	0.01
Information transmission, computer service and software	613.76	0.42	102.00	16.62	638.42	0.49	52.70	8.25
Finance	1,181.01	0.80	-	-	661.41	0.51	-	-
Real estate	8,358.35	5.65	9.49	0.11	7,893.66	6.10	13.49	0.17
Leasing and commercial services	14,165.06	9.58	-	-	9,574.65	7.40	6.85	0.07
Scientific research and technical services	3.21	-	-	-	-	-	-	-
Water conservancy, environment and public facility management	15,462.99	10.46	-	-	14,806.32	11.45	-	-
Residents services, repairs and other services	86.51	0.06	14.76	-	88.85	0.07	14.76	16.61
Education	1,338.12	0.91	-	-	1,424.21	1.10	-	-
Health, social security and social welfare	1,343.64	0.91	-	-	1,401.31	1.08	-	-
Culture, sports, and entertainment	1,010.49	0.68	10.00	0.99	1,038.98	0.80	11.67	1.12
Public administration, social security and social organizations	1,457.00	0.99	-	-	1,262.00	0.98	-	-
Total amount of corporate loans and advances	92,170.36	62.35	1,832.00	1.99	82,109.04	63.48	1,541.38	1.88
Total amount of personal loans and advances	54,474.78	36.85	683.10	1.25	44,026.16	34.04	583.64	1.33
Discounted bills	1,187.65	0.80	-	-	3,206.52	2.48	-	-
<b>Total</b>	<b>147,832.79</b>	<b>100.00</b>	<b>2,515.10</b>	<b>1.70</b>	<b>129,341.72</b>	<b>100.00</b>	<b>2,125.02</b>	<b>1.64</b>



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

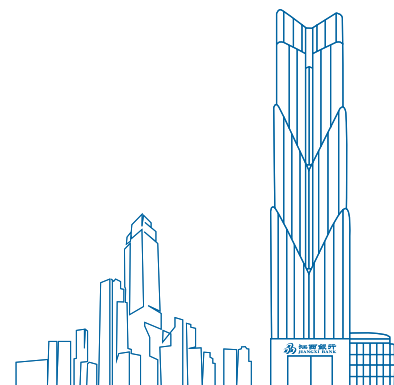
As of the end of the Reporting Period, the Group's corporate loans amounted to RMB92.17 billion, representing an increase of RMB10.061 billion, or 12.25% as compared with the end of the previous year. The top four industries, which accounted for a higher proportion, are wholesale and retail trade, water conservancy, environment and public facility management, leasing and commercial services, and manufacturing.

The Group's non-performing loans are mainly concentrated in the wholesale and retail trade, and manufacturing, the total non-performing loans of which accounted for 63.26% of the Group's total non-performing loans. In order to control the risk, the Group actively adjusted the loan structure, as a result, the ratio of loans in the above two industries to the Group's total loans decreased from 22.49% at the end of last year to 20.91% at the end of the Reporting Period.

### 3.6.4 Distribution of Loans and Non-performing Loans by Collateral

Type of collateral	As of June 30, 2018				As of December 31, 2017			
	Amount	% of total	NPL	NPL ratio (%) (in millions of RMB)	Amount	% of total	NPL	NPL ratio (%)
Unsecured loans	20,123.97	13.61	159.35	0.79	17,232.31	13.32	62.44	0.36
Guaranteed loans	57,686.67	39.02	1,547.10	2.68	50,492.55	39.04	1,258.50	2.49
Collateralised	62,396.09	42.21	719.94	1.15	53,214.86	41.14	725.37	1.36
Pledged	7,626.06	5.16	88.71	1.16	8,402.00	6.50	78.71	0.94
<b>Total loans</b>	<b>147,832.79</b>	<b>100.00</b>	<b>2,515.10</b>	<b>1.70</b>	<b>129,341.72</b>	<b>100.00</b>	<b>2,125.02</b>	<b>1.64</b>

As of the end of the Reporting Period, the main types of collateral of the Group's loans were collateralised and guaranteed loans, which accounted for 42.21% and 39.02% of the total loans respectively. The collateralised ratio increased by 1.07% as compared with the end of the previous year and guaranteed loans leveled off as compared with the end of the previous year. In general, the Group's loan structure was optimized to some extent.



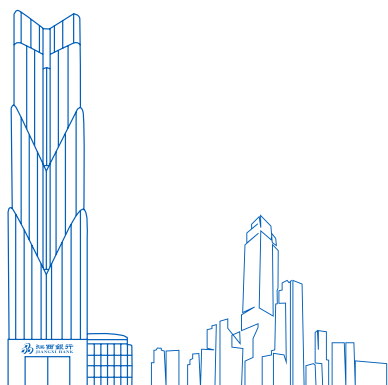
## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.6.5 Distribution of Loans and Non-performing Loans by Geographical Region

Geographical region	Amount	As of June 30, 2018			Amount	As of December 31, 2017		
		% of total	NPL	NPL ratio (%) (in millions of RMB)		% of total	NPL	NPL ratio (%)
Nanchang area	71,105.80	48.10	1,873.19	2.63	65,822.11	50.89	1,625.80	2.47
Jiangxi Province (excluding Nanchang area)	56,769.15	38.40	534.16	0.94	45,533.10	35.20	432.88	0.95
Outside Jiangxi Province	19,957.84	13.50	107.75	0.54	17,986.51	13.91	66.34	0.37
<b>Total loans</b>	<b>147,832.79</b>	<b>100.00</b>	<b>2,515.10</b>	<b>1.70</b>	<b>129,341.72</b>	<b>100.00</b>	<b>2,125.02</b>	<b>1.64</b>

As of the end of the Reporting Period, the total amount of all the Group's loans was RMB147.833 billion with 48.10% in Nanchang area, 38.40% in Jiangxi Province (excluding Nanchang area), and 13.50% in other places outside Jiangxi Province. The business growth momentum of each area was good, with an increase of RMB5.284 billion, RMB11.236 billion and RMB1.971 billion respectively, representing an increase of 8.03%, 24.68% and 10.96%, respectively.

As of the end of the Reporting Period, the Group's balance of non-performing loans was RMB2.515 billion, with 95.72% in Jiangxi Province. As the Group is a regional legal person bank at the provincial level, non-performing loans were mainly concentrated in the territory of Jiangxi Province.

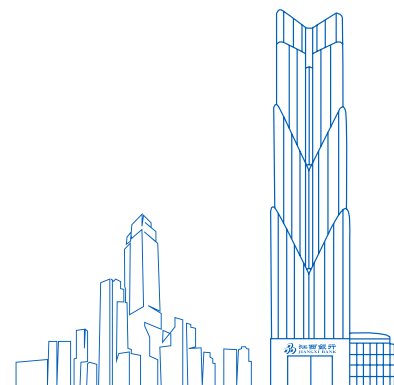


## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.6.6 Distribution of Loans by Overdue Period

Type of overdues	As of June 30, 2018		As of December 31, 2017	
	Amount	% of total (in millions of RMB)	Amount	% of total
Current loans	141,162.41	95.49	123,513.38	95.49
Loans past due for				
Up to 3 months	3,229.94	2.18	3,556.14	2.75
Over 3 months up to 1 year	2,081.64	1.41	1,173.47	0.91
Over 1 year up to 3 years	1,055.86	0.72	901.40	0.70
Over 3 years	302.94	0.20	197.33	0.15
<b>Subtotal</b>	<b>6,670.38</b>	<b>4.51</b>	<b>5,828.34</b>	<b>4.51</b>
<b>Total loans</b>	<b>147,832.79</b>	<b>100.00</b>	<b>129,341.72</b>	<b>100.00</b>

As of the end of the Reporting Period, the Group's total overdue loans amounted to RMB6.67 billion, representing an increase of RMB842 million as compared with the total overdue loans at the end of last year. Among them, the loans overdue for up to 3 months were RMB3.23 billion, accounting for 2.18%, and the loans overdue for over 3 months were RMB3.44 billion, accounting for 2.33%. In general, the Group's loans overdue for up to 3 months showed a downward trend, and the loans overdue for over 3 months up to 1 year showed a growing trend, mainly because the Group intensified the risk control measures, but as the judicial settlement required time to proceed, relevant indicators showed an increase in the short term.



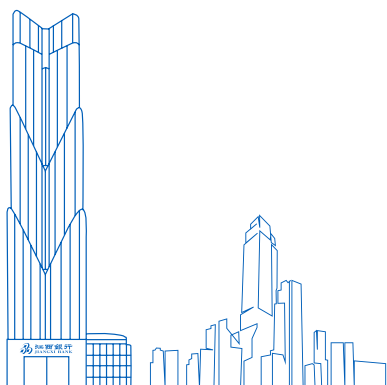
## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.6.7 Borrowers Concentration

#### (1) Loan exposure to the ten largest single borrowers

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

Item	Industry	Balance (in millions of RMB)	As of June 30, 2018		Five-category classification
			% of total	% of Net capital	
Borrower A	Water conservancy, environment and public facility management	2,000.00	1.35	5.14	Normal
Borrower B	Leasing and commercial services	1,860.00	1.26	4.78	Normal
Borrower C	Construction	1,000.00	0.68	2.57	Normal
Borrower D	Public administration, social security and social organizations	1,000.00	0.68	2.57	Normal
Borrower E	Leasing and commercial services	1,000.00	0.68	2.57	Normal
Borrower F	Water conservancy, environment and public facility management	999.75	0.68	2.57	Normal
Borrower G	Manufacturing	993.75	0.67	2.55	Normal
Borrower H	Leasing and commercial services	950.00	0.64	2.44	Normal
Borrower I	Water conservancy, environment and public facility management	895.00	0.61	2.30	Normal
Borrower J	Wholesale and retail trade	840.00	0.57	2.16	Normal
<b>Total</b>		<b>11,538.50</b>	<b>7.82</b>	<b>29.65</b>	

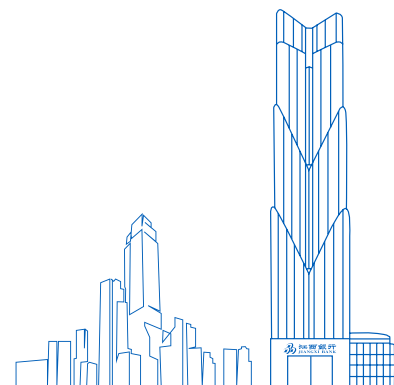


## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### (2) Credit exposure to the ten largest group customers

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

Item	Industry	As of June 30, 2018				Five-category classification
		Loan balance	% of total loans	Balance of credit exposure (in millions of RMB)	% of net capital	
Group A	Manufacturing	395.98	0.27	4,770.98	12.26	Normal
Group B	Public administration, social security and social organizations	1,176.00	0.80	4,091.00	10.52	Normal
Group C	Real estate	-	-	3,000.00	7.71	Normal
Group D	Real estate	-	-	2,860.00	7.35	Normal
Group E	Leasing and commercial services	1,860.00	1.26	2,857.00	7.34	Normal
Group F	Water conservancy, environment and public facility management	500.00	0.34	2,600.00	6.68	Normal
Group G	Construction	-	-	2,500.00	6.43	Normal
Group H	Leasing and commercial services	-	-	2,100.00	5.40	Normal
Group I	Water conservancy, environment and public facility management	2,000.00	1.35	2,000.00	5.14	Normal
Group J	Finance	-	-	2,000.00	5.14	Normal
<b>Total</b>		<b>5,931.98</b>	<b>4.02</b>	<b>28,778.98</b>	<b>73.97</b>	



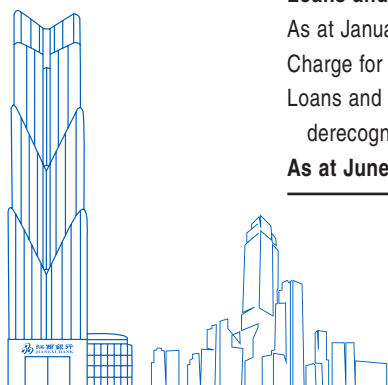
## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.6.8 Repossessed Assets and Impairment Allowances

Item	As of June 30, 2018 Amount (in millions of RMB)	As of December 31, 2017 Amount
Reposessed assets	109.23	264.01
Including: buildings	100.71	100.71
Land use rights	8.52	8.52
Others	–	154.78
Less: Impairment allowances	(11.57)	(18.71)
<b>Total</b>	<b>97.66</b>	<b>245.30</b>

### 3.6.9 Movements of Provision for Impairment Losses on Loans

	Stage 1 <sup>(1)</sup> Amount	Stage 2 <sup>(2)</sup> Amount	Stage 3 <sup>(3)</sup> Amount	Total Amount
	(in millions of RMB)			
<b>Loans and advances to customers at amortised cost</b>				
As at January 1, 2018	295.81	2,477.20	1,891.28	4,664.29
Transfer to 12-month ECL	38.26	(24.24)	(14.02)	–
Transfer to lifetime ECL not credit-impaired	(2.48)	3.12	(0.64)	–
Transfer to lifetime ECL credit-impaired	(0.85)	(81.95)	82.80	–
Charge for the period	92.31	55.50	1,172.63	1,320.44
Recoveries	–	–	87.15	87.15
Write-offs	–	–	(631.93)	(631.93)
Unwinding of discount	–	–	(43.99)	(43.99)
<b>As at June 30, 2018</b>	<b>423.05</b>	<b>2,429.63</b>	<b>2,543.28</b>	<b>5,395.96</b>
<b>Loans and advances to customers at FVOCI</b>				
As at January 1, 2018	0.20	5.75	–	5.95
Charge for the period	0.24	1.94	–	2.18
Loans and advances that have been derecognised in the period	(0.03)	–	–	(0.03)
<b>As at June 30, 2018<sup>(4)</sup></b>	<b>0.41</b>	<b>7.69</b>	<b>–</b>	<b>8.10</b>



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

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

### 3.6.10 Measures for Non-performing Assets

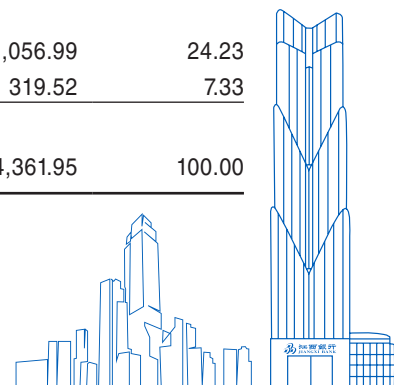
During the Reporting Period, the Group adopted the following measures to control the increase of non-performing assets: first, the “key banks” and “key customers” were assessed by stratification and linkage, and new and detailed indicators were added for assessment of non-performing assets and efforts for assessment of non-performing assets were intensified. Second, the Group intensified transformation and restructuring, effectively reduced risk exposure through enhanced guarantees and additional collateral, and actively resolved credit asset risks. Third, the Group strengthened judicial liquidation efforts, sped up the process of litigation liquidation, actively explored the clues of assets, strengthened asset marketing through multiple measures, and accelerated the realization of assets already sued. Fourth, the Group wrote off loans that met the conditions for write-offs on a timely basis to prevent excessive accumulation of risks.

## 3.7 SEGMENT REPORTS

### 3.7.1 Summary of Regional Segment Information

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

	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)				
Nanchang	3,580.33	67.09	2,985.44	68.44
Within Jiangxi Province (apart from Nanchang)	1,370.53	25.68	1,056.99	24.23
Outside Jiangxi Province	386.10	7.23	319.52	7.33
<b>Total</b>	<b>5,336.96</b>	<b>100.00</b>	<b>4,361.95</b>	<b>100.00</b>



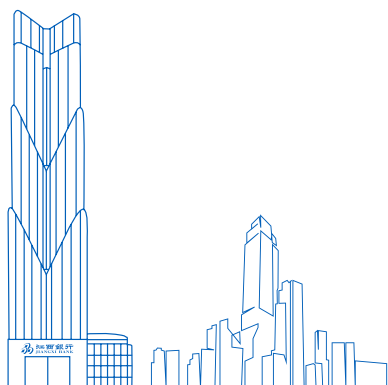


## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.7.2 Summary of Business Segment Information

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

	For the six months ended June 30, 2018					For the six months ended June 30, 2017				
	Corporate banking	Retail banking	Financial markets business	Others	Total	Corporate banking	Retail banking	Financial markets business	Others	Total
	(in millions of RMB)									
External net interest income	997.91	921.32	2,211.84	-	4,131.07	1,071.12	306.79	2,069.24	-	3,447.15
Internal net interest income/(expenses)	1,283.79	328.19	(1,653.25)	41.27	-	1,808.44	434.26	(2,199.37)	(43.33)	-
Net interest income	2,281.70	1,249.51	558.59	41.27	4,131.07	2,879.56	741.05	(130.13)	(43.33)	3,447.15
Net fee and commission income	259.26	12.30	125.01	6.23	402.80	222.21	87.82	424.84	(8.59)	726.28
Net trading gains/(losses)	-	-	1.84	-	1.84	-	-	(37.45)	-	(37.45)
Net gains arising from investment securities	-	-	736.04	-	736.04	-	-	204.53	-	204.53
Other income, gains or losses	(30.57)	(7.46)	(0.94)	104.18	65.21	1.82	-	-	19.62	21.44
<b>Operating income</b>	<b>2,510.39</b>	<b>1,254.35</b>	<b>1,420.54</b>	<b>151.68</b>	<b>5,336.96</b>	<b>3,103.59</b>	<b>828.87</b>	<b>461.79</b>	<b>(32.30)</b>	<b>4,361.95</b>
Operating expenses	(530.75)	(531.90)	(440.37)	(0.27)	(1,503.29)	(754.28)	(556.13)	(85.55)	0.05	(1,395.91)
Operating profit/(loss) before impairment	1,979.64	722.45	980.17	151.41	3,833.67	2,349.31	272.74	376.24	(32.25)	2,966.04
Impairment losses on assets	(1,260.35)	(142.91)	(415.88)	(6.07)	(1,825.21)	(1,754.49)	(5.39)	329.16	(35.32)	(1,466.04)
Share of profits of associates	-	-	-	2.38	2.38	-	-	-	3.08	3.08
<b>Profit/(loss) before tax</b>	<b>719.29</b>	<b>579.54</b>	<b>564.29</b>	<b>147.72</b>	<b>2,010.84</b>	<b>594.82</b>	<b>267.35</b>	<b>705.40</b>	<b>(64.49)</b>	<b>1,503.08</b>
Total proportion of profit/(loss) before tax	35.77	28.82	28.06	7.35	100.00	39.57	17.79	46.93	(4.29)	100.00



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.7.3 Main Segment Operating Income

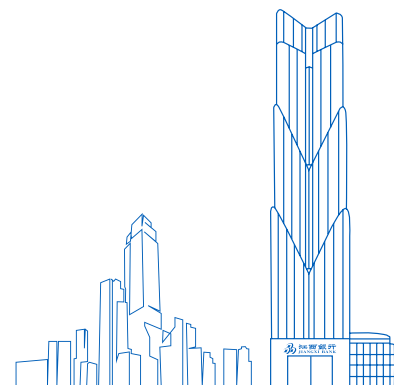
	For the six months ended June 30, 2018		For the six months ended June 30, 2017	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Corporate banking	2,510.39	47.04	3,103.59	71.15
Retail banking	1,254.35	23.50	828.87	19.00
Financial market business	1,420.54	26.62	461.79	10.59
Others	151.68	2.84	(32.30)	(0.74)
<b>Total</b>	<b>5,336.96</b>	<b>100.00</b>	<b>4,361.95</b>	<b>100.00</b>

## 3.8 BUSINESS OVERVIEW

### 3.8.1 Retail Banking

#### (1) Retail deposits

The Bank provides a variety of current and fixed deposits mainly in RMB to retail customers, and develops and launches a variety of flexible savings deposit products in accordance with the characteristics of the retail customer group. During the Reporting Period, the Bank issued a total of 6 phases of large certificate of personal deposit. As of the end of the Reporting Period, the balance of large certificate of personal deposit reached RMB1.982 billion. As of the end of the Reporting Period, the Bank's balance of retail deposits was RMB58.895 billion, representing a decrease of RMB857 million, or 1.43%, as compared with the end of last year.



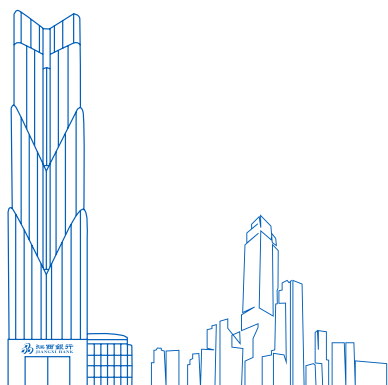
## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### (2) Retail loans

The Bank focuses on building featured products of retail loans, and expands online loans through crossover cooperation with high-quality Internet enterprises, so as to achieve simultaneous improvement in the number of consumer credit customers and efficiency. During the Reporting Period, the Bank signed strategic cooperation agreements with a number of Internet enterprises to carry out all-round financial cooperation. As of the end of the Reporting Period, the Bank had accumulatively issued 2.6901 million personal micro-credit loans through the Internet platform this year, and the loan balance was RMB6.832 billion, representing an increase of 90.84% as compared with the end of last year. As of the end of the Reporting Period, the total number of customers applying for the product “Shouji Miao Dai” of our bank had reached 626,300, representing an increase of 181,700, or 40.87%, as compared with the end of last year; the balance of “Shouji Miao Dai” reached RMB1.081 billion, representing an increase of RMB382 million, or 54.64%, as compared with the end of last year. As of the end of the Reporting Period, the Bank’s retail loan balance had reached RMB54.475 billion, representing an increase of RMB10.449 billion, or 23.73%, as compared with the end of last year. During the Reporting Period, the retail loan interest income amounted to RMB1.535 billion, representing an increase of 92.10% as compared with the same period in the previous year.

### (3) Retail customers

The Bank implements the operational strategy of “profit from customers,” strengthens the intelligent service for basic customer groups, and innovates service means from the aspects of creating an intelligent network, improving mobile financial services, promoting digital marketing, etc. to optimize customer experience and improve precision marketing capability. During the Reporting Period, the Bank focused its research on developing mobile marketing counters for marketing personnel, enriching the functions of intelligent counters and improving the precision marketing level of retail business by financial and technological means. During the Reporting Period, the Bank used activities such as “Caifu Mei Shi Hui” and “RMB6 to Watch Film” as the carriers, and coordinated online and offline channels to develop customers and created a high-quality wealth card brand. The activities covered nearly 1,000 merchants, which is nearly double the number at the end of last year, and involved more than 50,000 retail customers.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

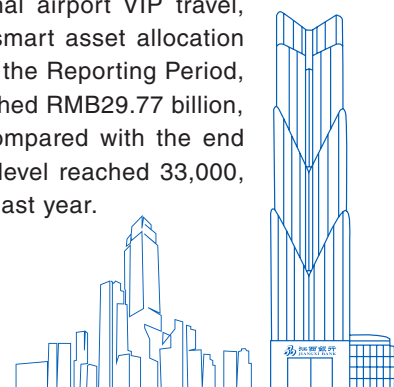
### (4) *Bank cards*

During the Reporting Period, the Bank actively carried out cooperation with governmental departments, and expanded its reach to a batch of customers through participating in the social security card project, education and examination school card project and other projects. During the Reporting Period, the Bank expanded its customer base by 56,500, who applied for “education and examination school cards” through the cooperation of “Internet + education”, launched the online campus payment function to meet the demand of parents and students for convenient fee payment, assisted the school in managing funds conveniently and safely, and had a batch of loyal student and parent customers bound up. During the Reporting Period, the Bank’s credit card business scale steadily increased, its brand influence was effectively enhanced, and the comprehensive benefits were gradually reflected. First, relying on “Science and Technology Enabling Finance”, the Bank gradually optimized and improved the automatic credit card examination and approval system, strengthened the application of big data inside and outside the bank, broke through the traditional examination and approval mode, and realized the transformation from “examination and approval using experience” to “precision examination and approval”. Second, the Bank broke through the regional restrictions of city commercial banks and carried out special marketing activities. In the first half of the year, the Bank successfully negotiated with the Starbucks headquarters and became the first batch of city commercial bank in China to carry out marketing activities with Starbucks, further improving the overall brand image of the Bank’s credit cards. Third, the Bank introduced robot voice loan collection functions and used intelligent technology to improve the efficiency of loan collection. For customers with a short overdue period, automatic voice outgoing calls for intelligent loan collection can be carried out in batches, and the loan collection efficiency can be effectively improved through scientific and technological assistance.

As of the end of the Reporting Period, the Bank had issued 391,400 credit cards in total, representing an increase of 51.39% year on year; the accumulated revenue of credit card business this year reached RMB103 million, representing an increase of 70.73% year on year.

### (5) *Wealth management*

During the Reporting Period, the Bank focused on improving the wealth management business of retail customers, improved the construction of VIP customer value-added service system, launched value-added services for private banking customers such as exclusive movie-watching, gourmet, storage box, and national airport VIP travel, developed and launched the product “Caifu Zhi Tou” to realize smart asset allocation and one click portfolio investment in mobile APP. As of the end of the Reporting Period, the Bank’s balance of personal wealth management products reached RMB29.77 billion, representing an increase of RMB4.178 billion, or 16.33%, as compared with the end of last year; the number of high-end customers above platinum level reached 33,000, representing an increase of 11.18% as compared with the end of last year.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.8.2 Corporate banking

#### (1) *Corporate deposits*

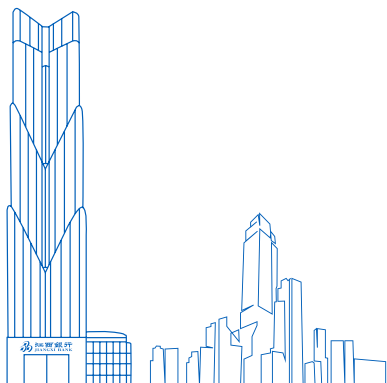
The Bank offers corporate customers fixed and current deposits in RMB and major foreign currencies. During the Reporting Period, the Bank actively promoted the transformation and upgrading of its business through the dual-wheel drive of institutional business and transaction banking business, strengthened cooperation with Jiangxi Province and municipal governments, constantly strived to increase the share of deposits from financial business, increased the marketing promotion towards strategic customers, further tapped the potential of customers, promoted products and services such as Yinyitong, capital supervision, and electronic collection of non-tax income to further expand channels for corporate deposits and achieve steady growth in corporate deposits. As of the end of the Reporting Period, the Bank's corporate deposit balance had reached RMB196.165 billion, representing an increase of RMB12.079 billion or 6.56% as compared with the end of last year.

As of the end of the Reporting Period, according to the People's Bank of China, the Bank ranked second with a market share of 12.82% in RMB corporate deposits (excluding deposits of non-deposit financial institutions) in Jiangxi Province with an incremental share coming in second at 29.3%; the growth rate was 8.47%, which is 4.93% higher than the average growth rate in Jiangxi Province; while the Bank's market share of RMB corporate deposits in Nanchang City (excluding deposits of non-deposit financial institutions) was 20.86%, ranking the first with an incremental share coming in first at 67.85%; the growth rate was 9.6%, which is 6.83% higher than the average growth rate in Nanchang City.

#### (2) *Corporate loans*

As of the end of the Reporting Period, the total amount of corporate loans and advances issued by the Group had reached RMB92.17 billion, representing an increase of 12.25% as compared with the end of last year. Corporate loans and advances are the largest components of the Group's loan portfolio and most corporate loans are denominated in RMB.

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



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### *Distribution of corporate loans by product type*

The Group provides various loan products to corporate customers, including working capital loans, fixed assets loans and financial leasing services. The amount of corporate loans increased by 12.25% from RMB82.109 billion as of December 31, 2017 to RMB92.17 billion as of June 30, 2018, mainly due to the Bank's continued increase in lending to enterprises in key industries, including wholesale and retail, manufacturing and leasing and business services. The Bank continuously strengthened the business cooperation with core high quality customers, having caused the related loan balance to continue to grow.

Item	As of June 30, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Working capital loan	50,010.76	54.26	45,054.40	54.87
Fixed asset loans	28,772.15	31.22	25,885.30	31.53
Financial lease	11,639.15	12.62	9,711.26	11.82
Others <sup>(1)</sup>	1,748.30	1.90	1,458.08	1.78
Total amount of corporate loan	92,170.36	100.00	82,109.04	100.00

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

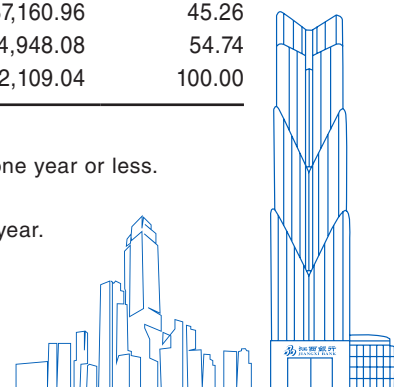
### *Distribution of corporate loans by contract maturity*

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

Item	As of June 30, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Short-term loans and advances <sup>(1)</sup>	39,773.47	43.15	37,160.96	45.26
Medium to long-term loans <sup>(2)</sup>	52,396.89	56.85	44,948.08	54.74
Total amount of corporate loans	92,170.36	100.00	82,109.04	100.00

Notes: (1) Consists of loans and advances with contract maturity of one year or less.

(2) Consists of loans with contract maturity of more than one year.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### *Short-term loans and advances*

As of the end of the Reporting Period, the Group's short-term loans and advances had been RMB39.773 billion, up by RMB2.613 billion or 7.03% from the end of last year, accounting for 43.15% of the total corporate loans, down from 45.26% as at the end of last year.

### *Medium to long-term loans*

As of the end of the Reporting Period, the Group's medium to long-term loans had been RMB52.397 billion, up by RMB7.449 billion or 16.57% from the end of last year, accounting for 56.85% of the total corporate loans, up from 54.74% at the end of last year.

### *Distribution of corporate loans by size of corporate borrowers*

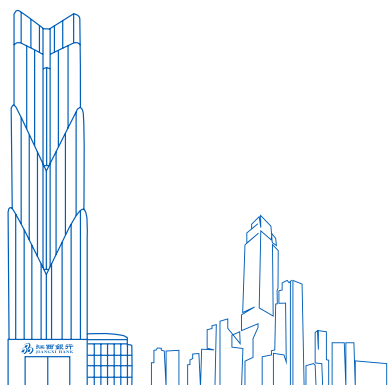
The Group provided different loan products and services for customers of various categories and scales. The Group's corporate loan customers mainly included state-owned enterprises and private enterprises, and the related corporate customers were involved in the manufacturing, wholesale and retail industries.

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

Item	As of June 30, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Micro enterprises <sup>(1)</sup>	6,706.63	7.28	6,336.42	7.72
Small enterprises <sup>(1)</sup>	62,798.05	68.13	59,087.43	71.96
Medium enterprises <sup>(1)</sup>	11,566.13	12.55	6,741.55	8.21
Large enterprises <sup>(1)</sup>	9,854.12	10.69	7,629.77	9.29
Others <sup>(2)</sup>	1,245.43	1.35	2,313.87	2.82
Total amount of corporate loans	92,170.36	100.00	82,109.04	100.00

Notes: (1) *Classification Standards of Small and Medium Enterprises* stipulates that the classification of large enterprises, medium enterprises, small enterprises and micro enterprises shall be based on the number of employees, operating income and total assets.

(2) Primarily includes loans to public institutions such as hospitals and schools.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### *Loans to large and medium enterprises*

As of the end of the Reporting Period, the Group's loans to large and medium enterprises had been RMB21.42 billion, having accounted for 23.24% of the Group's total corporate loan amount, up by 5.74% from the end of last year.

### *Loans to small and micro enterprises*

As of the end of the Reporting Period, the Group's loans to small and micro enterprises had been RMB69.505 billion, having accounted for 75.41% of the Group's total corporate loan amount, down by 4.27% from the end of last year.

### **(3) Corporate customers**

As of the end of the Reporting Period, the Bank had had 62,489 corporate deposit customers, representing an increase of 4,390 or 7.56% from the end of last year; the Bank had had 3,289 corporate loan customers, a decrease of 263 or 7.4% from the end of last year. The Bank continued to build and maintain long-term strategic relationships around high-quality large enterprises and institutional customers, especially with financial and administrative departments or customers operating in industries that are strategically important to the local economy. The Bank has carried out exploration and reform in the head office, and established the institutional customer office and the strategic customer office to strengthen the strategic cooperation between the Bank and institutional customers.

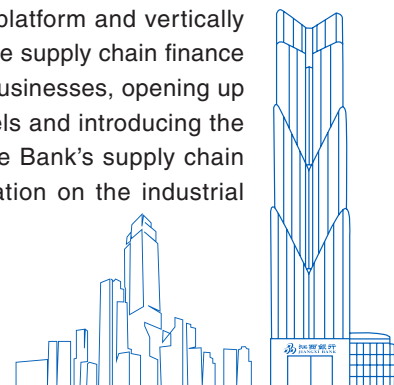
### **(4) Corporate products**

#### *Settlement business*

As of the end of the Reporting Period, the Bank had had 5,959 accounts of enterprise mobile banking opened. Of these, 1,015 accounts were added this year, with additional 25,830 transactions and an additional transaction amount of RMB1.402 billion; a total of 6,327 accounts of unit settlement card had been opened, of which 438 ones were opened this year with 37,228 new transactions and a new transaction amount of RMB406 million.

#### *Supply chain finance*

The Bank vigorously built an online supply chain finance service platform and vertically expanded the customer base. By improving the IT construction of the supply chain finance system of the Bank, building featured online supply chain finance businesses, opening up the online and offline channels, widening customer access channels and introducing the upstream and downstream enterprises of core enterprises into the Bank's supply chain finance service platform, the Bank can effectively obtain information on the industrial chain and realize "chain finance" in the true sense.





## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### *“Shui e Rong” business*

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

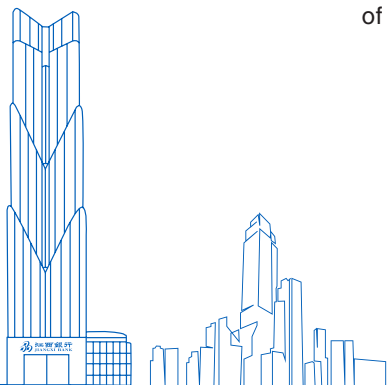
As of the end of the Reporting Period, a total of 232 customers of the Bank were successfully supported by “Shui e Rong” loans, with a total balance of RMB266 million. Of these, there were 156 online customers with an amount of RMB47 million, and 76 offline customers with an amount of RMB219 million.

### **(5) Investment banking**

Innovatively develop the investment and loan linkage business. During the Reporting Period, the Bank explored the business mode of investment and loan linkage, laying a foundation for obtaining the license of investment subsidiary. Relying on its own product innovation, the Bank created the “loan + stock option” model and developed customers with strategic values. As of the end of the Reporting Period, the Bank had 27 customers of investment and loan linkage, with a balance of RMB176.3 million, and 70 customers who signed stock option agreements.

Direct financing instruments for financing. During the Reporting Period, the Bank was the initiating manager of commercial banks that are qualified to issue and underwrite direct financing instruments for bank financing. This product is audited by the China Banking Regulatory Commission, which is a direct financing product issued to the whole market in the form of bookkeeping and filing and is specially connected with bank financing funds. In May 2018, the Bank issued the first phase of direct financing instruments for financing in 2018 as the underwriting agent, with an amount of RMB300 million.

Act as go-between for business. During the Reporting Period, the Bank formed a bidding consortium with securities companies and commercial banks to bid for the medium term notes of large state-owned enterprises in Jiangxi Province. This business brought intermediate business income to the Bank, expanded new channels of financing services, improved the adaptability of market changes and strongly supported the development of local real economy.



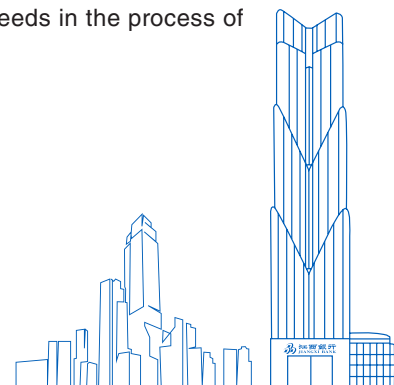
## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### (6) *Micro-finance*

The Bank has always adhered to the market positioning of “serving small and micro enterprises”, and started volume small and micro financial business in the province at an early stage, made efforts to deepen, refine and penetrate the local small and micro market, strived to solve the problem of “difficult financing and expensive financing” of small and micro enterprises, and constantly improved the support for the real economy. As of the end of the Reporting Period, the Group’s small and micro enterprise loan balance had been RMB69.505 billion, up by RMB4.081 billion from the end of last year, accounting for 75.41% of the total corporate loan amount of the Group.

First, continue to promote the characteristic industrial chain and business circle volume business. The Group has defined two transformation goals of small and micro loan volume business and comprehensive financial business, and customized special products for the characteristic industrial chain in Jiangxi Province, such as: “Orange Circle Loan” for navel orange growers in southern Jiangxi Province, “Monopterus Albus Breeding Loan” for rural monopterus albus farmers, “E-business Credit and Loan” for Taobao e-merchants, and “Fireworks and Firecrackers Loan” for fireworks and firecrackers enterprises. In addition, the Group, through deepening the cooperation with the core enterprises that have signed up, such as Zhengbang Group, Aonong Group and Jiuding Group, has constantly improved the loan volume of upstream and downstream small and micro enterprises. As of the end of the Reporting Period, the Bank had a small and micro loan balance of RMB4.532 billion, an increase of RMB925 million over the same period of last year, benefiting various social groups such as small and micro enterprises, individual industrial and commercial businesses and urban laid-off workers for re-entrepreneurship.

Second, continue to promote innovation, entrepreneurship, environmental protection and other fields. Focusing on the direction of local economic transformation, the Group, as China’s first non-pilot bank, issued RMB8 billion of green financial bonds, and raised funds to support 20 green projects, with a total investment of RMB8.181 billion, boosting the rapid development of Jiangxi Province’s green economy. In addition, under the support of Jiangxi provincial party committee and provincial government, the Group established a specialized talent service bank and innovatively developed two major product systems of “Anju Type” and “Leye Type” comprising seven exclusive products (Talent Loan, Jiangxi Talent Card, Exclusive Credit Card for Talents, Zihuitong, Zhirongtong, Investment and Loan Linkage, Talent Exchange and Win) of the Jiangxi talent service bank to serve 137 high-level talents in Jiangxi Province, and invested a total of RMB755 million in innovative and entrepreneurial products, effectively supporting the financial needs in the process of talent innovation and entrepreneurship.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

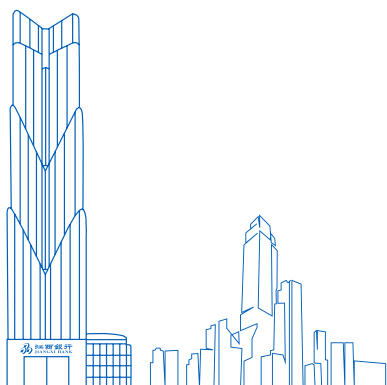
Third, continue to strengthen the use of Fin Tech in small and micro businesses. In view of the characteristics of small and micro enterprises such as “lack of information” and “lack of guarantee,” the Bank, after launching the online credit product “Shui e Rong” which is purely online and free of guarantee,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

### 3.8.3 Financial Markets Business

#### (1) Money market business

During the Reporting Period, supervision went from financial deleveraging to stable credit and the Central Bank adhered to the prudent and neutral monetary policy, maintained reasonable and ample liquidity, and created an appropriate monetary and financial environment for supply-side structural reform and high-quality development. The Bank pays close attention to financial regulation and monetary policy changes, takes the initiative to adapt to changes in the money market, anticipates the trend of market changes, promotes the optimized allocation of resources, improves the efficiency of capital use, reduces the cost of capital while ensuring the safety of liquidity, and increases the level of profitability.

As of the end of the Reporting Period, the balance of the Bank’s deposits with banks and other financial institutions, placements with banks and other financial institutions and financial assets held under resale agreements had been RMB20.110 billion, and the balance of the Bank’s deposits from banks and other financial institutions, placements from banks and other financial institutions and financial assets sold under repurchase agreements had been RMB50.407 billion, accounting for 13.48% of the total liabilities of the Bank.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

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

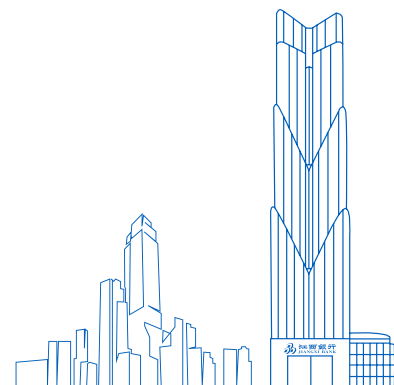
During the Reporting Period, the Bank paid close attention to changes in the macroeconomic situation, grasped the direction of financial market policies, strengthened the monitoring and analysis of the market, seized the business opportunities, formulated reasonable investment strategies on the premise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

As of the end of the Reporting Period, the total amount of the Bank's investment in bonds, investment products under the trust plan, investment products under the securities company's management and other financial products had been RMB194.923 billion, up by RMB6.493 billion or 3.45% from the end of last year; the Bank's total bond investment was RMB40.462 billion, up by 8.83% from the end of last year; investment products under the trust plan, investment products under the securities company's management and other financial products totaled RMB154.461 billion, up by 2.12% from the end of last year.

### (3) *Assets management business*

As of the end of the Reporting Period, the Bank had issued a total of 237 tranches of financing products, with the actual amount raised of RMB38.835 billion, down by 20.31% from the same period last year. As of the end of the Reporting Period, the Bank's remaining balance of financing products had amounted to RMB33.739 billion, down by 25.38% from the same period last year. The decline in the issue and existing balance scale is mainly due to the fact that the Bank took the initiative to reduce the issue and existing balance scale of financing products to adapt to the requirements of the Chinese new regulation on capital management and other regulations.

During the Reporting Period, the business of capital management continued to develop healthily. Now, the Group has established "Yousheng Financing Series" as the brand and set up a series of closed financing products, including Chuangxin, Chuangying, Chuangli, Win-Win, Private, Exclusive and Sharing, and a series of open financing products including Liduoying. The Bank adhered to the principle of putting customers' interests first and met investors' diversified investment needs with abundant investment varieties, flexible investment term and perfect investment research system. Meanwhile, in order to meet the regulatory requirements, the Group actively carried out the net-value transformation of financing products, and promoted the subsequent stable development of capital management business.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.8.4 Network Finance Business

During the Reporting Period, the Bank adhered to the customer-oriented service concept, used financial technology to reduce operating costs and improve business efficiency, and gave full play to the advantages of Internet channels to provide customers with fast and efficient online financial services.

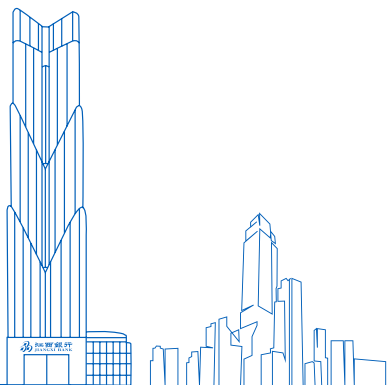
#### (1) *Internet finance business*

Following the development trend of Internet finance, the Bank has sought to further optimize the online finance service. It launched the “Jin e Rong” Internet finance platform in October 2015 to enhance platform services and provide convenient financial services to customers by continuously promoting the development of direct banking system. In March 2018, the Bank was selected as an executive member of National Internet Finance Association of China by the Third Meeting of the First Council of National Internet Finance Association of China.

#### (2) *Electronic channel business*

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

**Mobile banking:** during the Reporting Period, the Bank released a 2.0 version of personal mobile banking. After the new revision and function optimization, the function expansibility of the new personal phone banking APP was greatly improved and product marketing and promotion functions were added, and the design style was simple and refreshing, with fashionable and beautiful colors. In addition, four major theme channels were newly created to provide more secure, convenient and faster mobile financial services for customers. As of the end of the Reporting Period, the total number of mobile banking customers had reached 620,500, a year-on-year increase of 59.10%. In the Reporting Period, there were 48,927,300 transactions in mobile banking, a year-on-year increase of 105.78%; the transactions totaled RMB67.717 billion, a year-on-year increase of 33.49%.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

**Online banking:** during the Reporting Period, the Bank added the third-party payment functions such as campus payment, payment of party membership dues and non-tax payment to the online banking, which provided more convenient payment channels for customers. As of the end of the Reporting Period, the total number of online banking customers of the Bank had reached 982,400, up by 35.71% year on year; among them, there were 945,200 personal online banking customers and 37,200 enterprise online banking customers. During the Reporting Period, the number of personal online banking transactions in the Bank had reached 37.7702 million, a year-on-year increase of 91.93%, and the transaction amount had reached RMB139.228 billion, a year-on-year decrease of 3.88%; enterprise online banking transactions had totaled 47.0093 million, up by 49.57% year on year, and the transaction amount had reached RMB605.298 billion, up by 66.03% year on year.

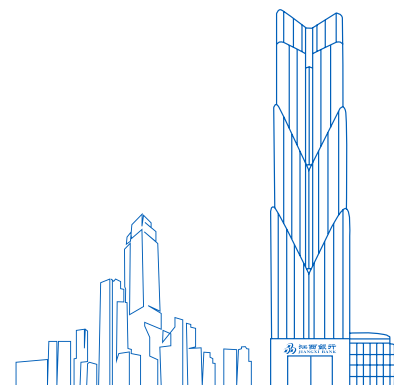
**Telephone banking:** during the Reporting Period, the customer service center received a total of 949,300 calls from customers, with an average daily rate of 5,245 calls, 89.33% telephone connection rate, and 99.36% customer satisfaction.

**WeChat banking:** as of the end of the Reporting Period, the Bank's WeChat Official Account had had a total of 676,700 customers, up by 30.39% from a year earlier.

### 3.8.5 International Business

During the Reporting Period, the Bank seized the historical opportunity of RMB internationalization, actively responded to the "Belt and Road" initiative of China, adhered to the orientation of customer needs, continuously optimized the international business service system, committed to supporting enterprises to "go out", vigorously developed products such as foreign exchange deposit and loan, foreign exchange settlement and sales, international settlement, trade financing, cross-border RMB settlement, foreign-related guarantees, and forfaiting, so as to provide customers with more comprehensive integrated financial services and constantly improve the level of international business services.

During the Reporting Period, the international business scale of the Bank increased significantly and the business structure was continuously improved. As of the end of the Reporting Period, the Bank's international settlement had reached USD1.815 billion, up by 41% year on year; the balance of on-balance-sheet and off-balance-sheet financing had reached USD726 million, up by 82% year on year; the Bank had serviced 21 enterprises involved in the "Belt and Road" and "Go Out", with the financing balance reaching USD1.6 billion.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.8.6 Information Construction

In the first half of 2018, on the solid foundation accumulated in the early stage, scientific and technological work in various aspects, such as fintech, went on smoothly and showed a good trend.

#### I. *Vigorously carry out scientific and technological breakthroughs from multiple angles*

Facing the impact and opportunities brought by the new trend of financial technology to the traditional science and technology of the banking industry, the Bank followed the implementation path of IT planning and vigorously carried out a comprehensive breakthrough war. The Bank mainly started from the following three aspects:

##### (i) *Effectively integrate internal resources*

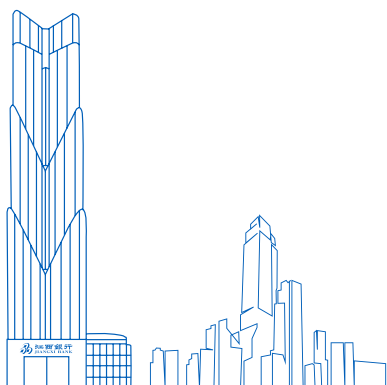
First, the Bank set up a leading group for financial technology breakthroughs which is under the direct responsibility of the president, to make overall arrangements, sort out the weaknesses, analyze problems and plan business development strategies according to the new situation.

Second, the Bank adjusted and optimized the organizational structure, hierarchy configuration and position setting of information technology in coordination with IT planning and Deloitte consulting, and officially implemented the professional technology series of information technology in May 2018, providing an effective work incentive mechanism for tackling problems.

##### (ii) *Extensively carry out external cooperation*

First, the Bank reached financial technology cooperation with Tencent. The Bank signed the *Financial Technology Cooperation Agreement* with Tencent at Tencent's headquarters in Shenzhen on April 26, 2018. According to the agreement, the two sides will conduct in-depth cooperation in multiple product areas and launch differentiated financial innovation programs to better serve the development of the real economy and export more efficient and convenient financial services. Meanwhile, the Bank can also refer to Tencent's advanced experience to establish a bottom-to-top, flexible and agile financial technology innovation mechanism.

Second, for big data application expansion, handheld bank construction, enterprise loan cloud products, intelligent robot customer service, voice navigation system, intelligent customer service and other products, the Bank conducted 11 technical exchanges and business discussions with CITIC Network, China Unicom, WeBank, and Sunyard, which accelerated the incubation of the Bank's products to some extent. In addition, the Bank officially joined the "Financial Blockchain Cooperation Alliance (Shenzhen)" and Jiangxi Fin Tech Association in May 2018, which will create more opportunities for further industrial exchanges, sharing financial resources and promoting scientific and technological development.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### *(iii) Actively prepare for the launch of the Fin Tech innovation laboratory*

The Bank quickly formulated implementation plans (including laboratory orientation, goals, basic principles, organization and management, operation innovation direction) and future business directions and measures for administration (covering the organization and responsibilities, management of special funds for innovation, creative collection, innovation evaluation process, innovation implementation process, innovative product post-evaluation process and innovation incentive mechanism). The Bank endeavored to build the laboratory into a light asset base integrating “innovation cultivation, talent cultivation and strategic cooperation” by introducing the enterprise culture of Internet enterprises such as innovation concept and incentive mechanism. Subsequently, a preparatory working group was set up to clarify each node and quickly promote the establishment of the laboratory.

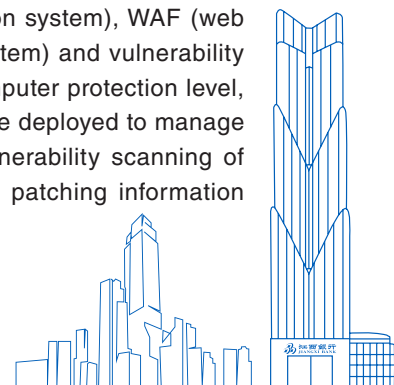
### **II. Steadily push forward IT project construction**

The Bank mainly promoted the construction of IT projects such as handheld bank, handheld branch, handheld office, paperless platform, intelligent customer service, big data platform, ECIF center mode, Internet access to core accounts, precision marketing, etc.

In addition, the Bank also actively enriched product functions and improved customer experience through financial technology: first, the Bank constantly updated products such as “Shouji Miao Dai” and mobile payment (OlaPay); second, the Bank constantly promoted the bioidentification technology in mobile App, ATM devices, smart counters, outlet counters and outreach services to improve business processing efficiency and reduce risks; third, the Bank established a cloud computing platform and a cloud desktop management platform by using the cloud computing technology to improve the resource utilization rate, shorten the development and test cycle, and improve the risk management and control ability of IT management; fourth, the Bank actively explored and introduced the artificial intelligence (AI) technology, and tried to change the traditional inefficient operation mode to save customers' time; fifth, the Bank started the construction of risk monitoring of big data, expanded the depth and breadth of risk warning with data model, and realized the credit risk monitoring covering multiple business lines.

### **III. Information safety**

At the network infrastructure level, advanced technologies and equipment such as firewall, IPS (intrusion prevention system), IDS (intrusion detection system), WAF (web application firewall), anti-DDoS attack system (anti-flow attack system) and vulnerability scanning system were adopted for protection. At the personal computer protection level, desktop management systems and network antivirus software were deployed to manage and monitor user behavior. At the system security level, the vulnerability scanning of servers and network devices was carried out regularly, and the patching information issued by manufacturers was received and updated timely.





## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.8.7 Subsidiary Business

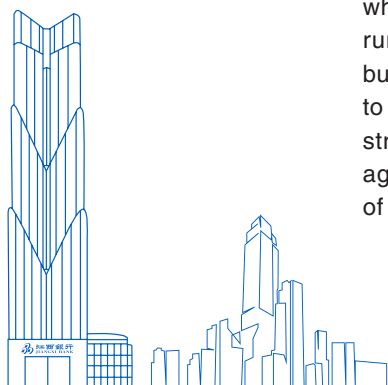
#### (1) *Subsidiary business*

Jiangxi Financial Leasing Corp., Ltd. (“Jiangxi Financial Leasing”) was established in November 2015 with a registered capital of RMB1 billion and with the Bank holding a 51% stake. In March 2018, the registered capital of Jiangxi Financial Leasing was increased to RMB2.02 billion, and the shareholding ratio of Jiangxi Bank increased from 51% to 75.74%. Since its establishment, Jiangxi Financial Leasing has always adhered to the development direction of “based in Jiangxi, facing the whole country, looking forward to the international market, and providing professional financial leasing services”; effectively served the national strategies including the “Belt and Road”, Yangtze River Economic Zone and the Revitalization of the Former Central Soviet Area, mainly supported public water conservancy facilities, advanced manufacturing, transportation, tourism development, energy and chemical engineering, medical and health care, agriculture, forestry, animal husbandry and fishing, and cultural education, and made achievements in the asset scale and business innovation. As of June 30, 2018, the total corporate assets had reached RMB12.98 billion, with a net profit of RMB61 million. All the regulatory indicators were up to standard. In the future, Jiangxi Financial Leasing will closely combine the business directions of “Internet finance”, “car leasing” and “green leasing”, give full play to the characteristics of “financing capitals + financing goods”, and stick to the sustainable development road of differentiation, specialization and professionalization.

#### (2) *Unimportant businesses of affiliated enterprises*

As of the end of the Reporting Period, the Bank had initiated and established 5 village and township banks, namely, Nanchang Dafeng County Bank Co., Ltd.^ (南昌大豐村鎮銀行有限責任公司), Si Ping Tie Dong De Feng County Bank Co., Ltd.^ (四平鐵東德豐村鎮銀行股份有限公司), Nanfeng Judu County Bank Co., Ltd.^ (南豐桔都村鎮銀行有限責任公司), Jinxian Ruifeng County Bank Co., Ltd.^ (進賢瑞豐村鎮銀行有限責任公司) and Guangchang Nanyin County Bank Co., Ltd.^ (廣昌南銀村鎮銀行股份有限公司). As of the end of the Reporting Period, the total assets of village banks had been RMB2.189 billion, down by RMB9 million from the end of last year; the total amount of loans had been RMB1.237 billion, down by RMB158 million from the end of last year; the total liabilities had been RMB1.705 billion, down by RMB19 million from the end of last year.

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



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.9 PLEDGED ASSETS OF THE GROUP

For details of pledged assets of the Group, please see note 39(f)(i) to the unaudited interim financial report.

### 3.10 RISK MANAGEMENT

#### 3.10.1 Credit Risk Management

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

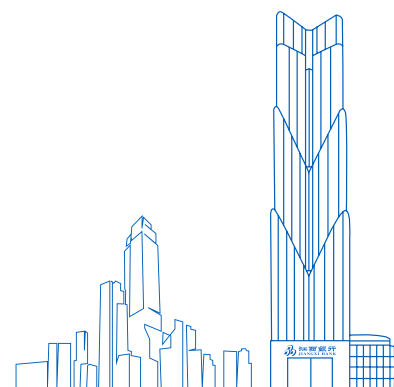
The Bank established a credit risk management structure consisting of the Board and its risk management committee, the Board of Supervisors, and members of the senior management. The Bank aims to establish a scientific and perfect credit risk management system, guides and standardizes crediting business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

During the Reporting Period, the Bank strengthened the construction of information system, implemented unified crediting management, optimized the application of internal retail evaluation, and strictly controlled the credit risk.

First, the construction of post-loan big data risk control system was carried out, and multi-dimensional data such as justice and dishonesty were introduced. The post-loan early warning indicator system was integrated and optimized, and the early warning signals were divided into 8 themes to monitor the Bank's credit risk in real time.

Second, unified management of full-aperture credit assets was achieved to ensure penetration management of off-balance-sheet business and incorporate credit-like business into online management to improve business risk management and control level.

Third, retail internal evaluation application was optimized, mobile phone second-credit risk control system was improved and credit card business credit risk rating system was established.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.10.2 Liquidity Risk Management

During the Reporting Period, the Bank conducted liquidity risk management by:

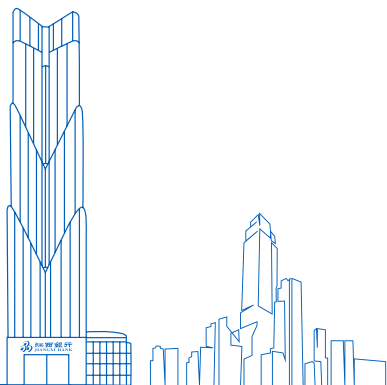
- (1) Closely monitoring the term structure matching of assets and liabilities in each term interval, and analyzing the source and use of funds, vigorously marketing general deposits, actively seeking inter-bank funding sources when needed, and carefully and moderately regulating the growth of medium-term and long-term assets, so as to maintain a relatively balanced development of assets and liabilities. As of June 30, 2018, the Group's liquidity coverage ratio was 203.22% and its gearing ratio (total liabilities over total assets) was 92.47%. The balance of qualified high-quality liquid assets was RMB27.109 billion, and the amount of net cash outflow in the next 30 days was RMB13.340 billion.
- (2) Closely monitoring the daily daytime liquidity to manage the Group's daytime fund position and position limit.
- (3) Optimizing the Group's multi-layer liquidity management mechanism, further increasing the proportion of high-quality liquid assets, and conducting routine tests on the liquidity status of various assets to improve the asset portfolio accordingly.
- (4) Setting the corresponding liquidity limit amount or percentage from the perspective of liquidity risk management and the results of the Bank's liquidity stress test to achieve the purpose of balancing liquidity risks.

### 3.10.3 Market Risk Management

#### 1. *Interest rate risk management*

##### (1) *Transaction book interest rate risks*

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



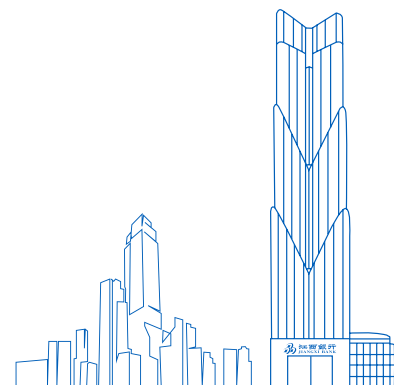
## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

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

### (2) *Bank account interest rate risks*

During the Reporting Period, the Bank further improved the construction of the bank account interest rate risk management system, optimized the management system, established the interest rate risk management structure, and specified the roles, responsibilities and reporting process of the Board, senior management, special committees and related departments in the bank account interest rate risk management, to ensure effective implementation of interest rate risk management.

The Bank mainly used the methods of repricing gap analysis, duration analysis and scenario simulation to measure and analyze interest rate risks. The repricing gap analysis was mainly used to monitor the distribution of repricing terms and mismatches of assets and liabilities; duration analysis was mainly used to monitor the duration of major product types and the change in duration gap of the entire bank's assets and liabilities; scenario simulation was the main means for the Bank to conduct interest rate risk management analysis and measurement, including the impact of interest rate change shocks and changes in yield curve on the Bank in different scenarios. The Bank further increased its focus on external market environment changes, monetary policy and market interest rate trends, judged the market price trends, and dynamically adjusted the structure and interest floating rate of assets and liabilities according to comprehensive factors such as macro policies, regional environment and price levels to effectively prevent interest rate risks. It continuously optimized the deposit and loan pricing model and configured parameters according to local conditions to meet the customer's differentiated pricing requirements, and effectively improve pricing management level.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 2. Exchange rate risk management

Exchange rate risks refer to risks which adversely affect the position level and cash flow of foreign exchange exposure held by the Bank due to exchange rate fluctuations. The exchange rate risks the Bank faces mainly include transaction risks and conversion risks. Transaction risks refer to risks making the Bank suffer from loss due to exchange rate fluctuations when foreign currency is used for pricing and payment of the transaction. Conversion risks refer to risks bringing the Bank exchange gains and losses due to exchange rate fluctuations when the foreign currency assets and liabilities in the Bank's balance sheet are converted into RMB at the end of the accounting period. The Bank's foreign exchange risks mainly come from the foreign exchange funds and deposits from banks and other financial institutions. The Bank will manage the foreign exchange risks by matching assets measured in foreign currencies with corresponding liabilities of the same currency.

### 3.10.4 Operational Risk Management

Operational risks refer to the risks of losses caused by imperfect or defective internal processes, employees and information technology systems as well as external events.

The Bank established an operational risk management structure consisting of the Board and its risk management committee, the Board of Supervisors, members of the senior management and executive level. During the Reporting Period, the Bank mainly adopted the following measures to strengthen operational risk management and case risk prevention:

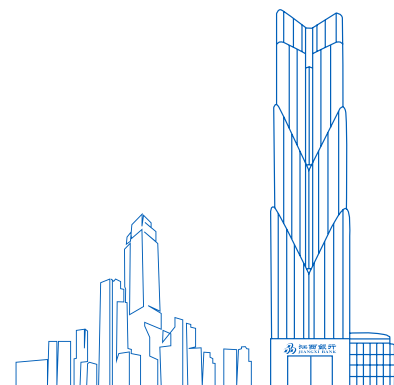
- (I) Using the three major tools for operational risk. First is to straighten the business process of the whole bank, to comprehensively identify the operational risk points and control measures throughout the business process. Second is to monitor key risk indicators. For indicators beyond the early-warning threshold, relevant business departments are required to conduct cause analysis and propose rectification measures. During the Reporting Period, an unanticipated disruption of the core system with a maximum service interruption time of 62 min and 0 data loss was found at the Bank. After the event, the Bank actively took countermeasures and reported it to the Jiangxi Banking Regulatory Bureau in a timely manner for filing to solve the problem within the time limit prescribed by the regulations. Eventually, no customer fund security problems occurred, and no punishment was imposed by the regulatory authorities. Third is to carry out loss data collection. The financial loss data generated by operational risk events was processed, revealing key operational risk fields that generate actual losses.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

- (II) Carrying out operational risk supervision and inspection. To coordinate management and efficiently use the inspection and supervision resources, the Bank formulated the 2018 Operational Risk Inspection Plan to promote the operational risk inspection of all business lines in an orderly manner. In combination with the regulatory requirements and the actual situation of the Bank, it focused on the deep rectification of market chaos.
- (III) Strengthening the off-site monitoring and early warning. The Bank used big data to strengthen off-site monitoring functions and improve risk identification capabilities, carried out off-site monitoring for related businesses through the use of internal control, compliance and operational risk “three-in-one” system, and issued off-site monitoring risk tips.
- (IV) Conducting operational risk management training. The Bank invited KPMG Consulting to conduct operational risk management training to further strengthen the risk awareness of employees, and improve the operational risk management capabilities of employees, and the quality and effectiveness of operational risk management and control.
- (V) Deepening the prevention and control management of cases. The first is to strengthen the responsibility of the case prevention main body, and organize employees and leading cadres to sign the letter of commitment for practitioner’s code of conduct and the letter of responsibility of the case prevention work. The second is to carry out special rectification activities for employee behaviors, comprehensively investigating employees’ business holdings, private lending, illegal fund-raising, abnormal account transactions, and violation guarantees and further strengthening employee behavior control to effectively resolve potential risks, and prevent cases. The third is to organize and carry out case prevention knowledge promotion, training and case prevention warning education, further strengthen the case prevention awareness and responsibility awareness of employees of the whole bank, and improve the ability of case risk prevention and control.

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



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.10.5 Information Technology Risk Management

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

The Bank comprehensively implemented the policies and regulations of the national competent and regulatory authorities, and effectively played the role of the three defense lines of information technology risk management involving the information technology department, risk management department and audit department as the main body to continuously improve the level of information technology risk management. On the one hand, it perfected the working mechanism of Internet application monitoring, security baseline configuration, information system patch upgrade and outsourcing staff work evaluation. On the other hand, it carried out comprehensive and deep risk management for demand, design, online, change, acceptance and other aspects during the construction of information technology projects. The Bank conducted a special audit on the disposal of information technology exceptional events and the management of some important business system projects to ensure the independent effectiveness of IT risk management audits. The Nanchang City Application-level Disaster Recovery Center and the Beijing Off-site Data-level Disaster Recovery Center set-up by the Bank operated well, which effectively guaranteed the continuity and reliability of the business.

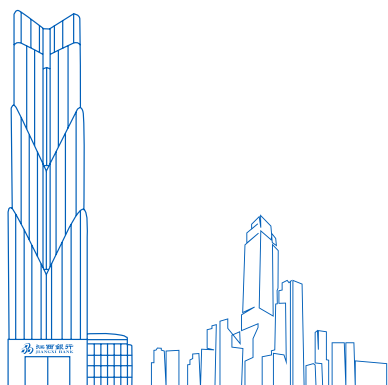
### 3.10.6 Legal and Compliance Risks

#### (1) Legal risks

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

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

1. Moving the strategic pass forward and strengthening legal risk prevention. Corresponding departments of the bank headquarters and branches review the contracts of various business segments of the Bank and formulate standardized texts for frequent business activities to reduce their legal risks. The Bank uses internal legal personnel and corporate lawyers as the basis for preventing and solving legal risks. At the same time, it also employs a number of external law firm teams to serve as special legal advisors for important business lines to ensure the prevention and disposal of legal risks in major and innovative businesses of the Bank.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

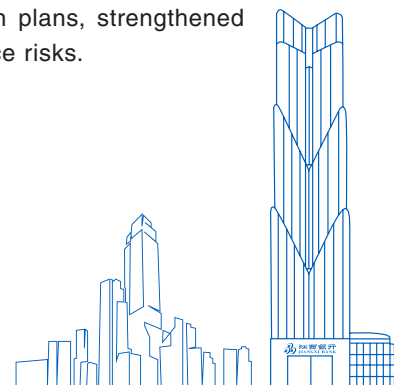
2. Improving the quality and effectiveness of legal management with the support of science and technology. The Bank has built an “internal control, compliance management and operational risk” three-in-one full-featured management platform as an important tool for internal control legal compliance management to realize the systematic and intelligent management of legal affairs such as legal text review and litigation case management and greatly improve the quality and effectiveness of the Bank’s legal risk management.
3. Enhancing the legal awareness of all employees with multi-party advocacy. The Bank actively carried out study and training on legal risk prevention, control and disposal to raise the awareness and level of employees to safeguard their legal rights according to laws. In addition, it conducted systematic argumentation research and formed risk warnings for the common legal risks during the operation and management of the Bank to remind employees to prevent and reduce the occurrence of legal risk events.

### (2) Compliance risks

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

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

1. Improving the construction of the compliance system. During the Reporting Period, the Bank continued to improve various rules and regulations, established 26 new systems, revised 18 systems, and continued to strengthen the compliance management of financial market, counter, credit, credit card, wealth management, Internet finance, foreign exchange and other service systems to ensure all business and management tasks are done according to laws, rules and regulations.
2. Enhancing the supervision and inspection. During the Reporting Period, the Bank deepened the rectification of market chaos, checked the implementation of *Interim Measures for the Equity Management of Commercial Banks*, inspected and supervised the full-aperture financing of real estate and financing platform in accordance with regulatory arrangements. It also strengthened the rectification of problems, formulated practical and feasible rectification plans, strengthened employee accountability and effectively resolved compliance risks.





## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3. Deepening the construction of compliance culture. During the Reporting Period, the Bank continued to carry out training and education activities focusing on compliance case prevention knowledge, and promoted the simultaneous improvement of employees' business level and compliance level; continued to carry out system compliance testing, strengthened the study of key rules and regulations, and enhanced the employees' system executive force; carried out the propaganda and education of compliance knowledge by WeChat official account, timely interpreted the new regulatory regulations and issued 10-stage compliance risk warnings to improve the awareness of compliance management.

### (3) Money laundering risks

The Bank always attaches great importance to the prevention and control of money laundering risks and actively adopts various measures to nip the bud. The first is to continue to promote the centralized processing mode. With the targets of “doing things in a centralized, professional and systematic manner”, the Bank gradually centralized the analysis and screening of suspicious transactions of the branches to improve the accuracy of suspicious transaction research and analysis. The second is to strengthen the supervision and inspection. The Bank conducted on-site supervision for anti-money laundering work of branches and village banks to promote rectification with inspection and improve the ability of anti-money laundering personnel to perform their duties pursuant to laws and regulations. The third is to focus on risk investigation in key areas. The Bank conducted special investigation activities for involvement in terrorism, illegal fund-raising, and employees' abnormal behaviors in the whole bank to identify potential risks in a timely manner, and provide strong compliance support for the efficient operation of businesses. The fourth is to improve the customer identification work, steadily promote the orderly development of the beneficiary owner identification and customer management upon the expiration of documents, and consolidate the basic information collection. The fifth is to carry out financial knowledge publicity and education. The Bank actively carried out various publicity activities with the theme of “preventing illegal fund-raising” and “guarding fund sources”, and popularized anti-money laundering knowledge to the public by participating in centralized publicity, using new media propaganda, and carrying out “five-into” publicity to enhance public prevention awareness and recognition capabilities. The sixth is to create a normalized exchange learning mechanism. The Bank strengthened exchanges and learning with advanced financial institutions on anti-money laundering work, held transfer training in the whole bank on contents to be learnt and excellent experience, used “learning to speak, changing style and promoting implementation” as an opportunity to create a professional team through “teaching, helping and leading”. The seventh is to improve the support of science and technology. The Bank designed and improved related models for anti-fraud, illegal fund-raising, involvement in terrorism, etc. in the anti-money laundering monitoring and reporting system, and vigorously improved the informationized level of anti-money laundering.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.10.7 Reputational Risks

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

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

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

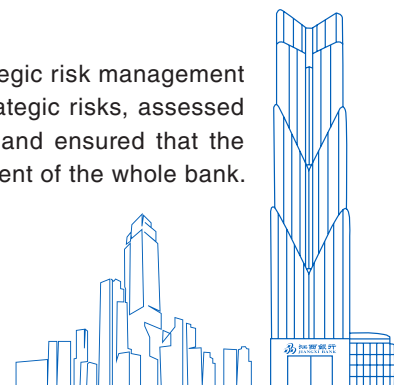
### 3.10.8 Strategic Risks

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

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

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

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



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

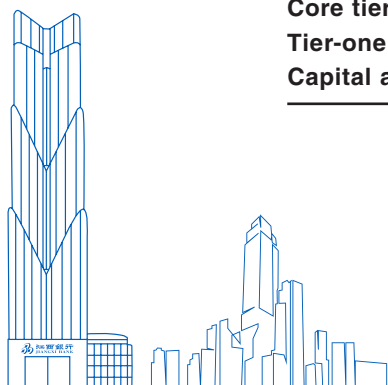
### 3.10.9 Capital Management

As of December 31, 2016, December 31, 2017 and June 30, 2018, the adequacy ratios of the Group's core tier-one capital were 10.87%, 9.38% and 10.79%, respectively; the adequacy ratios of the Group's tier-one capital were 10.87%, 9.40% and 10.80%, respectively; the adequacy ratios of the Group's capital were 11.94%, 12.90% and 14.03%, respectively. As of December 31, 2017, Jiangxi Bank issued two phases of tier-two capital bonds, all of which are 10-year fixed-rate bonds (issuer redemption with preconditions at the end of the fifth year). The amount of the first phase was RMB3 billion and the bonds will mature on June 7, 2027; the amount of the second phase was RMB3 billion and the bonds will mature on September 28, 2027. On June 26, 2018, the Bank successfully raised RMB6.209 billion funds in the H-share market, resulting in the Group's capital replenishment rate exceeding the growth rate of risk-weighted assets. According to the development needs, the Group will continue to make tier-two capital bonds to play an important role as a capital supplement and continue to expand the capital replenishment channels.

As of December 31, 2016, December 31, 2017 and June 30, 2018, the Group's leverage ratios were 6.23%, 5.98% and 7.06%, respectively, which are in compliance with relevant regulatory requirements in China.

#### Capital Adequacy Ratios

Item	As of June 30, 2018 Amount (in millions of RMB)	As of December 31, 2017 Amount
Core tier-one net capital	29,929.96	22,978.12
Tier-one net capital	29,960.91	23,036.08
Tier-two net capital	8,942.77	8,563.23
Net capital	38,903.68	31,599.31
RWA	277,339.52	244,970.12
Credit risk-weighted assets	255,907.27	228,286.23
Market risk-weighted assets	6,497.34	706.96
Operational risk-weighted assets	14,934.90	15,976.93
<b>Core tier-one capital adequacy ratio</b>	<b>10.79%</b>	9.38%
<b>Tier-one capital adequacy ratio</b>	<b>10.80%</b>	9.40%
<b>Capital adequacy ratio</b>	<b>14.03%</b>	12.90%



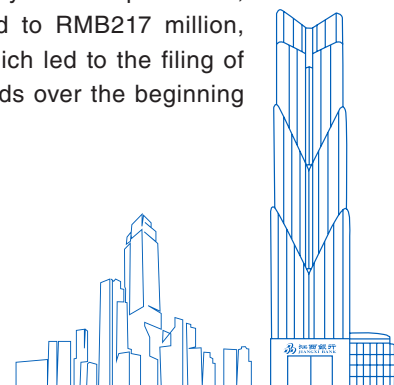
## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.11 SOCIAL RESPONSIBILITIES

As the only provincial-level city commercial bank in Jiangxi Province, the Bank has always adhered to the market positioning of “serving local economy, serving small and micro enterprises, and serving community residents”; fully fulfilled the social responsibilities, extensively carried out public welfare undertakings, and served the people’s livelihood with care, realizing the simultaneous improvement of economic and social benefits and winning wide recognition from all walks of life.

#### I. Promote Financial Targeted Poverty Alleviation

- (I) Continue to increase the number of paired poverty alleviation. According to the overall work deployment plan and poverty alleviation targets of the Party Committee and the People’s Government of Jiangxi Province, the Nanchang Municipal Party Committee, and Overseas City Committee in Jiangxi Province, the Bank established 20 poverty alleviation squads. As of the end of the Reporting Period, the Bank assisted 24 poverty-stricken villages in Jiangxi Province, paired 357 poor households, and invested a total of RMB4 million in poverty alleviation for poverty-stricken villages. The projects involve the construction of rural roads, solar energy street lamps, water improvement and toilet renovation, village renovation, PV, Hope Primary School, planting of late rice, watermelon, paddy field shrimp farming and so on.
- (II) Constantly enrich the modes of characterized poverty alleviation. The Bank actively explored the new path of “financial +” targeted poverty alleviation according to local conditions, actively supported key and major projects such as infrastructure construction, urbanization, and shed renovation in 23 poverty-stricken areas of the province through “financing + project poverty alleviation”, “financing + industrial poverty alleviation”, “financing + educational poverty alleviation” and other modes, and employed characteristic products such as “Southern Jiangxi Chengquan Loan”, “Poverty Alleviation Credit Link”, “Huimin Credit Link” and “Huimin Loan” to support local characteristic industries such as furniture manufacturing, Southern Jiangxi navel orange and feed processing to improve the local employment environment and help the former Central Soviet Area, such as Southern Jiangxi, to “overcome poverty and solve problems”. As of the end of the Reporting Period, the Bank has set up outlets in 20 national poverty-stricken counties. The credit supply balance in poverty-stricken areas was RMB10.169 billion, increasing by RMB4.376 billion over the end of the previous year with an increase rate of 75.55%. In particular the industrial targeted poverty alleviation loans issued was RMB59 million, which led to the employment of 402 filed households with poverty-stricken personnel, and the individual targeted poverty alleviation issued amounted to RMB217 million, increasing by RMB132 million over the beginning of the year, which led to the filing of 2,152 poverty-stricken households, increasing by 1,778 households over the beginning of the year.



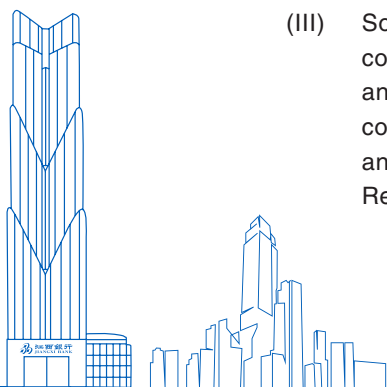
## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### II. Vigorously Develop Green Finance

- (I) Create a green sub-branch. During the Reporting Period, the Bank's Ganjiang New District Sub-branch awarded the title of "Green Ganjiang New District Sub-branch of Jiangxi 2017" granted by Jiangxi Banking Regulatory Bureau. The Bank took advantage of favorable opportunity that Jiangxi is determined as the country's five major green financial reform and innovation pilot zones, actively applied the five green development concepts of "innovation, coordination, green, openness and sharing," and implemented the concept of green finance throughout the Bank's operation and management, and continuously improved the green financial development mechanism based on the existing organizational structure of the Green Ganjiang New District Sub-branch.
- (II) Create a green system. During the Reporting Period, the Bank accelerated the establishment of a leading group on green finance, as a decision-making, promoting and coordinating body for green finance related works, to build a green financial system of Jiangxi Bank in an all-round manner from the aspects of vision planning, governance structure, policy and system, process management, risk management, incentives and constraints, and information disclosure.

### III. Continue to Strengthen the Consumers' Rights Protection

- (I) Deploy the work of the whole year on an overall basis. During the Reporting Period, the Bank held its first meeting of the Consumers' Rights Protection Committee of the Board in 2018. At the meeting, the Report on Annual Financial Consumers' Rights Protection Work of Jiangxi Bank in 2017 and the Self-assessment Report on Annual Consumers' Rights Protection Work of Jiangxi Bank in 2017 were heard and reviewed and the consumers' rights protection work in 2018 was planned on an overall basis.
- (II) Actively organize supervision and assessment. The Bank tightened the standards for benchmarking assessment and actively cooperated with the regulatory authorities to do a good job in assessing and evaluating the protection of internal and external consumers' rights. In the end, the Bank was rated as Class A in the assessment and evaluation for the financial consumers' rights protection of financial institutions in Jiangxi Province by the Nanchang Central Sub-branch of the People's Bank of China in 2017, and was rated a Class-I bank in the performance evaluation for rights protection of banking financial institution customers by Jiangxi Banking Regulatory Bureau in 2017.
- (III) Solidly promote the problem rectification. The Bank organized the first meeting of the consumers' rights protection leading group in 2018, at which, it formulated, reviewed and approved rectification book for problems found in the 2017 supervision rating for consumers' rights protection of Jiangxi Bank, implemented the responsible department and refined the rectification measures and completion time limit. As of the end of the Reporting Period, 75% of the problems have been rectified.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

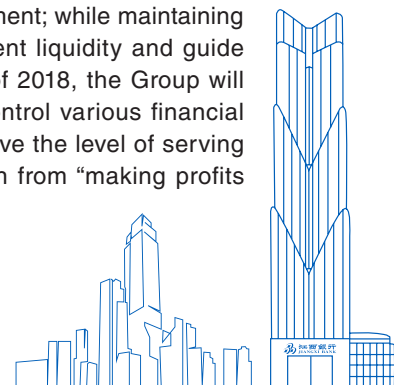
- (IV) Vigorously carry out publicity and education. During the Reporting Period, the Bank, on the one hand, continued to carry out the popularity and promotion activities of normalized financial knowledge, and publicized formal finance to customers to standardize the financial services; on the other hand, taught the public the techniques to protect personal information and publicized the prevention of telecommunication network fraud and illegal fund-raising knowledge by innovative forms of publicity such as illegal fund-raising micro-films, “group photo gifts” and participation in interesting award-winning quiz activities along with public security organs, to effectively protect the safety of public funds and property, and facilitate the better development of regional financial order.

### IV. Help the Development of Small and Micro Enterprises

- (I) Implement the policy of renewing loans and reduce the financing costs of small and micro enterprises. The Bank provided “zero cost” direct loan renewal for the loan refinancing business, which avoids the increase in capital cost of the enterprise and continues to relieve pressure on small and micro enterprises. As of the end of the Reporting Period, the Bank has provided a total of 1,470 loan renewal services free of principal repayment to small and micro enterprises with a balance of RMB12.739 billion.
- (II) Promote pattern innovation and continuously improve the product system of small and micro enterprises. Focusing on the direction of local economic transformation, and based on the characteristic industrial chains, and the operating characteristics and investment & financing needs of small and micro enterprises, the Bank actively promoted products such as “Caiyuan Credit Link”, “Shui e Rong”, Supply Chain Finance, and Talent Bank Innovation and Entrepreneurship to provide exclusive services to campus customers, taxpayers, innovative and entrepreneurial customers and customers in other fields.
- (III) Enrich the customer obtaining channels and create an online and offline service network. The Bank established a small loan franchise agency – small enterprise credit center with more than 300 professional micro-credit personnel. At the same time, it strengthened the online service functions for small and micro enterprise through products and channels such as corporate mobile banking, “Shui e Rong” and online supply chain financial platform, which continuously improved the coverage of small and micro finance.

### 3.12 FUTURE DEVELOPMENT PROSPECTS

In the second half of 2018, the external pressure on China’s economy may increase, but generally, China’s economic structural upgrade is still steadily advancing, components maintaining the economic stability are increasing, and the flexibility and practicality of fine tuning of central and local economic policies are also constantly emerging. It is expected that the macroeconomic policy of making progress while ensuring stability will remain in the second half of the year, and the active fiscal policy will play an important role in stabilizing economic growth and promoting high-quality development; while maintaining a stable neutral main tone, monetary policy will realize reasonable and sufficient liquidity and guide the steady growth of monetary loans and social financing. In the second half of 2018, the Group will continue to strictly implement regulatory requirements, actively prevent and control various financial risks, highlight the leading role of enhanced financial technology, strive to improve the level of serving the real economy, and continuously promote and implement the transformation from “making profits from loans” to “making profits from customers”, and “heavy bank” to “light bank”.



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

### 4.1 CHANGES IN SHARE CAPITAL

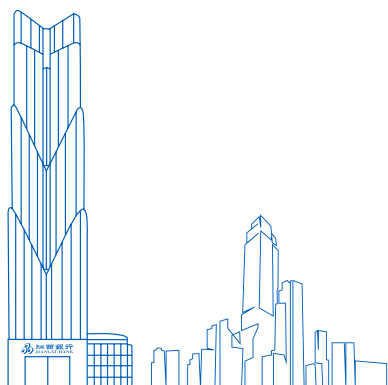
On June 26, 2018, the Bank was listed on the Main Board of the Hong Kong Stock Exchange and issued 1,170,000,000 H Shares in total.

As of June 30, 2018, the total issued share capital of the Bank amounted to RMB5,848,776,901, including 1,170,000,000 H Shares with a par value of RMB1.00 each and 4,678,776,901 Domestic Shares with a par value of RMB1.00 each. Changes in share capital of the Bank during the Reporting Period are set out in Note 32 to the unaudited interim financial report on page 160.

On July 19, 2018, the overallotment option as set out in the Prospectus was fully exercised, involving 175,500,000 H Shares. As of the Latest Practicable Date, the total issued share capital of the Bank amounted to RMB6,024,276,901, including 1,345,500,000 H Shares with a par value of RMB1.00 each and 4,678,776,901 Domestic Shares with a par value of RMB1.00 each.

(Unit: share)

Item		As of December 31, 2017	Changes in the Reporting Period	As of June 30, 2018
Domestic Shares	State capital	588,211,420	0	588,211,420
	Corporate capital	4,011,284,921	0	4,011,284,921
	Personal capital	79,280,560	0	79,280,560
H Shares		0	1,170,000,000	1,170,000,000
<b>Total</b>		<b>4,678,776,901</b>	<b>1,170,000,000</b>	<b>5,848,776,901</b>



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

### 4.2 INFORMATION ON SHAREHOLDERS

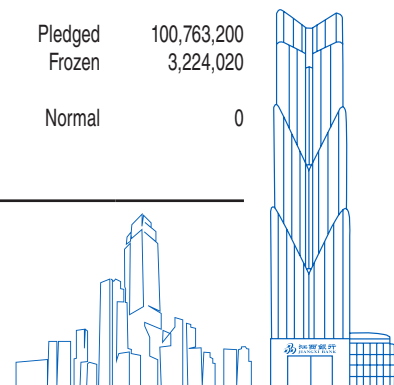
#### 4.2.1 Total number of Domestic Shareholders

As of June 30, 2018, the Bank had 9,519 Domestic Shareholders, including 31 State shareholders, 284 corporate shareholders and 9,204 natural person shareholders.

#### 4.2.2 Particulars of shareholdings of the top 10 Domestic Shareholders of the Bank

(Unit: share)

No.	Name of shareholder	Nature of shareholder	Total number of shares held as of June 30, 2018	Percentage of total share capital as of June 30, 2018 (%)	Pledged or frozen shares	
					Status of shares	Number
1	Jiangxi Provincial Expressway Investment Group Co., Ltd.	State-owned corporate shareholder	937,651,339	16.03	Normal	0
2	Jiangxi Financial Holding Group Co., Ltd.	State-owned corporate shareholder	347,546,956	5.94	Pledged	132,150,000
3	China National Tobacco Corporation Jiangxi Branch* (中國煙草總公司江西省公司) (including Jiangxi Jinfeng Investment Management Co., Ltd.* (江西省錦峰投資管理有限責任公司))	State-owned corporate shareholder	263,000,000	4.50	Normal	0
4	Nanchang Municipal Bureau of Finance	State shareholder	253,411,300	4.33	Normal	0
5	Pingxiang Huixiang Construction Development Co., Ltd.* (萍鄉市滙翔建設發展有限公司)	State-owned corporate shareholder	241,088,500	4.12	Normal	0
6	Jiangxi Province Investment Group Co., Ltd.	State-owned corporate shareholder	180,000,000	3.08	Normal	0
7	Ganshang Union (Jiangxi) Co., Ltd.* (贛商聯合(江西)有限公司)	General corporate shareholder	148,308,400	2.54	Pledged Frozen	74,000,000 3,300,000
8	Jiangxi Copper Company Limited	General corporate shareholder	140,000,000	2.39	Normal	0
9	Jiangxi Zhongbang Trade Co., Ltd.* (江西省眾邦經貿有限公司)	General corporate shareholder	100,763,200	1.72	Pledged Frozen	100,763,200 3,224,020
10	Jiangxi Provincial Water Conservancy Investment Group Co., Ltd.	State-owned corporate shareholder	99,830,800	1.71	Normal	0





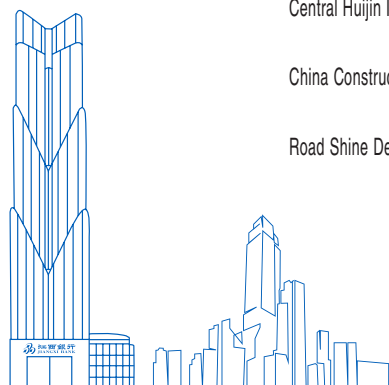
## CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

### 4.2.3 Interests and short positions of substantial shareholders in shares and underlying shares under Hong Kong regulations

To the best knowledge of the Bank and the Directors, as at June 30, 2018, the following substantial shareholders of the Bank and other persons (other than the Directors, Supervisors and chief executive of the Bank) had or were deemed to have interests and short positions in the shares and underlying shares of the Bank which would be required to be disclosed to the Bank or the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO:

(Unit: share)

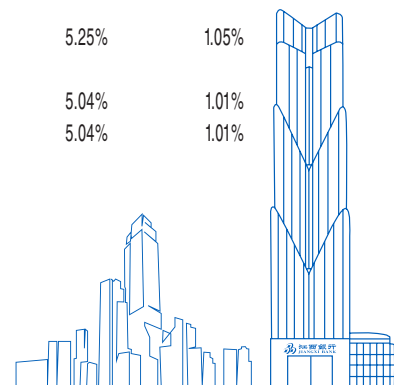
Name of shareholder	Class of shares	Nature of interest	Number and nature of shares <sup>1</sup>	Approximate % of the total issued share capital of the class of the Bank <sup>2</sup>	Approximate % of the total issued share capital of the Bank <sup>2</sup>
Jiangxi Provincial Expressway Investment Group Co., Ltd. <sup>3</sup>	Domestic Shares	Beneficial owner	937,651,339(L)	20.04%	16.03%
Jiangxi Financial Holding Group Co., Ltd. <sup>4</sup>	Domestic Shares	Beneficial owner	347,546,956(L)	7.43%	5.94%
China National Tobacco Corporation Jiangxi Branch <sup>5</sup>	Domestic Shares	Beneficial owner	180,000,000(L)	3.85%	3.08%
		Interest of controlled corporation	83,000,000(L)	1.77%	1.42%
Nanchang Municipal Bureau of Finance <sup>6</sup>	Domestic Shares	Beneficial owner	253,411,300(L)	5.42%	4.33%
Pingxiang Huixiang Construction Development Co., Ltd. <sup>7</sup>	Domestic Shares	Beneficial owner	241,088,500(L)	5.15%	4.12%
Yango Investment Limited	H Shares	Beneficial owner	219,092,000(L)	18.73%	3.75%
CCB Financial Holdings Limited <sup>8</sup>	H Shares	Interest of controlled corporation	178,100,000(L)	15.22%	3.05%
			175,500,000(S)	15.00%	3.00%
CCB International (Holdings)Limited <sup>8</sup>	H Shares	Interest of controlled corporation	178,100,000(L)	15.22%	3.05%
			175,500,000(S)	15.00%	3.00%
CCB International Capital Limited <sup>8</sup>	H Shares	Underwriter	178,100,000(L)	15.22%	3.05%
			175,500,000(S)	15.00%	3.00%
CCB International Group Holdings Limited <sup>8</sup>	H Shares	Interest of controlled corporation	178,100,000(L)	15.22%	3.05%
			175,500,000(S)	15.00%	3.00%
Central Huijin Investment Ltd. <sup>8</sup>	H Shares	Interest of controlled corporation	178,100,000(L)	15.22%	3.05%
			175,500,000(S)	15.00%	3.00%
China Construction Bank Corporation <sup>8</sup>	H Shares	Interest of controlled corporation	178,100,000(L)	15.22%	3.05%
			175,500,000(S)	15.00%	3.00%
Road Shine Developments Limited <sup>9</sup>	H Shares	Beneficial owner	141,268,000(L)	12.07%	2.42%



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

(Unit: share)

Name of shareholder	Class of shares	Nature of interest	Number and nature of shares <sup>1</sup>	Approximate % of the total issued share capital of the class of the Bank <sup>2</sup>	Approximate % of the total issued share capital of the Bank <sup>2</sup>
CITIC Guoan Group <sup>9</sup>	H Shares	Interest of controlled corporation	141,268,000(L)	12.07%	2.42%
Yichun Development Investment Group Co., Ltd. <sup>^</sup> (宜春發展投資集團有限公司) <sup>10</sup>	H Shares	Beneficial owner	94,840,500(L)	8.11%	1.62%
Representative of Guotai Asset Management Co., Ltd. <sup>^</sup> (國泰基金管理有限公司): Guotai-Global Investments Asset Management Plan No. 10 Guotai Asset Management Co Ltd-CHINA GUANG FA BANK CO. LTD-GT FUND-QDII1-10 Principal: Yichun Development Investment Group Co., Ltd. <sup>^</sup> (宜春發展投資集團有限公司) <sup>10</sup>	H Shares	Trustee	94,840,500(L)	8.11%	1.62%
Magnolia Wealth International Limited <sup>11</sup>	H Shares	Beneficial owner	93,614,500(L)	8.00%	1.60%
Ji Changqun <sup>11</sup>	H Shares	Interest of controlled corporation	93,614,500(L)	8.00%	1.60%
Zhenro Hong Kong Limited <sup>12</sup>	H Shares	Beneficial owner	77,604,500(L)	6.63%	1.33%
Zhenro International Limited <sup>12</sup>	H Shares	Interest of controlled corporation	77,604,500(L)	6.63%	1.33%
Zhenro Properties Group Limited <sup>12</sup>	H Shares	Interest of controlled corporation	77,604,500(L)	6.63%	1.33%
RoYue Limited <sup>12</sup>	H Shares	Interest of controlled corporation	77,604,500(L)	6.63%	1.33%
OU Zongrong <sup>12</sup>	H Shares	Interest of controlled corporation	77,604,500(L)	6.63%	1.33%
LIN Shuying <sup>12</sup>	H Shares	Interest held jointly with another person	77,604,500(L)	6.63%	1.33%
Zhonghua Financial Holdings Limited <sup>13</sup>	H Shares	Beneficial owner	61,420,500(L)	5.25%	1.05%
Sino Dice Group Limited <sup>13</sup>	H Shares	Interest of controlled corporation	61,420,500(L)	5.25%	1.05%
DING Yifan <sup>13</sup>	H Shares	Interest of controlled corporation	61,420,500(L)	5.25%	1.05%
FTLife Insurance Company Limited <sup>14</sup>	H Shares	Beneficial owner	58,964,000(L)	5.04%	1.01%
Bright Victory International Limited <sup>14</sup>	H Shares	Interest of controlled corporation	58,964,000(L)	5.04%	1.01%



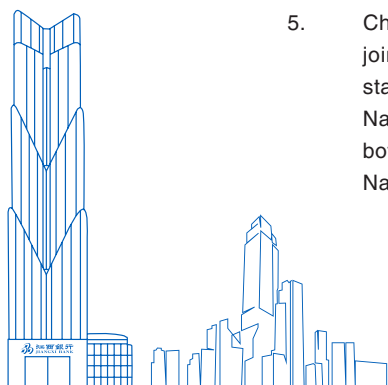
## CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

(Unit: share)

Name of shareholder	Class of shares	Nature of interest	Number and nature of shares <sup>1</sup>	Approximate % of the total issued share capital of the class of the Bank <sup>2</sup>	Approximate % of the total issued share capital of the Bank <sup>2</sup>
FTL Asia Holdings Limited <sup>14</sup>	H Shares	Interest of controlled corporation	58,964,000(L)	5.04%	1.01%
Tongchuangjiuding Investment Management Group Co., Ltd. <sup>14</sup>	H Shares	Interest of controlled corporation	58,964,000(L)	5.04%	1.01%
Tongchuang Jiuding Investment Holding Co. Ltd. <sup>14</sup>	H Shares	Interest of controlled corporation	58,964,000(L)	5.04%	1.01%
WU Gang <sup>14</sup>	H Shares	Interest of controlled corporation	58,964,000(L)	5.04%	1.01%
Lianjie (Hongkong) Holdings Limited	H Shares	Beneficial owner	58,932,500(L)	5.04%	1.01%

### Notes:

- (L) represents long position, and (S) represents short position.
- As at June 30, 2018, the total issued share capital of the Bank was 5,848,776,901 shares, including 4,678,776,901 Domestic Shares and 1,170,000,000 H Shares.
- Jiangxi Provincial Expressway Investment Group Co., Ltd. is a state-owned corporate shareholder, whose legal representative is WANG Jiangjun. Regarding Jiangxi Provincial Expressway Investment Group Co., Ltd., its controlling shareholder and de facto controller are both Department of Transportation of Jiangxi Province (江西省交通運輸廳) and its ultimate beneficiary is Jiangxi Provincial Expressway Investment Group Co., Ltd.
- Jiangxi Financial Holding Group Co., Ltd. is a state-owned corporate shareholder, whose legal representative is WEN Zhiming. Regarding Jiangxi Financial Holding Group Co., Ltd., its controlling shareholder and de facto controller both are Asset Management Center of Administrative Institutions in Jiangxi Province (江西省行政事業單位資產管理中心) and its ultimate beneficiary is Jiangxi Financial Holding Group Co., Ltd.
- China National Tobacco Corporation Jiangxi Branch<sup>^</sup> holds 263,000,000 shares of the Bank jointly with its wholly-owned subsidiary Jiangxi Jinfeng Investment Management Co., Ltd.<sup>^</sup>. It is a state-owned corporate shareholder and its legal representative is ZHOU Enhai. Regarding China National Tobacco Corporation Jiangxi Branch<sup>^</sup>, its controlling shareholder and de facto controller both are China National Tobacco Corporation<sup>^</sup> (中國煙草總公司) and its ultimate beneficiary is China National Tobacco Corporation Jiangxi Branch<sup>^</sup>.



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

6. Nanchang Municipal Bureau of Finance (南昌市財政局) is a state-owned shareholder, whose responsible person is WAN Yuyuan. Its ultimate beneficiary is Nanchang Municipal Bureau of Finance.
7. Pingxiang Huixiang Construction Development Co., Ltd.^ is a state-owned corporate shareholder, whose legal representative is LUO Haiping. Regarding Pingxiang Huixiang Construction Development Co., Ltd.^, its controlling shareholder is Pingxiang Huifeng Investment Co., Ltd.^ (萍鄉市滙豐投資有限公司), its de facto controller is Administration Commission of Pingxiang Economic & Technological Development Zone (萍鄉經濟技術開發區管理委員會) and its ultimate beneficiary is Pingxiang Huixiang Construction Development Co., Ltd.^.
8. CCB International (Holdings) Limited directly holds 100% interests in CCB International Capital Limited. While CCB Financial Holdings Limited, CCB International Group Holdings Limited and China Construction Bank Corporation indirectly hold 100% interests in CCB International (Holdings) Limited, and Central Huijin Investment Ltd. directly holds 57.11% interests in China Construction Bank Corporation. Therefore, according to the SFO, CCB Financial Holdings Limited, CCB International Group Holdings Limited, China Construction Bank Corporation and Central Huijin Investment Ltd. are all deemed to be interested in the H Shares held by CCB International Capital Limited.
9. CITIC Guoan Group indirectly holds 141,268,000 H Shares held by Road Shine Developments Limited. Therefore, according to the SFO, CITIC Guoan Group is deemed to be interested in the Bank's H Shares held by Road Shine Developments Limited.
10. Yichun Development Investment Group Co., Ltd.^ (宜春發展投資集團有限公司) is wholly-owned by Yi Chun City Stated-owned Assets Supervision and Administration Commission of Yi Chun City (宜春市國有資產監督管理委員會). Yichun Development Investment Group Co., Ltd.^ (宜春發展投資集團有限公司) holds 94,840,500 shares of the Bank through the trustee Guotai Asset Management Co., Ltd.^.
11. JI Changqun indirectly holds 93,614,500 H Shares through a controlled corporation named Magnolia Wealth International Limited. Therefore, according to the SFO, JI Changqun is deemed to be interested in the Bank's H Shares held by Magnolia Wealth International Limited.
12. OU Zongrong and LIN Shuying indirectly hold 77,604,500 H Shares held by Zhenro Hong Kong Limited. through their controlled corporations RoYue Limited, Zhenro Properties Group Limited and Zhenro International Limited. Therefore, according to the SFO, OU Zongrong, LIN Shuying, RoYue Limited, Zhenro Properties Group Limited and Zhenro International Limited are deemed to be interested in the Bank's H Shares held by Zhenro Hong Kong Limited.
13. DING Yifan indirectly holds 61,420,500 H Shares held by Zhonghua Financial Holdings Limited through a controlled corporation Sino Dice Group Limited. Therefore, according to the SFO, DING Yifan and Sino Dice Group Limited are deemed to be interested in the Bank's H Shares held by Zhonghua Financial Holdings Limited.
14. WU Gang indirectly holds 58,964,000 H Shares of the Bank held by FTLife Insurance Company Limited through controlled corporations Tongchuang Jiuding Investment Holding Co. Ltd., Tongchuangjiuding Investment Management Group Co., Ltd., FTL Asia Holdings Limited and Bright Victory International Limited. Therefore, according to the SFO, WU Gang, Tongchuang Jiuding Investment Holding Co. Ltd., Tongchuangjiuding Investment Management Group Co., Ltd., FTL Asia Holdings Limited and Bright Victory International Limited are deemed to be interested in the Bank's H Shares held by FTLife Insurance Company Limited.



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

### 4.2.4 Shareholders holding 5% or more of the Bank's shares

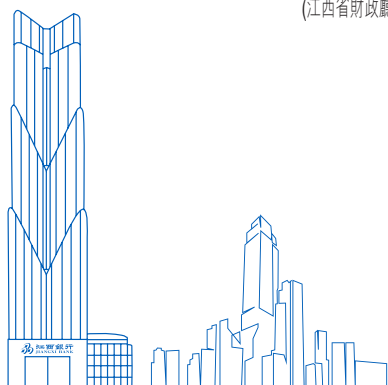
See 4.2.3 Interests and short positions of substantial shareholders in shares and underlying shares under Hong Kong regulations in this chapter.

### 4.2.5 Other substantial Domestic Shareholders

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

Other than those disclosed in the section "4.2.3 Interests and short positions of substantial shareholders in shares and underlying shares under Hong Kong regulations" in this chapter, i.e., Jiangxi Provincial Expressway Investment Group Co., Ltd., Jiangxi Financial Holding Group Co., Ltd., China National Tobacco Corporation Jiangxi Branch<sup>^</sup>, Nanchang Municipal Bureau of Finance and Pingxiang Huixiang Construction Development Co., Ltd.<sup>^</sup>, substantial Domestic Shareholders of the Bank who hold less than 5% of total capital or total Shares but dispatch Directors, Supervisors or senior executives to the Bank are:

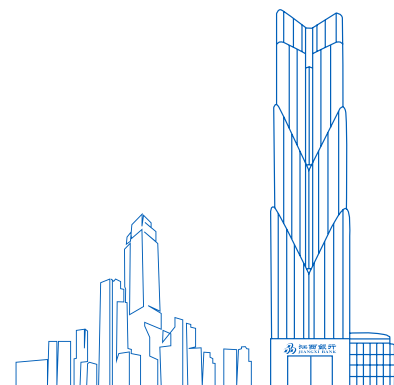
Name of shareholder	Class of shares	Nature of interest	Number and nature of shares <sup>1</sup>	Approximate % of the total issued share capital of the class of the Bank <sup>2</sup>	Approximate % of the total issued share capital in the Bank <sup>2</sup>
Jiangxi Province Investment Group Co., Ltd. <sup>3</sup>	Domestic Shares	Beneficial owner	180,000,000 (L)	3.85%	3.08%
Ganshang Union (Jiangxi) Co., Ltd. <sup>4</sup>	Domestic Shares	Beneficial owner	148,308,400 (L)	3.17%	2.54%
Jiangxi Copper Company Limited <sup>5</sup>	Domestic Shares	Beneficial owner	140,000,000 (L)	2.99%	2.39%
Jiangxi Provincial Department of Finance (江西省財政廳) <sup>6</sup>	Domestic Shares	Beneficial owner	50,000,000 (L)	1.07%	0.85%
		Interest of controlled corporation	12,969,590 (L)	0.28%	0.22%



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

### Notes:

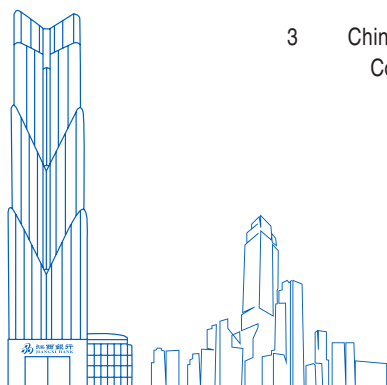
1. (L) represents long position, and (S) represents short position.
2. As at June 30, 2018, the total issued share capital of the Bank reached 5,848,776,901 shares, including 4,678,776,901 Domestic Shares and 1,170,000,000 H Shares.
3. Jiangxi Province Investment Group Co., Ltd. is a state-owned corporate shareholder, whose legal representative is JIE Xiaojian. Regarding Jiangxi Province Investment Group Co., Ltd., its controlling shareholder and de facto controller both are State-owned Assets Supervision and Administration Commission of Jiangxi Province and its ultimate beneficiary is Jiangxi Province Investment Group Co., Ltd.
4. Ganshang Union (Jiangxi) Co., Ltd.<sup>^</sup> is a general corporate shareholder, whose legal representative is ZENG Zhibin, controlling shareholder is Ganshang Union Co., Ltd.<sup>^</sup> (贛商聯合股份有限公司), de facto controller is DENG Kaiyuan, and ultimate beneficiary is Ganshang Union (Jiangxi) Co., Ltd.<sup>^</sup>.
5. Jiangxi Copper Company Limited is a general corporate shareholder, whose legal representative is LONG Ziping. Regarding Jiangxi Copper Company Limited, its controlling shareholder is Jiangxi Copper Corporation Limited, its de facto controller is State-owned Assets Supervision and Administration Commission of Jiangxi Province and its ultimate beneficiary is Jiangxi Copper Company Limited.
6. Jiangxi Provincial Department of Finance holds 62,969,590 shares of the Bank jointly with its directly affiliated unit Jiangxi Fiscal Investment Management Co., Ltd.<sup>^</sup> (江西省財政投資管理公司). It is the State shareholder and its responsible person is HU Qiang. Its ultimate beneficiary is Jiangxi Provincial Department of Finance.



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

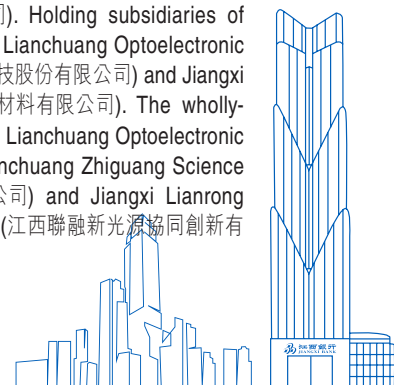
### 4.2.6 Related parties of substantial Domestic Shareholders at the end of the Reporting Period

No.	Name of substantial shareholders	Related parties of substantial shareholders
1	Jiangxi Provincial Expressway Investment Group Co., Ltd.	De facto controller and controlling shareholder of Jiangxi Provincial Expressway Investment Group Co., Ltd.: Department of Transportation of Jiangxi Province; nine direct holding wholly-owned subsidiaries: Jiangxi Highway Development LLC, Jiangxi Transportation Engineering Group Co., Ltd., Jiangxi Transportation Consulting Co., Ltd., Communications Design & Research Institute Co., Ltd of Jiangxi Prov., Navigate the service area of Jiangxi Highway Development and Management Co., Ltd., Jiangxi Provincial Expressway Asset Management Co., Ltd., Jiangxi Expressway Material Co., Ltd., Jiangxi Provincial Expressway Investment Group Materials Co., Ltd.^ (江西省高速公路投資集團材料有限公司) and Jiangxi Ganyue Expressway Engineering Co., Ltd.; three holding subsidiaries in which Jiangxi Provincial Expressway Investment Group Co., Ltd.^ directly holds more than 50% (inclusive) shares: Jiangxi Ganyue Expressway Co., Ltd., Jiangxi Ganchong Expressway Co., Ltd.^ (江西省贛崇高速公路有限責任公司) and Jiangxi Expressway Petrochemical Co.,Ltd.^ (江西高速石化有限責任公司); one brother enterprise: Jiangxi Provincial Port&Waterway Construction Investment Group Co., Ltd.; four affiliated enterprises: Jiangxi Ruixun Expressway Co., Ltd.^ (江西省瑞尋高速公路有限責任公司), Jiangxi Jiujiang Yangtze River Highway Bridge Co., Ltd., Xunquan Highway Co., Ltd. and Jiangxi Joint Equity Exchange Co., Ltd.^ (江西聯合股權交易中心有限公司).
2	Jiangxi Financial Holding Group Co., Ltd.	De facto controller and controlling shareholder of Jiangxi Financial Holding Group Co., Ltd.: Asset Management Center of Administrative Institutions in Jiangxi Province; two wholly-owned subsidiaries: Nanchang Dingxiang Real Estate Development Co., Ltd.^ (南昌鼎祥房地產開發有限公司) and Jiangxi Financial Holding Investment&Development Group Co., Ltd.^ (江西省金控投資開發集團有限公司); two subsidiaries in which Jiangxi Financial Holding Group Co., Ltd. holds more than 50% shares: Jiangxi Rich Futures Co., Ltd. and Jiangxi Re-guarantee Co., Ltd.; six joint ventures: Jiangxi Financial Asset Management Co., Ltd., Jiangxi Financial Holding Foreign Trade Co., Ltd.^ (江西省金控外貿股份有限公司), Jiangxi Joint Equity Exchange Center Co., Ltd., Jiangxi Jinkong Financial Leasing Co., Ltd., Jiangxi Financial Holding Investment Management Center^ (江西金控投資管理中心), Huitong Huifu Co., Ltd.^ (匯通匯付股份有限公司); one affiliated enterprise: Jiangxi Financial Holding Capital Management Co., Ltd.^ (江西省金控資本管理有限公司).
3	China National Tobacco Corporation Jiangxi Branch^	De facto controller and controlling shareholder of China National Tobacco Corporation Jiangxi Branch^: China National Tobacco Corporation^ (中國煙草總公司); 16 wholly-owned subsidiaries including Jiangxi Tobacco Corporation Nanchang Branch^ (江西省煙草公司南昌市公司); two sub-subsidiaries: Jiangxi Jinfeng Property Management Co., Ltd.^ (江西省錦峰物業管理有限公司) and Jiangxi Jinfeng Software Technology Co., Ltd.^ (江西省錦峰軟件科技有限公司).



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

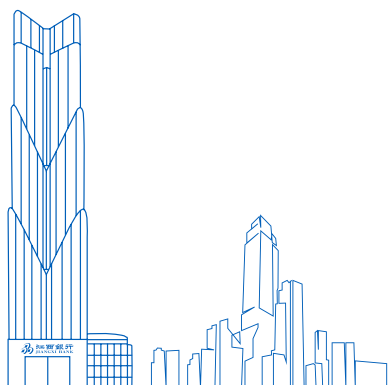
No.	Name of substantial shareholders	Related parties of substantial shareholders
4	Nanchang Municipal Bureau of Finance	None
5	Pingxiang Huixiang Construction Development Co., Ltd. <sup>^</sup>	Controlling shareholder of Pingxiang Huixiang Construction Development Co., Ltd. <sup>^</sup> : Pingxiang Huifeng Investment Co., Ltd. <sup>^</sup> ; subsidiary: Pingxiang Huiyi Construction Development Co., Ltd. <sup>^</sup> (萍鄉市匯怡建設發展有限公司); joint venture: Pingxiang Jianyu Real Estate Co., Ltd. <sup>^</sup> (萍鄉市建宇置業有限公司). Other enterprise under the control of the same parent company of Pingxiang Huixiang Construction Development Co., Ltd. <sup>^</sup> : Pingxiang Huisheng Industrial Investment Management Co., Ltd. <sup>^</sup> (萍鄉市匯盛工業投資管理有限公司).
6	Jiangxi Province Investment Group Co., Ltd.	De facto controller and controlling shareholder of Jiangxi Province Investment Group Co., Ltd.: State-owned Assets Supervision and Administration Commission of Jiangxi Province; five wholly-owned subsidiaries: Jiangxi Natural Gas (Gantou Qitong) Holding Co., Ltd. <sup>^</sup> (江西省天然氣(贛投氣通)控股有限公司), Jiangtou Real Estate Development Co., Ltd. <sup>^</sup> (江西省投資房地產開發有限責任公司), Jiangxi Province Poyang Lake Financial Leasing Co., Ltd., Jiangxi Investment Sales Co., Ltd. <sup>^</sup> (江西省投資經營有限責任公司) and Jiangxi International Advertising Co., Ltd. <sup>^</sup> (江西省國際廣告公司); 12 subsidiaries in which Jiangxi Province Investment Group Co., Ltd. holds 50% shares or more including Jiangxi Provincial Jiangtou Road&Bridge Investment Co., Ltd.; two relative holding subsidiaries in which Jiangxi Province Investment Group Co., Ltd. holds less than 50% shares: Jiangxi Ganneng Co., Ltd. <sup>^</sup> (江西贛能股份有限公司) and Jiangxi Hi-tech Industrial Investment Co., Ltd. Enterprise controlling the subsidiaries of Jiangxi Province Investment Group Co., Ltd. including Jiangxi Jiuxian Hotspring Development Co., Ltd. <sup>^</sup> (江西省九仙溫泉開發有限公司).
7	Ganshang Union (Jiangxi) Co., Ltd. <sup>^</sup>	De facto controller of Ganshang Union (Jiangxi) Co., Ltd. <sup>^</sup> : DENG Kaiyuan; controlling shareholder of Ganshang Union (Jiangxi) Co., Ltd. <sup>^</sup> : Ganshang Union Co., Ltd. <sup>^</sup> ; seven brother enterprises of Ganshang Union (Jiangxi) Co., Ltd. <sup>^</sup> : Gongqingcheng Yihong No. 2 Investment Center (LP) <sup>^</sup> (共青城亦宏二號投資中心(有限合夥)), Shanghai Huasong Hospital Investment Management Co., Ltd. <sup>^</sup> (上海華嵩醫院投資管理有限公司), Heihe Zhongxing Husbandry Co., Ltd. <sup>^</sup> (黑河中興牧業有限公司), Ganshang Union (Xinyu) Co., Ltd. <sup>^</sup> (贛商聯合(新余)有限公司), Shanghai Fortune Link Venture Capital Management Company (LP) <sup>^</sup> (上海東方匯富創業投資管理企業(有限合夥)), Shanghai Chentong Real Estate Development Co., Ltd. <sup>^</sup> (上海宸通房地產開發有限公司) and Jiangxi Electronic Group Corporation Ltd. <sup>^</sup> (江西省電子集團有限公司). Holding subsidiaries of Jiangxi Electronic Group Corporation Ltd.: Jiangxi Lianchuang Optoelectronic Science and Technology Co., Ltd. <sup>^</sup> (江西聯創光電科技股份有限公司) and Jiangxi Weixin Metal Materials Co., Ltd. <sup>^</sup> (江西偉鑫金屬材料有限公司). The wholly-owned subsidiary and holding subsidiary of Jiangxi Lianchuang Optoelectronic Science and Technology Co., Ltd. are: Jiangxi Lianchuang Zhiguang Science & Technology Co., Ltd. <sup>^</sup> (江西聯創致光科技有限公司) and Jiangxi Lianrong Xinguangyuan Collaborative Innovation Co., Ltd. <sup>^</sup> (江西聯融新光源協同創新有限公司), respectively.





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

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

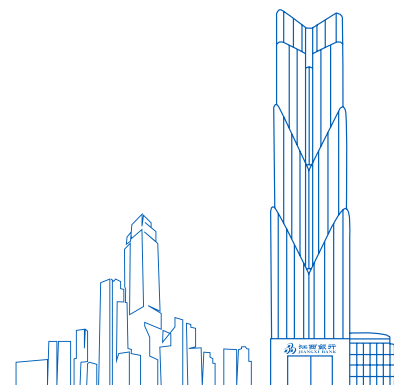


## CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

### 4.2.7 Related party transactions between the Bank and the substantial shareholders and controlling Domestic Shareholders, de facto controllers, related parties, persons acting in concert and ultimate beneficiaries thereof in the Reporting Period

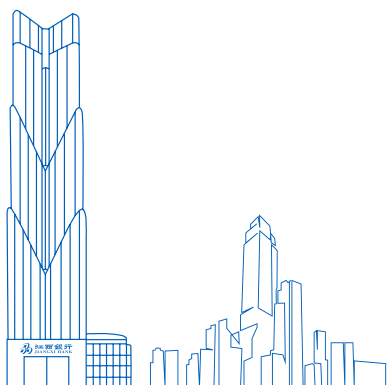
(in million of RMB)

Serial No.	Name of shareholder	Credit balance	Controlling	Credit balance	De facto	Credit balance	Persons	Credit balance	Ultimate	Credit balance	Related	Credit balance	Total
			shareholder of the enterprise		controller		acting in concert		beneficiary		Party		
1	Jiangxi Provincial Expressway Investment Group Co., Ltd.	199.05	Department of Transportation of Jiangxi Province	-	Department of Transportation of Jiangxi Province	-	None	-	Jiangxi Provincial Expressway Investment Group Co., Ltd.	199.05	Jiangxi Provincial Expressway Investment Group Materials Co., Ltd.	224.27	423.32
2	Jiangxi Financial Holding Group Co., Ltd.	600.00	Asset Management Center of Administrative Institutions in Jiangxi Province	-	Asset Management Center of Administrative Institutions in Jiangxi Province	-	None	-	Jiangxi Financial Holding Group Co., Ltd.	600.00	Jiangxi Financial Asset Management Co., Ltd. Jiangxi Financial Holding Foreign Trade Co., Ltd. Jiangxi Xingsen International Trade Co., Ltd.	500.00 67.00 50.00	1,217.00
3	China National Tobacco Corporation Jiangxi Branch* (including Jiangxi Jinfeng Investment Management Co., Ltd.)	-	China National Tobacco Corporation*	-	China National Tobacco Corporation*	-	None	-	China National Tobacco Corporation Jiangxi Branch*	-	-	-	-
4	Nanchang Municipal Bureau of Finance	-	None	-	None	-	None	-	Nanchang Municipal Bureau of Finance	-	-	-	-



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

Serial No.	Name of shareholder	Credit balance	Controlling	Credit balance	De facto controller	Persons		Credit balance	Ultimate beneficiary	Credit balance	Related Party	Credit balance	Total
			shareholder of the enterprise			Credit acting in concert	acting in concert						
5	Pingxiang Huixiang Construction Development Co., Ltd.*	275.00	Pingxiang Huifeng Investment Co., Ltd.* (萍鄉市滙豐投資有限公司)	-	Administration Commission of Pingxiang Economic & Technological Development Zone (萍鄉經濟技術開發區管理委員會)	-	None	-	Pingxiang Huixiang Construction Development Co., Ltd.*	275.00	Pingxiang Huisheng Industrial Investment Management Co., Ltd.	800.00	1,075.00
6	Jiangxi Province Investment Group Co., Ltd.	-	State-owned Assets Supervision and Administration Commission of Jiangxi Province	-	State-owned Assets Supervision and Administration Commission of Jiangxi Province	-	None	-	Jiangxi Province Investment Group Co., Ltd.	-	Jiangxi Provincial Jiuxian Hot Spring Development Co., Ltd.	420.00	420.00
7	Ganshang Union (Jiangxi) Co., Ltd.*	-	Ganshang Union Co., Ltd.*	-	DENG Kaiyuan	-	None	-	Ganshang Union (Jiangxi) Co., Ltd.*	-	Jiangxi Electronic Group Corporation Ltd.	974.23	1,322.60
											Jiangxi Lianchuang Optoelectronic Science and Technology Co., Ltd.	250.00	
											Jiangxi Lianrong Xinguangyuan Collaborative Innovation Co., Ltd.	0.09	
											Jiangxi Lianchuang Zhiguang Science & Technology Co., Ltd.	58.28	
											Jiangxi Weixin Metal Materials Co., Ltd.	40.00	



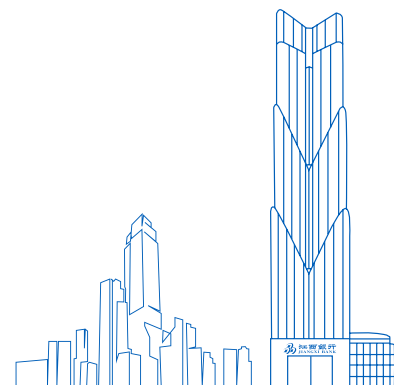
## CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Serial No.	Name of shareholder	Controlling shareholder of the enterprise		De facto controller	Persons acting in concert		Ultimate beneficiary	Related Party	Credit balance	Total			
		Credit balance	Credit balance		Credit balance	Credit balance							
8	Jiangxi Copper Company Limited	-	Jiangxi Copper Corporation Limited	-	State-owned Assets Supervision and Administration Commission of Jiangxi Province	-	None	-	Jiangxi Copper Company Limited	-	Jiangxi Copper Lead & Zinc Metal Co., Ltd.	200.00	200.00
9	Jiangxi Provincial Department of Finance (including Jiangxi Fiscal Investment Management Co., Ltd.)	-	None	-	None	-	None	-	Jiangxi Provincial Department of Finance	-	-	-	-
<b>Total</b>		1,074.05	-	-	-	-	-	-	1,074.05	-	-	3,583.87	4,657.92

### 4.2.8 Pledge of equity in the Bank by substantial Domestic Shareholders

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

- (1) Jiangxi Financial Holding Group Co., Ltd. held 347,546,956 shares of the Bank and pledged 132,150,000 shares, with a pledge rate of 38.02%. The pledgee was Jiangxi Provincial Branch of the Bank of Communications Co., Ltd., with a term of pledge from November 15, 2016 to November 15, 2018.
- (2) Ganshang Union (Jiangxi) Co., Ltd. held 148,308,400 shares of the Bank and pledged 74,000,000 shares, with a pledge rate of 49.90%. The pledgee was Xiamen Bank Co., Ltd., with a term of pledge from May 6, 2016 to May 6, 2019.



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

### 4.2.9 Nomination of directors and supervisors by the shareholders

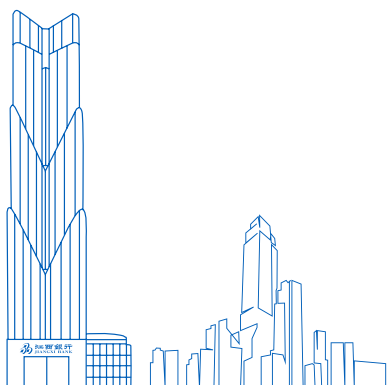
- (1) QUE Yong and LI Zhanrong were nominated as Directors by Jiangxi Provincial Expressway Investment Group Co., Ltd.;
- (2) LIU Sanglin was nominated as a Director by Jiangxi Financial Holding Group Co., Ltd.;
- (3) CHEN Yu was nominated as a Director by China National Tobacco Corporation Jiangxi Branch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

### 4.2.10 The number of pledged shares of the bank reaching or exceeding 20% of all its shares

Nil.

### 4.2.11 The number of shares pledged by substantial Domestic Shareholders reaching or exceeding 50% of the total shares held by them in the Bank

Nil.



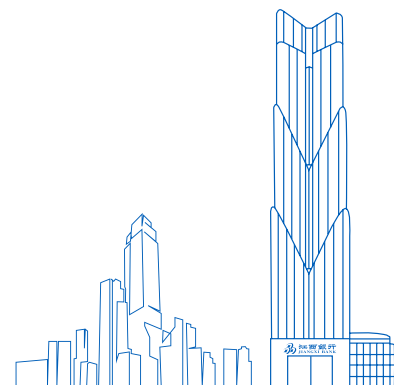
## CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

### 4.2.12 The bank's pledged shares being frozen, judicially auctioned, restricted from voting right or other rights

- (1) As of the end of the Reporting Period, the Bank had a total of 5,848,776,901 shares, and a total of 844,543,758 Domestic Shares held by 34 Domestic Shareholders were pledged, accounting for 14.44% of the Bank's total shares. 56,280,425 pledged shares were judicially frozen and 46,000,000 shares were judicially auctioned.
- (2) According to the Articles of Association, when the number of shares pledged by a shareholder reaches or exceeds 50% of the total shares held by him/her in the Bank, the said shareholder is required to issue a commitment letter of giving up his/her voting right at the general meeting. As of the end of the Reporting Period, the number of Domestic Shares pledged by 31 shareholders reached or exceeded 50% (inclusive) of the total shares held by them in the Bank, and voting rights represented by 628,501,758 shares were restricted, accounting for 10.75% of the total shares.

### 4.2.13 Purchase, sale or redemption of listed securities

Neither the Bank nor its subsidiaries purchased, sold or redeemed any of its listed securities for the six months ended June 30, 2018.



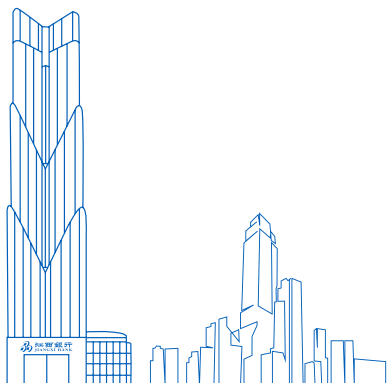
## 5.1 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS AS OF JUNE 30, 2018

### (I) Directors

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

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

Note: The date of appointment represents the date on which the relevant Director obtained the approval of directorship qualification from Jiangxi Office of China Banking Regulatory Commission.



## CHAPTER V DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS, EMPLOYEES AND INSTITUTIONS

### (II) Supervisors

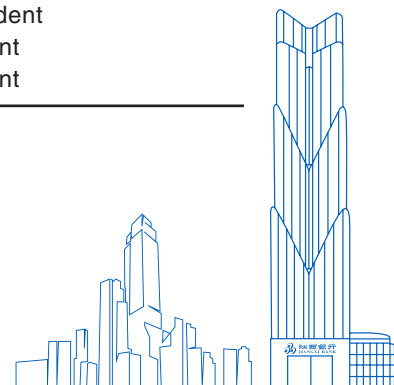
The Board of Supervisors consists of nine Supervisors, including three employee representative Supervisors, three shareholder representative Supervisors and three external Supervisors. The Supervisors are elected for a term of three years and may be subject to re-election, provided that the cumulative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

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

### (II) Senior management members

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

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





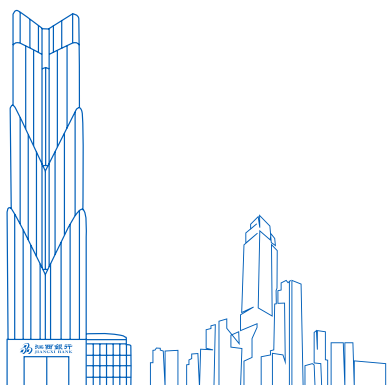
### 5.2 CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS DURING THE REPORTING PERIOD

#### 5.2.1 Changes of Directors during the Reporting Period

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

#### 5.2.2 Changes of Supervisors during the Reporting Period

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



### 5.2.3 Changes of senior management members during the Reporting Period

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

### 5.2.4 Changes in information of Directors and Supervisors during the Reporting Period

Pursuant to Rule 13.51B(1) of the Listing Rules, as of the Latest Practicable Date, there were the following changes relating to the Directors and Supervisors of the Bank from the date of the Prospectus:

- (1) Non-executive Director Mr. ZENG Zhibin ceased to be an executive director of Ganshang Union (Jiangxi) Co., Ltd.^ on July 26, 2018.
- (2) Non-executive Director Ms. CHEN Yu was appointed as a director of Jiangxi Building Company Limited^ (江西大廈股份有限公司) on August 2, 2018.
- (3) Independent non-executive Director Ms. ZHANG Wangxia became a vice chairman of China International Futures Co., Ltd.^ (中國國際期貨股份有限公司) on August 9, 2018.



### 5.3 DEALING IN SECURITIES BY DIRECTORS AND SUPERVISORS

The Bank has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors and Supervisors. Having been made specific enquiry, all Directors and Supervisors confirmed that they have complied with requirements under the above Model Code throughout the period from the Listing Date to June 30, 2018.

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

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

### 5.4 INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

As at June 30, 2018, the interests and short positions of the Directors, Supervisors and chief executives of the Bank in the shares, underlying shares or debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Bank and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Bank and the Stock Exchange pursuant to the Model Code, were as follows:

I) Directors: Nil

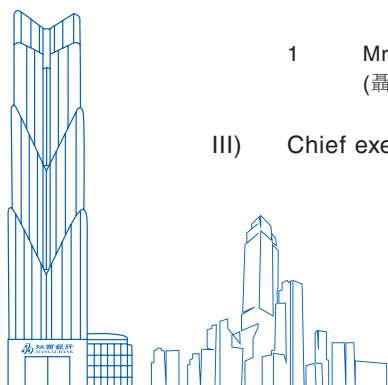
II) Supervisors:

Name	Position	Class of Shares	Nature of interest	Number of Shares directly or indirectly held (unit: share)	Approximate % of the issued share capital of the relevant share class	Approximate % of the total share capital in the Bank
CHEN Xinxiang	Employee Representative Supervisor	Domestic Shares	Beneficial interest	46,901	0.0010%	0.00080%
CHEN Chuxin	Shareholder Representative Supervisor	Domestic Shares	Beneficial interest	2,000	0.000043%	0.000034%
LIU Fulin <sup>(1)</sup>	Employee Representative Supervisor	Domestic Shares	Interest of spouse	2,000	0.000043%	0.000034%

Note:

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

III) Chief executives: Nil



### 5.5 INFORMATION OF EMPLOYEES

#### 5.5.1 Composition of employees

##### (1) *By age*

As of the end of the Reporting Period, the Bank had 2,542 employees aged 30 or under, accounting for 55% of the total number of employees; 946 employees aged 31 to 40, accounting for 21% of the total number of employees; 997 employees aged 41 to 50, accounting for 22% of the total number of employees; and 110 employees aged over 50, accounting for 2% of the total number of employees.

##### (2) *By education*

As of the end of the Reporting Period, the Bank had a total of 4,595 employees, including 3,974 employees with a bachelor degree or above, accounting for 86.5% of the total number of employees, and 621 employees with a college degree or below, accounting for 13.5% of the total number of employees.

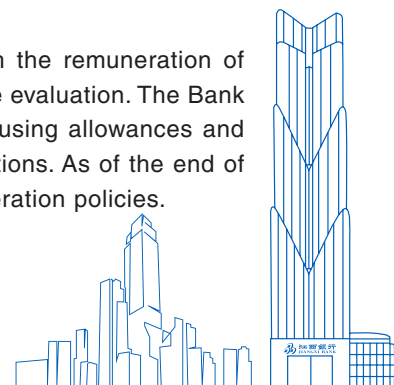
#### 5.5.2 Employee training plan

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

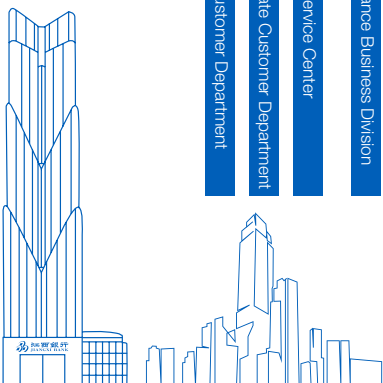
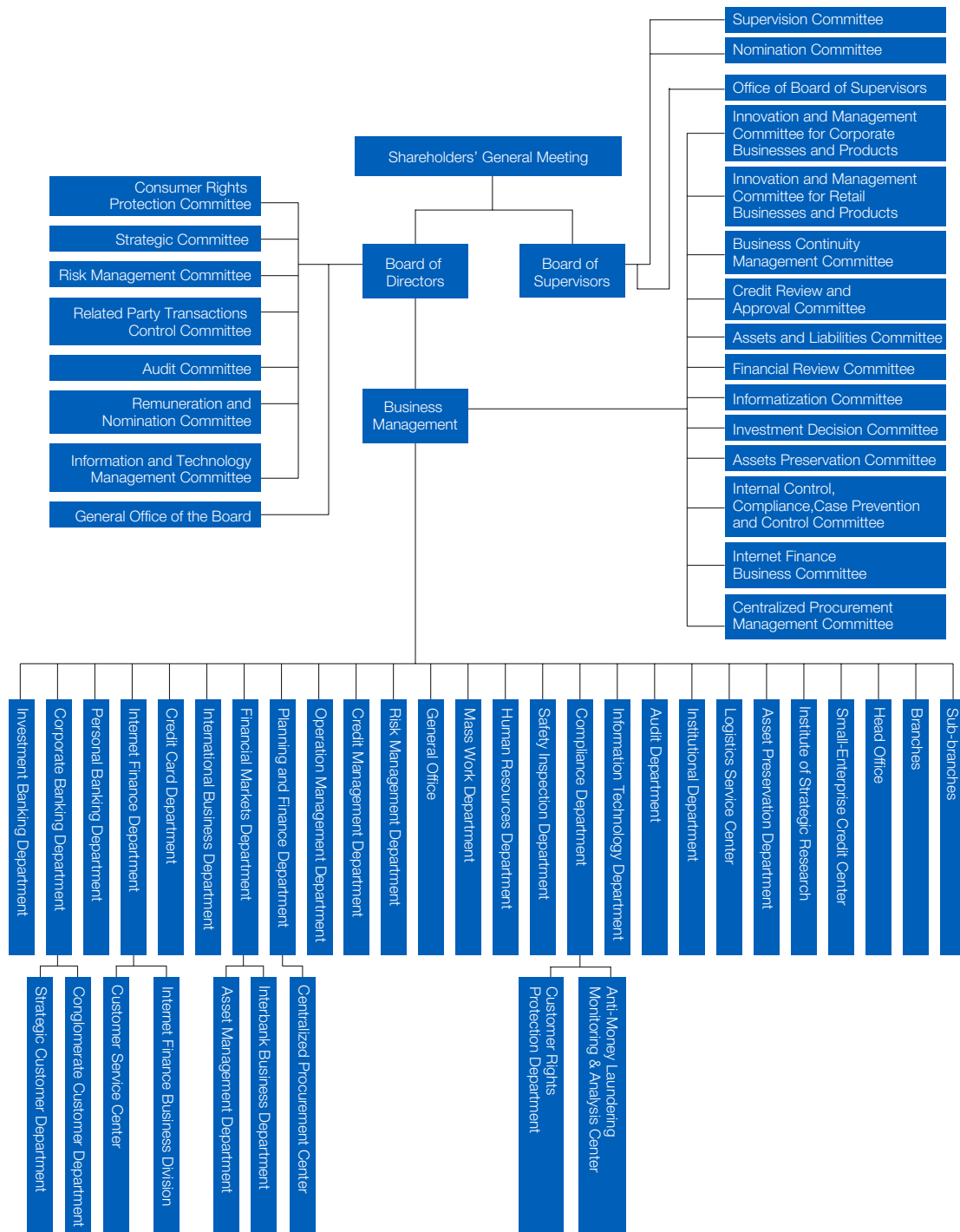
During the Reporting Period, according to the training program under the “Work Plan for Employees’ Educational Training for 2018”, the Bank organized internal trainings and external dispatches, held lecture series “Brainstorm”, conducted studies and researches in advanced banks, participated in external forums and training classes, organized off-job training in colleges and universities and conducted centralized training on new businesses and products and pre-job training for new employees. It was committed to building a learning and innovative team. As of the end of the Reporting Period, the Bank organized a total of 1,633 trainings of various types under the top-down training system, with more than 44,600 employees participating in the training.

#### 5.5.3 Remuneration policy

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



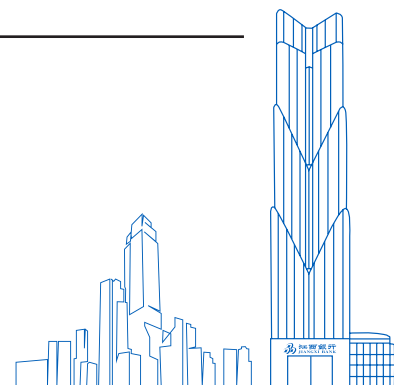
5.6 ORGANIZATIONAL STRUCTURE



## CHAPTER V DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS, EMPLOYEES AND INSTITUTIONS

### 5.7 BASIC INFORMATION OF BRANCHES AND SUBBRANCHES

Area	Name of institutions	Business address (in China)	Notes
Nanchang, Jiangxi	Head office	No. 699 Financial Street, Honggutan New District, Nanchang, Jiangxi Province	Governing 119 licensed branches and sub-branches in Nanchang
Pingxiang, Jiangxi	Pingxiang branch	No. 198 Jianshe Middle Road, Anyuan District, Pingxiang, Jiangxi	Governing 11 licensed institutions in Pingxiang
Jiujiang, Jiangxi	Jiujiang branch	No. 248 Changhong Avenue, Lushan District, Jiujiang, Jiangxi	Governing 19 licensed institutions in Jiujiang
Ganzhou, Jiangxi	Ganzhou branch	No.48 Zhangjiawei Road, Zhanggong District, Ganzhou, Jiangxi	Governing 25 licensed institutions in Ganzhou
Yichun, Jiangxi	Yichun branch	No.636 Yichun North Road, Yuanzhou District, Yichun, Jiangxi	Governing 16 licensed institutions in Yichun
Xinyu, Jiangxi	Xinyu branch	No.69 Zhongshan Road, Yushui District, Xinyu, Jiangxi	Governing 5 licensed institutions in Xinyu
Shangrao, Jiangxi	Shangrao branch	No.46 Daihu Road, Xinzhou District, Shangrao, Jiangxi	Governing 16 licensed institutions in Shangrao
Ji'an, Jiangxi	Ji'an branch	1/F, Tianhong Shopping Plaza, Guangchang South Road North, Jinggangshan Avenue West, Jizhou District, Ji'an, Jiangxi	Governing 13 licensed institutions in Ji'an
Fuzhou, Jiangxi	Fuzhou branch	No. 618 Gandong Avenue, Linchuan District, Fuzhou, Jiangxi	Governing 7 licensed institutions in Fuzhou
Yingtian, Jiangxi	Yingtian branch	No. 12, Zhanjiang Road, Yuehu District, Yingtian, Jiangxi	Governing 2 licensed institutions in Yingtian
Jingdezhen, Jiangxi	Jingdezhen branch	1/F, West Area 1, Crown Shopping Plaza, Guangchang South Road, Zhushan District, Jingdezhen, Jiangxi	Governing 20 licensed institutions in Jingdezhen
Nanchang, Jiangxi	Small Enterprise Credit Center	No.96 Zhanqian Road, Xihu District, Nanchang, Jiangxi	
Guangzhou	Guangzhou branch	Room 102, Block 3, 1/F and Rooms 201-202, Block 3, 2/F, No. 986, Jiefang North Road, Yuexiu District, Guangzhou	Governing 8 licensed institutions in Guangzhou
Suzhou	Suzhou branch	Area B, Block 24, Harmony Times Square Shopping Mall, Wangdun Road, Suzhou Industrial Park, Suzhou, Jiangsu	Governing 4 licensed institutions in Suzhou



## CHAPTER VI CORPORATE GOVERNANCE

### 6.1 COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE CONTAINED IN APPENDIX 14 TO THE LISTING RULES

The Bank is committed to building a normative corporate governance mechanism with effective checks and balances according to domestic and overseas regulatory laws and requirements for corporate governance practices. During the Reporting Period, the Bank further specified the responsibilities and terms of reference of the shareholders' general meeting, the Board, the Board of Supervisors and senior management, improved the scientific decision-making of the Board, established a sound corporate governance system and promoted the Board and the Board of Supervisors to perform their duties effectively, so as to improve the standardization and effectiveness of its corporate governance.

For the period from the Listing Date to June 30, 2018, the Bank has complied with all applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules. The Bank will continue to review its existing corporate governance structure from time to time, making necessary adjustments and reporting to shareholders in a timely manner.

### 6.2 CONVENING OF GENERAL MEETINGS

During the Reporting Period, the Bank held one shareholders' general meeting.

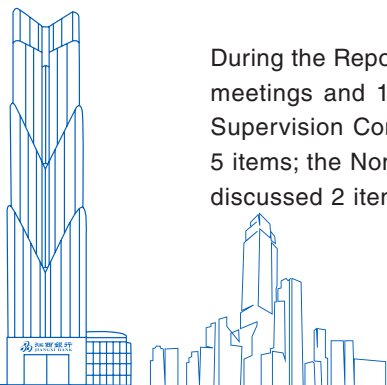
The Bank held the 2017 Annual General Meeting on March 26, 2018, and considered and approved nine proposals including 2017 Final Settlement Report, 2018 Financial Budget Plan, 2017 Profit Distribution Plan, 2018 Investment Plan, Work Report 2017 of the Board of Directors, Work Report 2017 of the Board of Supervisors, etc.

### 6.3 MEETINGS CONVENED BY THE BOARD AND ITS SPECIALIZED COMMITTEES

During the Reporting Period, the Board held 5 meetings and considered and approved 47 proposals. The seven special committees under the Board held 18 meetings, including 2 Strategic Committee meetings, 2 Audit Committee meetings, 1 meeting of Information and Technology Management Committee, 1 meeting of Consumer Rights Protection Committee, 4 meetings of Risk Management Committee, 2 meetings of Remuneration and Nomination Committee, and 6 meetings of Related Party Transactions Control Committee, with a total of 86 proposals considered and approved.

### 6.4 MEETINGS CONVENED BY THE BOARD OF SUPERVISORS AND ITS SPECIAL COMMITTEES

During the Reporting Period, the Board of Supervisors of the Bank held 3 meetings, including 2 on-site meetings and 1 meeting that adopted voting by correspondence, and considered 8 proposals. The Supervision Committee of the Board of Supervisors held 3 meetings and considered and discussed 5 items; the Nomination Committee of the Board of Supervisors held 2 meetings and considered and discussed 2 items.



## CHAPTER VI CORPORATE GOVERNANCE

### 6.5 INTERNAL CONTROL AND INTERNAL AUDIT

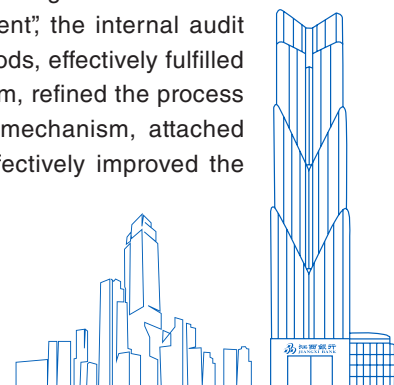
#### 6.5.1 Internal control

During the Reporting Period, in order to further establish and improve the internal control system, the Bank: firstly, continued to improve the organizational structure of internal control, revised the “Rules of Procedure for Internal Control, Compliance, Case Prevention and Control Committee of Jiangxi Bank”, improved the operational rules of Internal Control, Compliance, Case Prevention and Control Committee, clarified the proceedings, and further strengthened the construction of organizational structure of internal control of the whole bank. Secondly, the Bank launched a system for managing internal control, compliance and operational risks, aiming to improve the scientific and technical level of internal control via big data and automation function. Thirdly, the Bank carried out investigation of internal control and compliance risks, and built a long-term mechanism for internal control management through a series of risk investigation, transmission of compliance concept and diversified internal control and compliance management tools. Fourthly, the Bank revised the Measures for Administration of Violation Points of Jiangxi Bank to increase penalties for violations.

#### 6.5.2 Internal audit

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

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





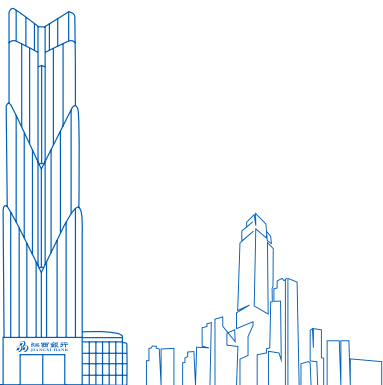
### 7.1 BOND ISSUE AND REPURCHASE

#### (1) Bonds issued

Approved by the PBoC and Jiangxi Office of China Banking Regulatory Commission, in July 2016, the Bank issued three-year green financial bonds with a total principal amount of RMB3.5 billion (calculated at a fixed interest rate of 3.41% per annum, and the interest payment method is annual payment, which will expire on July 14, 2019) and five-year green financial bonds with a total principal amount of RMB1.5 billion (calculated at a fixed interest rate of 3.7% per annum, and the interest payment method is annual payment, which will expire on July 14, 2021). In August 2016, the Bank issued three-year green financial bonds with a total principal amount of RMB1.5 billion (calculated at a fixed rate of 3.2% per annum, and the interest payment method is annual payment, which will expire on August 8, 2019), and a five-year green financial bond with a total principal amount of RMB1.5 billion (calculated at a fixed interest rate of 3.48% per annum, and the interest payment method is annual payment, which will expire on August 8, 2021).

Approved by the PBoC and Jiangxi Office of China Banking Regulatory Commission, in June 2017, the Bank issued the 10-year tier-2 capital bonds with a total principal amount of RMB3 billion (calculated at a fixed interest rate of 5% per annum, and the interest payment method is annual payment, which will expire on June 7, 2027). The bonds may be partially or fully repurchased by the Bank at its discretion on June 7, 2022, upon approval by the relevant regulatory authorities.

Approved by the PBoC and Jiangxi Office of China Banking Regulatory Commission, in September 2017, the Bank issued the 10-year tier-2 capital bonds with a total principal amount of RMB3 billion (calculated at a fixed interest rate of 5% per annum, and the interest payment method is annual payment, which will expire on September 28, 2027). The bonds may be partially or fully repurchased by the Bank at its discretion on September 28, 2022, upon approval by the relevant regulatory authorities.



## CHAPTER VII IMPORTANT MATTERS

The detailed information of bonds is as follows:

### *Detailed information of bonds*

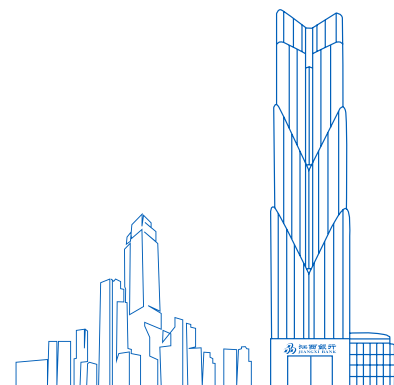
Stock name	Variety of bonds	Issue size	Duration	interest rate of bonds	Interest payment method
16 Green Finance of Jiangxi Bank 01	Fixed interest rate	RMB3.5 billion	3 years	3.41%	Annual payment
16 Green Finance of Jiangxi Bank 02	Fixed interest rate	RMB1.5 billion	5 years	3.70%	Annual payment
16 Green Finance of Jiangxi Bank 03	Fixed interest rate	RMB1.5 billion	3 years	3.20%	Annual payment
16 Green Finance of Jiangxi Bank 04	Fixed interest rate	RMB1.5 billion	5 years	3.48%	Annual payment
17 Jiangxi Bank Tier-2 01	Fixed interest rate	RMB3 billion	10 years (redemption rights with preconditions at the end of the fifth year)	5.00%	Annual payment
17 Jiangxi Bank Tier-2 02	Fixed interest rate	RMB3 billion	10 years (redemption rights with preconditions at the end of the fifth year)	5.00%	Annual payment

### (2) Issue of interbank deposit receipts

As of June 30, 2018, the Bank has issued 58 interbank deposit receipts, totaling RMB32.31 billion.

### (3) Repurchase

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



## CHAPTER VII IMPORTANT MATTERS

### 7.2 USE OF PROCEEDS

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

### 7.3 INTERIM DIVIDENDS

The Board does not recommend the payment of the interim dividends for the six months ended June 30, 2018.

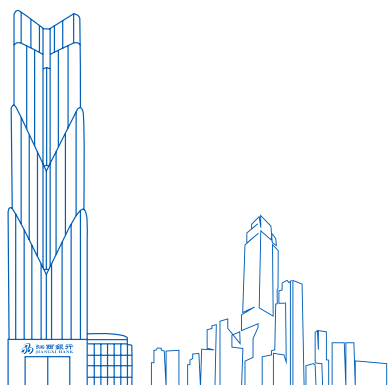
### 7.4 MAJOR LAWSUITS, ARBITRATIONS AND MAJOR CASES DURING THE REPORTING PERIOD

As of the end of the Reporting Period, there were 65 pending litigation and arbitration cases with a principal amount of RMB30 million or above claimed by the Bank as a plaintiff and an arbitration applicant, involving a total principal amount of approximately RMB3.318 billion (including the amount written off); there were four pending litigation and arbitration cases with the principal amount of RMB10 million or above with the Bank as a defendant and a respondent, involving a total principal amount of approximately RMB1.531 billion.

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

1. The plaintiff, Bank A, in the first instance of "Bank A Case" in which the Bank is classified as a third party withdrew the lawsuit on June 7, 2018. The court made the final decision on August 2, 2018 approving Bank A to withdraw the lawsuit, so the case was closed and the Bank did not suffer any loss;
2. The "Bank B Case" in which the Bank is a defendant had the first trial on July 3, 2018, but the court has not made a judgement and it is still under the progress of the first instance trial.

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



## CHAPTER VII IMPORTANT MATTERS

### 7.5 SIGNIFICANT RELATED PARTY TRANSACTIONS

During the Reporting Period, the Bank strictly implemented the Administrative Measures on the Related Party Transactions between Commercial Banks and Insiders and Shareholders issued by the former China Banking Regulatory Commission and the Administrative Measures on the Related Party (Connected) Transactions of Jiangxi Bank Co., Ltd.. The credit business of the Bank's related parties was examined and approved in strict accordance with the approval process. The related party credit pricing is consistent with the non-related party customer strategy and is handled in accordance with the principle of commercial fairness.

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

During the Reporting Period, the Bank has not been investigated, imposed administrative punishment or criticized by the China Securities Regulatory Commission, nor publicly censured by the Hong Kong Stock Exchange, nor had any penalties been imposed by other governing institutions which would materially impact the Bank's operations.

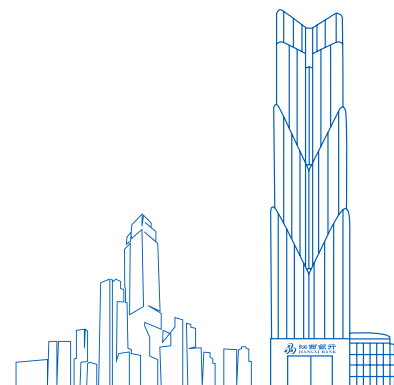
Directors: During the Reporting Period, the Directors were not imposed any punishments by the relevant regulatory authorities and the judicial department.

Supervisors: During the Reporting Period, the Supervisors were not imposed any punishments by the relevant regulatory authorities and the judicial department.

Senior management: During the Reporting Period, the senior management of the Bank were not imposed any punishments by the relevant regulatory authorities and the judicial department.

### 7.7 MATERIAL CONTRACTS AND THEIR PERFORMANCE

During the Reporting Period, the material contracts entered into by the Bank were the cornerstone investment agreements entered into with Yango Investment Limited, Road Shine Developments Limited, Sinolending Fintech Company Limited, China Financial Holdings Limited\* (中華金融控股有限公司) and FTLife Insurance Company Limited and the Hong Kong underwriting agreements signed with H-share sponsors.



## CHAPTER VII IMPORTANT MATTERS

### 7.8 MAJOR GUARANTEES AND COMMITMENTS

#### 7.8.1 Major guarantees

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

- (1) Issue a performance bond of RMB340 million to Customer A, validity from January 15, 2016 to December 30, 2019;
- (2) Issue a performance bond of RMB1.592 billion to Customer B, validity from January 5, 2018 to December 31, 2018;
- (3) Issue a loan guarantee of RMB300 million to Customer C, validity from November 30, 2017 to November 28, 2022.
- (4) Issue a loan guarantee of RMB145 million to Customer D, validity from December 8, 2017 to December 7, 2022.

#### 7.8.2 Major commitments

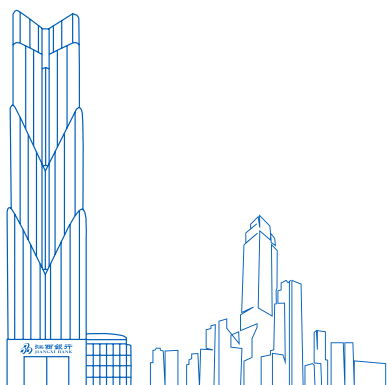
During the Reporting Period, the Bank had one major commitment:

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

### 7.9 AUDIT REVIEW

The interim financial statements disclosed in this interim report have not been audited. KPMG has, in accordance with the Hong Kong Standards on Review Engagements, reviewed the interim financial statements for the six months ended June 30, 2018 prepared by the Bank based on the International Accounting Standards issued by the International Accounting Standards Board.

On August 24, 2018, the Audit Committee reviewed and confirmed the Group's interim results announcement for the six months ended June 30, 2018, Interim Report 2018 and the unaudited interim financial statements for the six months ended June 30, 2018 prepared in accordance with the International Accounting Standards.



## CHAPTER VII IMPORTANT MATTERS

### 7.10 SIGNIFICANT ACQUISITIONS AND DISPOSALS OF ASSETS AND BUSINESSES OF SUBSIDIARIES AND ASSOCIATES/BUSINESS MERGERS

According to the resolution of the 2016 annual general meeting of the Bank on capital increase of Jiangxi Leasing Company (“Jiangxi Financial Leasing”) on April 20, 2017, the Bank subscribed for 1.02 billion shares of Jiangxi Financial Leasing at a price of RMB1.20 per share on February 13, 2018. The capital increase has been recognized.

### 7.11 APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

After consideration and approval at the 12th meeting of the Board of Directors in 2018 held on August 27, 2018, the Bank re-appointed KPMG Huazhen (SGP) and KPMG Certified Public Accountants as domestic and overseas auditors of the Bank for 2018 respectively.

### 7.12 MAJOR ASSET ACQUISITIONS, SALES AND BUSINESS MERGERS

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

### 7.13 PROFIT DISTRIBUTION DURING THE REPORTING PERIOD

#### (1) Profit distribution in 2017

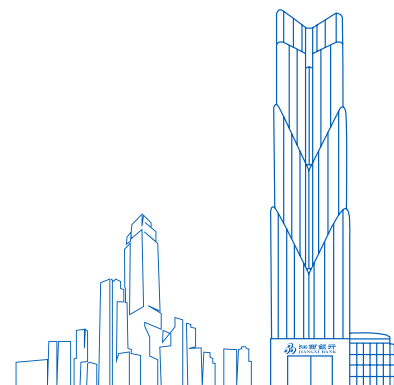
Upon consideration and approval at the 2017 annual general meeting held on March 26, 2018, the Bank decided to distribute a cash dividend of RMB468 million (including tax) to all shareholders. The 2017 dividend of the Bank was distributed in April 2018.

#### (2) Profit distribution in mid-2018

The Bank did not distribute nor plan to distribute any interim dividend for the six months ended June 30, 2018.

### 7.14 SIGNIFICANT INVESTMENTS AND PLANS

During the Reporting Period, the Bank had no significant investments and plans.



## CHAPTER VII IMPORTANT MATTERS

### 7.15 LOAN AGREEMENT

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

### 7.16 SHARE OPTION SCHEME

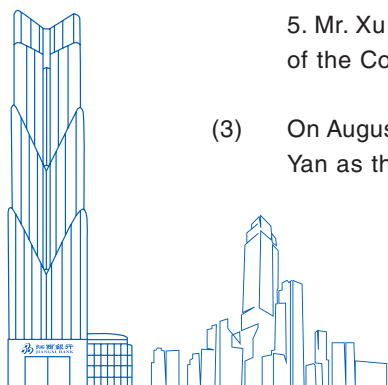
During the Reporting Period, the Bank did not implement any share option scheme.

### 7.17 FINANCIAL ASSISTANCE TO AFFILIATES

During the Reporting Period, the Bank did not provide financial assistance to affiliates.

### 7.18 SUBSEQUENT EVENTS

- (1) The over-allotment option as described in the Prospectus was fully exercised on July 19, 2018, involving a total of 175,500,000 H Shares (the “Over-allotment Shares”), accounting for 15% of the total number of offer shares initially available for subscription under the Global Offering prior to the exercise of the over-allotment option. The Over-allotment Shares were issued and allotted by the Bank at a price of HK\$6.39 per H Share (i.e. the offer price of per offer share under the Global Offering, excluding 1% brokerage, 0.0027% SFC transaction levy and 0.005% Hong Kong Stock Exchange trading fee. The Over-allotment Shares were listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited starting from July 24, 2018.
- (2) Since July 27, 2018, changes in the Board are as follows:
  1. Mr. Luo Yan and Mr. Xu Jihong (both being executive Directors of the Bank) have been elected as members of the Strategic Committee.
  2. Mr. Xu Jihong (being an executive Director of the Bank) has been elected as a member of the Risk Management Committee.
  3. Mr. Luo Yan (being an executive Director of the Bank) has been elected as a member of the Remuneration and Nomination Committee.
  4. Mr. Xu Jihong (being an executive Director of the Bank) has been elected as a member of the Information and Technology Management Committee.
  5. Mr. Xu Jihong (being an executive Director of the Bank) has been elected as the chairperson of the Consumer Rights Protection Committee.
- (3) On August 7, 2018, the Jiangxi Banking Regulatory Bureau approved the qualification of Mr. Luo Yan as the vice chairman of the Bank.



# REVIEW REPORT TO THE BOARD OF DIRECTORS

## Review report to the Board of Directors of Jiangxi Bank Co., Ltd.

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

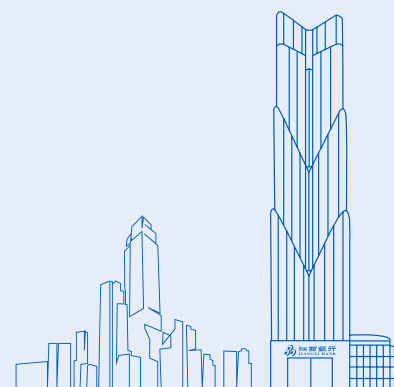
### INTRODUCTION

We have reviewed the interim financial report set out on pages 104 to 226 which comprises the consolidated statement of financial position of Jiangxi Bank Co., Ltd. (the “Bank”) and its subsidiary (collectively the “Group”) as at June 30, 2018, the related consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

### SCOPE OF REVIEW

We conducted our review in accordance with the Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institutes of Certified Public Accountants. A review of interim 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 the Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.





# REVIEW REPORT TO THE BOARD OF DIRECTORS

## CONCLUSION

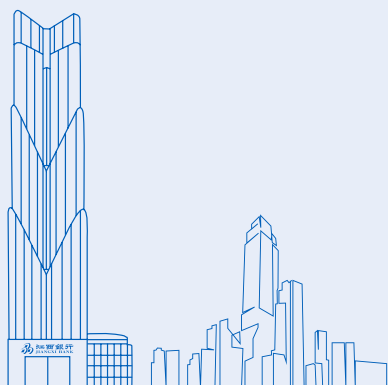
Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial report as at June 30, 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim Financial Reporting*.

### **KPMG**

*Certified Public Accountants*

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

August 27, 2018

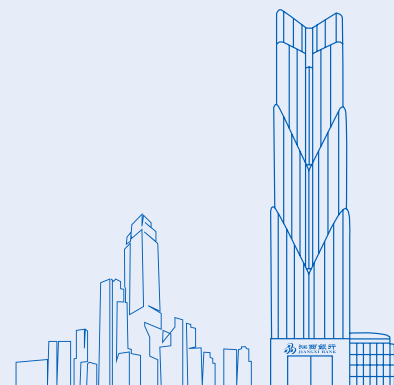


# UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2018 – UNAUDITED  
(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

	Note	Six months ended June 30,	
		2018	2017
Interest income		8,755,128	7,069,996
Interest expense		(4,624,055)	(3,622,847)
<b>Net interest income</b>	4	<b>4,131,073</b>	<b>3,447,149</b>
Fee and commission income		578,039	780,289
Fee and commission expense		(175,241)	(54,014)
<b>Net fee and commission income</b>	5	<b>402,798</b>	<b>726,275</b>
Net trading gains/(losses)	6	1,842	(37,450)
Net gains arising from investment securities	7	736,037	204,530
Other operating income	8	65,211	21,444
<b>Operating income</b>		<b>5,336,961</b>	<b>4,361,948</b>
Operating expenses	9	(1,503,290)	(1,395,914)
Impairment losses on assets	10	(1,825,205)	(1,466,044)
Share of profits of associates		2,375	3,080
<b>Profit before tax</b>		<b>2,010,841</b>	<b>1,503,070</b>
Income tax	11	(418,040)	(352,376)
<b>Net profit for the period</b>		<b>1,592,801</b>	<b>1,150,694</b>
<b>Net profit attributable to:</b>			
Equity shareholders of the Bank		1,574,953	1,124,528
Non-controlling interests		17,848	26,166
		<b>1,592,801</b>	<b>1,150,694</b>

The notes on pages 112 to 226 form part of this interim financial report.

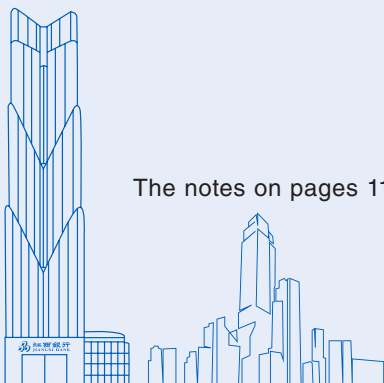


# UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2018 – UNAUDITED  
(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

	Note	Six months ended June 30, 2018	2017
<b>Net profit for the period</b>		<b>1,592,801</b>	1,150,694
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss:			
– Available-for-sale financial assets: net movement in the investment revaluation reserve		–	(74,627)
– Financial assets at fair value through other comprehensive income: net movement in the fair value reserve		<b>385,972</b>	–
– Financial assets at fair value through other comprehensive income: net movement in expected credit losses		<b>271,486</b>	–
– Deferred income tax		<b>(96,493)</b>	18,657
<b>Other comprehensive income, net of tax</b>	33(a)	<b>560,965</b>	(55,970)
<b>Total comprehensive income</b>		<b>2,153,766</b>	1,094,724
<b>Total comprehensive income attributable to:</b>			
Equity shareholders of the Bank		<b>2,135,918</b>	1,068,558
Non-controlling interests		<b>17,848</b>	26,166
		<b>2,153,766</b>	1,094,724
<b>Basic and diluted earnings per share (in RMB)</b>	12	<b>0.33</b>	0.24

The notes on pages 112 to 226 form part of this interim financial report.



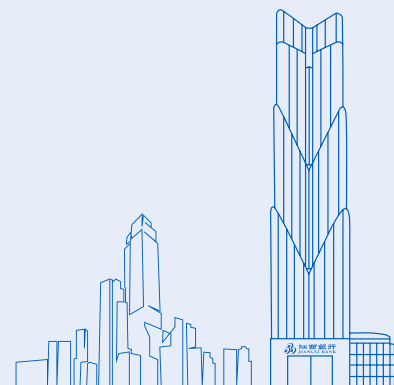
# UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2018 – UNAUDITED

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

	Note	June 30, 2018	December 31, 2017
<b>Assets</b>			
Cash and deposits with the central bank	13	38,224,906	40,039,192
Deposits with banks and other financial institutions	14	9,784,038	1,818,235
Placements with banks and other financial institutions	15	2,492,358	500,000
Financial assets held for trading	16	550,329	587,817
Financial assets held under resale agreements	17	7,833,102	6,180,084
Loans and advances to customers	18	142,436,830	124,769,378
Investment securities	19	194,372,772	187,841,943
Interest in associates	20	131,641	129,266
Property and equipment	22	2,585,514	2,642,897
Deferred tax assets	23	1,724,641	1,522,569
Other assets	24	3,956,461	3,973,917
<b>Total assets</b>		<b>404,092,592</b>	<b>370,005,298</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Borrowing from the central bank		170,789	4,022,343
Deposits from banks and other financial institutions	25	34,456,803	29,820,013
Placements from banks and other financial institutions	26	6,120,000	1,350,000
Borrowing from other financial institutions	27	8,660,826	8,450,000
Financial assets sold under repurchase agreements	28	9,829,820	6,689,051
Deposits from customers	29	255,059,487	243,837,351
Notes payable		161,520	655,000
Income tax payable		359,193	495,498
Debt securities issued	30	51,641,753	43,473,768
Other liabilities	31	7,190,040	7,940,213
<b>Total liabilities</b>		<b>373,650,231</b>	<b>346,733,237</b>

The notes on pages 112 to 226 form part of this interim financial report.



# UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2018 – UNAUDITED  
(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

	Note	June 30, 2018	December 31, 2017
<b>Equity</b>			
Share capital	32	5,848,777	4,678,777
Capital reserve	33	12,705,274	7,273,739
Surplus reserve	33	2,253,652	2,253,652
General reserve	33	4,700,715	4,700,715
Retained earnings	34	4,368,688	3,806,862
<hr/>			
Total equity attributable to equity shareholders of the Bank		29,877,106	22,713,745
Non-controlling interests		565,255	558,316
<hr/>			
<b>Total equity</b>		<b>30,442,361</b>	<b>23,272,061</b>
<hr/>			
<b>Total liabilities and equity</b>		<b>404,092,592</b>	<b>370,005,298</b>

The financial statements have been approved by the Board of Directors of the Bank on August 27, 2018.

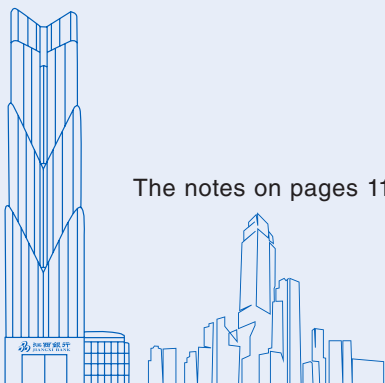
**CHEN Xiaoming**  
*Legal Representative*

**XU Jihong**  
*The Person in Charge of Accounting Affairs*

**ZHAO Wanxian**  
*The Head of the Accounting Department*

**Jiangxi Bank Co., Ltd.**  
(Company stamp)

The notes on pages 112 to 226 form part of this interim financial report.

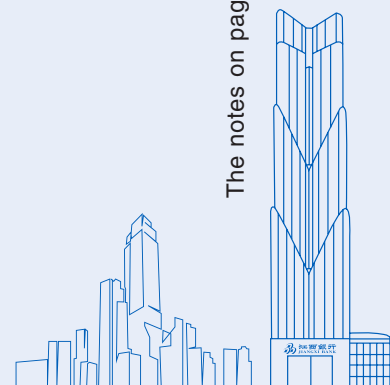


# UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2018 – UNAUDITED  
(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

	Attributable to equity shareholders of the Bank						Non-controlling interests	Total	
	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Retained earnings			Sub-total
Balance at December 31, 2017		4,678,777	7,273,739	2,253,652	4,700,715	3,806,862	22,713,745	558,316	23,272,061
Adjustment on initial application of IFRS 9 (net of tax)	3	-	134,603	-	-	(545,249)	(410,646)	(1,704)	(412,350)
Adjusted balance at January 1, 2018		4,678,777	7,408,342	2,253,652	4,700,715	3,261,613	22,303,099	556,612	22,859,711
<b>Changes in equity for the period</b>									
Net profit for the period		-	-	-	-	1,574,953	1,574,953	17,848	1,592,801
Other comprehensive income		-	426,362	-	-	-	426,362	-	426,362
Total comprehensive income		-	426,362	-	-	1,574,953	2,001,315	17,848	2,019,163
Issue of H Shares		1,170,000	4,883,415	-	-	-	6,053,415	-	6,053,415
Change in ownership interest in subsidiary		-	(12,845)	-	-	-	(12,845)	12,845	-
Appropriation of profits	34	-	-	-	-	(467,878)	(467,878)	(22,050)	(489,928)
- Appropriation to shareholders		-	-	-	-	(467,878)	(467,878)	(22,050)	(489,928)
Balance at June 30, 2018		5,848,777	12,705,274	2,253,652	4,700,715	4,368,688	29,877,106	565,255	30,442,361

The notes on pages 112 to 226 form part of this interim financial report.

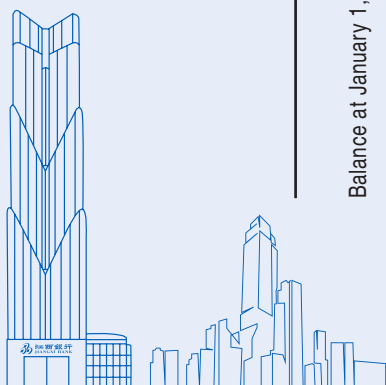


# UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2018 – UNAUDITED  
(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

	Attributable to equity shareholders of the Bank						Non-controlling interests	Total	
	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Retained earnings			Sub-total
Balance at January 1, 2017		4,678,777	7,598,901	1,969,997	3,964,106	2,429,778	20,641,559	530,768	21,172,327
<b>Changes in equity for the period</b>									
Net profit for the period		-	-	-	-	1,124,528	1,124,528	26,166	1,150,694
Other comprehensive income		-	(55,970)	-	-	-	(55,970)	-	(55,970)
Total comprehensive income		-	(55,970)	-	-	1,124,528	1,068,558	26,166	1,094,724
Appropriation of profits	34	-	-	-	-	(467,878)	(467,878)	(22,050)	(489,928)
- Appropriation to shareholders		-	-	-	-	(467,878)	(467,878)	(22,050)	(489,928)
Balance at June 30, 2017		4,678,777	7,542,931	1,969,997	3,964,106	3,086,428	21,242,239	534,884	21,777,123

The notes on pages 112 to 226 form part of this interim financial report.

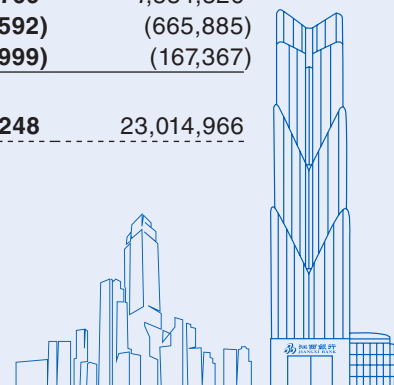


# UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE SIX MONTHS ENDED JUNE 30, 2018 – UNAUDITED  
(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

	Six months ended June 30,	
	2018	2017
<b>Cash flows from operating activities</b>		
Profit before tax	2,010,841	1,503,070
<i>Adjustments for:</i>		
Impairment losses on assets	1,825,205	1,466,044
Depreciation and amortization	172,985	160,562
Unwinding of discount	(43,991)	(33,428)
Interest income on investment securities	(4,113,854)	(3,489,827)
Unrealized foreign exchange (gains)/losses	(79,764)	6,014
Net trading (gains)/losses	(1,842)	37,450
Net gains arising from investment securities	(736,037)	(204,530)
Share of profits of associates	(2,375)	(3,080)
Interest expense on debt securities issued	1,212,091	1,011,004
Net (gains)/losses on disposal of property and equipment	(87)	26
	<b>243,172</b>	<b>453,305</b>
<i>Changes in operating assets</i>		
Net increase in deposits with the central bank	(245,591)	(2,409,948)
Net (increase)/decrease in deposits with banks and other financial institutions	(1,251,358)	1,013,380
Net increase in placements with banks and other financial institutions	(200,000)	–
Net increase in financial assets held under resale agreements	(300,000)	–
Net increase in loans and advances to customers	(18,953,770)	(11,471,622)
Net decrease/(increase) in other operating assets	778,773	(93,929)
	<b>(20,171,946)</b>	<b>(12,962,119)</b>
<i>Changes in operating liabilities</i>		
Net decrease in borrowing from the central bank	(3,851,554)	(3,000,000)
Net increase in deposits from customers	11,209,096	24,476,733
Net increase/(decrease) in deposits from banks and other financial institutions	4,636,702	(5,668,745)
Net increase in borrowing from other financial institutions	210,826	20,000
Net increase in placements from banks and other financial institutions	4,770,000	485,904
Net increase in financial assets sold under repurchase agreements	3,140,769	7,534,326
Income tax paid	(670,592)	(665,885)
Net decrease in other operating liabilities	(1,271,999)	(167,367)
	<b>18,173,248</b>	<b>23,014,966</b>

The notes on pages 112 to 226 form part of this interim financial report.



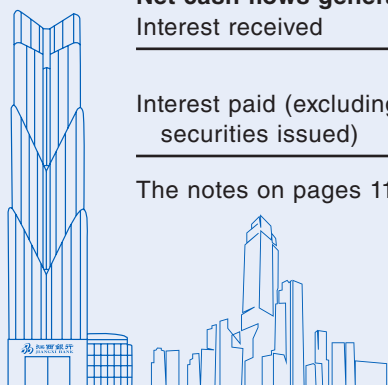


# UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE SIX MONTHS ENDED JUNE 30, 2018 – UNAUDITED  
(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

	Six months ended June 30, 2018	2017
<b>Net cash flows (used in)/generated from operating activities</b>	<b>(1,755,526)</b>	10,506,152
<b>Cash flows from investing activities</b>		
Proceeds from disposal and redemption of investments	420,647,362	290,916,094
Gains received from investment activities	3,683,562	3,228,979
Proceeds from disposal of property and equipment and other assets	30,409	2,207
Payments on acquisition of investments	(426,557,198)	(310,222,717)
Payments on acquisition of property and equipment, intangible assets and other assets	(411,122)	(293,441)
<b>Net cash flows used in investing activities</b>	<b>(2,606,987)</b>	(16,368,878)
<b>Cash flows from financing activities</b>		
Proceeds from capital contribution by equity shareholders	6,053,414	–
Proceeds from debt securities issued	35(c) 31,205,524	49,045,030
Repayment of debt securities issued	35(c) (23,930,000)	(30,100,000)
Interest paid on debt securities issued	(319,630)	(194,868)
Dividends paid	(509,678)	(489,926)
Payments for initial public offering (“IPO”) costs	(18,971)	–
<b>Net cash flows generated from financing activities</b>	<b>12,480,659</b>	18,260,236
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>	<b>253,018</b>	(486,528)
<b>Net increase in cash and cash equivalents</b>	35(a) <b>8,371,164</b>	11,910,982
<b>Cash and cash equivalents as at January 1</b>	<b>13,946,882</b>	16,513,677
<b>Cash and cash equivalents as at June 30</b>	35(b) <b>22,318,046</b>	28,424,659
<b>Net cash flows generated from operating activities include:</b>		
Interest received	4,466,283	3,561,566
Interest paid (excluding interest expense on debt securities issued)	(2,772,434)	(2,177,627)

The notes on pages 112 to 226 form part of this interim financial report.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 1 BACKGROUND INFORMATION

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

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

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

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

## 2 BASIS OF PREPARATION

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

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in Note 3.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 2 BASIS OF PREPARATION (continued)

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

This interim financial report contains condensed financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

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

The financial information relating to the financial year ended December 31, 2017 that is included in the interim financial report as comparative information does not constitute the Bank’s statutory annual financial statements for that financial year but is derived from those financial statements.

## 3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. The principal effects of new and revised International Financial Reporting Standards (“IFRSs”, including International Accounting Standards (“IASs”)) are as follows:

### **IFRS 15, Revenue from Contracts with Customers**

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

IFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. An entity may adopt IFRS 15 on a full retrospective basis. Alternatively, it may choose to adopt it from the date of initial application by adjusting opening balances at that date. Transitional disclosures are different depending on the approach adopted by the entity.

The adoption will not have any material impact on the financial position and the financial result of the Group.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 3 CHANGES IN ACCOUNTING POLICIES (continued)

### **IFRIC 22, *Foreign Currency Transactions and Advance Consideration***

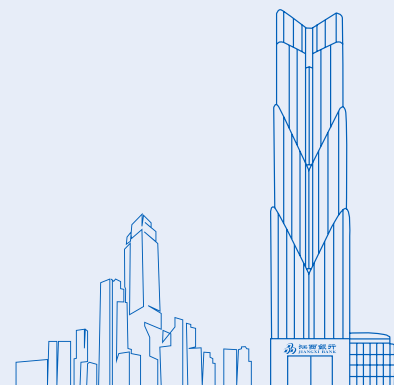
The Interpretation provides guidance on how to determine “the date of the transaction” when applying IAS 21, The effects of changes in foreign exchange rates to situations where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability.

The Interpretation clarifies that “the date of the transaction” for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity should determine the date of the transaction for each payment or receipt.

The interpretation is expected to have no material impact on financial position and financial performance of the Group.

### **IFRS 9, *Financial Instruments***

IFRS 9, *Financial Instruments* (“IFRS 9”) introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets, hedge accounting and disclosure. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 on a retrospective basis and includes an exception from the requirement to restate comparative information. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at January 1, 2018.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

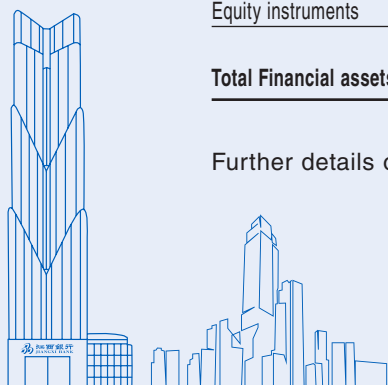
(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 3 CHANGES IN ACCOUNTING POLICIES (continued)

The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by IFRS 9:

	Original classification under IAS 39	Original carrying amount under IAS 39	New classification under IFRS 9	New carrying amount under IFRS 9
<b>Financial assets</b>				
Cash and deposits with the central bank	Amortised cost (Loans and receivables)	40,039,192	Amortised cost (Loans and receivables)	40,039,192
Deposits with banks and other financial institutions	Amortised cost (Loans and receivables)	1,818,235	Amortised cost (Loans and receivables)	1,817,824
Placements with banks and other financial institutions	Amortised cost (Loans and receivables)	500,000	Amortised cost (Loans and receivables)	499,719
Financial assets held for trading	FVTPL (Held for trading)	587,817	FVTPL(Held for trading)	587,817
Financial assets held under resale agreements	Amortised cost (Loans and receivables)	6,180,084	Amortised cost (Loans and receivables)	6,179,894
Loans and advances to customers	Amortised cost (Loans and receivables)	124,769,378	Amortised cost (Loans and receivables) FVOCI	121,151,891 3,525,609
Investment securities	Amortised cost (Loans and receivables)	102,615,409	Amortised cost (Loans and receivables) FVOCI FVTPL (Mandatory)	84,891,964 12,587,283 4,819,973
	Amortised cost (Held to Maturity)	25,620,386	Amortised cost (Loans and receivables)	25,617,934
	FVOCI (Available for sale)	59,606,148	FVOCI Amortised cost (Loans and receivables) FVTPL (Mandatory)	10,533,252 25,525,684 23,597,366
Equity instruments	At cost (Other assets)	147,639	FVTPL (Mandatory)	108,449
<b>Total Financial assets</b>		<b>361,884,288</b>		<b>361,483,851</b>

Further details of these changes are set out in this note.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 3 CHANGES IN ACCOUNTING POLICIES (continued)

### *Classification and measurement*

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVOCI):

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. On initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL. If a debt instrument is classified as FVOCI then interest revenue, impairment, foreign exchange gains/losses and gains/losses on disposal will be recognised in profit or loss.
- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVOCI. If an equity security is designated as FVOCI then only dividend income on that security will be recognised in profit or loss. Gains and losses on that security will be recognised in other comprehensive income without recycling.

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39-Financial Instruments: Recognition and Measurement ("IAS 39"), except that IFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss).

### *Impairment*

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances, which will result in an early recognition of credit losses.

### *Disclosure*

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit loss.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 3 CHANGES IN ACCOUNTING POLICIES (continued)

### Transition

The Group is required to adopt IFRS 9 from January 1, 2018. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of net assets at the beginning of 2018.

The following table shows the original measurement categories for each class of the Group's financial assets under IAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with IAS 39 to those determined in accordance with IFRS 9.

	IAS 39 carrying amount at December 31, 2017	Reclassification	Remeasurement	IFRS 9 carrying amount at January 1, 2018
<b>Financial assets measured at amortised cost</b>				
Deposits with banks and other financial institutions	1,818,235	–	(411)	1,817,824
Placements with banks and other financial institutions	500,000	–	(281)	499,719
Financial assets held under resale agreements	6,180,084	–	(190)	6,179,894
Loans and advances to customers	124,769,378	(3,531,483)	(86,004)	121,151,891
Investments securities	187,841,943	(51,982,564)	176,203	136,035,582
Other assets	3,973,917	(154,784)	7,145	3,826,278
	325,083,557	(55,668,831)	96,462	269,511,188
<b>Financial assets measured at FVOCI</b>				
Loans and advances to customers	–	3,531,483	(5,874)	3,525,609
Investments securities	–	23,665,759	(545,224)	23,120,535
	–	27,197,242	(551,098)	26,646,144
<b>Financial assets measured at FVTPL</b>				
Investments securities	–	28,471,589	54,199	28,525,788



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

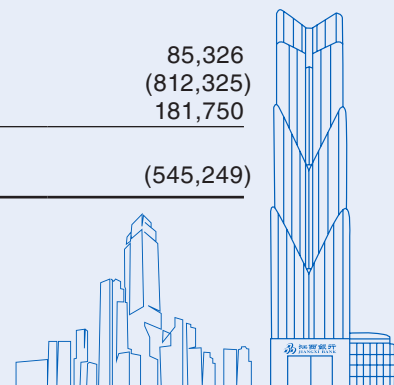
## 3 CHANGES IN ACCOUNTING POLICIES (continued)

The following table reconciles the closing loss allowance determined in accordance with IAS 39 as at December 31, 2017 with the opening loss allowance determined in accordance with IFRS 9 as at January 1, 2018.

<b>Loss allowance at December 31, 2017 under IAS 39</b>	6,489,418
Additional impairment recognised at January 1, 2018 on:	
– Deposits with banks and other financial institutions	411
– Placements with banks and other financial institutions	281
– Financial assets held under resale agreements	190
– Loans and advances to customers	108,346
– Investments securities	480,442
– Other assets	(7,145)
– Other liabilities	200,945
<b>Loss allowance at January 1, 2018 under IFRS 9</b>	<b>7,272,888</b>

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

	<b>Impact of adopting IFRS 9 on opening balance</b>
<b>Fair value reserve</b>	
– Reclassification of investment securities (debt) from available-for-sale to FVTPL	(33,465)
– Reclassification of investment securities (debt and equity) from available-for-sale to FVOCI	1,277
– Reclassification of financial assets measured at amortised cost to FVOCI	(36,443)
– Recognition of expected credit losses under IFRS 9 for financial assets at FVOCI	186,076
– Related tax	17,158
<b>Impact at January 1, 2018</b>	<b>134,603</b>
<b>Retained earnings</b>	
– Remeasurement under IFRS 9	85,326
– Recognition of expected credit losses under IFRS 9	(812,325)
– Related tax	181,750
<b>Impact at January 1, 2018</b>	<b>(545,249)</b>





# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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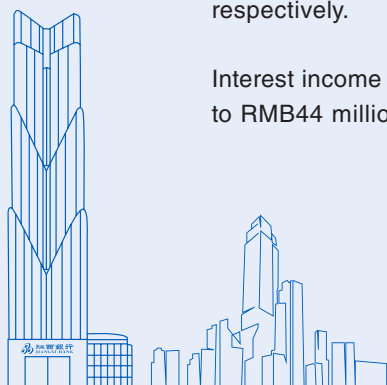
## 4 NET INTEREST INCOME

	Six months ended June 30,	
	2018	2017
<b>Interest income arising from</b>		
Deposits with the central bank	274,304	225,883
Deposits with banks and other financial institutions	35,516	42,204
Placements with banks and other financial institutions	39,971	2,030
Loans and advances to customers		
– Corporate loans and advances	2,521,707	2,360,021
– Personal loans and advances	1,535,040	799,090
– Discounted bills	39,558	18,079
Financial assets held under resale agreements	195,178	132,862
Investment securities	4,113,854	3,489,827
Sub-total	8,755,128	7,069,996
<b>Interest expense arising from</b>		
Borrowing from the central bank	(7,272)	(38,981)
Deposits from banks and other financial institutions	(904,832)	(563,443)
Placements from banks and other financial institutions	(73,482)	(2,150)
Borrowings from other financial institutions	(231,613)	(129,037)
Deposits from customers	(2,001,751)	(1,688,164)
Financial assets sold under repurchase agreements	(191,898)	(190,068)
Debt securities issued	(1,212,091)	(1,011,004)
Others	(1,116)	–
Sub-total	(4,624,055)	(3,622,847)
<b>Net interest income</b>	<b>4,131,073</b>	<b>3,447,149</b>

Total interest income arising from financial assets that are not at fair value through profit or loss for the six months ended June 30, 2018 and 2017 amounted to RMB8,720 million and RMB7,028 million, respectively.

Total interest expense arising from financial liabilities that are not at fair value through profit or loss for the six months ended June 30, 2018 and 2017 amounted to RMB4,624 million and RMB3,623 million, respectively.

Interest income arising from impaired loan for the six months ended June 30, 2018 and 2017 amounted to RMB44 million and RMB33 million, respectively.



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

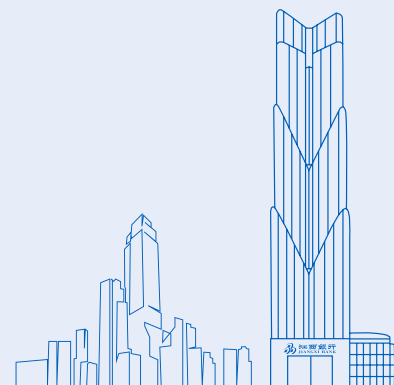
### 5 NET FEE AND COMMISSION INCOME

	Six months ended June 30,	
	2018	2017
<b>Fee and commission income</b>		
Settlement and electronic channel business fees	97,604	60,910
Bank card service fees	96,056	56,457
Agency service fees	90,453	97,325
Advisory and consulting fees	87,778	86,093
Custodial service fees	80,128	72,169
Finance lease service fees	71,608	42,960
Asset management business fees	27,321	356,646
Acceptance and guarantee service fees	21,277	7,674
Others	5,814	55
Sub-total	578,039	780,289
<b>Fee and commission expense</b>		
Settlement and clearing fees	(41,297)	(10,892)
Others	(133,944)	(43,122)
Sub-total	(175,241)	(54,014)
<b>Net fee and commission income</b>	<b>402,798</b>	<b>726,275</b>

### 6 NET TRADING GAINS/(LOSSES)

	Six months ended June 30,	
	2018	2017
Net gains/(losses) from debt securities	1,842	(37,450)

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



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

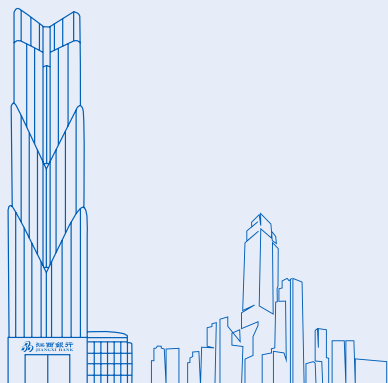
(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 7 NET GAINS ARISING FROM INVESTMENT SECURITIES

	Six months ended June 30,	
	2018	2017
Net gains on financial assets measured at FVTPL	563,013	–
Net gains on financial assets measured at FVOCI	20,812	–
Net gains on disposal of investments classified as receivables	–	3,444
Net losses on disposal of available-for-sale financial assets	–	(38,176)
Dividend income	1,100	750
Realised gains from funds	145,910	218,637
Net revaluation gains reclassified from other comprehensive income on disposal	5,202	19,875
Total	736,037	204,530

### 8 OTHER OPERATING INCOME

	Six months ended June 30,	
	2018	2017
Foreign exchange gains/(losses)	79,764	(6,014)
Government grants	7,760	10,675
Rental income	665	967
Net gains/(losses) on disposal of non-current assets	87	(26)
Others	(23,065)	15,842
Total	65,211	21,444



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

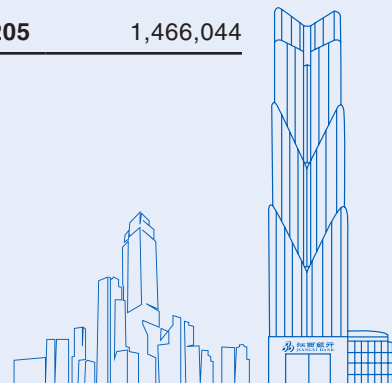
(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 9 OPERATING EXPENSES

	Six months ended June 30,	
	2018	2017
Staff costs		
– Salaries, bonuses and allowances	599,987	494,199
– Social insurance and supplementary retirement benefits	100,122	80,967
– Staff welfares	40,721	33,911
– Housing allowances	35,692	31,085
– Employee education expenses and labor union expenses	12,420	13,008
– Others	3,415	1,301
Sub-total	792,357	654,471
Depreciation and amortization	172,985	160,562
Rental and property management expenses	101,248	99,217
Tax and surcharges	21,407	49,767
Other general and administrative expenses	415,293	431,897
Total	1,503,290	1,395,914

## 10 IMPAIRMENT LOSSES ON ASSETS

	Six months ended June 30,	
	2018	2017
Loans and advances to customers	1,322,590	1,683,235
Investment securities	442,624	(235,671)
Deposits with banks and other financial institutions	2,920	–
Placements with banks and other financial institutions	7,359	–
Financial assets held under resale agreements	32	–
Off balance sheet items	44,626	–
Others	5,054	18,480
Total	1,825,205	1,466,044



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 11 INCOME TAX

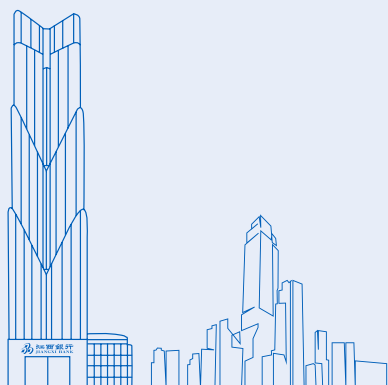
### (a) Income tax:

	Note	Six months ended June 30,	
		2018	2017
Current tax		534,288	526,657
Deferred tax	23(b)	(116,248)	(174,281)
Total		418,040	352,376

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

	Note	Six months ended June 30,	
		2018	2017
Profit before tax		2,010,841	1,503,070
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		502,710	375,768
Non-deductible expenses		54,768	45,623
Non-taxable income	(i)	(94,212)	(100,899)
Adjustment for prior years		(45,224)	31,886
Others		(2)	(2)
Income tax		418,040	352,376

- (i) The non-taxable income mainly represents the interest income arising from the PRC government bonds and realised gains from funds, which are exempted from income tax in accordance with the PRC tax regulations.



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

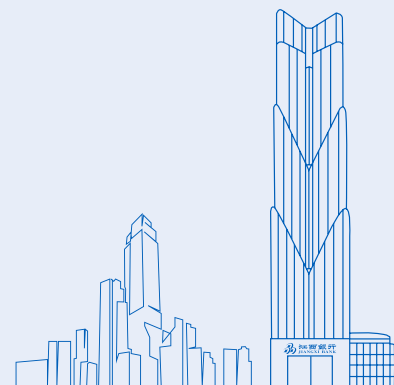
### 12 BASIC AND DILUTED EARNINGS PER SHARE

	Note	Six months ended June 30,	
		2018	2017
Net profit attributable to equity shareholders of the Bank		1,574,953	1,124,528
Weighted average number of ordinary shares (in thousands)	(i)	4,711,277	4,678,777
Basic and diluted earnings per share attributable to equity shareholders of the Bank (in RMB)		0.33	0.24

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

#### (i) Weighted average number of ordinary shares (in thousands)

	Six months ended June 30,	
	2018	2017
Number of ordinary shares as at January 1	4,678,777	4,678,777
New added weighted average number of ordinary shares	32,500	—
Weighted average number of ordinary shares	4,711,277	4,678,777



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 13 CASH AND DEPOSITS WITH THE CENTRAL BANK

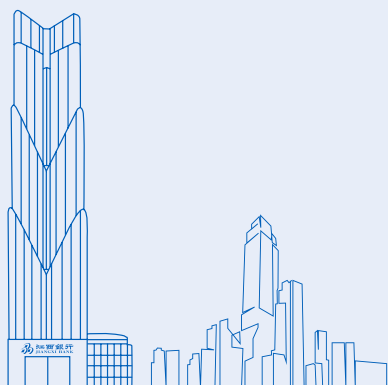
	Note	June 30, 2018	December 31, 2017
Cash on hand		784,687	797,249
Deposits with the central bank			
– Statutory deposit reserves	(a)	31,981,771	32,213,580
– Surplus deposit reserves	(b)	3,303,452	4,906,648
– Fiscal deposits		2,154,996	2,121,715
Sub-total		37,440,219	39,241,943
Total		38,224,906	40,039,192

- (a) The Group places statutory deposit reserves with the PBOC in accordance with relevant regulations. As at the end of each of the Reporting Period, the statutory deposit reserve ratios applicable to the Bank were as follows:

	June 30, 2018	December 31, 2017
Reserve ratio for RMB deposits	12.50%	13.50%
Reserve ratio for foreign currency deposits	5%	5%

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

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



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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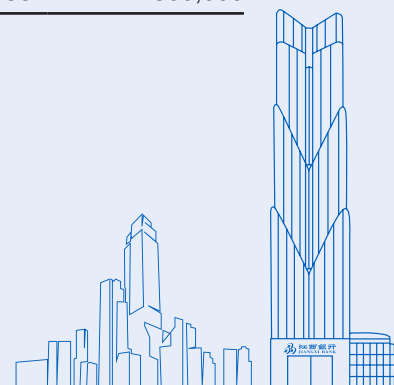
### 14 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

#### Analyzed by type and location of counterparty

	June 30, 2018	December 31, 2017
Deposits in mainland China		
– Banks	3,247,184	1,353,349
– Other financial institutions	–	11,998
Sub-total	3,247,184	1,365,347
Deposits outside mainland China		
– Banks	6,540,186	452,888
Gross balance	9,787,370	1,818,235
Less: Allowances for impairment losses	(3,332)	–
Net balance	9,784,038	1,818,235

### 15 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	June 30, 2018	December 31, 2017
Placements in mainland China		
– Other financial institutions	2,500,000	500,000
Gross balance	2,500,000	500,000
Less: Allowances for impairment losses	(7,642)	–
Net balance	2,492,358	500,000





# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

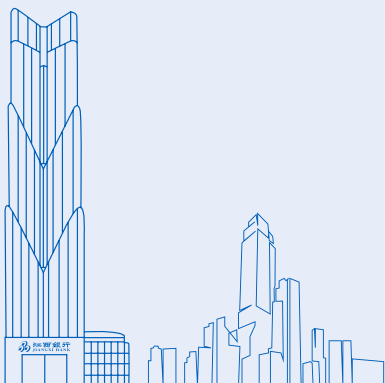
(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 16 FINANCIAL ASSETS HELD FOR TRADING

### Analysed by type of investment and geographical location

	<b>June 30, 2018</b>	December 31, 2017
<hr/>		
Debt securities issued by the following institutions in mainland China		
– Government bonds	<b>29,981</b>	29,084
– Policy banks bonds	<b>185,540</b>	374,756
– Commercial banks and other financial institutions bonds	–	9,984
– Corporate bonds	<b>334,808</b>	173,993
<hr/>		
Total	<b>550,329</b>	587,817
<hr/>		
Unlisted	<b>550,329</b>	587,817
<hr/>		
Total	<b>550,329</b>	587,817
<hr/>		

As at the end of each of the Reporting Period, certain financial assets held for trading were pledged as security for repurchase agreements (Note 39(f)).



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

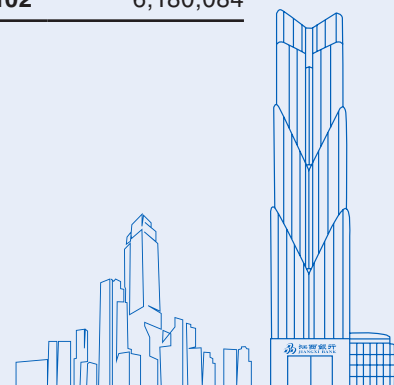
## 17 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

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

	June 30, 2018	December 31, 2017
In mainland China		
– Banks	5,724,530	5,880,161
– Other financial institutions	2,108,794	299,923
Gross balance	7,833,324	6,180,084
Less: Allowances for impairment losses	(222)	–
Net balance	7,833,102	6,180,084

### (b) Analyzed by type of security held

	June 30, 2018	December 31, 2017
Securities		
– Policy Banks bonds	6,106,274	1,094,380
– Government bonds	1,265,550	4,785,781
– Corporate bonds	268,000	199,923
– Commercial banks and other financial institutions bonds	–	100,000
– Others	193,500	–
Sub-total	7,833,324	6,180,084
Less: Allowances for impairment losses	(222)	–
Total	7,833,102	6,180,084



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

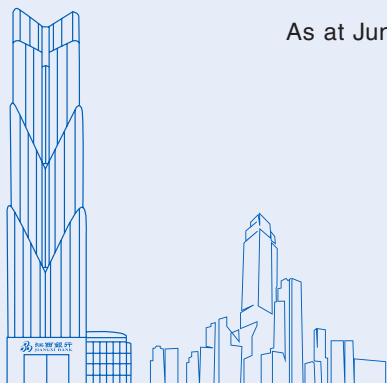
(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 18 LOANS AND ADVANCES TO CUSTOMERS

#### (a) Analyzed by nature

	June 30, 2018	December 31, 2017
<b>Loans and advances to customers at amortised cost</b>		
Corporate loans and advances	91,603,185	82,109,036
Personal loans and advances		
– Residential mortgage	33,829,432	25,562,847
– Personal consumption loans	11,562,136	9,212,175
– Personal business loans	5,687,498	6,008,981
– Credit cards	3,395,717	3,242,153
Sub-total	54,474,783	44,026,156
Discounted bills	–	3,206,520
Gross loans and advances to customers at amortised cost	146,077,968	129,341,712
Less: Provision for impairment losses	(5,395,960)	(4,572,334)
Net loans and advances to customers at amortised cost	140,682,008	124,769,378
<b>Loans and advances to customers at FVOCI</b>		
Corporate loans and advances	567,173	–
Discounted bills	1,187,649	–
Net loans and advances to customers at FVOCI	1,754,822	–
<b>Net loans and advances to customers</b>	<b>142,436,830</b>	<b>124,769,378</b>

As at June 30, 2018, provision for impairment losses recognised in OCI was RMB8.10 million.



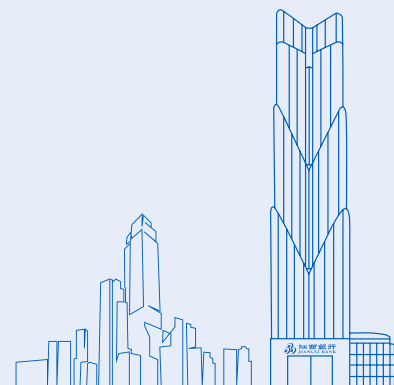
## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 18 LOANS AND ADVANCES TO CUSTOMERS (continued)

#### (b) Analyzed by industry sector

	June 30, 2018		Loans and advances secured by collaterals
	Amount	Percentage	
Wholesale and retail trade	19,432,244	13.14%	4,928,715
Water conservancy, environment and public facility management	15,462,987	10.46%	5,091,240
Leasing and commercial services	14,165,059	9.58%	3,488,598
Manufacturing	11,496,735	7.78%	3,013,036
Construction	8,512,919	5.76%	2,216,946
Real estate	8,358,349	5.65%	3,631,392
Transportation, storage and postal services	2,938,653	1.99%	1,684,087
Production and Distribution of Electricity, Heating Power, Gas and Water	1,698,776	1.15%	939,926
Accommodation and catering	1,576,409	1.07%	1,162,025
Public administration, social security and social organizations	1,457,000	0.99%	—
Others	7,071,227	4.78%	1,296,237
Sub-total of corporate loans and advances	92,170,358	62.35%	27,452,202
Personal loans and advances	54,474,783	36.85%	34,943,888
Discounted bills	1,187,649	0.80%	—
<b>Gross loans and advances to customers</b>	<b>147,832,790</b>	<b>100.00%</b>	<b>62,396,090</b>



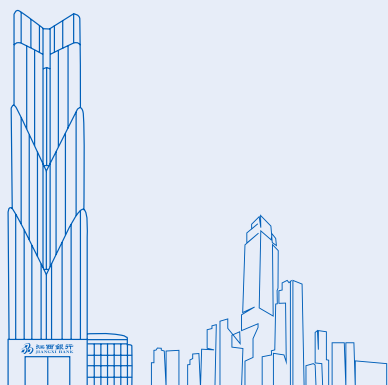
## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 18 LOANS AND ADVANCES TO CUSTOMERS (continued)

#### (b) Analyzed by industry sector (continued)

	December 31, 2017		Loans and advances secured by collaterals
	Amount	Percentage	
Wholesale and retail trade	19,320,739	14.94%	5,121,101
Water conservancy, environment and public facility management	14,806,318	11.45%	4,514,312
Manufacturing	9,761,682	7.55%	3,342,673
Leasing and commercial services	9,574,652	7.40%	3,022,850
Real estate	7,893,656	6.10%	3,756,601
Construction	7,795,150	6.03%	2,455,878
Transportation, storage and postal services	1,787,057	1.38%	1,028,793
Accommodation and catering	1,754,420	1.36%	1,283,348
Education	1,424,210	1.10%	246,000
Health, social security and social welfare	1,401,310	1.08%	220,159
Others	6,589,842	5.09%	1,333,310
Sub-total of corporate loans and advances	82,109,036	63.48%	26,325,025
Personal loans and advances	44,026,156	34.04%	26,889,839
Discounted bills	3,206,520	2.48%	—
<b>Gross loans and advances to customers</b>	<b>129,341,712</b>	<b>100.00%</b>	<b>53,214,864</b>



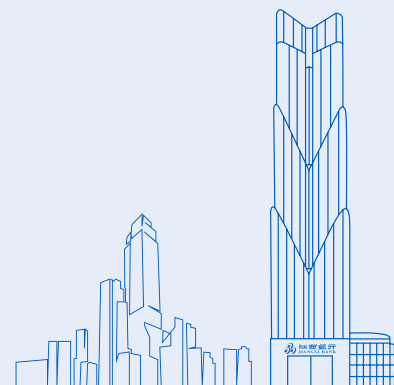
# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 18 LOANS AND ADVANCES TO CUSTOMERS (continued)

### (c) Analyzed by type of collateral

	June 30, 2018	December 31, 2017
<b>Loans and advances to customers at amortised cost</b>		
Unsecured loans	20,123,969	17,232,304
Guaranteed loans	55,931,847	50,492,547
Collateralised	62,396,090	53,214,864
Pledged	7,626,062	8,401,997
Gross loans and advances to customers at amortised cost	146,077,968	129,341,712
Less: Provision for impairment losses	(5,395,960)	(4,572,334)
Net loans and advances to customers at amortised cost	140,682,008	124,769,378
<b>Loans and advances to customers at FVOCI</b>		
Guaranteed loans	1,754,822	—
Net loans and advances to customers at FVOCI	1,754,822	—
<b>Net loans and advances to customers</b>	<b>142,436,830</b>	<b>124,769,378</b>



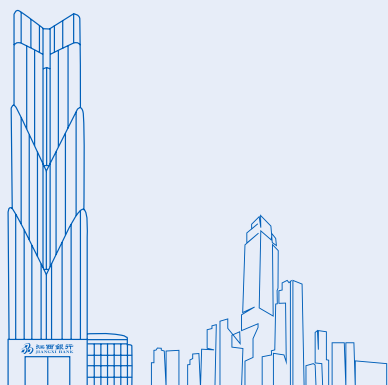
## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 18 LOANS AND ADVANCES TO CUSTOMERS (continued)

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

	June 30, 2018				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	136,639	120,554	37,874	1,235	296,302
Guaranteed loans	1,995,974	1,331,803	554,001	46,603	3,928,381
Collateralised	1,004,667	552,978	323,983	236,514	2,118,142
Pledged	92,656	76,306	140,000	18,590	327,552
<b>Total</b>	<b>3,229,936</b>	<b>2,081,641</b>	<b>1,055,858</b>	<b>302,942</b>	<b>6,670,377</b>
As a percentage of gross loans and advances to customers	2.18%	1.41%	0.71%	0.21%	4.51%



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

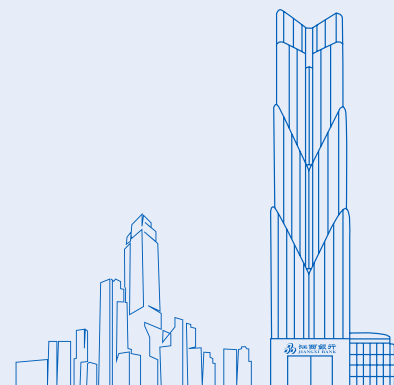
(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 18 LOANS AND ADVANCES TO CUSTOMERS (continued)

#### (d) Overdue loans analyzed by overdue period (continued)

	December 31, 2017				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	63,972	44,489	15,276	816	124,553
Guaranteed loans	2,267,838	701,861	445,735	14,150	3,429,584
Collateralised	1,181,170	289,712	427,293	173,769	2,071,944
Pledged	43,158	137,402	13,100	8,590	202,250
<b>Total</b>	<b>3,556,138</b>	<b>1,173,464</b>	<b>901,404</b>	<b>197,325</b>	<b>5,828,331</b>
As a percentage of gross loans and advances to customers	2.75%	0.91%	0.70%	0.15%	4.51%

Overdue loans represent loans, of which the whole or part of the principal or interest were overdue for one day or more.





## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

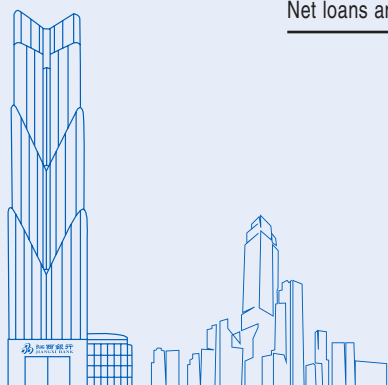
(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 18 LOANS AND ADVANCES TO CUSTOMERS (continued)

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

	June 30, 2018			Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	
Gross loans and advances to customers at amortised cost	84,866,441	57,671,185	3,540,342	146,077,968
Less: Provision for impairment losses	(423,053)	(2,429,624)	(2,543,283)	(5,395,960)
Net loans and advances to customers at amortised cost	84,443,388	55,241,561	997,059	140,682,008
Net loans and advances to customers at FVOCI	1,327,059	427,763	-	1,754,822
Net loans and advances to customers	85,770,447	55,669,324	997,059	142,436,830

	Loans and advances for which provision are collectively assessed	Impaired loans and advances		Total	Gross impaired loans and advances as a percentage of gross loans and advances
		For which provision are collectively assessed	For which provision are individually assessed		
Gross loans and advances to customers	127,216,693	583,633	1,541,386	129,341,712	1.64%
Less: Provision for impairment losses	(2,817,931)	(489,198)	(1,265,205)	(4,572,334)	
Net loans and advances to customers	124,398,762	94,435	276,181	124,769,378	



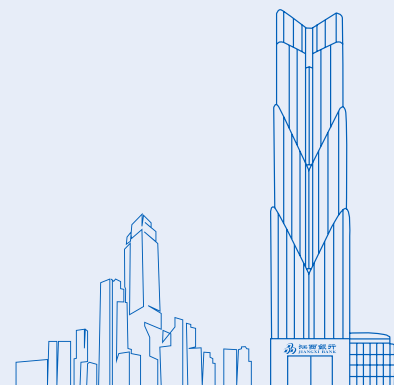
# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 18 LOANS AND ADVANCES TO CUSTOMERS (continued)

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

	Six months ended June 30, 2018			Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	
<b>Loans and advances to customers at amortised cost</b>				
As at January 1	295,810	2,477,203	1,891,273	4,664,286
Transfer to 12-month ECL	38,262	(24,238)	(14,024)	-
Transfer to lifetime ECL not credit-impaired	(2,476)	3,114	(638)	-
Transfer to lifetime ECL credit-impaired	(853)	(81,950)	82,803	-
Charge for the period	92,310	55,495	1,172,633	1,320,438
Recoveries	-	-	87,156	87,156
Write-offs	-	-	(631,929)	(631,929)
Unwinding of discount	-	-	(43,991)	(43,991)
As at June 30	423,053	2,429,624	2,543,283	5,395,960
<b>Loans and advances to customers at FVOCI</b>				
As at January 1	197	5,751	-	5,948
Charge for the period	238	1,939	-	2,177
Loans and advances that have been derecognised	(25)	-	-	(25)
As at June 30	410	7,690	-	8,100



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

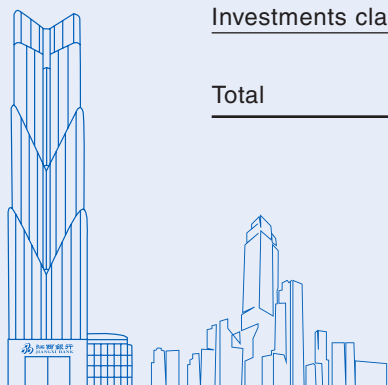
### 18 LOANS AND ADVANCES TO CUSTOMERS (continued)

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

	Year ended December 31, 2017			
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances		Total
		Which are collectively assessed	Which are individually assessed	
As at January 1	2,534,465	455,460	839,651	3,829,576
Charge for the year	283,466	125,919	2,180,953	2,590,338
Release for the year	–	–	(396,747)	(396,747)
Transfer out	–	–	(562,594)	(562,594)
Recoveries	–	15,707	189,953	205,660
Write-offs	–	(107,888)	(839,408)	(947,296)
Unwinding of discount	–	–	(146,603)	(146,603)
<b>As at December 31</b>	<b>2,817,931</b>	<b>489,198</b>	<b>1,265,205</b>	<b>4,572,334</b>

### 19 INVESTMENT SECURITIES

	Note	June 30, 2018	December 31, 2017
Financial assets at fair value through profit or loss	(a)	<b>32,292,657</b>	–
Financial assets at fair value through other comprehensive income- debt instruments	(b)	<b>30,960,537</b>	–
Financial assets designated at fair value through other comprehensive income- equity investments	(c)	<b>10,250</b>	–
Financial assets at amortised cost	(d)	<b>131,109,328</b>	–
Available-for-sale financial assets	(e)	–	59,606,148
Held-to-maturity investments	(f)	–	25,620,386
Investments classified as receivables	(g)	–	102,615,409
<b>Total</b>		<b>194,372,772</b>	<b>187,841,943</b>



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

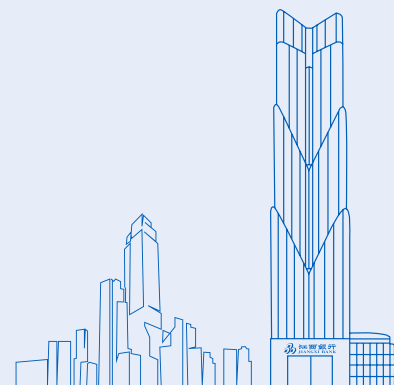
(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 19 INVESTMENT SECURITIES (continued)

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

	Note	June 30, 2018
– Debt securities	(i)	711,447
– Equity instruments	(ii)	104,947
– Fund investments	(iii)	18,323,906
– Other investments	(iv)	13,152,357
Total		32,292,657

- (i) Debt securities are convertible bonds and written-down bonds held by the Group.
- (ii) Equity instruments acquired by the Group through debt repayment, which will be disposed of by the Group intentionally at appropriate opportunity.
- (iii) The fund investments held by the Group are monetary market funds and bond funds issued by financial institutions.
- (iv) Other investments held by the Group measured at FVTPL include wealth management products, investment management products managed by securities companies and trust plans.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 19 INVESTMENT SECURITIES (continued)

### (b) Financial assets at fair value through other comprehensive income – debt instruments

Debt instruments measured at FVOCI are presented at fair value and issued by the following governments or institutions:

	June 30, 2018
<hr/>	
Debt securities issued by the following institutions in mainland China	
– Government bonds	5,188,420
– Policy banks bonds	7,559,032
– Commercial banks and other financial institutions bonds	50,024
– Corporate bonds	1,236,579
Investment management products managed by securities companies and trust plans	16,926,482
 Total	 30,960,537
 Provision for impairment losses recognized in OCI	 (263,386)

- (i) As at the end of each of the Reporting Period, certain financial assets at fair value through other comprehensive income were pledged as security for repurchase agreements (Note 39(f)).
- (ii) As at June 30, 2018, movements of provision for impairment of financial assets at fair value through other comprehensive income is as follows:

	Six months ended June 30, 2018			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	
As at January 1	180,128	–	–	180,128
Charge for the period	83,258	–	–	83,258
As at June 30	263,386	–	–	263,386



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 19 INVESTMENT SECURITIES (continued)

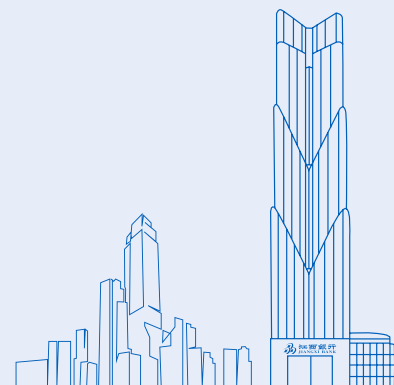
### (c) Financial assets designated at fair value through other comprehensive income – equity instruments

	Fair value at June 30, 2018	Dividend income recognized for the six months ended June 30, 2018
Clearing center for city commercial banks	250	–
China UnionPay	10,000	1,100
<b>Total</b>	<b>10,250</b>	<b>1,100</b>

On January 1, 2018, the Group designated the investments shown in the table above as equity instruments that are measured at FVOCI, as the Group intended to hold the equity instruments above for a long term. The Group did not sell the above equity instruments in 2018.

### (d) Financial assets at amortised cost

	Note	June 30, 2018
Debt securities	(i)	25,166,390
Other investments	(ii)	105,942,938
<b>Total</b>		<b>131,109,328</b>



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

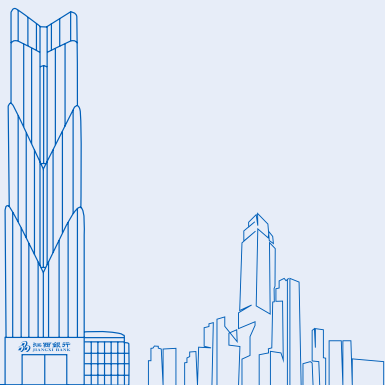
## 19 INVESTMENT SECURITIES (continued)

### (d) Financial assets at amortised cost (continued)

#### (i) Debt securities measured at amortised cost

*Analysed by type of investment and geographical location*

	June 30, 2018
<hr/>	
Debt securities issued by the following institutions in mainland China*	
– Government bonds	7,544,067
– Policy banks bonds	6,488,390
– Commercial banks and other financial institutions bonds	11,136,254
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Total	25,168,711
<hr style="border-top: 1px dashed black;"/>	
Less: Expected credit loss allowance	(2,321)
<hr/>	
Net carrying amount	25,166,390
<hr/>	



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 19 INVESTMENT SECURITIES (continued)

### (d) Financial assets at amortised cost (continued)

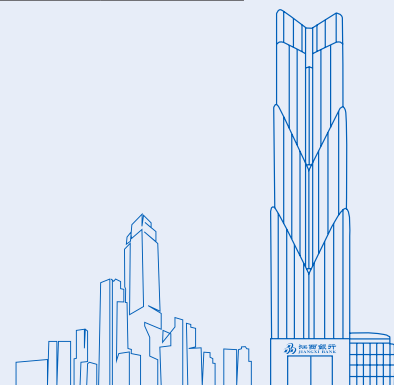
#### (ii) Other investments

	June 30, 2018
Investment management products managed by securities companies and trust plans	108,475,002
Less: Expected credit loss allowance	(2,532,064)
Net carrying amount	105,942,938

\* As at the end of each of the Reporting Period, certain financial assets at amortised cost were pledged as security for repurchase agreements (Note 39(f)).

#### (iii) As at June 30, 2018, movements of provision for impairment of financial assets at amortised cost is as follows:

	Six months ended June 30, 2018			Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	
As at January 1	1,007,560	-	1,167,459	2,175,019
Transfer to lifetime ECL not credit-impaired	-	193,117	(193,117)	-
Transfer to lifetime ECL credit-impaired	(8,889)	-	8,889	-
Charge/(Release) for the period	73,604	(152,175)	437,937	359,366
As at June 30	1,072,275	40,942	1,421,168	2,534,385





# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 19 INVESTMENT SECURITIES (continued)

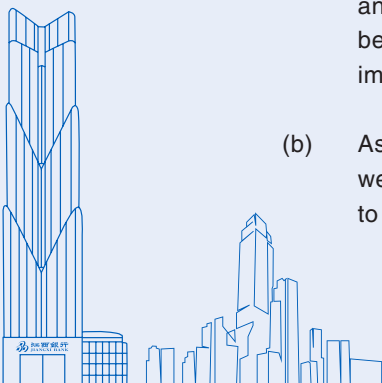
### (e) Available-for-sale financial assets

#### *Analysed by type of investment and geographical location*

	Note	December 31, 2017
<hr/>		
Debt securities issued by the following institutions in mainland China		
– Government bonds		4,808,430
– Policy banks bonds		4,362,003
– Commercial banks and other financial institutions bonds		895,748
– Corporate bonds		904,007
<hr/>		
Sub-total		10,970,188
<hr style="border-top: 1px dashed black;"/>		
Unlisted		10,970,188
Wealth management product issued by financial institutions – unlisted		711,350
Fund investments – unlisted		14,730,308
Equity investments at cost – unlisted	(a)	10,250
Investment management products managed by securities companies and trust plans – unlisted		33,184,052
<hr/>		
Total		59,606,148
<hr/>		

(a) Available-for-sale unlisted equity investments which do not have any quoted price in an active market for an identical instrument and whose fair values cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses.

(b) As at the end of each of the Reporting Period, certain available-for-sale financial assets were pledged for repurchase agreements (Note 39(f)). No other investments were subject to material restrictions on the realization.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

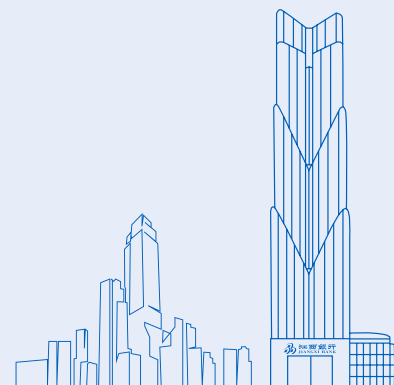
## 19 INVESTMENT SECURITIES (continued)

### (f) Held-to-maturity investments

#### *Analysed by type of investment and geographical location*

	December 31, 2017
<hr/>	
Debt securities issued by the following institutions in mainland China	
– Government bonds	8,001,796
– Policy banks bonds	16,888,590
– Commercial banks and other financial institutions bonds	730,000
<hr/>	
Total	25,620,386
<hr/>	
Unlisted	25,620,386
<hr/>	
Total	25,620,386
<hr/>	
Fair value	24,653,771
<hr/>	

- (a) As at the end of each of the Reporting Period, certain held-to-maturity investments were pledged as security for repurchase agreements (Note 39(f)).
- (b) The Group did not dispose of material held-to-maturity investments prior to their maturity dates during the Reporting Period.



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

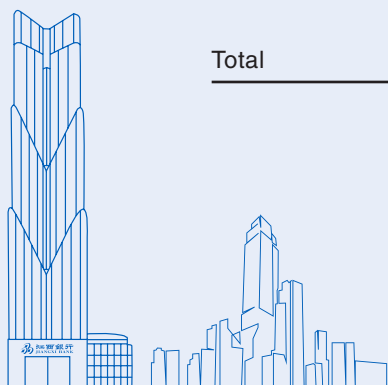
### 19 INVESTMENT SECURITIES (continued)

#### (g) Investments classified as receivables

	December 31, 2017
Wealth management products issued by financial institutions – unlisted	3,308,932
Investment management products managed by securities companies and trust plans – unlisted	101,181,182
Total	104,490,114
Less: Provision for impairment losses	(1,874,705)
Net carrying amount	102,615,409

### 20 INTEREST IN ASSOCIATES

	Note	June 30, 2018	December 31, 2017
Nanchang Dafeng County Bank Co., Ltd. ("南昌大豐村鎮銀行有限責任公司")	(a)	72,750	71,801
Nanfeng Judu County Bank Co., Ltd. ("南豐桔都村鎮銀行有限責任公司")	(b)	18,101	17,591
Si Ping Tie Dong De Feng County Bank Co., Ltd. ("四平鐵東德豐村鎮銀行股份有限公司")	(c)	17,920	16,760
Guangchang Nanyin County Bank Co., Ltd. ("廣昌南銀村鎮銀行股份有限公司")	(d)	13,795	13,790
Jinxian Ruifeng County Bank Co., Ltd. ("進賢瑞豐村鎮銀行有限責任公司")	(e)	9,075	9,324
Total		131,641	129,266



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

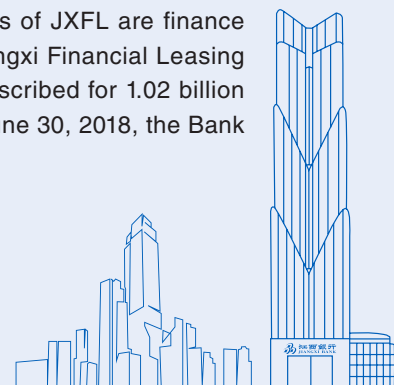
## 20 INTEREST IN ASSOCIATES (continued)

- (a) Nanchang Dafeng County Bank Co., Ltd. (“Nanchang Dafeng”) was incorporated on September 30, 2010 at Nanchang County, Jiangxi Province, with registered capital of RMB220.00 million. The principal activities of Nanchang Dafeng are the provision of corporate and retail banking services. The Bank holds 28.18% of equity interest of Nanchang Dafeng.
- (b) Nanfeng Judu County Bank Co., Ltd. (“Nanfeng Judu”) was incorporated on December 20, 2011 at Nanfeng County, Fuzhou, Jiangxi Province, with registered capital of RMB50.00 million. The principal activities of Nanfeng Judu are the provision of corporate and retail banking services. The Bank holds 30% of equity interest of Nanfeng Judu.
- (c) Si Ping Tie Dong De Feng County Bank Co., Ltd. (“Si Ping De Feng”) was incorporated on July 22, 2011 at Si Ping, Jilin Province, with registered capital of RMB30.00 million. The principal activities of Si Ping De Feng are the provision of corporate and retail banking services. The Bank holds 20% of equity interest of Si Ping De Feng.
- (d) Guangchang Nanyin County Bank Co., Ltd. (“Guangchang Nanyin”) was incorporated on December 30, 2013 at Fuzhou, Jiangxi Province, with registered capital of RMB50.00 million. The principal activities of Guangchang Nanyin are the provision of corporate and retail banking services. The Bank holds 30% of equity interest of Guangchang Nanyin.
- (e) Jinxian Ruifeng County Bank Co., Ltd. (“Jinxian Ruifeng”) was incorporated on June 15, 2012 at Jinxian County, Jiangxi Province, with registered capital of RMB50.00 million. The principal activities of Jinxian Ruifeng are the provision of corporate and retail banking services. The Bank holds 30% of equity interest of Jinxian Ruifeng.

## 21 INVESTMENTS IN SUBSIDIARIES

	June 30, 2018	December 31, 2017
Jiangxi Financial Leasing Co., Ltd. (“江西金融租賃股份有限公司”)	1,734,000	510,000

Jiangxi Financial Leasing Co., Ltd. (“JXFL”) was incorporated on November 24, 2015 at Nanchang, Jiangxi Province, with registered capital of RMB1 billion. The principal activities of JXFL are finance lease services. In accordance with the resolution on the capital increase of Jiangxi Financial Leasing Co., Ltd. at the Bank’s Annual General Meeting on April 20, 2017, the Bank subscribed for 1.02 billion shares at the price of RMB1.20 per share in JXFL on February 13, 2018. As at June 30, 2018, the Bank holds 75.74% of equity interest of JXFL.

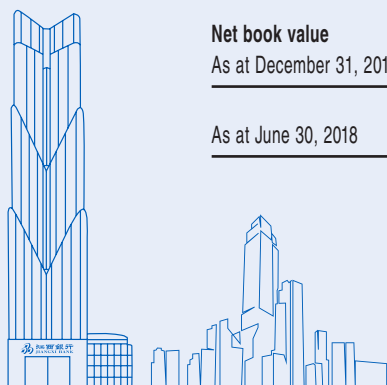


## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 22 PROPERTY AND EQUIPMENT

	Premises	Construction in progress	Electronic equipments	Fixtures	Others	Total
<b>Cost</b>						
As at January 1, 2017	2,120,617	407,838	587,758	105,041	180,601	3,401,855
Additions	47,246	354,782	102,313	16,822	43,718	564,881
Transfers in/(out) of construction in progress	210,457	(385,497)	5,854	413	3,167	(165,606)
Disposals	(5,410)	-	(39,219)	(6)	(1,873)	(46,508)
As at December 31, 2017	2,372,910	377,123	656,706	122,270	225,613	3,754,622
As at January 1, 2018	2,372,910	377,123	656,706	122,270	225,613	3,754,622
Additions	15,070	41,045	23,702	4,787	17,060	101,664
Transfers in/(out) of construction in progress	6,228	(14,354)	1,865	516	214	(5,531)
Disposals	(22,193)	-	(573)	(8,118)	(542)	(31,426)
As at June 30, 2018	2,372,015	403,814	681,700	119,455	242,345	3,819,329
<b>Accumulated depreciation</b>						
As at January 1, 2017	(344,913)	-	(398,275)	(52,995)	(82,985)	(879,168)
Charge for the year	(101,483)	-	(97,916)	(14,821)	(26,015)	(240,235)
Disposals	1,840	-	4,359	6	1,473	7,678
As at December 31, 2017	(444,556)	-	(491,832)	(67,810)	(107,527)	(1,111,725)
As at January 1, 2018	(444,556)	-	(491,832)	(67,810)	(107,527)	(1,111,725)
Charge for the period	(56,054)	-	(42,272)	(9,245)	(15,624)	(123,195)
Disposals	-	-	541	120	444	1,105
As at June 30, 2018	(500,610)	-	(533,563)	(76,935)	(122,707)	(1,233,815)
<b>Impairment</b>						
As at January 1, 2017	(169)	(1,791)	-	-	-	(1,960)
Disposals	169	1,791	-	-	-	1,960
As at December 31, 2017	-	-	-	-	-	-
As at June 30, 2018	-	-	-	-	-	-
<b>Net book value</b>						
As at December 31, 2017	1,928,354	377,123	164,874	54,460	118,086	2,642,897
As at June 30, 2018	1,871,405	403,814	148,137	42,520	119,638	2,585,514



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 22 PROPERTY AND EQUIPMENT (continued)

As at the end of each of the Reporting Period, the net book values of premises of which title deeds were not yet finalised were RMB52 million and RMB310 million, respectively. The Group is still in the progress of application for the outstanding title deeds for the above premises. The directors of the Bank are of the opinion that there would be no significant cost in obtaining the title deeds.

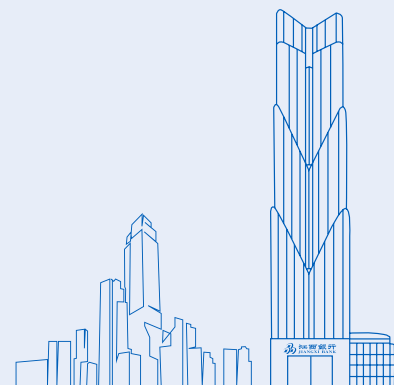
The net book values of premises at the end of each of the Reporting Period are analyzed by the remaining terms of the leases as follows:

	June 30, 2018	December 31, 2017
Held in mainland China		
– Medium-term leases (10 – 50 years)	1,871,405	1,928,354

## 23 DEFERRED TAX ASSETS AND LIABILITIES

### (a) Analyzed by nature

	June 30, 2018	December 31, 2017
Deferred tax assets	1,875,766	1,522,569
Deferred tax liabilities	(151,125)	–
Net balances	1,724,641	1,522,569



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

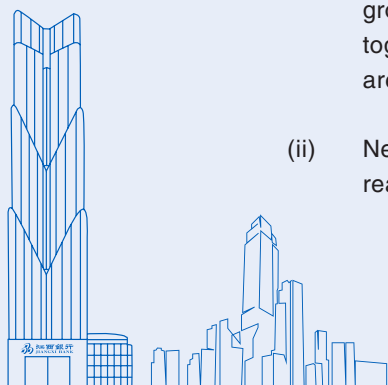
(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 23 DEFERRED TAX ASSETS AND LIABILITIES (continued)

#### (b) Movements of deferred tax

	Provision for impairment losses Note (i)	Staff cost payable	Net losses/ (gains) from fair value changes of financial instruments Note (ii)	Others	Net balance of deferred tax assets
January 1, 2017	1,077,908	44,794	10,964	12,961	1,146,627
Recognized in profit or loss	218,613	(232)	1,983	47,191	267,555
Recognized in other comprehensive income	–	–	108,387	–	108,387
December 31, 2017	1,296,521	44,562	121,334	60,152	1,522,569
Impact of adopting IFRS 9	195,868	–	3,607	–	199,475
Adjusted balance at January 1, 2018	1,492,389	44,562	124,941	60,152	1,722,044
Recognized in profit or loss	266,424	4,105	(139,778)	(14,503)	116,248
Recognized in other comprehensive income	–	–	(113,651)	–	(113,651)
June 30, 2018	1,758,813	48,667	(128,488)	45,649	1,724,641

- (i) The Group made provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses was determined based on the expected recoverable amount of the relevant assets at the end of each of the Reporting Period. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of each of the Reporting Period, together with write-offs which fulfill specific criteria as set out in the PRC tax rules and are approved by the tax authorities.
- (ii) Net gains or losses on fair value changes of financial instruments are subject to tax when realized.



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

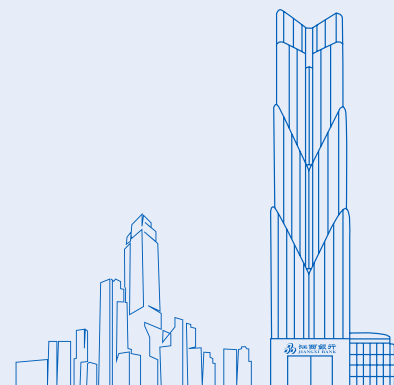
(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 24 OTHER ASSETS

	Note	June 30, 2018	December 31, 2017
Interests receivable	(a)	<b>2,254,098</b>	1,498,904
Reposessed assets	(b)	<b>109,231</b>	264,016
Prepayments for acquisition of property and equipment		<b>651,516</b>	741,401
Long-term deferred expenses		<b>286,969</b>	331,258
Land use rights	(c)	<b>153,473</b>	155,876
Intangible assets	(d)	<b>47,636</b>	41,044
Settlement and clearing accounts		<b>122,439</b>	567,037
Investment property		<b>13,624</b>	13,807
Others		<b>353,379</b>	402,953
Gross balance		<b>3,992,365</b>	4,016,296
Less: Allowances for impairment losses		<b>(35,904)</b>	(42,379)
Net balance		<b>3,956,461</b>	3,973,917

#### (a) Interests receivable

	June 30, 2018	December 31, 2017
Interests receivable arising from:		
Investments securities	<b>1,742,600</b>	1,118,433
Loans and advances to customers	<b>444,573</b>	361,021
Others	<b>66,925</b>	19,450
Total	<b>2,254,098</b>	1,498,904





## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 24 OTHER ASSETS (continued)

#### (b) Repossessed assets

	<b>June 30, 2018</b>	December 31, 2017
Land use rights and buildings	<b>109,231</b>	109,231
Others	–	154,785
Total	<b>109,231</b>	264,016
Less: Impairment allowances	<b>(11,565)</b>	(18,710)
Net repossessed assets	<b>97,666</b>	245,306

#### (c) Land use rights

	<b>June 30, 2018</b>	December 31, 2017
Located in Mainland China		
Over 50 years	<b>24,277</b>	24,465
10 – 50 years	<b>129,196</b>	131,411
Total	<b>153,473</b>	155,876



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

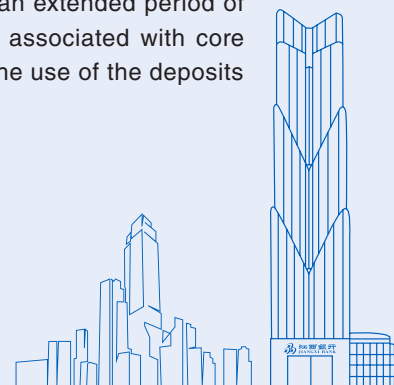
(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 24 OTHER ASSETS (continued)

### (d) Intangible assets

<b>Cost</b>	
As at January 1, 2017	69,320
Additions	18,473
As at December 31, 2017	87,793
As at January 1, 2018	<b>87,793</b>
Additions	<b>9,830</b>
As at June 30, 2018	<b>97,623</b>
<b>Accumulated amortization</b>	
As at January 1, 2017	(38,098)
Charge for the year	(8,651)
As at December 31, 2017	(46,749)
As at January 1, 2018	<b>(46,749)</b>
Charge for the period	<b>(3,238)</b>
As at June 30, 2018	<b>(49,987)</b>
<b>Net book value</b>	
As at December 31, 2017	41,044
As at June 30, 2018	<b>47,636</b>

Intangible assets include core deposit, real estate use rights, computer software, etc. Core deposits are accounts that a financial institution expects to maintain for an extended period of time due to ongoing business relationships. The intangible asset value associated with core deposits reflects the present value of additional cash flow resulted from the use of the deposits at a lower cost alternative source of funding in the future periods.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 25 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

### Analyzed by type of counterparty

	June 30, 2018	December 31, 2017
Deposits in mainland China		
– Banks	24,511,238	20,390,993
– Other financial institutions	9,945,565	9,429,020
Total	34,456,803	29,820,013

## 26 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

### Analyzed by type of counterparty

	June 30, 2018	December 31, 2017
Placements in mainland China		
– Banks	6,120,000	1,350,000

## 27 BORROWING FROM OTHER FINANCIAL INSTITUTIONS

	June 30, 2018	December 31, 2017
Credit borrowings	8,660,826	8,450,000



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

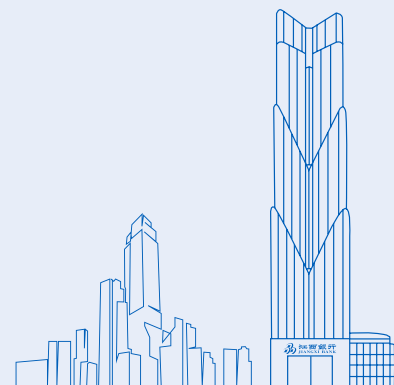
## 28 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

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

	June 30, 2018	December 31, 2017
In mainland China		
– Banks	9,829,820	6,689,051

### (b) Analyzed by collateral

	June 30, 2018	December 31, 2017
Debt securities	9,829,820	6,689,051

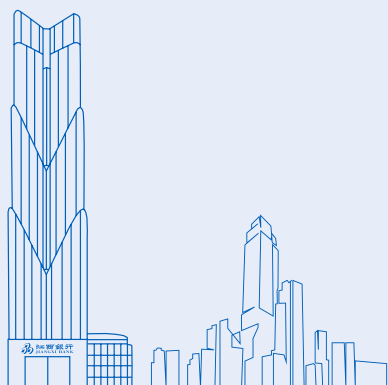


## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 29 DEPOSITS FROM CUSTOMERS

	<b>June 30, 2018</b>	December 31, 2017
Demand deposits		
– Corporate customers	<b>120,296,700</b>	109,756,893
– Individual customers	<b>17,195,206</b>	20,842,492
Sub-total	<b>137,491,906</b>	130,599,385
Time deposits		
– Corporate customers	<b>67,276,787</b>	66,446,134
– Individual customers	<b>40,039,098</b>	37,254,607
Sub-total	<b>107,315,885</b>	103,700,741
Pledged deposits		
– Acceptances	<b>5,457,818</b>	4,803,043
– Letters of credit and guarantees	<b>2,416,809</b>	1,762,974
– Others	<b>37,730</b>	68,673
Sub-total	<b>7,912,357</b>	6,634,690
Structured deposits	<b>2,265,560</b>	2,836,150
Inward and outward remittances	<b>73,779</b>	66,385
<b>Total</b>	<b>255,059,487</b>	243,837,351



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 30 DEBT SECURITIES ISSUED

	Note	June 30, 2018	December 31, 2017
Tier-two capital debts issued	(a)	5,994,434	5,993,599
Other debt securities issued	(b)	7,993,411	9,991,119
Interbank deposits issued	(c)	37,653,908	27,489,050
<b>Total</b>		<b>51,641,753</b>	<b>43,473,768</b>

### (a) Tier-two Capital debts issued

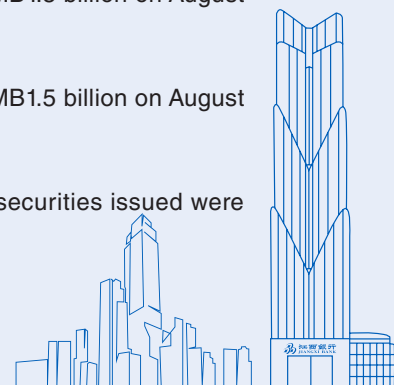
- (i) The Bank issued 10-year fixed-rate tier-two capital bonds with face value of RMB3.0 billion on June 5, 2017. The coupon interest rate per annum is 5%. The Bank had an option to redeem the tier-two capital bonds at the end of the fifth year.
- (ii) The Bank issued 10-year fixed-rate tier-two capital bonds with face value of RMB3.0 billion on September 26, 2017. The coupon interest rate per annum is 5%. The Bank had an option to redeem the tier-two capital bonds at the end of the fifth year.

As at June 30, 2018 and December 31, 2017, the fair value of the tier-two capital debts issued were RMB5,972 million and RMB5,783 million respectively.

### (b) Other debt securities issued

- (i) The Bank issued 5-year fixed interest rate bonds with face value RMB2.0 billion on May 7, 2013. The coupon interest rate per annum is 4.80%.
- (ii) The Bank issued 3-year fixed interest rate bonds with face value RMB3.5 billion on July 12, 2016. The coupon interest rate per annum is 3.41%.
- (iii) The Bank issued 5-year fixed interest rate bonds with face value RMB1.5 billion on July 12, 2016. The coupon interest rate per annum is 3.70%.
- (iv) The Bank issued 3-year fixed interest rate bonds with face value RMB1.5 billion on August 4, 2016. The coupon interest rate per annum is 3.20%.
- (v) The Bank issued 5-year fixed interest rate bonds with face value RMB1.5 billion on August 4, 2016. The coupon interest rate per annum is 3.48%.

As at June 30, 2018 and December 31, 2017, the fair value of other debt securities issued were RMB7,845 million and RMB9,659 million respectively.



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 30 DEBT SECURITIES ISSUED (continued)

#### (c) Interbank deposits issued

In 2017, the Bank issued a number of certificates of interbank deposit with total nominal amount of RMB83,230 million and duration between 1-12 months. The effective interest rates ranged from 3.85% to 5.40% per annum.

For six months period ended June 30, 2018, the Bank issued a number of certificates of interbank deposit with total nominal amount of RMB32,310 million and duration between 1-12 months. The effective interest rates ranged from 4.25% to 5.15% per annum.

As at June 30, 2018 and December 31, 2017, the fair value of interbank deposits issued were RMB37,051 million RMB27,075 million respectively.

### 31 OTHER LIABILITIES

	Note	June 30, 2018	December 31, 2017
Interests payable	(a)	<b>3,923,438</b>	3,283,853
Settlement and clearing accounts		<b>825,754</b>	2,275,258
Accrued staff cost	(b)	<b>355,945</b>	488,862
Other tax payables		<b>25,783</b>	42,611
Payables for purchase of fixed assets		<b>51,234</b>	232,912
Non-performing assets collection		<b>241,858</b>	274,403
Guarantee deposits from leases		<b>632,160</b>	532,763
Deferred income		<b>113,471</b>	120,365
Dividend payable		<b>15,730</b>	35,481
Receipt in advance		<b>262,417</b>	230,160
Provisions	(c)	<b>297,946</b>	16,566
Others		<b>444,304</b>	406,979
<b>Total</b>		<b>7,190,040</b>	7,940,213



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

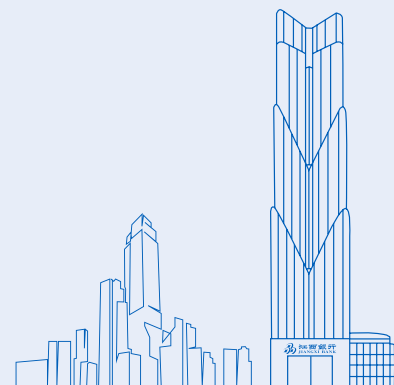
## 31 OTHER LIABILITIES (continued)

### (a) Interests payable

	June 30, 2018	December 31, 2017
Interests payable arising from:		
Borrowing from the central bank	—	5,561
Deposits from banks and other financial institutions	610,659	334,510
Placements from banks and other financial institutions	42,241	1,889
Borrowing from other financial institutions	125,789	96,018
Financial assets sold under repurchase agreements	2,067	4,213
Deposits from customers	2,761,004	2,532,811
Debt securities issued	381,678	308,851
<b>Total</b>	<b>3,923,438</b>	<b>3,283,853</b>

### (b) Accrued staff cost

	June 30, 2018	December 31, 2017
Salaries, bonuses and allowances	222,898	361,588
Social insurance	4,079	1,414
Housing fund	5,423	231
Labor union expenditure and employee education costs	9,107	11,726
Retirement benefit annuity plan	6,327	22,223
Early retirement benefits	108,111	91,680
<b>Total</b>	<b>355,945</b>	<b>488,862</b>





## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

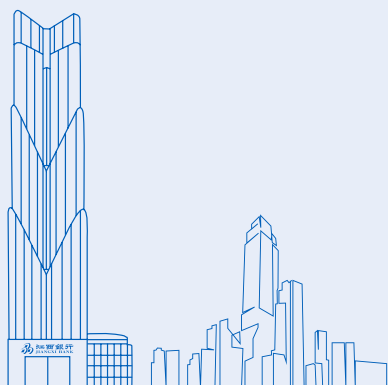
### 31 OTHER LIABILITIES (continued)

#### (c) Provisions

Note	June 30, 2018	December 31, 2017
Litigations and disputes provision	41,932	16,566
Provision for impairment losses on off balance sheet items (i)	256,014	–
<b>Total</b>	<b>297,946</b>	<b>16,566</b>

(i) As at June 30, 2018, movements of provision for impairment losses on off balance sheet items is as follows:

	Six months ended June 30, 2018			Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	
As at January 1, 2018	207,005	3,435	948	211,388
Transfer to 12-month ECL	518	(459)	(59)	–
Transfer to lifetime ECL not credit-impaired	(3)	6	(3)	–
Transfer to lifetime ECL credit-impaired	(2)	(840)	842	–
Charge for the period	41,047	254	3,325	44,626
<b>As at June 30, 2018</b>	<b>248,565</b>	<b>2,396</b>	<b>5,053</b>	<b>256,014</b>



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 32 SHARE CAPITAL

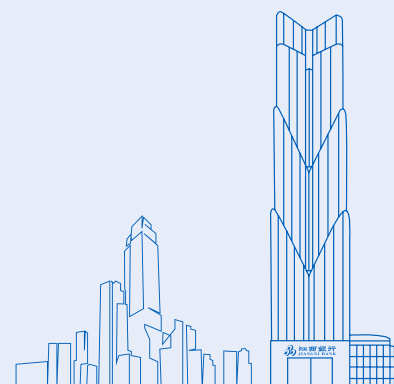
Share capital of the Group as at June 30, 2018 and December 31, 2017 represented share capital of the Bank, which was fully paid.

	June 30, 2018	December 31, 2017
Ordinary shares in Mainland China	4,678,777	4,678,777
Ordinary shares listed in Hong Kong (H-share)	1,170,000	–
<b>Total</b>	<b>5,848,777</b>	<b>4,678,777</b>

	Note	Number of shares	Amount
As at January 1, 2017		4,678,777	4,678,777
Capital contribution by equity shareholders		–	–
As at December 31, 2017		4,678,777	4,678,777
As at January 1, 2018		4,678,777	4,678,777
Capital contribution by equity shareholders	(i)	1,170,000	–
As at June 30, 2018		5,848,777	4,678,777

- (i) On June 26, 2018, the Bank issued 1,170.00 million H Shares with a par value of RMB1 at an offering price of HKD6.39 per share (the “H-share offering”).

All the H Shares have been listed on The Stock Exchange of Hong Kong Limited. The H Shares rank pari passu in all respects with the existing ordinary shares in Mainland China including the right to receive all dividends and distributions declared or made.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 33 RESERVES

### (a) Capital reserve

	Note	June 30, 2018	December 31, 2017
Share premium		12,501,697	7,631,127
Investment revaluation reserve	(i)	203,577	(357,388)
<b>Total</b>		<b>12,705,274</b>	<b>7,273,739</b>

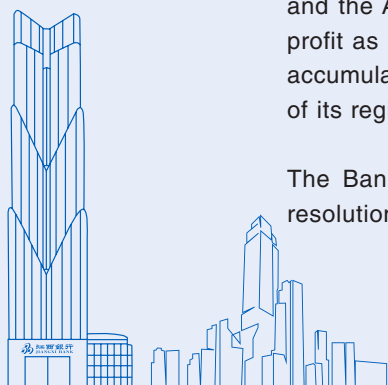
#### (i) Investment revaluation reserve

	June 30, 2018	December 31, 2017
As at December 31	(357,388)	(32,226)
Adjustment on initial application of IFRS 9	134,603	–
As at January 1	(222,785)	(32,226)
Changes in fair value recognized in other comprehensive income	459,805	(402,313)
Transfer to profit or loss upon disposal	(5,202)	(31,236)
Changes in expected credit losses recognized in other comprehensive income	85,410	–
Less: Deferred income tax	(113,651)	108,387
<b>Total</b>	<b>203,577</b>	<b>(357,388)</b>

### (b) Surplus reserve

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

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



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 33 RESERVES (continued)

### (c) General reserve

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

## 34 RETAINED EARNINGS

### (a) Appropriation of profits

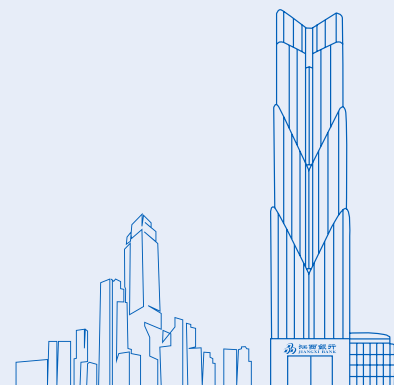
In accordance with the resolution at the Bank’s Annual General Meeting on April 20, 2017, the shareholders approved the following profit appropriations for the year ended December 31, 2016:

- Appropriation of statutory surplus reserve amounted to RMB159.52 million.
- Appropriation of general reserve amounted to RMB1,343.56 million.
- Declaration of cash dividend of RMB1.00 per 10 shares before tax and in an aggregation amount of RMB467.88 million to all existing shareholders of record on December 31, 2016.

In accordance with the resolution at the Bank’s Annual General Meeting on March 26, 2018, the shareholders approved the following profit appropriations for the year ended December 31, 2017:

- Appropriation of statutory surplus reserve amounted to RMB283.66 million.
- Appropriation of general reserve amounted to RMB713.66 million.
- Declaration of cash dividend of RMB1.00 per 10 shares before tax and in an aggregation amount of RMB467.88 million to all existing shareholders of record on December 31, 2017.

- (b) As at June 30, 2017 and 2018, the consolidated retained profits attributable to equity shareholders of the Bank included an appropriation of RMB4.24 million and RMB13.97 million to surplus reserve made by subsidiary.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

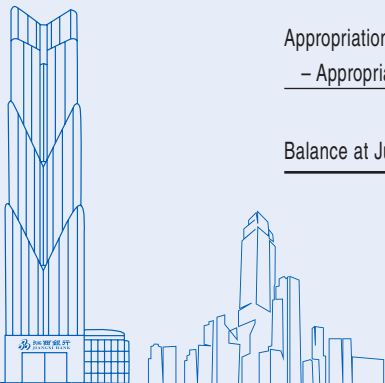
(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 34 RETAINED EARNINGS (continued)

### (c) Movements in components of equity

Detail of the changes in the Bank's individual components of equity for the Reporting Period are set out below.

	Share capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	Total
Balance at December 31, 2017	4,678,777	7,273,739	2,253,652	4,663,995	3,772,478	22,642,641
Adjustment on initial application of IFRS 9 (net of tax)	-	134,603	-	-	(543,614)	(409,011)
Adjusted balance at January 1, 2018	4,678,777	7,408,342	2,253,652	4,663,995	3,228,864	22,233,630
Changes in equity for the period						
Net profit for the period	-	-	-	-	1,554,943	1,554,943
Other comprehensive income	-	426,362	-	-	-	426,362
Total comprehensive income	-	426,362	-	-	1,554,943	1,981,305
Issue of H Shares	1,170,000	4,883,415	-	-	-	6,053,415
Appropriation of profits – Appropriation to shareholders	-	-	-	-	(467,878)	(467,878)
Balance at June 30, 2018	5,848,777	12,718,119	2,253,652	4,663,995	4,315,929	29,800,472
Balance at January 1, 2017	4,678,777	7,598,901	1,969,997	3,950,336	2,401,117	20,599,128
Changes in equity for the period						
Net profit for the period	-	-	-	-	1,120,243	1,120,243
Other comprehensive income	-	(55,970)	-	-	-	(55,970)
Total comprehensive income	-	(55,970)	-	-	1,120,243	1,064,273
Appropriation of profits						
– Appropriation to shareholders	-	-	-	-	(467,878)	(467,878)
Balance at June 30, 2017	4,678,777	7,542,931	1,969,997	3,950,336	3,053,482	21,195,523



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 35 NOTES TO CONSOLIDATED CASH FLOW STATEMENTS

### (a) Net increase in cash and cash equivalents

	Six months ended June 30,	
	2018	2017
Cash and cash equivalents as at June 30	22,318,046	28,424,659
Less: Cash and cash equivalents as at January 1	(13,946,882)	(16,513,677)
Net increase in cash and cash equivalents	8,371,164	11,910,982

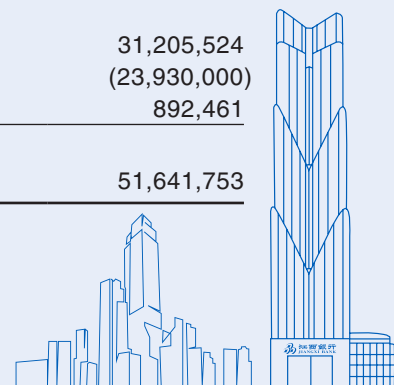
### (b) Cash and cash equivalents

	Six months ended June 30,	
	2018	2017
Cash on hand	784,687	672,551
Deposits with the central bank	3,303,452	5,417,431
Deposits with banks and other financial institutions	8,287,369	2,865,695
Placements with banks and other financial institutions	2,300,000	-
Financial assets held under resale agreements	7,533,324	18,472,400
Debt securities investments	109,214	996,582
Total	22,318,046	28,424,659

### (c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Debt securities issued
At January 1, 2018	43,473,768
<b>Changes from financing cash flows:</b>	
Issue during the period	31,205,524
Repayment for the period	(23,930,000)
Discount or premium amortisation	892,461
At June 30, 2018	51,641,753



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

### (a) Related parties of the Group

#### (i) Major shareholders

Major shareholders include shareholders of the Bank with direct or indirect 5% or above shareholding, or with the right to appoint a director in the Bank.

Shareholding in the Bank:

	<b>June 30, 2018</b>	December 31, 2017
Jiangxi Provincial Expressway Investment Group Co., Ltd.	<b>16.03%</b>	20.04%
Jiangxi Financial Holding Group Co., Ltd.	<b>5.94%</b>	6.27%
Nanchang Municipal Bureau of Finance	<b>4.33%</b>	5.42%
Pingxiang Huixiang Construction Development Co., Ltd.*	<b>4.12%</b>	5.15%
China National Tobacco Corporation Jiangxi Branch*	<b>3.08%</b>	3.85%
Jiangxi Province Investment Group Co., Ltd.	<b>3.08%</b>	3.85%
Ganshang Union (Jiangxi) Co., Ltd.*	<b>2.54%</b>	3.17%

\* The official names of these related parties are in Chinese. The English translation is for reference only.

#### (ii) Subsidiaries of the Bank

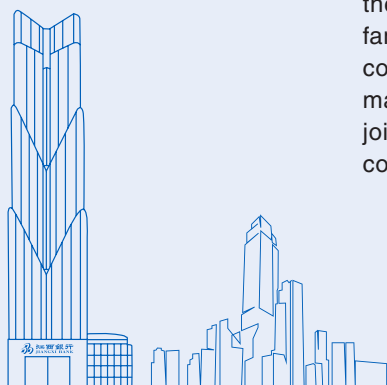
The detailed information of the Bank's subsidiary is set out in Note 21.

#### (iii) Associates of the Bank

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

#### (iv) Other related parties

Other related parties can be individuals or enterprises, which include: members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 36(a) or their controlling shareholders.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

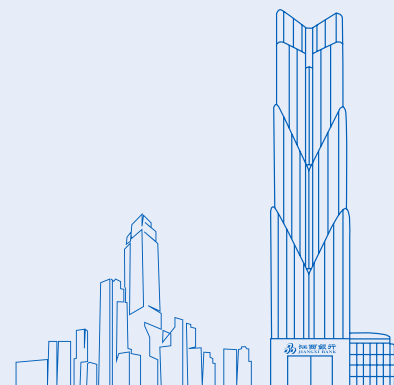
(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### (b) Transactions with related parties other than key management personnel

#### (i) Transactions between the Bank and major shareholders

	Six months ended June 30,	
	2018	2017
Transactions during the period:		
Interest income	18,083	16,197
Interest expense	133,944	171,092
	<b>June 30,</b>	December 31,
	<b>2018</b>	2017
Balances at end of the period/year:		
Loans and advances to customers	769,050	749,050
Interests receivable	991	29,818
Deposits from customers	21,524,391	19,632,781
Interests payable	144,985	103,387
Investment securities	–	299,975





# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

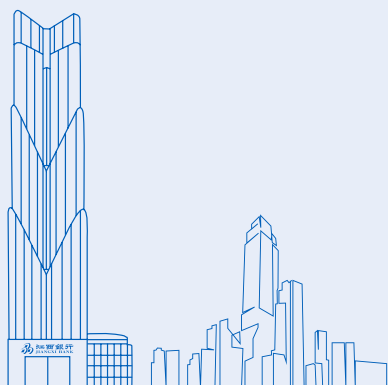
## 36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### (b) Transactions with related parties other than key management personnel (continued)

#### (ii) Transactions between the Bank and subsidiary

The subsidiary of the Bank are its related parties. The transactions between the Bank and its subsidiary and among the subsidiary are eliminated on combination.

	Six months ended June 30,	
	2018	2017
Transactions during the period:		
Interest income	1,230	–
Interest expense	1,390	2,226
Fee and commission income	73	170
	<b>June 30,</b>	December 31,
	<b>2018</b>	<b>2017</b>
Balances at end of the period/year:		
Placements with banks and other		
financial institutions	–	420,000
Interests receivable	–	119
Deposits from banks and other		
financial institutions	29,909	481,330
Deposits from customers	–	7
Interests payable	32	225
Bank acceptances	146,520	655,000



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

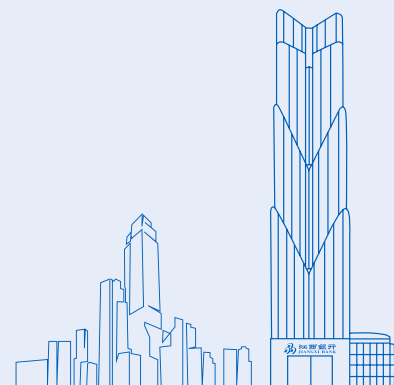
(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### (b) Transactions with related parties other than key management personnel (continued)

#### (iii) Transactions between the Bank and associates

	Six months ended June 30,	
	2018	2017
<hr/>		
Transactions during the period:		
Interest expense	6,743	4,131
	<hr/>	
	June 30,	December 31,
	2018	2017
<hr/>		
Balances at end of the period/year:		
Deposits from banks and other financial institutions	347,163	405,447
Interests payable	348	1,026
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## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

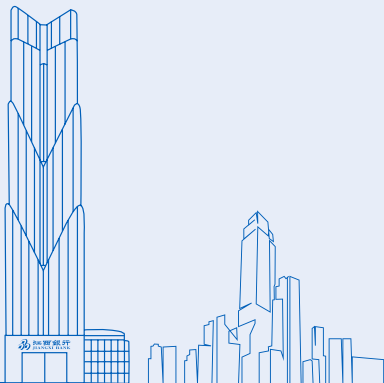
(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

#### (b) Transactions with related parties other than key management personnel (continued)

##### (iv) Transactions between the Bank and other related parties:

	Six months ended June 30,	
	2018	2017
Transactions during the period:		
Interest income	58,683	16,593
Interest expense	26,311	18,401
Fee and commission income	132	133
	<b>June 30,</b>	December 31,
	2018	2017
Balances at end of the period/year:		
Loans and advances to customers	2,853,809	1,514,470
Deposits from customers	3,309,017	4,411,848
Deposits from banks and other financial institutions	43,706	49,426
Investment securities	–	599,946
Interests receivable	4,294	63,121
Interests payable	22,502	73,640
Bank acceptances	263,850	377,250



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### (c) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the Board of Directors, the Board of Supervisors and executive officers.

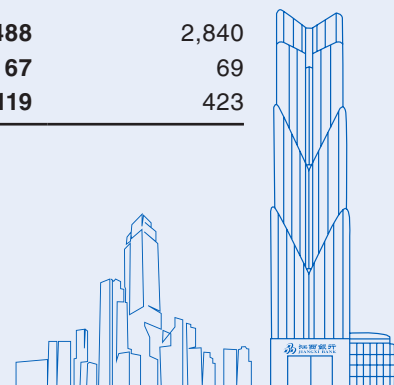
#### (i) Transactions between the Bank and key management personnel

	Six months ended June 30,	
	2018	2017
Transactions during the period:		
Interest income	261	281
Interest expense	7	13
	<b>June 30,</b>	<b>December 31,</b>
	<b>2018</b>	<b>2017</b>
Balances at end of the period/year:		
Loans and advances to customers	9,800	10,070
Deposits from customers	3,111	2,968
Interests receivable	14	17
Interests payable	8	4

#### (ii) Key management personnel compensation

The aggregate compensation of key management personnel is listed as follows:

	Six months ended June 30,	
	2018	2017
Salaries and other emoluments	2,488	2,840
Contributions to social pension schemes	67	69
Other welfare	119	423



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 37 FAIR VALUE

### (a) Methods and assumptions for measurement of fair value

The Group adopts the following methods and assumptions when evaluating fair values:

#### (i) *Debt securities and equity investments*

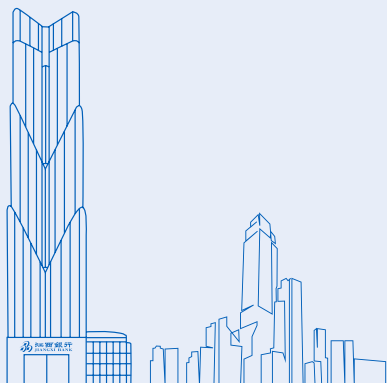
The fair values of debt securities and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of the Reporting Period.

#### (ii) *Investments and other non-derivative financial assets*

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the Reporting Period.

#### (iii) *Debt securities issued and other non-derivative financial liabilities*

Fair values of debt securities issued are based on their quoted market prices at the end of the Reporting Period, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the Reporting Period. The Group has established policies and internal control with respect to the measurement of fair value, and specified the framework of fair value measurement of financial instruments, fair value measurement methodologies and procedures.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 37 FAIR VALUE (continued)

### (b) Fair value measurement

#### (i) *Financial assets*

The Group's financial assets mainly consist of cash and deposits with the central bank, receivables with banks and other financial institutions, loans and advances to customers, and investments.

Deposits with the central bank and receivables with banks and other financial institutions are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

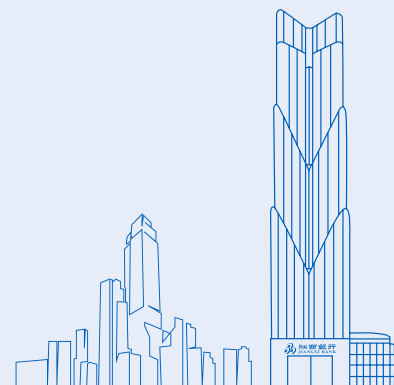
Loans and advances to customers are mostly priced at floating rates close to the PBOC rates. Accordingly, the carrying amounts approximate the fair values. The fair value of loans and advances to customers measured at fair value through other comprehensive income, are based on valuation techniques.

Available-for-sale investments, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss are stated at fair value. The carrying amount and fair value of held-to-maturity investments are disclosed in Note 19. The carrying amounts of financial assets at amortised cost and debt securities classified as receivables are the reasonable approximations of their fair values because, for example, they are short-term in nature or repriced at current market rates frequently.

#### (ii) *Financial liabilities*

The Group's financial liabilities mainly include payables to banks and other financial institutions, deposits from customers and debt securities issued.

The book value and fair value of debt securities issued is presented in Note 30. The carrying amounts of other financial liabilities approximate their fair value.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 37 FAIR VALUE (continued)

### (c) Financial instruments carried at fair value

The following table presents the fair value of financial instruments measured at the end of the Reporting Period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair Value Measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

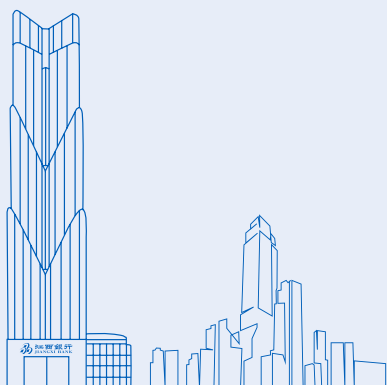
- Level 1: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and
- Level 3: Fair value measured using significant unobservable inputs

#### *Investments*

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis. The inputs used in valuation techniques include risk-free and benchmark interest rates, and credit spreads. Where discounted cash flow analysis is used, estimated cash flows are based on the management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

#### *Loans and advances to customers*

Loans and advances to customers valued using a discounted cash flow model are mainly corporate loans and advances (forfaiting) and discounted bills. In which, the interest rate yield curve of the bank acceptance bills is based on the acceptors' credit risk and market transaction data; the interest rate yield curve of the commercial acceptance bills and forfaiting is based on interbank offered rates and spreads adjustments which is affected by credit risk and liquidity.



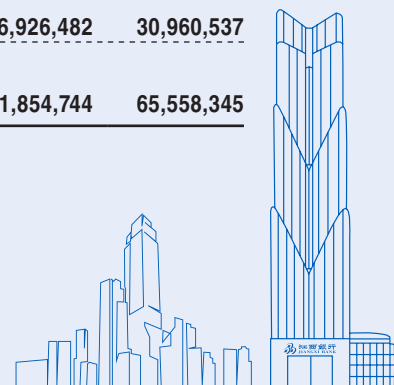
# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 37 FAIR VALUE (continued)

### (c) Financial instruments carried at fair value (continued)

	June 30, 2018			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements				
Assets				
<i>Financial assets held for trading</i>				
– debt securities	–	550,329	–	550,329
Subtotal	–	550,329	–	550,329
<i>Loans and advances to customers at FVOCI</i>				
– Corporate loans and advances	–	–	567,173	567,173
– Discounted bills	–	–	1,187,649	1,187,649
Subtotal	–	–	1,754,822	1,754,822
<i>Financial assets at fair value through profit or loss</i>				
– debt securities	–	699,014	12,433	711,447
– wealth management products	–	–	4,050,420	4,050,420
– investment management products	–	–	9,101,937	9,101,937
– fund investments	18,315,256	–	8,650	18,323,906
– equity instruments	104,947	–	–	104,947
Subtotal	18,420,203	699,014	13,173,440	32,292,657
<i>Financial assets at fair value through other comprehensive income</i>				
– debt securities	–	14,034,055	–	14,034,055
– investment management products	–	–	16,926,482	16,926,482
Subtotal	–	14,034,055	16,926,482	30,960,537
Total	18,420,203	15,283,398	31,854,744	65,558,345





## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

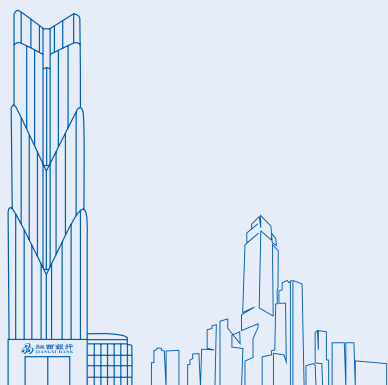
(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 37 FAIR VALUE (continued)

#### (c) Financial instruments carried at fair value (continued)

	December 31, 2017			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements				
Assets				
<i>Financial assets held for trading</i>				
– debt securities	–	587,817	–	587,817
<i>Available-for-sale financial assets</i>				
– debt securities	–	10,957,755	12,433	10,970,188
– wealth management products	–	–	711,350	711,350
– investment management products	–	–	33,184,052	33,184,052
– fund investments	14,716,808	–	13,500	14,730,308
<b>Total</b>	<b>14,716,808</b>	<b>11,545,572</b>	<b>33,921,335</b>	<b>60,183,715</b>

During the Reporting Period, the Group had no significant transfers among financial instruments in Level 1, Level 2 and Level 3.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

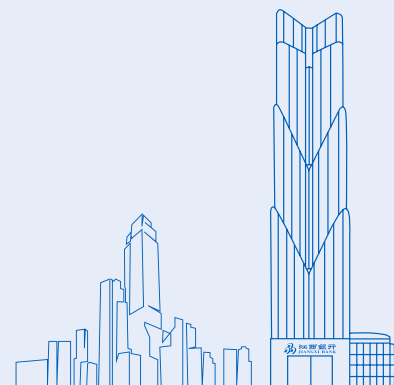
(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 37 FAIR VALUE (continued)

### (c) Financial instruments carried at fair value (continued)

A reconciliation from the beginning balances to the ending balances for fair value measurements in Level-3 of the fair value hierarchy on an on-going basis is as below:

	<b>June 30, 2018</b>	
	<b>Loans and advances to customers</b>	<b>Investment securities</b>
As at December 31, 2017	–	33,921,335
Impact of adopting IFRS 9 at January 1, 2018	3,525,610	(8,068,273)
As at January 1, 2018	3,525,610	25,853,062
Total gains or losses		
– in profit or loss for the current period	50,890	3,969,691
– in other comprehensive income for the current period	2,219	164,759
Purchases	2,413,872	18,216,993
Settlements	(4,237,769)	(18,104,583)
As at June 30, 2018	1,754,822	30,099,922
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the period	(8,100)	193,869



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

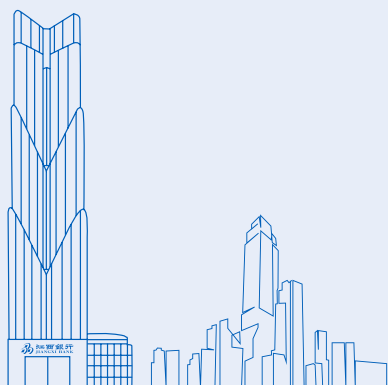
## 37 FAIR VALUE (continued)

### (c) Financial instruments carried at fair value (continued)

	December 31, 2017 Available-for-sale financial assets
As at January 1, 2017	39,634,591
Total gains or losses	
– in profit or loss for the current year	946,914
– in other comprehensive income for the current year	–
Purchases	15,476,805
Settlements	(22,136,975)
As at December 31, 2017	33,921,335
Total gains or losses for the year included in profit or loss for assets and liabilities held at the end of the year	–

During the six-month period ended June 30, 2018 and the year ended December 31, 2017, there were no significant transfers into or out of Level 3.

The valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorized within Level 3.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

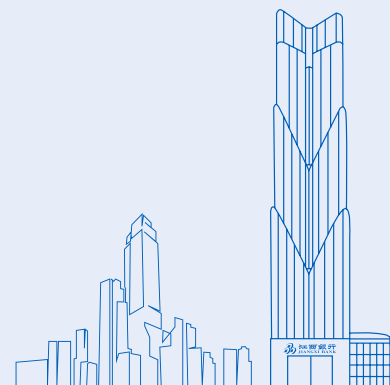
(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 37 FAIR VALUE (continued)

### (c) Financial instruments carried at fair value (continued)

Quantitative information of Level 3 fair value measurement is as below:

	Fair value as at June 30, 2018	Valuation techniques	Unobservable input
	The Group		
Loans and advances to customers at FVOCI			
– Corporate loans and advances	567,173	Discounted cash flow	Risk-adjusted discount rate, cash flow
– Discounted bills	1,187,649	Discounted cash flow	Risk-adjusted discount rate, cash flow
Financial assets at fair value through other comprehensive income			
– investment management products	16,926,482	Discounted cash flow	Risk-adjusted discount rate, cash flow
Financial assets at fair value through profit or loss			
– debt securities	12,433	Discounted cash flow	Risk-adjusted discount rate, cash flow
– wealth management products	4,050,420	Discounted cash flow	Risk-adjusted discount rate, cash flow
– investment management products	9,101,937	Discounted cash flow	Risk-adjusted discount rate, cash flow
– fund investments	8,650	Discounted cash flow	Risk-adjusted discount rate, cash flow



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 37 FAIR VALUE (continued)

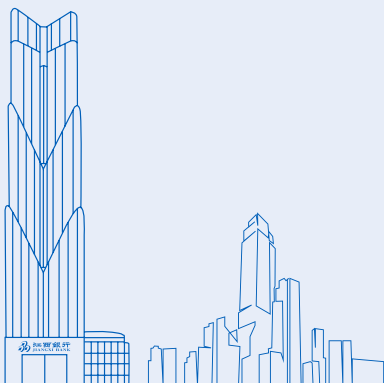
### (c) Financial instruments carried at fair value (continued)

	Fair value as at December 31, 2017		
	The Group	Valuation techniques	Unobservable input
Available-for-sale financial assets			
– debt securities	12,433	Discounted cash flow	Risk-adjusted discount rate, cash flow
– wealth management products	711,350	Discounted cash flow	Risk-adjusted discount rate, cash flow
– investment management products	33,184,052	Discounted cash flow	Risk-adjusted discount rate, cash flow
– fund investments	13,500	Discounted cash flow	Risk-adjusted discount rate, cash flow

During the six-month period ended June 30, 2018 and the year ended December 31, 2017, there were no significant change in the valuation techniques.

As at June 30, 2018 and December 31, 2017, unobservable inputs such as risk-adjusted discount rate and cash flow were used in the valuation of financial assets at fair value classified as Level 3, which were mainly investment management products. The fair value of these financial assets fluctuates according to the changes in the unobservable inputs.

The sensitivity of the fair value measurement on changes in unobservable inputs for Level 3 financial instruments measured at fair value on an ongoing basis.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

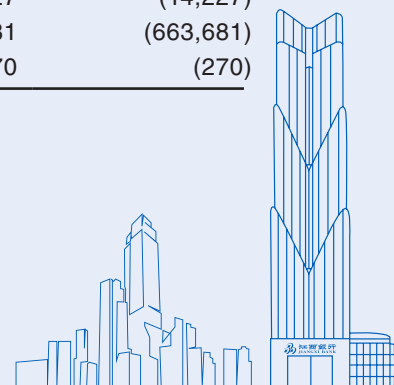
(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 37 FAIR VALUE (continued)

### (c) Financial instruments carried at fair value (continued)

The fair value of financial instruments are, in certain circumstances, measured using valuation models which incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on observable market data. The following table shows the sensitivity of fair value due to parallel movement of plus or minus 2 percent of change in fair value to reasonably possible alternative assumptions.

	June 30, 2018	
	Favourable	(Unfavourable)
Loans and advances to customers at FVOCI		
– Corporate loans and advances	11,343	(11,343)
– Discounted bills	23,753	(23,753)
Financial assets at fair value through other comprehensive income		
– investment management products	338,530	(338,530)
Financial assets at fair value through profit or loss		
– debt securities	249	(249)
– wealth management products	81,008	(81,008)
– investment management products	182,039	(182,039)
– fund investments	173	(173)
	December 31, 2017	
	Favourable	(Unfavourable)
Available-for-sale financial assets		
– debt securities	249	(249)
– wealth management products	14,227	(14,227)
– investment management products	663,681	(663,681)
– fund investments	270	(270)



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

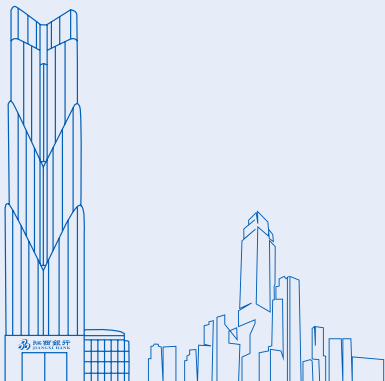
(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 37 FAIR VALUE (continued)

#### (d) Financial instruments carried at other than fair value

As of the end of the Reporting Period, the carrying amounts and the fair value of the financial assets and the financial liabilities of the Group have no significant difference except following items.

	Carrying amount	June 30, 2018			
		Fair value	Level 1	Level 2	Level 3
Financial asset					
– Financial assets at amortised cost – debt securities	25,166,390	24,788,706	–	24,788,706	–
Financial liability					
– Debt securities issued	51,641,753	50,867,943	–	50,867,943	–
		December 31, 2017			
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial asset					
– Held-to-maturity investments	25,620,386	24,653,771	–	24,653,771	–
Financial liability					
– Debt securities issued	43,473,768	42,517,196	–	42,517,196	–



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

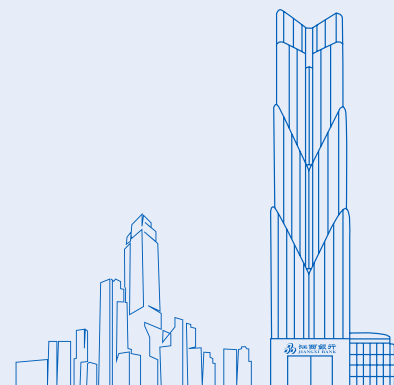
(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 38 ENTRUSTED LENDING BUSINESS

The Group provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognized in the statements of financial position. Surplus funding is accounted for as deposits from customers.

At the end of the Reporting Period, the entrusted assets and liabilities were as follows:

	<b>June 30, 2018</b>	December 31, 2017
Entrusted loans	<b>63,490,983</b>	63,745,779
Entrusted funds	<b>63,490,983</b>	63,745,779





# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 39 COMMITMENTS AND CONTINGENT LIABILITIES

### (a) Credit commitments

The Group's credit commitments take the form of approved loans with signed contracts, credit card commitments, bank acceptances, letters of credit and financial guarantees.

The contractual amounts of loans commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

	<b>June 30, 2018</b>	December 31, 2017
Loan commitments		
– Original contractual maturity within one year	<b>124,000</b>	118,900
– Original contractual maturity more than one year (inclusive)	<b>876,600</b>	903,900
<b>Sub-total</b>	<b>1,000,600</b>	1,022,800
Credit card commitments		
– Original contractual maturity within one year	<b>5,179,739</b>	4,682,042
<b>Sub-total</b>	<b>5,179,739</b>	4,682,042
Acceptances	<b>15,026,346</b>	16,178,690
Letters of credit	<b>1,698,069</b>	1,080,048
Letters of guarantees	<b>6,570,279</b>	3,239,606
<b>Total</b>	<b>29,475,033</b>	26,203,186

The Group may be exposed to credit risk in all the above credit businesses. Management periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 39 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

### (b) Credit risk-weighted amount

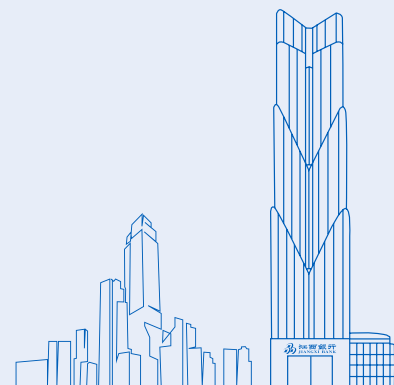
	<b>June 30, 2018</b>	December 31, 2017
Credit risk weighted amount	<b>10,104,526</b>	8,511,378

The credit risk-weighted amount represents the amount calculated with reference to the guidelines issued by the former CBRC.

### (c) Operating lease commitments

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

	<b>June 30, 2018</b>	December 31, 2017
Within one year (inclusive)	<b>163,714</b>	206,311
After one year but within five years (inclusive)	<b>449,356</b>	602,037
After five years	<b>183,822</b>	280,142
<b>Total</b>	<b>796,892</b>	1,088,490



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 39 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

### (d) Capital commitments

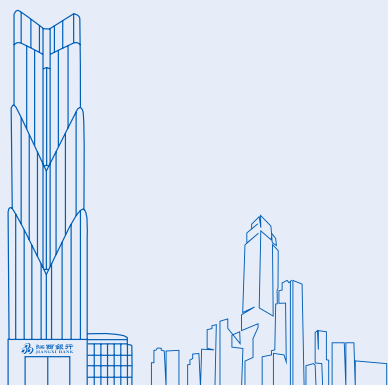
As at the end of each of the Reporting Period, the Group's authorized capital commitments are as follows:

	June 30, 2018	December 31, 2017
Contracted but not paid for	21,393	75,679
Authorised but not contracted for	100	—
Total	21,493	75,679

### (e) Outstanding litigations and disputes

As at June 30, 2018 and December 31, 2017, the Group was the defendant in certain pending litigations and disputes with an estimated gross amounts of RMB1,552 million, and RMB1,515 million, respectively. According to the opinion of the Group's lawyers and external lawyers, the Group recognised the related litigation provision (see Note 31 (c)), which they believed to be reasonable and sufficient.

The Bank was involved in a bill dispute litigation with Bank B since March 2017 where Bank B bring suit in court in order to terminate "bank acceptance bill discounting contract" with the Bank. Bank B also requested the Bank to pay back the bill payment of RMB1.48 billion, together with liquidated damages as stipulated in relevant agreements and relevant litigation fees and costs. If the court judgment is unfavourable to the Bank, in such event, the Bank may have to pay the bill payment and the liquidated damages. The Bank's directors and its legal advisor of this litigation are of the view that, based on the evidence currently available, the likelihood of the Bank losing this bill dispute litigation is low, therefore, no provisions have been made by the Bank for the estimated losses of this bill dispute litigation.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 39 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

### (f) Pledged assets

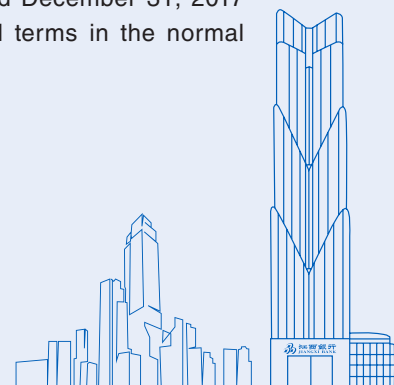
#### (i) Assets pledged as collateral

	June 30, 2018
Financial assets at amortised cost	8,255,776
Financial assets at fair value through other comprehensive income	1,778,060
Financial assets held for trading	323,091
<b>Total</b>	<b>10,356,927</b>
	December 31, 2017
Held-to-maturity investments	5,445,751
Available-for-sale financial assets	1,504,147
Financial assets held for trading	14,049
<b>Total</b>	<b>6,963,947</b>

Financial assets pledged by the Group as collateral for liabilities or contingent liabilities are mainly debt securities for repurchase agreements. The carrying amounts of the financial assets pledged as collateral as at the end of each of the Reporting Period is RMB10,357 million and RMB6,964 million, respectively.

#### (ii) Received pledged assets

As part of the reverse repurchase agreements, the Group has received securities, bills and other documents as collateral that it is allowed to sell or repledge in the absence of default by their owners; the fair value of such collateral accepted by the Group was RMB8,016 million and RMB6,261 million as at June 30, 2018 and December 31, 2017 respectively. These transactions were conducted under standard terms in the normal course of business.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 39 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

### (g) Redemption obligations

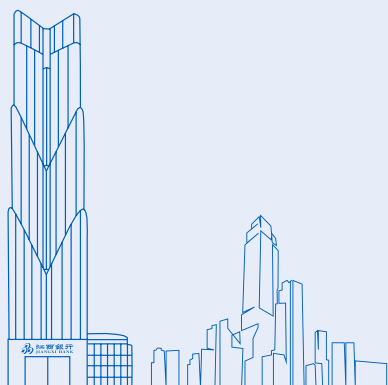
As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back its bonds if the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payable to the bond holders are calculated in accordance with relevant rules of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded in the markets at the redemption date. The redemption obligations below represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured at the end of the Reporting Period:

	June 30, 2018	December 31, 2017
Redemption obligations	1,596	2,075

The Group expects that the amount of redemption before the maturity date of these government bonds through the Group will not be material.

### (h) Risk fund relief obligations

The Bank has been a member of the Asia Financial Cooperation Association (“AFCA”) since December 31, 2012, which has established a risk fund divided into equal shares. The price per share was equal to RMB100 million as at the fund establishment date. The Bank subscribed for 1 share with 10% cash and 90% cooperative obligation. This means the Bank has the obligation of providing support to the AFCA members through certain methods such as placement, within the limit of RMB90 million.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

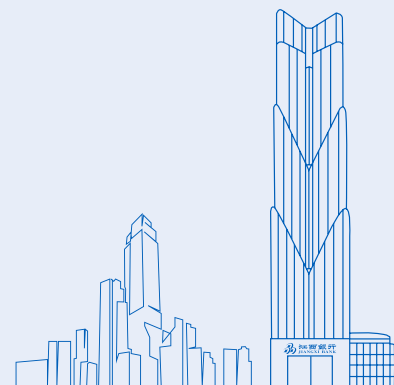
## 40 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

### (a) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include investment management products under trust scheme, investment management products managed by securities companies and wealth management products issued by financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of third party investors. These vehicles are financed through the issue of units to investors.

The following table sets out an analysis of the carrying amounts of interests held by the Group in unconsolidated structured entities, as well as an analysis of the line items in the consolidated statement of financial position in which relevant assets are recognized as at June 30, 2018 and December 31, 2017:

	June 30, 2018	
	Carrying amount	Maximum exposure
Financial assets at fair value through profit or loss	31,476,263	31,476,263
Financial assets at fair value through other comprehensive income	16,926,482	16,926,482
Financial assets at amortised cost	105,942,938	105,862,514
Total	154,345,683	154,265,259



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 40 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (continued)

### (a) Structured entities sponsored by third party institutions in which the Group holds an interest (continued)

	December 31, 2017	
	Carrying amount	Maximum exposure
Available-for-sale financial assets	48,625,710	48,625,710
Investments classified as receivables	102,615,409	102,615,409
Total	151,241,119	151,241,119

As at June 30, 2018 and December 31, 2017, the carrying amounts of the asset management plans are equal to the maximum exposures.

### (b) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in:

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Group includes investments in units issued by these structured entities and fees charged by providing management services. As at June 30, 2018 and December 31, 2017, the carrying amounts of the investments in the units issued by these structured entities and management fee receivables being recognized are not material in the statement of financial positions.

As at June 30, 2018 and December 31, 2017, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, are RMB31,473 million and RMB35,040 million, respectively.

### (c) Unconsolidated structure entities sponsored by the Group during the six months period, which the Group does not consolidate and does not have an interest in as at June 30, 2018 and 2017:

During the six months ended June 30, 2018 and 2017, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after January 1, but matured before June 30, amounted to RMB9,408 million and RMB18,732 million, respectively.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 41 CAPITAL MANAGEMENT

The Group's capital management includes capital adequacy ratio management, capital financing management and economic capital management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines issued by the former CBRC. The capital of the Group is divided into core tier-one capital, other core tier-one capital and tier-two capital.

Capital adequacy ratio management is the key in capital management. The capital adequacy ratio reflects the soundness of the Group's operations and risk management capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading peer banks with reference to its own business environment and conditions.

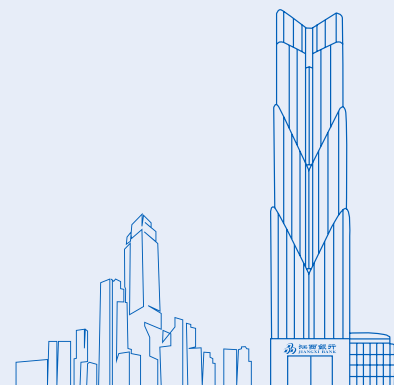
The Group considers its strategic development plans, business expansion plans and risk variables when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio.

The Group calculates its capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and other relevant regulations promulgated by the former CBRC.

The former CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)". For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collaterals or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using basic indicator approach.

The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group's statutory financial statements prepared in accordance with PRC GAAP.





# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 41 CAPITAL MANAGEMENT (continued)

The Group's capital adequacy ratios at June 30, 2018 and December 31, 2017 calculated in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and relevant requirements promulgated by the former CBRC are as follows:

	June 30, 2018	December 31, 2017
Total core tier-one capital	<b>30,109,231</b>	23,148,431
– Share capital	<b>5,848,777</b>	4,678,777
– Qualifying portion of capital reserve	<b>12,705,274</b>	7,273,739
– Surplus reserve	<b>2,253,652</b>	2,253,652
– General reserve	<b>4,700,715</b>	4,700,715
– Retained earnings	<b>4,368,688</b>	3,806,862
– Qualifying portions of non-controlling interests	<b>232,125</b>	434,686
Core tier-one capital deductions	<b>(179,277)</b>	(170,310)
– Other intangible assets other than land use right	<b>(47,636)</b>	(41,044)
– Investment in unconsolidated subsidiaries	<b>(131,641)</b>	(129,266)
Net core tier-one capital	<b>29,929,954</b>	22,978,121
Other tier-one capital	<b>30,950</b>	57,958
Net tier-one capital	<b>29,960,904</b>	23,036,079
Tier-two capital	<b>8,942,771</b>	8,563,230
– Instruments issued and share premium	<b>6,000,000</b>	6,000,000
– Surplus provision for loan impairment	<b>2,880,871</b>	2,447,314
– Qualifying portions of non-controlling interests	<b>61,900</b>	115,916
Net capital base	<b>38,903,675</b>	31,599,309
Total risk weighted assets	<b>277,339,515</b>	244,970,118
Core tier-one capital adequacy ratio	<b>10.79%</b>	9.38%
Tier-one capital adequacy ratio	<b>10.80%</b>	9.40%
Capital adequacy ratio	<b>14.03%</b>	12.90%



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 42 SEGMENT REPORTING

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

### Corporate banking

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

### Retail banking

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

### Financial markets business

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

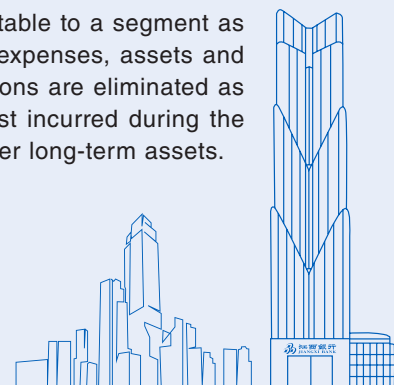
### Others

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

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

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

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



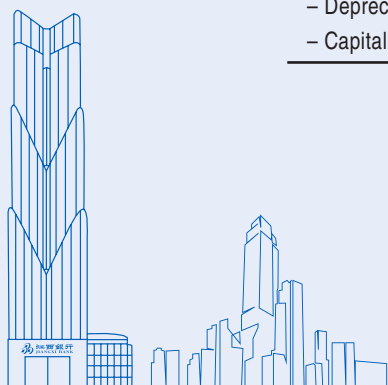
# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 42 SEGMENT REPORTING (continued)

### (a) Operating segments

	Six months ended June 30, 2018				
	Corporate banking	Retail banking	Financial markets business	Others	Total
Operating income					
External net interest income	997,910	921,319	2,211,844	–	4,131,073
Internal net interest income/(expense)	1,283,786	328,194	(1,653,247)	41,267	–
Net interest income	2,281,696	1,249,513	558,597	41,267	4,131,073
Net fee and commission income	259,264	12,296	125,008	6,230	402,798
Net trading gains	–	–	1,842	–	1,842
Net gains arising from investment securities	–	–	736,037	–	736,037
Other income, gains or losses	(30,563)	(7,463)	(942)	104,179	65,211
Operating income	2,510,397	1,254,346	1,420,542	151,676	5,336,961
Operating expenses	(530,745)	(531,905)	(440,373)	(267)	(1,503,290)
Impairment losses on assets	(1,260,350)	(142,907)	(415,882)	(6,066)	(1,825,205)
Share of profits of associates	–	–	–	2,375	2,375
Profit before tax	719,302	579,534	564,287	147,718	2,010,841
Segment assets	118,499,038	66,712,607	217,773,560	1,107,387	404,092,592
Segment liabilities	(207,434,880)	(58,733,093)	(106,453,612)	(1,028,646)	(373,650,231)
Other segment information					
– Depreciation and amortization	115,988	50,741	5,891	365	172,985
– Capital expenditure	75,047	32,831	3,811	236	111,925



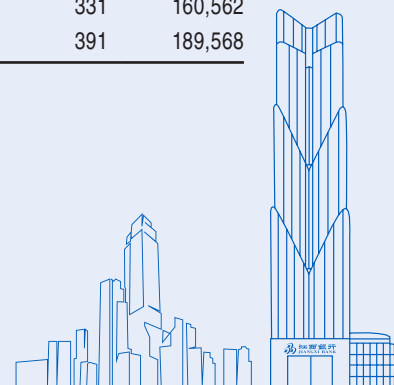
# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 42 SEGMENT REPORTING (continued)

### (a) Operating segments (continued)

	Six months ended June 30, 2017				Total
	Corporate banking	Retail banking	Financial markets business	Others	
Operating income					
External net interest income	1,071,120	306,793	2,069,236	–	3,447,149
Internal net interest income/(expense)	1,808,439	434,259	(2,199,372)	(43,326)	–
Net interest income	2,879,559	741,052	(130,136)	(43,326)	3,447,149
Net fee and commission income	222,205	87,819	424,842	(8,591)	726,275
Net trading losses	–	–	(37,450)	–	(37,450)
Net gains arising from investment securities	–	–	204,530	–	204,530
Other income, gains or losses	1,815	1	(2)	19,630	21,444
Operating income	3,103,579	828,872	461,784	(32,287)	4,361,948
Operating expenses	(754,280)	(556,130)	(85,547)	43	(1,395,914)
Impairment losses on assets	(1,754,489)	(5,386)	329,161	(35,330)	(1,466,044)
Share of profits of associates	–	–	–	3,080	3,080
Profit/(loss) before tax	594,810	267,356	705,398	(64,494)	1,503,070
Segment assets	106,075,359	47,234,032	203,459,427	814,678	357,583,496
Segment liabilities	(170,522,561)	(53,908,157)	(111,014,574)	(361,081)	(335,806,373)
Other segment information					
– Depreciation and amortization	100,458	48,134	11,639	331	160,562
– Capital expenditure	118,606	56,829	13,742	391	189,568



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 42 SEGMENT REPORTING (continued)

### (b) Geographical segments

The Group operates principally in the PRC with branches located in Jiangxi Province, Jiangsu Province, and Guangdong Province. The Group also has a subsidiary, Jiangxi Financial Leasing Co., Ltd, operating in Jiangxi Province.

In presenting information on the basis of geographical regions, operating income is gathered according to the locations of the branches, or the subsidiary that generated the income. For the purpose of presentation, the Group categorizes such information by geographical regions.

To support the Group's operations and management's assessments, the geographical regions are defined as follows:

- “Head office” refers to the head office of the Group and its subsidiaries, including financial market department, micro business credit center, network finance department and bank card department, etc.
- “Nanchang area” refers to sub-branches located in Nanchang area: headquarters business department, Nanchang county sub branch, Jinxian sub branch, Bayi sub branch, etc.
- “Within Jiangxi Province (apart from Nanchang area)” refers to branches located in Jiangxi Province but apart from Nanchang: Fuzhou branch, Ji'an branch, Yingtan branch, Jingdezhen branch, Yichun branch, Pingxiang branch, Jiujiang branch, Shangrao branch, Xinyu branch, Ganzhou branch, etc.
- “Outside Jiangxi Province” refers to branches and subsidiary located outside Jiangxi province: Guangzhou branch, Suzhou branch, and Jiangxi Financial Leasing Co., Ltd.



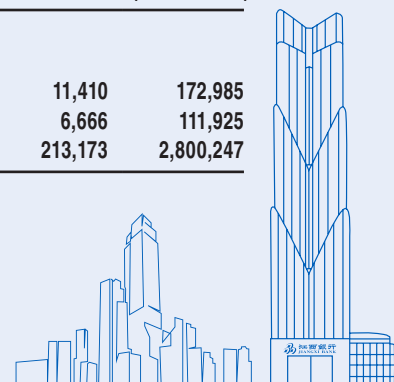
# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 42 SEGMENT REPORTING (continued)

### (b) Geographical segments (continued)

	Six months ended June 30, 2018				
	Head office	Nanchang area	Within Jiangxi Province (apart from Nanchang area)	Outside Jiangxi Province	Total
Operating income					
External net interest income	2,426,908	867,456	648,492	188,217	4,131,073
Internal net interest (expense)/income	(1,914,840)	1,197,359	629,405	88,076	–
Net interest income	512,068	2,064,815	1,277,897	276,293	4,131,073
Net fee and commission income	152,321	44,054	98,763	107,660	402,798
Net trading gains	1,842	–	–	–	1,842
Net gains arising from investment securities	733,218	–	–	2,819	736,037
Other income, gains or losses	71,945	69	(6,132)	(671)	65,211
Operating income	1,471,394	2,108,938	1,370,528	386,101	5,336,961
Operating expenses	(480,092)	(412,911)	(453,026)	(157,261)	(1,503,290)
Impairment losses on assets	(535,251)	(778,354)	(334,457)	(177,143)	(1,825,205)
Share of profits of associates	2,375	–	–	–	2,375
Profit before tax	458,426	917,673	583,045	51,697	2,010,841
Segment assets	261,893,099	66,051,035	55,125,774	21,226,675	404,296,583
Elimination					(203,991)
Total assets					404,092,592
Segment liabilities	(236,881,996)	(65,030,915)	(53,382,273)	(18,559,038)	(373,854,222)
Elimination					203,991
Total liabilities					(373,650,231)
Other segment information					
– Depreciation and amortization	73,015	25,540	63,020	11,410	172,985
– Capital expenditure	53,805	14,918	36,536	6,666	111,925
– Non-current assets	1,417,444	299,429	870,201	213,173	2,800,247



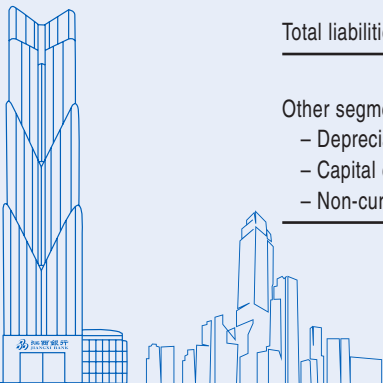
# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 42 SEGMENT REPORTING (continued)

### (b) Geographical segments (continued)

	Six months ended June 30, 2017				Total
	Head office	Nanchang area	Within Jiangxi Province (apart from Nanchang area)	Outside Jiangxi Province	
Operating income					
External net interest income	2,018,150	694,260	555,957	178,782	3,447,149
Internal net interest (expense)/income	(1,343,676)	906,137	374,262	63,277	-
Net interest income	674,474	1,600,397	930,219	242,059	3,447,149
Net fee and commission income	508,036	30,285	117,486	70,468	726,275
Net trading losses	(37,450)	-	-	-	(37,450)
Net gains arising from investment securities	204,957	-	-	(427)	204,530
Other income, gains or losses	1,973	2,765	9,287	7,419	21,444
Operating income	1,351,990	1,633,447	1,056,992	319,519	4,361,948
Operating expenses	(447,452)	(399,184)	(405,784)	(143,494)	(1,395,914)
Impairment losses on assets	(90,224)	(1,013,814)	(311,845)	(50,161)	(1,466,044)
Share of profits of associates	3,080	-	-	-	3,080
Profit before tax	817,394	220,449	339,363	125,864	1,503,070
Segment assets	241,109,739	57,444,590	41,465,602	18,003,837	358,023,768
Elimination					(440,272)
Total assets					357,583,496
Segment liabilities	(222,528,682)	(57,224,140)	(39,939,822)	(16,554,001)	(336,246,645)
Elimination					440,272
Total liabilities					(335,806,373)
Other segment information					
– Depreciation and amortization	71,321	28,011	54,589	6,641	160,562
– Capital expenditure	101,190	6,577	75,266	6,535	189,568
– Non-current assets	1,501,325	304,017	887,729	38,862	2,731,933



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 43 RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk and operational risk.

This note presents information about the Group's exposure to each of the above risks and their sources, and the Group's objectives, policies and procedures for measuring and managing these risks.

The Group's risk management policies were established to identify and analyze the risks to which the Group is exposed, to set appropriate risk limits, and to design relevant internal control policies and systems for monitoring risks and adhering to risk limits. Risk management policies and relevant internal control systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Internal Audit Department of the Group undertakes both regular and ad hoc reviews of the compliance of internal control implementation with risk management policies.

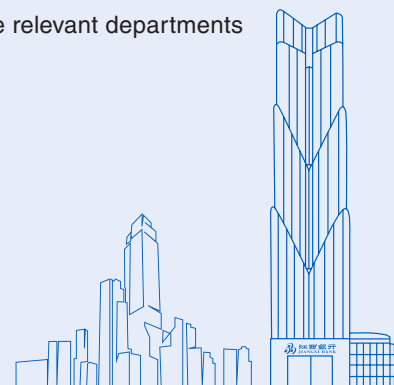
### (a) Credit risk

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

#### *Credit business*

The Board of Directors is responsible for setting the Group's risk management strategy and the overall risk tolerance level. The board also monitors the Group's risk management process and regularly assesses the Group's risk position and risk management strategies. The board gives advice on internal controls relating to risk management. The responsible department for credit risk management include the Credit Approval Department and Risk Management Department. The Risk Management Department is responsible for implementing the Group's overall risk management system. Besides risk monitoring and control, the Risk Management Department is also responsible for formulating risk management policies. To ensure the independence of credit approval, the Credit Approval Department is independent from customer relationship and product management departments. Front office departments of branches carry out credit businesses according to the Group's risk management policies and procedures.

The Group continuously improves the internal control mechanism and strengthens the management of the credit business. The Group has established comprehensive assessment and inquiry mechanisms, assigning the credit management accountability to the relevant departments and individuals.





# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 43 RISK MANAGEMENT (continued)

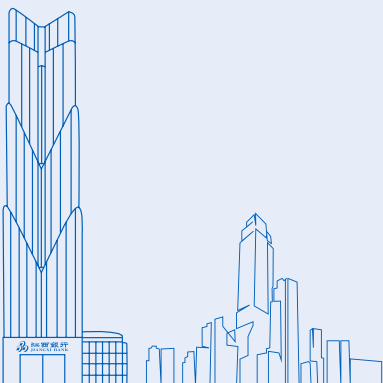
### (a) Credit risk (continued)

#### *Credit business* (continued)

For corporate and institutional businesses, the Group has established industry-specific limits for credit approval. It has put in place continuous monitoring mechanism, with regular reporting of credit exposures to the board. The Group's credit risk management covers key operational phases, including pre-lending evaluations, credit approval, and post-lending monitoring. With respect to pre-lending evaluations, the Group assesses customer credit ratings and performs integrated analysis on the risk and return of the loan. In the credit approval phase, all credit applications are approved by designated credit officers. During the post-lending monitoring, the Group continually monitors outstanding loans and other credit related businesses. Any adverse events that may significantly affect a borrower's repayment ability are reported immediately, and actions are taken to mitigate the risks.

For personal credit operation business, credit assessment of applicants is used as the basis for loan approval. In the credit assessment, customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and their recommendations to the loan-approval departments for further approval. The Group monitors borrowers' repayment ability, the status of collateral and any changes to their value during the post-lending phase. Once a loan becomes overdue, the Group starts the recovery process according to standardized loan recovery procedures.

The Group adopts a loan risk classification approach to manage its loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their levels of risk. Substandard, doubtful and loss loans are considered to be impaired loans and advances. They are classified as such when one or more events demonstrate that there is objective evidence of a loss event. The impairment loss is assessed collectively or individually as appropriate.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 43 RISK MANAGEMENT (continued)

### (a) Credit risk (continued)

#### *Financial markets business*

The Group sets credit limits for financial markets business operations based on the credit risk inherent in the products, counterparties and geographical areas. Credit risk exposure is closely monitored on a systematic, real-time basis, and credit risk limits are reviewed and updated regularly.

#### *Credit risk management after adopting IFRS 9*

After adopting IFRS 9 at January 1, 2018, the financial assets are categorised by the Group into the following stages to manage its financial assets' credit risk:

##### Stage 1

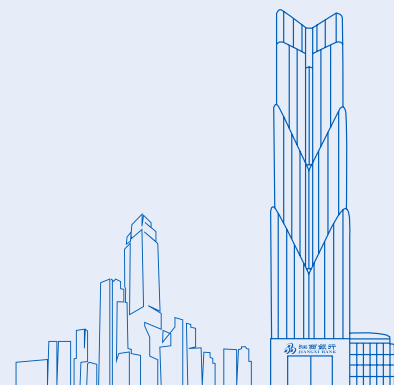
Financial assets have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12 months expected credit losses.

##### Stage 2

Financial assets have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime expected credit losses.

##### Stage 3

Financial assets that are in default and considered credit-impaired.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 43 RISK MANAGEMENT (continued)

### (a) Credit risk (continued)

#### *Credit risk management after adopting IFRS 9 (continued)*

##### *Significant increase in credit risk*

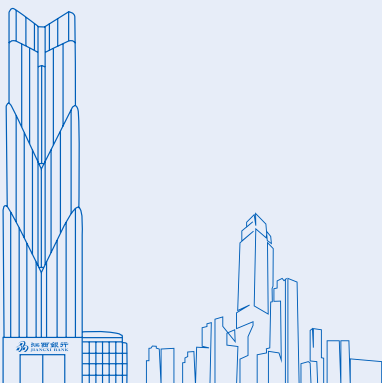
When one or more quantitative, qualitative standards or upper limits are triggered, the Group assumes that credit risk on financial assets has increased significantly.

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

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

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

As at June 30, 2018, the Group has not considered that any of its financial assets has lower credit risk and no longer compared the credit risk at the balance sheet date with that at the initial recognition to identify whether there was a significant increase in credit risk.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 43 RISK MANAGEMENT (continued)

### (a) Credit risk (continued)

#### *Credit risk management after adopting IFRS 9 (continued)*

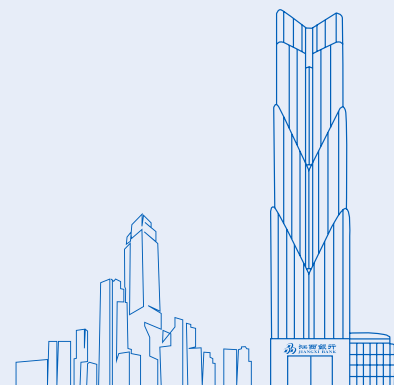
##### *Definition of default and credit-impaired assets*

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;
- the disappearance of an active market for a security because of financial difficulties of the issuer; or
- overdue more than 90 days.

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



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 43 RISK MANAGEMENT (continued)

### (a) Credit risk (continued)

#### *Credit risk management after adopting IFRS 9 (continued)*

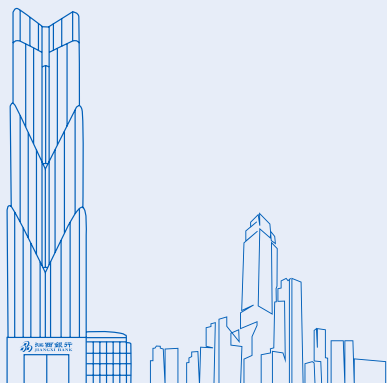
##### *Measurement of expected credit losses (“ECL”)*

The Group adopts ECL model to measure provision for loss of financial assets based on the stages categorised above.

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

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

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



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 43 RISK MANAGEMENT (continued)

### (a) Credit risk (continued)

#### *Credit risk management after adopting IFRS 9 (continued)*

##### *Measurement of expected credit losses (“ECL”) (continued)*

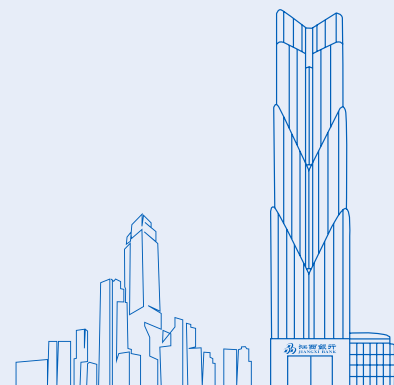
The lifetime PD is deduced from using the maturity model or 12-month probability of default. The maturity model describes the development rule of the defaults of the asset portfolio over its lifetime. The model is developed based on historical observational data and applicable to all assets in the same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

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

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

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

There has been no significant changes in the valuation techniques and key assumptions during the Reporting Period.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 43 RISK MANAGEMENT (continued)

### (a) Credit risk (continued)

(i) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets as at the end of each of the Reporting Period.

(ii) The credit quality of financial assets is analysed as follows:

	June 30, 2018				
	Loans and advances	Deposits/ placements with banks and other financial institutions	Financial assets held under resale agreements	Investments (*)	Others (**)
<b>Financial assets at amortised cost</b>					
<i>Credit-impaired</i>					
Gross amount	3,540,342	-	-	3,188,616	66,736
Provision for expected credit losses	(2,543,283)	-	-	(1,421,167)	(24,339)
Sub-total	997,059	-	-	1,767,449	42,397
<i>Overdue but not credit-impaired</i>					
Less than three months (inclusive)	3,180,524	-	-	12,879,868	-
Gross amount	3,180,524	-	-	12,879,868	-
Provision for expected credit losses	(149,006)	-	-	(104,811)	-
Sub-total	3,031,518	-	-	12,775,057	-
<i>Neither overdue nor credit-impaired</i>					
Gross amount	139,357,102	12,287,370	7,833,324	117,575,229	2,627,011
Provision for expected credit losses	(2,703,671)	(10,974)	(222)	(1,008,407)	-
Sub-total	136,653,431	12,276,396	7,833,102	116,566,822	2,627,011
Carrying amount of financial assets at amortised cost	140,682,008	12,276,396	7,833,102	131,109,328	2,669,408



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

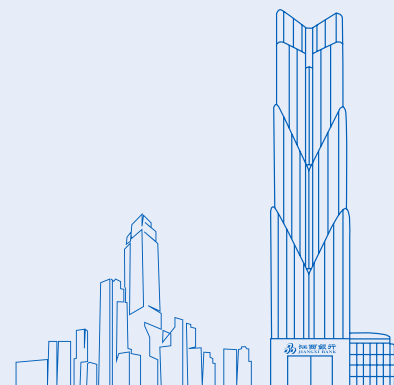
(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 43 RISK MANAGEMENT (continued)

### (a) Credit risk (continued)

(ii) The credit quality of financial assets is analysed as follows: (continued)

	June 30, 2018				
	Loans and advances	Deposits/ placements with banks and other financial institutions	Financial assets held under resale agreements	Investments (*)	Others (**)
<b>Financial assets at FVOCI</b>					
<i>Overdue but not credit-impaired</i>					
Less than three months (inclusive)	-	-	-	3,421,261	-
Gross amount	-	-	-	3,421,261	-
Provision for expected credit losses recognised in OCI	-	-	-	(31,956)	-
<i>Neither overdue nor credit-impaired</i>					
Gross amount	1,754,822	-	-	27,539,276	-
Provision for expected credit losses recognised in OCI	(8,100)	-	-	(231,430)	-
Carrying amount of financial assets at FVOCI	1,754,822	-	-	30,960,537	-
Total	142,436,830	12,276,396	7,833,102	162,069,865	2,669,408





# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

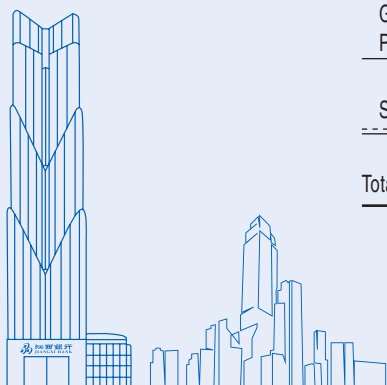
(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 43 RISK MANAGEMENT (continued)

### (a) Credit risk (continued)

(ii) The credit quality of financial assets is analysed as follows: (continued)

	December 31, 2017				
	Loans and advances	Deposits/ placements with banks and other financial institutions	Financial assets held under resale agreements	Investments (*)	Others (**)
<i>Impaired</i>					
Individually assessed gross amount	1,541,386	-	-	2,431,516	452,411
Provision for impairment losses	(1,265,205)	-	-	(676,634)	(23,669)
<b>Sub-total</b>	<b>276,181</b>	<b>-</b>	<b>-</b>	<b>1,754,882</b>	<b>428,742</b>
<i>Collectively assessed gross amount</i>					
Collectively assessed gross amount	583,633	-	-	-	-
Provision for impairment losses	(489,198)	-	-	-	-
<b>Sub-total</b>	<b>94,435</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Overdue but not Impaired</i>					
Less than three months (inclusive)	3,440,378	-	-	-	-
Between three months and six months (inclusive)	65,597	-	-	-	-
Between six months and one year (inclusive)	243,152	-	-	-	-
More than one year	851	-	-	-	-
<b>Gross amount</b>	<b>3,749,978</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Provision for impairment losses</b>	<b>(808,777)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Sub-total</b>	<b>2,941,201</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Neither overdue nor impaired</i>					
Gross amount	123,466,715	2,318,235	6,180,084	187,862,699	2,002,634
Provision for impairment losses	(2,009,154)	-	-	(1,198,071)	-
<b>Sub-total</b>	<b>121,457,561</b>	<b>2,318,235</b>	<b>6,180,084</b>	<b>186,664,628</b>	<b>2,002,634</b>
<b>Total</b>	<b>124,769,378</b>	<b>2,318,235</b>	<b>6,180,084</b>	<b>188,419,510</b>	<b>2,431,376</b>



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 43 RISK MANAGEMENT (continued)

### (a) Credit risk (continued)

(ii) The credit quality of financial assets is analysed as follows: (continued)

\* As at June 30, 2018, investments comprise financial assets held for trading, financial assets at amortised cost, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. As at December 31, 2017, investments comprise financial assets held for trading, available-for-sale financial assets, held-to-maturity investments and investments classified as receivables.

\*\* Others comprise interests receivable, prepayments for acquisition of property and equipment and other receivables in other assets.

The fair value of collaterals held against loans and advances overdue but not credit-impaired at June 30, 2018 and overdue but not impaired at December 31, 2017 amounted to RMB1,574.72 million and RMB1,713.29 million, respectively.

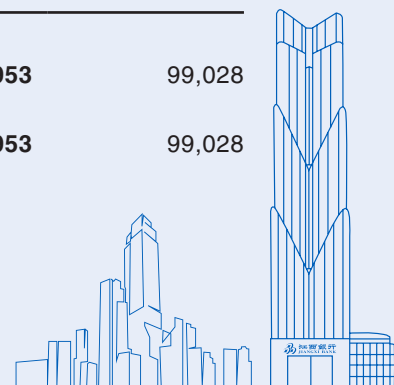
The fair value of collaterals held against loans and advances credit-impaired at June 30, 2018 and impaired at December 31, 2017 amounted to RMB1,442.19 million and RMB633.13 million, respectively. The collaterals mainly include land, buildings, machinery and equipment, etc. The fair value of collaterals were estimated by the Bank based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

(iii) Rescheduled loans and advances to customers

The Group has formulated a set of loan restructuring policies to reschedule the contractual terms with customers, to maximise the collectability of loans and to manage customer relationships.

The carrying amount of rescheduled loans and advances to customers is as follows:

	June 30, 2018	December 31, 2017
Rescheduled loans and advances to customers	42,953	99,028
Impaired loans and advances to customers included in above	42,953	99,028



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

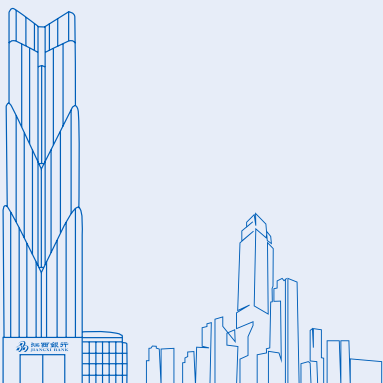
## 43 RISK MANAGEMENT (continued)

### (a) Credit risk (continued)

#### (iv) Credit rating

The Group adopts a credit rating approach in managing the credit risk of the debt securities portfolio. Debt securities are rated with reference to major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analyzed by the rating agency designations as at the end of the Reporting Period are as follows:

	<b>June 30, 2018</b>	December 31, 2017
Neither overdue nor impaired		
<i>Ratings</i>		
– AAA	37,515,252	34,680,662
– AA- to AA+	2,636,637	1,999,034
– BBB- to BBB+	–	138,636
Sub-total	40,151,889	36,818,332
<i>Unrated</i>	310,332	360,059
Sub-total	310,332	360,059
Total	40,462,221	37,178,391



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 43 RISK MANAGEMENT (continued)

### (b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

The Board of Directors is ultimately responsible for monitoring the Group's market risk to ensure that the Group has effectively identified, measured and monitored all types of market risk. The Risk Management Committee monitors the market risk management process within the scope authorized by the Board of Directors, which include review and approval of market risk management strategies, policies and procedures. The Group is primarily exposed to market risk in its financial markets business. The Financial Market Department is responsible for carrying out capital investments and transactions. The Finance Management Department and International Business Department are responsible for monitoring and managing the interest rate risk and foreign exchange risk on a daily basis. The Risk Management Department is responsible for formulating the market risk management policies and procedures, as well as identifying, measuring and monitoring the Group's market risk.

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

Scenario analysis is a multi-factor analysis method which assesses the impact of multiple factors interacting simultaneously, taking into consideration of the probabilities of various scenarios.

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

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

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

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



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 43 RISK MANAGEMENT (continued)

### (b) Market risk (continued)

#### *Interest rate risk*

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

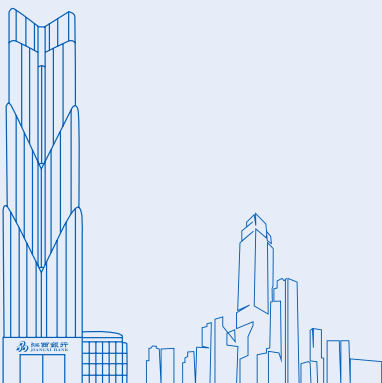
#### *Repricing risk*

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

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

#### *Trading interest rate risk*

Trading interest rate risk mainly arises from the financial markets business’ investment portfolios. Interest rate risk is monitored using the effective duration analysis method. The Group employs other supplementary methods to measure its interest rate sensitivity, which is expressed as changes in the investment portfolios’ fair value given a 100 basis points (1%) movement in the interest rates.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

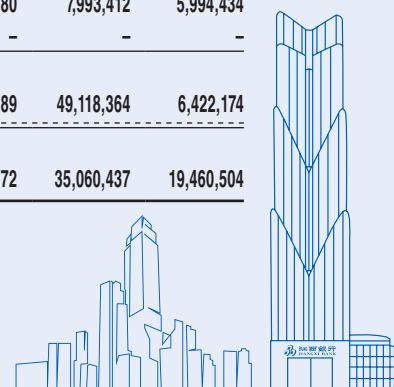
## 43 RISK MANAGEMENT (continued)

### (b) Market risk (continued)

#### Interest rate risk (continued)

- (i) The following tables indicate the assets and liabilities as at the end of each of the Reporting Period by the expected next repricing dates or by maturity dates, depending on which is earlier:

	June 30, 2018					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
<b>Assets</b>						
Cash and deposits with the central bank	38,224,906	2,974,278	35,250,628	-	-	-
Deposits with banks and other financial institutions	9,784,038	1,911	8,282,127	1,500,000	-	-
Placements with banks and other financial institutions	2,492,358	-	2,492,358	-	-	-
Financial assets held under resale agreements	7,833,102	-	7,833,102	-	-	-
Loans and advances to customers (Note (i))	142,436,830	-	51,292,702	74,451,828	16,563,776	128,524
Investments (Note (ii))	194,923,101	1,064,595	43,897,856	56,649,033	67,557,463	25,754,154
Others	8,398,257	8,340,695	-	-	57,562	-
<b>Total assets</b>	<b>404,092,592</b>	<b>12,381,479</b>	<b>149,048,773</b>	<b>132,600,861</b>	<b>84,178,801</b>	<b>25,882,678</b>
<b>Liabilities</b>						
Borrowing from the central bank	170,789	-	129,465	41,324	-	-
Deposits from banks and other financial institutions	34,456,803	-	19,759,293	14,697,510	-	-
Placements from banks and other financial institutions	6,120,000	-	1,400,000	4,500,000	220,000	-
Borrowing from other financial institutions	8,660,826	-	3,350,000	5,310,826	-	-
Financial assets sold under repurchase agreements	9,829,820	-	9,829,820	-	-	-
Deposits from customers	255,059,487	1,771,340	163,808,006	48,147,449	40,904,952	427,740
Debt securities issued	51,641,753	-	11,399,227	26,254,680	7,993,412	5,994,434
Others	7,710,753	7,710,753	-	-	-	-
<b>Total liabilities</b>	<b>373,650,231</b>	<b>9,482,093</b>	<b>209,675,811</b>	<b>98,951,789</b>	<b>49,118,364</b>	<b>6,422,174</b>
<b>Asset-liability gap</b>	<b>30,442,361</b>	<b>2,899,386</b>	<b>(60,627,038)</b>	<b>33,649,072</b>	<b>35,060,437</b>	<b>19,460,504</b>



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

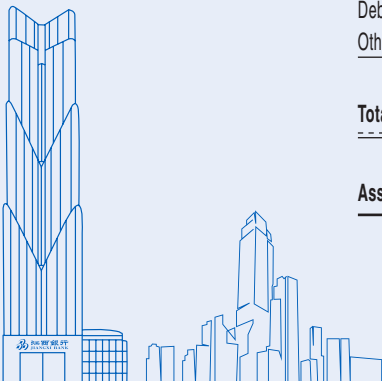
## 43 RISK MANAGEMENT (continued)

### (b) Market risk (continued)

#### Interest rate risk (continued)

- (i) The following tables indicate the assets and liabilities as at the end of each of the Reporting Period by the expected next repricing dates or by maturity dates, depending on which is earlier: (continued)

	Total	Non-interest bearing	December 31, 2017			
			Less than three months	Between three months and one year	Between one year and five years	More than five years
<b>Assets</b>						
Cash and deposits with the central bank	40,039,192	2,971,134	37,068,058	-	-	-
Deposits with banks and other financial institutions	1,818,235	454,124	1,364,111	-	-	-
Placements with banks and other financial institutions	500,000	-	500,000	-	-	-
Financial assets held under resale agreements	6,180,084	-	6,180,084	-	-	-
Loans and advances to customers (Note (i))	124,769,378	-	74,887,225	35,205,027	13,527,936	1,149,190
Investments (Note (ii))	188,429,760	493,449	45,529,663	27,649,026	83,312,116	31,445,506
Others	8,268,649	8,214,176	-	-	54,473	-
<b>Total assets</b>	<b>370,005,298</b>	<b>12,132,883</b>	<b>165,529,141</b>	<b>62,854,053</b>	<b>96,894,525</b>	<b>32,594,696</b>
<b>Liabilities</b>						
Borrowing from the central bank	4,022,343	-	4,014,352	7,991	-	-
Deposits from banks and other financial institutions	29,820,013	-	7,127,843	22,692,170	-	-
Placements from banks and other financial institutions	1,350,000	-	-	500,000	850,000	-
Borrowing from other financial institutions	8,450,000	-	1,840,000	6,610,000	-	-
Financial assets sold under repurchase agreements	6,689,051	-	6,689,051	-	-	-
Deposits from customers	243,837,351	1,201,660	164,045,757	27,117,845	50,479,805	992,284
Debt securities issued	43,473,768	-	10,160,447	19,328,314	7,991,408	5,993,599
Others	9,090,711	9,090,710	1	-	-	-
<b>Total liabilities</b>	<b>346,733,237</b>	<b>10,292,370</b>	<b>193,877,451</b>	<b>76,256,320</b>	<b>59,321,213</b>	<b>6,985,883</b>
<b>Asset-liability gap</b>	<b>23,272,061</b>	<b>1,840,513</b>	<b>(28,348,310)</b>	<b>(13,402,267)</b>	<b>37,573,312</b>	<b>25,608,813</b>



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 43 RISK MANAGEMENT (continued)

### (b) Market risk (continued)

#### Interest rate risk (continued)

(i) The following tables indicate the assets and liabilities as at the end of each of the Reporting Period by the expected next repricing dates or by maturity dates, depending on which is earlier: (continued)

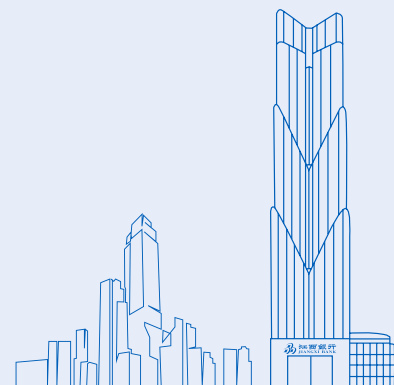
(i) As at June 30, 2018 and December 31, 2017, for loans and advances to customers, the category “Less than three months” includes overdue amounts (net of provision for impairment losses) of RMB1,970.73 million and RMB2,475.58 million, respectively.

(ii) As at June 30, 2018, investments include financial assets held for trading, financial assets at amortised cost, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. As at December 31, 2017, investments include financial assets held for trading, available-for-sale financial assets, held-to-maturity investments and investments classified as receivables.

(ii) Interest rate sensitivity analysis

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group’s net profit and equity. The following table sets forth the results of the Group’s interest rate sensitivity analysis on net profit and equity with an assumption that all other variables held constant.

	<b>June 30, 2018 (decrease)/ increase</b>	December 31, 2017 (decrease)/ increase
Change in net profit		
Up 100 bps parallel shift in yield curves	<b>(327,236)</b>	(232,469)
Down 100 bps parallel shift in yield curves	<b>281,245</b>	233,013





# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 43 RISK MANAGEMENT (continued)

### (b) Market risk (continued)

#### *Interest rate risk (continued)*

(ii) Interest rate sensitivity analysis (continued)

	<b>June 30, 2018</b>	December 31, 2017
	<b>(decrease)/ Increase</b>	(decrease)/ Increase
Change in equity		
Up 100 bps parallel shift in yield curves	<b>(518,677)</b>	(445,890)
Down 100 bps parallel shift in yield curves	<b>552,294</b>	476,197

The sensitivity analysis above is based on a static interest rate risk profile of the Group's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualized net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

- Interest rate movements at the end of each of the Reporting Period apply to non-derivative financial instruments of the Group;
- At the end of each of the Reporting Period, an interest rate movement of 100 basis points is based on the assumption of interest rates movement over the next 12 months;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

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



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 43 RISK MANAGEMENT (continued)

### (b) Market risk (continued)

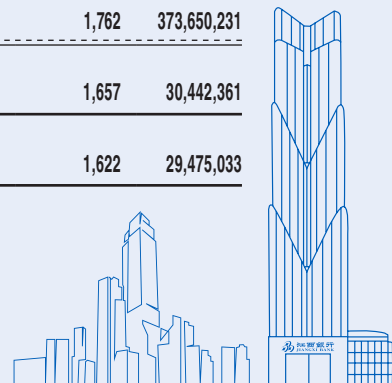
#### Foreign exchange risk

##### Foreign currency risk

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

- (i) The Group's currency exposures as at the end of each of the Reporting Period are as follows:

	June 30, 2018				
	RMB	USD (RMB Equivalent)	HKD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
<b>Assets</b>					
Cash and deposits with the central bank	38,185,823	35,886	2,088	1,109	38,224,906
Deposits with banks and other financial institutions	2,897,310	560,694	6,323,724	2,310	9,784,038
Placements with banks and other financial institutions	2,492,358	-	-	-	2,492,358
Financial assets held under resale agreements	7,833,102	-	-	-	7,833,102
Loans and advances to customers	141,923,693	513,137	-	-	142,436,830
Investments (Note (i))	194,923,101	-	-	-	194,923,101
Others	8,395,423	2,834	-	-	8,398,257
<b>Total assets</b>	<b>396,650,810</b>	<b>1,112,551</b>	<b>6,325,812</b>	<b>3,419</b>	<b>404,092,592</b>
<b>Liabilities</b>					
Borrowing from the central bank	170,789	-	-	-	170,789
Deposits from banks and other financial institutions	34,449,466	5,558	909	870	34,456,803
Placements from banks and other financial institutions	6,120,000	-	-	-	6,120,000
Borrowing from other financial institutions	8,660,826	-	-	-	8,660,826
Financial assets sold under repurchase agreements	9,829,820	-	-	-	9,829,820
Deposits from customers	254,010,084	1,027,440	21,071	892	255,059,487
Debt securities issued	51,641,753	-	-	-	51,641,753
Others	7,706,283	4,460	10	-	7,710,753
<b>Total liabilities</b>	<b>372,589,021</b>	<b>1,037,458</b>	<b>21,990</b>	<b>1,762</b>	<b>373,650,231</b>
<b>Net position</b>	<b>24,061,789</b>	<b>75,093</b>	<b>6,303,822</b>	<b>1,657</b>	<b>30,442,361</b>
Off-balance sheet credit commitments	28,077,818	1,395,593	-	1,622	29,475,033



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 43 RISK MANAGEMENT (continued)

### (b) Market risk (continued)

#### Foreign exchange risk (continued)

#### Foreign currency risk (continued)

- (i) The Group's currency exposures as at the end of each of the Reporting Period are as follows: (continued)

	December 31, 2017				Total (RMB Equivalent)
	RMB	USD (RMB Equivalent)	HKD (RMB Equivalent)	Others (RMB Equivalent)	
<b>Assets</b>					
Cash and deposits with the central bank	39,983,511	52,033	2,794	854	40,039,192
Deposits with banks and other financial institutions	814,397	959,510	40,473	3,855	1,818,235
Placements with banks and other financial institutions	500,000	-	-	-	500,000
Financial assets held under resale agreements	6,180,084	-	-	-	6,180,084
Loans and advances to customers	124,490,648	278,730	-	-	124,769,378
Investments (Note (i))	188,429,760	-	-	-	188,429,760
Others	8,267,149	1,500	-	-	8,268,649
<b>Total assets</b>	<b>368,665,549</b>	<b>1,291,773</b>	<b>43,267</b>	<b>4,709</b>	<b>370,005,298</b>
<b>Liabilities</b>					
Borrowing from the central bank	4,022,343	-	-	-	4,022,343
Deposits from banks and other financial institutions	29,817,347	1,387	860	419	29,820,013
Placements from banks and other financial institutions	1,350,000	-	-	-	1,350,000
Borrowing from other financial institutions	8,450,000	-	-	-	8,450,000
Financial assets sold under repurchase agreements	6,689,051	-	-	-	6,689,051
Deposits from customers	242,962,878	840,413	32,712	1,348	243,837,351
Debt securities issued	43,473,768	-	-	-	43,473,768
Others	9,086,686	4,011	13	1	9,090,711
<b>Total liabilities</b>	<b>345,852,073</b>	<b>845,811</b>	<b>33,585</b>	<b>1,768</b>	<b>346,733,237</b>
<b>Net position</b>	<b>22,813,476</b>	<b>445,962</b>	<b>9,682</b>	<b>2,941</b>	<b>23,272,061</b>
Off-balance sheet credit commitments	25,448,906	745,805	-	8,475	26,203,186

- (i) As at June 30, 2018, investments include financial assets held for trading, financial assets at amortised cost, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. As at December 31, 2017, investments include financial assets held for trading, available-for-sale financial assets, held-to-maturity investments and investments classified as receivables.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 43 RISK MANAGEMENT (continued)

### (b) Market risk (continued)

#### Foreign exchange risk (continued)

#### Foreign currency risk (continued)

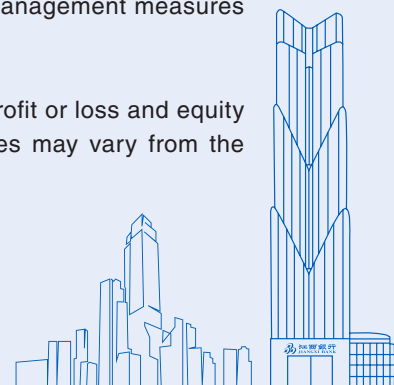
#### (ii) Exchange rate sensitivity analysis

	June 30, 2018		December 31, 2017	
	Change in foreign currency exchange rate (in basis points)		Change in foreign currency exchange rate (in basis points)	
	(100)	100	(100)	100
(Decrease)/increase in annualised net profit	(47,854)	47,854	(3,439)	3,439

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

- The foreign exchange sensitivity is the gain and loss recognised as a result of one hundred basis points fluctuation in the foreign currency exchange rates against RMB;
- The fluctuation of exchange rates by one hundred basis points is based on the assumption of exchange rates movement over the next 12 months;
- The exchange rates against RMB for the US dollars and other foreign currencies change in the same direction simultaneously, and thus other foreign currencies are converted into US dollars for the sensitivity analysis mentioned above to show how net profit or loss and equity would have been affected;
- Other variables (including interest rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the Group.

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



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 43 RISK MANAGEMENT (continued)

### (c) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to sustain its asset business or meet repayment obligations. This risk exists even if a bank's solvency remains strong. In accordance with liquidity policies, the Group monitors the future cash flows and maintains an appropriate level of highly liquid assets.

The Asset and Liability Management Committee ("ALMC") is responsible for managing the Group's overall liquidity risk. The ALMC is responsible for the formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

- Maintaining liquidity at a stable and sufficient level; establishing integrated liquidity risk management system; ensuring the meeting on a timely basis of liquidity requirements and the payment of assets, liabilities, and off-balance sheet business, whether under a normal operating environment or a state of stress; balancing the effectiveness and security of funds in an efficient manner; and
- Making timely and reasonable adjustments to capital structure and scale in response to market changes and business developments; pursuing profit maximization and cost minimization to a modest extent while ensuring appropriate liquidity; achieving the integration of the security, liquidity, and effectiveness of the Bank's funds.

The Finance Management Department takes the lead to execute liquidity management policies and is responsible for formulating and revising the liquidity management strategies, and for identifying, measuring, monitoring and releasing the liquidity risk of the Bank. It is also responsible for managing and forecasting the working capital on a regular basis together with the Finance Market Department, and ensuring the liquidity of working capital meets management requirements based on the liquidity strategies. The Finance Market Department is responsible for performing the operation following the instructions of the Finance Management Department. Significant disbursement or portfolio changes must be reported to the ALMC on a timely basis.

A substantial portion of the Group's assets are funded by deposits from customers. These deposits from customers, which have been growing in recent years, are widely diversified in terms of type and duration and represent a stable source of funds.

The Group principally uses liquidity gap analysis to measure liquidity risk. Scenario analysis and stress testing are also adopted to assess the impact of liquidity risk.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

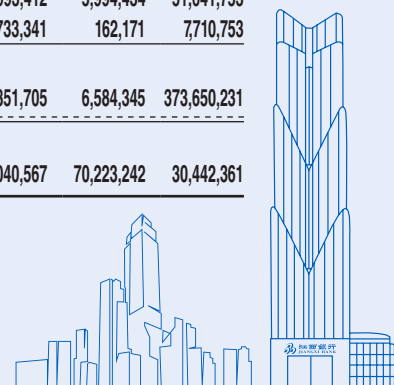
(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 43 RISK MANAGEMENT (continued)

### (c) Liquidity risk (continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of each of the Reporting Period:

	Indefinite Note (i)	Repayable on demand	Within one month	June 30, 2018			More than five years	Total
				Between one month and three months	Between three months and one year	Between one year and five years		
<b>Assets</b>								
Cash and deposits with the central bank	34,136,767	4,088,139	-	-	-	-	-	38,224,906
Deposit with banks and other financial institutions	-	8,281,243	1,654	1,141	1,500,000	-	-	9,784,038
Placements with banks and other financial institutions	-	-	2,492,358	-	-	-	-	2,492,358
Financial assets held under resale agreements	-	-	7,331,702	501,400	-	-	-	7,833,102
Loans and advances to customers	1,498,464	3,905,699	3,876,466	7,582,785	48,576,018	40,228,758	36,768,640	142,436,830
Investments	744,595	18,428,853	2,969,330	5,399,722	46,582,747	81,366,383	39,431,471	194,923,101
Others	5,680,828	75,820	89,253	153,770	493,979	1,297,131	607,476	8,398,257
<b>Total assets</b>	<b>42,060,654</b>	<b>34,779,754</b>	<b>16,760,763</b>	<b>13,638,818</b>	<b>97,152,744</b>	<b>122,892,272</b>	<b>76,807,587</b>	<b>404,092,592</b>
<b>Liabilities</b>								
Borrowing from the central bank	-	-	46,220	83,245	41,324	-	-	170,789
Deposits from banks and other financial institutions	-	468,333	3,815,000	15,315,960	14,857,510	-	-	34,456,803
Placements from banks and other financial institutions	-	-	1,400,000	-	4,500,000	220,000	-	6,120,000
Borrowing from other financial institutions	-	-	-	3,350,000	5,310,826	-	-	8,660,826
Financial assets sold under repurchase agreements	-	-	9,829,820	-	-	-	-	9,829,820
Deposit from customers	-	145,082,527	9,594,342	10,902,477	48,147,449	40,904,952	427,740	255,059,487
Debt securities issued	-	-	3,121,339	8,277,888	26,254,680	7,993,412	5,994,434	51,641,753
Others	728,696	225,808	1,439,514	1,028,842	2,392,381	1,733,341	162,171	7,710,753
<b>Total liabilities</b>	<b>728,696</b>	<b>145,776,668</b>	<b>29,246,235</b>	<b>38,958,412</b>	<b>101,504,170</b>	<b>50,851,705</b>	<b>6,584,345</b>	<b>373,650,231</b>
<b>Net position</b>	<b>41,331,958</b>	<b>(110,996,914)</b>	<b>(12,485,472)</b>	<b>(25,319,594)</b>	<b>(4,351,426)</b>	<b>72,040,567</b>	<b>70,223,242</b>	<b>30,442,361</b>



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

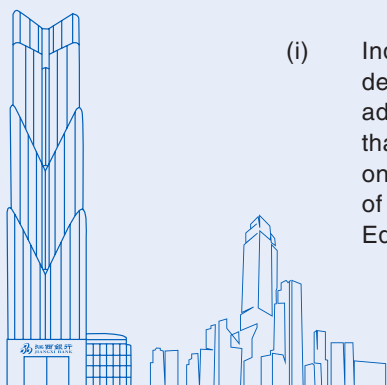
(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 43 RISK MANAGEMENT (continued)

### (c) Liquidity risk (continued)

	Indefinite Note (i)	Repayable on demand	Within one month	December 31, 2017				Total
				Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
<b>Assets</b>								
Cash and deposits with the central bank	34,335,290	5,703,902	-	-	-	-	-	40,039,192
Deposit with banks and other financial institutions	-	1,552,893	65,342	200,000	-	-	-	1,818,235
Placements with banks and other financial institutions	-	-	500,000	-	-	-	-	500,000
Financial assets held under resale agreements	-	-	5,880,161	299,923	-	-	-	6,180,084
Loans and advances to customers	1,364,200	4,017,340	6,201,239	8,675,404	39,305,055	35,506,841	29,699,299	124,769,378
Investments	493,449	14,900,957	5,104,421	8,384,720	17,167,964	97,250,116	45,128,133	188,429,760
Others	5,625,024	64,748	899,119	391,149	557,076	537,726	193,807	8,268,649
<b>Total assets</b>	<b>41,817,963</b>	<b>26,239,840</b>	<b>18,650,282</b>	<b>17,951,196</b>	<b>57,030,095</b>	<b>133,294,683</b>	<b>75,021,239</b>	<b>370,005,298</b>
<b>Liabilities</b>								
Borrowing from the central bank	-	-	4,012,864	1,488	7,991	-	-	4,022,343
Deposits from banks and other financial institutions	-	255,843	593,000	6,279,000	22,692,170	-	-	29,820,013
Placements from banks and other financial institutions	-	-	-	-	500,000	850,000	-	1,350,000
Borrowing from other financial institutions	-	-	840,000	1,000,000	6,610,000	-	-	8,450,000
Financial assets sold under repurchase agreements	-	-	6,689,051	-	-	-	-	6,689,051
Deposit from customers	-	134,569,608	14,691,385	15,986,424	27,117,845	50,479,805	992,284	243,837,351
Debt securities issued	-	-	3,599,220	6,561,227	19,328,314	7,991,408	5,993,599	43,473,768
Others	312,895	224,964	3,289,442	1,274,674	2,068,812	1,770,686	149,238	9,090,711
<b>Total liabilities</b>	<b>312,895</b>	<b>135,050,415</b>	<b>33,714,962</b>	<b>31,102,813</b>	<b>78,325,132</b>	<b>61,091,899</b>	<b>7,135,121</b>	<b>346,733,237</b>
<b>Net position</b>	<b>41,505,068</b>	<b>(108,810,575)</b>	<b>(15,064,680)</b>	<b>(13,151,617)</b>	<b>(21,295,037)</b>	<b>72,202,784</b>	<b>67,886,118</b>	<b>23,272,061</b>

- (i) Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amount of loans and advances to customers includes all the impaired loans, as well as those overdue more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of repayable on demand. Indefinite amount of investments represents impaired investments or those overdue more than one month. Equity investments is listed in the category of indefinite.



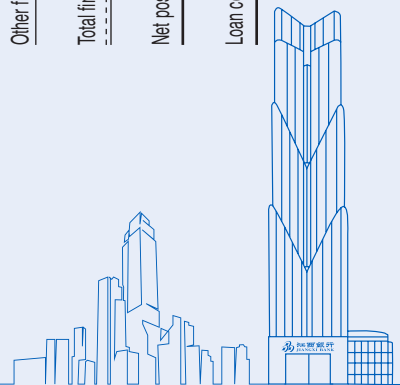
# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

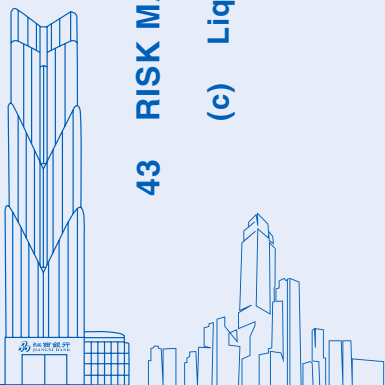
## 43 RISK MANAGEMENT (continued) (c) Liquidity risk (continued)

The following tables provide an analysis of the contractual undiscounted cash flow of the financial assets and liabilities, loans commitments and credit card commitments of the Group at the end of each of the Reporting Period:

	June 30, 2018								
	Carrying amount	Contractual undiscounted cash flow	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
<b>Financial assets:</b>									
Cash and deposits with the central bank	38,224,906	38,224,906	34,136,767	4,088,139	-	-	-	-	-
Deposit with banks and other financial institutions	9,784,038	9,884,232	-	8,312,710	3,626	2,500	1,565,396	-	-
Placements with banks and other financial institutions	2,492,358	2,500,348	-	-	2,500,348	-	-	-	-
Financial assets held under resale agreements	7,833,102	7,847,342	-	-	7,343,744	503,598	-	-	-
Loans and advances to customers	142,436,830	174,862,652	1,506,432	3,906,246	4,020,732	7,986,175	50,655,072	46,714,635	60,073,360
Investments	194,923,101	226,970,987	744,595	18,469,116	3,939,602	6,365,811	52,739,278	100,908,468	43,804,117
Other financial assets	3,491,821	3,491,821	1,058,273	75,116	88,155	147,329	459,080	1,068,102	595,766
<b>Total financial assets</b>	<b>399,186,156</b>	<b>463,782,288</b>	<b>37,446,067</b>	<b>34,851,327</b>	<b>17,896,207</b>	<b>15,005,413</b>	<b>105,418,826</b>	<b>148,691,205</b>	<b>104,473,243</b>
<b>Financial liabilities</b>									
Borrowing from the central bank	170,789	171,471	-	-	46,254	83,544	41,673	-	-
Deposits from banks and other financial institutions	34,456,803	39,636,270	-	468,333	3,914,455	3,914,455	15,888,232	15,450,795	-
Placements from banks and other financial institutions	6,120,000	6,268,588	-	-	1,401,743	-	4,624,908	241,937	-
Borrowing from other financial institutions	8,660,826	8,894,300	-	-	842,572	2,837,413	5,214,315	-	-
Financial assets sold under repurchase agreements	9,829,820	9,833,186	-	-	9,833,186	-	-	-	-
Deposit from customers	255,059,487	261,339,145	-	145,082,527	13,136,180	11,184,923	49,023,366	42,446,250	465,899
Debt securities issued	51,641,753	56,015,500	-	-	3,130,000	8,340,000	26,930,000	9,965,500	7,650,000
Other financial liabilities	7,705,397	7,705,397	723,341	225,808	1,436,449	1,031,906	2,392,381	1,733,341	162,171
<b>Total financial liabilities</b>	<b>373,644,875</b>	<b>389,863,857</b>	<b>723,341</b>	<b>145,776,688</b>	<b>33,740,839</b>	<b>27,392,241</b>	<b>104,114,875</b>	<b>69,837,823</b>	<b>8,278,070</b>
<b>Net position</b>	<b>25,541,281</b>	<b>73,918,431</b>	<b>36,722,726</b>	<b>(110,925,341)</b>	<b>(15,844,632)</b>	<b>(12,386,828)</b>	<b>1,303,951</b>	<b>78,853,382</b>	<b>96,195,173</b>
<b>Loan commitments and credit card commitments</b>	<b>29,475,033</b>	<b>29,475,033</b>	<b>-</b>	<b>5,831,063</b>	<b>2,559,099</b>	<b>5,683,641</b>	<b>13,785,941</b>	<b>1,615,289</b>	<b>-</b>







## 43 RISK MANAGEMENT (continued)

### (c) Liquidity risk (continued)

December 31, 2017

	Carrying amount	Contractual undiscounted cash flow	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
<b>Financial assets:</b>									
Cash and deposits with the central bank	40,039,192	40,039,192	34,335,290	5,703,902	-	-	-	-	-
Deposit with banks and other financial institutions	1,818,235	1,819,516	-	1,552,893	65,382	201,241	-	-	-
Placements with banks and other financial institutions	500,000	500,060	-	-	500,060	-	-	-	-
Financial assets held under resale agreements	6,180,084	6,187,178	-	-	5,883,779	303,399	-	-	-
Loans and advances to customers	124,769,378	149,395,866	1,368,090	4,018,507	6,249,482	9,029,042	40,971,450	41,341,501	46,417,794
Investments	188,429,760	221,032,799	493,449	14,918,247	5,621,219	9,458,670	23,798,697	116,424,014	50,318,503
Other financial assets	3,265,299	3,265,299	1,003,525	57,297	898,994	362,652	493,288	302,201	127,342
<b>Total financial assets</b>	<b>365,001,948</b>	<b>422,239,910</b>	<b>37,200,354</b>	<b>26,250,846</b>	<b>19,218,916</b>	<b>19,375,004</b>	<b>65,263,435</b>	<b>158,067,716</b>	<b>96,863,639</b>
<b>Financial liabilities</b>									
Borrowing from the central bank	4,022,343	4,035,333	-	4,025,833	1,500	8,000	-	-	-
Deposits from banks and other financial institutions	29,820,013	30,830,927	-	255,843	605,784	6,490,809	23,478,491	-	-
Placements from banks and other financial institutions	1,350,000	1,473,385	-	-	-	-	510,754	962,631	-
Borrowing from other financial institutions	8,450,000	8,663,305	-	-	842,307	1,010,610	6,810,388	-	-
Financial assets sold under repurchase agreements	6,689,051	6,694,368	-	-	6,694,368	-	-	-	-
Deposit from customers	243,837,351	246,998,466	-	134,569,608	14,838,775	16,236,841	27,964,220	52,300,661	1,078,381
Debt securities issued	43,473,768	47,881,500	-	-	3,610,000	6,610,000	20,471,050	9,690,450	7,500,000
Other financial liabilities	9,083,113	9,083,113	307,467	224,964	3,277,177	1,294,682	2,068,899	1,770,686	149,238
<b>Total financial liabilities</b>	<b>346,725,639</b>	<b>355,650,417</b>	<b>307,467</b>	<b>139,076,248</b>	<b>29,869,911</b>	<b>31,640,942</b>	<b>81,303,902</b>	<b>64,724,428</b>	<b>8,727,619</b>
<b>Net position</b>	<b>18,276,309</b>	<b>66,589,493</b>	<b>36,892,887</b>	<b>(112,825,402)</b>	<b>(10,650,995)</b>	<b>(12,265,938)</b>	<b>(16,040,367)</b>	<b>93,343,288</b>	<b>88,136,020</b>
<b>Loan commitments and credit card commitments</b>	<b>26,203,186</b>	<b>26,203,186</b>	<b>-</b>	<b>5,593,302</b>	<b>2,031,572</b>	<b>5,167,107</b>	<b>11,783,976</b>	<b>1,626,229</b>	<b>1,000</b>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 43 RISK MANAGEMENT (continued)

### (d) Operational risk

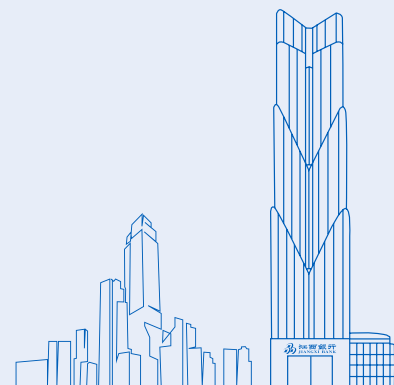
Operational risk refers to the risk of losses associated with internal processes deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group establishes a framework of policies and procedures to identify, assess, control, manage and report operational risk. The framework covers all business functions ranging from corporate banking, retail banking, trading, corporate finance, settlement, intermediary business, asset management and all supporting functions, including human resource management, financial management, legal affairs, anti-money laundering and administration management. The key elements of the framework are listed as below:

- A multi-level operational risk management framework with segregation of duties between front and back offices under the leadership of senior management;
- A series of operational risk management policies covering all businesses on the basis of core operational risk management policy;
- An emergency plan and a business continuity system designed to deal with emergent and adverse circumstances, including public relation issues, natural disasters, IT system errors, bank runs, robberies, etc.;
- An evaluation system on the operational risk management as well as an inquiry and disciplinary system on the non-compliance issues; and
- An independent risk assessment framework based on the internal audit and the compliance review.

## 44 COMPARATIVE FIGURES

The Group has initially applied IFRS 15 and IFRS 9 at January 1, 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 45 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED JUNE 30, 2018

A number of amendments, new standards and interpretations issued by the International Accounting Standards Board are effective for annual periods beginning from January 1, 2018 and earlier application is permitted. Except for the amendments to IFRS 9, *Prepayment Features with Negative Compensation*, which have been adopted at the same time as IFRS 9, the Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following update to the information provided in the last annual financial statements in respect of IFRS 16, *Leases*, which may have a significant impact on the Group's consolidated financial statements.

### IFRS 16, *Leases*

As discussed in the 2017 annual financial statements, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. Upon the adoption of IFRS 16, where the Group is the lessee under the lease the Group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognise and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding "right-of-use" asset at the commencement date of the lease, subject to practical expedients. IFRS 16 will primarily affect the Group's accounting as a lessee of leases for items of property, plant and equipment which are currently classified as operating leases.

During the six months ended June 30, 2018, the Group continued the existing lease agreement for its office premise. These leases are currently classified as operating leases.

The following is an updated information about the Group's future minimum lease payments, based on the non-cancellable operating leases that have been entered into by June 30, 2018:

	<b>Properties</b>
Within one year (inclusive)	163,714
After one year but within five years (inclusive)	449,356
After five years	183,822
<b>Total</b>	<b>796,892</b>

Upon the initial adoption of IFRS 16 at January 1, 2019, the present value of most of the future minimum lease payments that are payable after 6 months will be recognised as lease liabilities, with corresponding right-of-use assets recognised as non-current assets. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16.



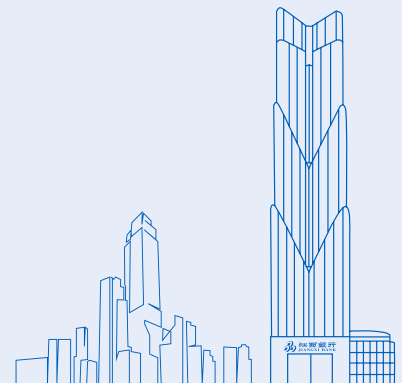
# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 46 SUBSEQUENT EVENTS

The Bank's Global Offering was completed and the H Shares of the Bank were Listed on the Main Board of the Hong Kong Stock Exchange on June 26, 2018. In addition, the over-allotment option as set out in the Prospectus was fully exercised, and those H Shares were listed on the Main Board of the Hong Kong Stock Exchange on July 24, 2018.

Except for the event as disclosed above, the Group has no material events for disclosure subsequent to the end of the Reporting Period.



# UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

The information set out below does not form part of the unaudited consolidated interim financial report, and is included herein for information purpose only.

In accordance with the Hong Kong Listing Rules and Banking (Disclosure) Rules, the Bank discloses the unaudited supplementary financial information as follows:

## 1 LIQUIDITY COVERAGE RATIO AND LEVERAGE RATIO

### Liquidity coverage ratio

	June 30, 2018	Average for the six months ended June 30, 2018
Liquidity coverage ratio (RMB and foreign currency)	203.22%	225.22%

	December 31, 2017	Average for the year ended December 31, 2017
Liquidity coverage ratio (RMB and foreign currency)	246.59%	329.55%

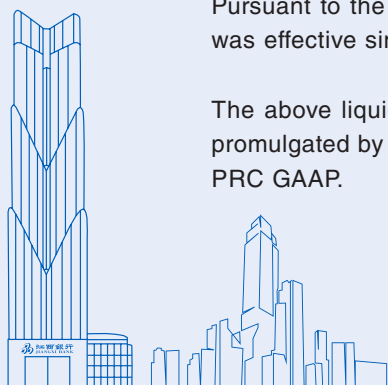
Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks (Provisional), the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018.

### Leverage Ratio

	June 30, 2018	December 31, 2017
Leverage Ratio	7.06%	5.98%

Pursuant to the Leverage Ratio Management of Commercial Banks issued by the former CBRC and was effective since April 1, 2015, a minimum leverage ratio 4% is required for commercial banks.

The above liquidity coverage ratio and leverage ratio are calculated in accordance with the formula promulgated by the former CBRC and based on the financial information prepared in accordance with PRC GAAP.



## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

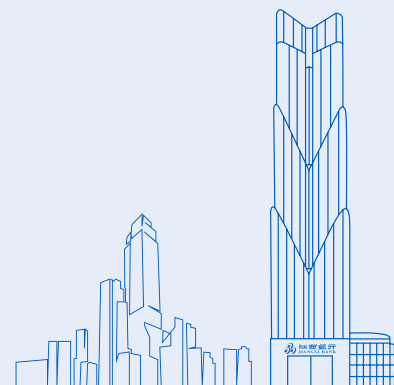
### 2 CURRENCY CONCENTRATIONS

	June 30, 2018			Total
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	1,044,087	212,601	7,608	1,264,296
Spot liabilities	(1,051,360)	(21,990)	(1,762)	(1,075,112)
Net position	(7,273)	190,611	5,846	189,184

	December 31, 2017			Total
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	1,296,381	43,267	4,709	1,344,357
Spot liabilities	(850,419)	(33,585)	(1,768)	(885,772)
Net position	445,962	9,682	2,941	458,585

The Group has no structural position at the end of each of the Reporting Period.



## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 3 INTERNATIONAL CLAIMS

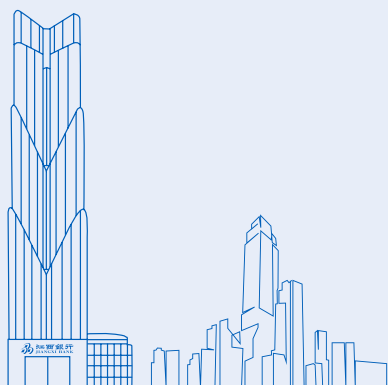
The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as international claims.

International claims include loans and advances to customers, balances with the central bank, amounts due from banks and other financial institutions.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account all risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

	June 30, 2018			Total
	Banks and other financial institutions	Public sector entities	Others	
All regions outside Mainland China	6,540,186	–	–	6,540,186

	December 31, 2017			Total
	Banks and other financial institutions	Public sector entities	Others	
All regions outside Mainland China	452,888	–	–	452,888

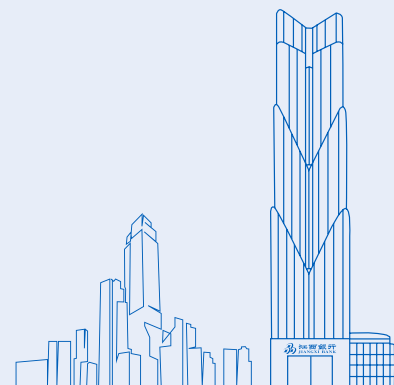


## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(EXPRESSED IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 4 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES

	June 30, 2018	December 31, 2017
<hr/>		
Gross loans and advances which have been overdue with respect to either principal or interest for years of		
– between 3 and 6 months (inclusive)	921,118	278,699
– between 6 months and 1 year (inclusive)	1,160,523	894,765
– over 1 year	1,358,800	1,098,729
<hr/>		
Total	3,440,441	2,272,193
<hr/>		
As a percentage of gross loans and advances		
– between 3 and 6 months (inclusive)	0.62%	0.22%
– between 6 months and 1 year (inclusive)	0.79%	0.69%
– over 1 year	0.92%	0.85%
<hr/>		
Total	2.33%	1.76%
<hr/>		

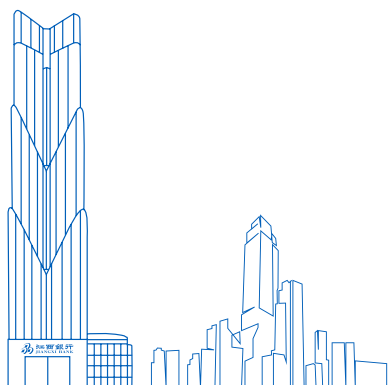




## DEFINITIONS

In this interim report, unless the context otherwise requires, the following terms shall have the meanings set out below:

“Articles of Association”	articles of association of the Bank (as modified from time to time)
“Bank”, “Company” or “Jiangxi Bank”	Jiangxi Bank Co., Ltd.
“Board”	the board of directors of the Bank
“Board of Supervisors”	the board of supervisors of the Bank
“CBIRC”	China Banking and Insurance Regulatory Commission
“China” or “PRC”	the People’s Republic of China, but for the purpose of this interim report only, excluding the Hong Kong and Macau Special Administrative Regions and Taiwan
“Director(s)”	director(s) of the Bank
“Domestic Share(s)”	ordinary share(s) issued by the Bank, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi
“Domestic Shareholder(s)”	holder(s) of Domestic Shares
“Group”	Jiangxi Bank and its subsidiary
“HK\$” or “HKD” or “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“H Share(s)”	Overseas listed foreign share(s) with a nominal value of RMB1.00 each in the Bank’s share capital, which are listed on the Main Board of the Hong Kong Stock Exchange



## DEFINITIONS

“Latest Practicable Date”	August 27, 2018, being the latest practicable date prior to the printing of this interim report for the purpose of ascertaining certain information in this interim report
“Listing Date”	the date on which H Shares are listed and traded on the Main Board of the Hong Kong Stock Exchange, which is June 26, 2018
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“PBoC”	the People’s Bank of China (中國人民銀行)
“Prospectus”	the prospectus issued by the Bank on June 13, 2018 for the global public offering
“Reporting Period”	the six months from January 1, 2018 to June 30, 2018
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Shareholders”	shareholders of the Bank
“Supervisors”	supervisors of the Company
“USD”	United States dollars, the lawful currency of the United States

