



九江銀行
BANK OF JIUJIANG



The First
"Distinguished Strivers"
of Bank of Jiujiang

2020

INTERIM REPORT

九江銀行股份有限公司
Bank of Jiujiang Co., Ltd.

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

Stock Code : 6190

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Company Profile

1. Basics

Legal name in Chinese:
九江銀行股份有限公司*

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

Legal representative:
LIU Xianting (劉羨庭)

Authorized representatives**:
PAN Ming (潘明), FOK Po Yi (霍寶兒)

Board secretary**:
WANG Li(王琍)

Company secretary**:
FOK Po Yi (霍寶兒)

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

Stock short name:
BANKOFJIUJIANG

Stock code:
6190

Unified social credit code:
9136040070552834XQ

License number for financial business operations:
B0348H236040001

Registered capital:
RMB2,407,367,200

Registered address and office address:
No. 619 Changhong Avenue, Lianxi District,
Jiujiang, Jiangxi Province, China
(Postal code: 332000)

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

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Fax: +86 (792) 8325019
Email: lushan2@jjccb.com
Website: <http://www.jjccb.com>
Customer service hotline: +86 95316

PRC auditor:
KPMG Huazhen LLP

International auditor:
KPMG

PRC legal advisor:
JunHe LLP (北京市君合律師事務所)

Hong Kong (PRC) legal advisor:
Clifford Chance

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

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

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

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

** Please refer to the chapter headed "Information on Directors, Supervisors, Senior Management, Staff and Institution" of this interim report for changes in positions of authorized representative, Board Secretary and Company Secretary of the Bank.

2. Company Profile

Approved by Wuhan Branch of the People's Bank of China for establishment, Bank of Jiujiang Co., Ltd. ("**Bank of Jiujiang**" or the "**Bank**" or "**our Bank**") was a regional commercial bank incorporated in November 2000 from eight urban credit cooperatives in Jiujiang City. In October 2008, the Bank officially changed its name to the Bank of Jiujiang Co., Ltd. On July 10, 2018, the Bank of Jiujiang was listed on the Main Board of the Hong Kong Stock Exchange (stock code: 6190).

Over the past 20 years, staff members of Bank of Jiujiang, with unwavering faith, persistent pursuit, selfless dedication, and the mindset that success only comes through hard work, have endured through great hardships in order to realize the achievements that Bank of Jiujiang has today. From a handful of branches to 274 outlets, we are now a renowned bank with total assets of over RMB390,000 million which also embodies the entrepreneurial spirit of Bank of Jiujiang – unity, integrity, perseverance and creativity.

Over the past 20 years, Bank of Jiujiang consistently optimized its shareholder structure and introduced strategic investors such as Industrial Bank and Beijing Automotive Group to enhance its brand image. Bank of Jiujiang ranks 322nd among banks worldwide, which is 5 places higher than the previous year according to the rankings published in 2020 by The Banker, a globally authoritative journal in the United Kingdom. The Bank has also received numerous recognition including "National Advanced Grassroots Party Organization", "National May Day Labour Award", "Best National Small and Medium Commercial Bank" and "Exemplary Workplace for Talents in Jiangxi Province".

As of June 30, 2020, Bank of Jiujiang (including controlled county banks) has 3,878 full-time employees, with an average age of 29.87. Among which, 3,414 had undergraduate degrees or graduated from junior college, accounting for 88.03%, while 449 had master's degrees (and above), accounting for 11.58%. We now have operation department of the head office, 13 branches and 260 sub-branches, established 20 county banks such as Xiushui Jiuyin and Zhongshan Xiaolan. As a city commercial bank, Bank of Jiujiang was the first to realize the full coverage of districts and cities within Jiangxi Province.

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

Company Profile

3. Major awards in the first half of 2020

On January 3, 2020, the Bank was awarded with the “core dealer” of the inter-bank local currency market in 2019 and the X-REPO trading mechanism innovation award.

On January 15, 2020, the Bank was awarded “Top 100 Clearing Companies of 2019 – Excellent Dealer” and was first awarded “Best Improvement Institute for Local Debt Underwriting Banks”.

On January 16, 2020, the Bank was awarded the “UnionPay Card – Excellent Contribution in Product Promotion” by China UnionPay Co., Ltd..

In March 2020, Shanghai Clearing House announced outstanding institutions in settlement and central counterparty clearing businesses in the year of 2019, and the Bank was awarded the “Excellent Award for Net Bond Sole Settlement” for the second consecutive year.

On March 9, 2020, in the “Top 100 China Banks Rankings of 2019” published by the China Banking Association, the Bank ranked 52nd in the China bank list, raised by 10 places compared to the previous year.

In April 2020, the Bank was awarded two awards, namely “Improvement Award” on Promotion Award on QuickPass users, and “Excellence Award” on establishing the practice of QuickPass on public buses issued by China UnionPay’s Jiangxi branch.

On April 27, 2020, The Export-Import Bank of China announced the list of institutions with outstanding performances in financial bonds underwriting and market making transactions in the last quarter of 2019 and the first quarter of 2020. The Bank ranked first in market making transactions and 11th in underwriting performance.

On May 13, 2020, the Bank ranked 1,825th in the top 2,000 global enterprises in 2020 released by Forbes.

On May 20, 2020, The Export-Import Bank of China announced the list of 2019 domestic RMB financial bond underwriting awards, in which the Bank was awarded three awards, namely “Excellent Underwriter”, “Excellent Market Making Trader” and “Contribution Award on Recovery from the Epidemic”.

Accounting Data and Financial Indicator Highlights

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

	For the six months ended June 30,		
	2020	2019	Change over the corresponding period of last year
	(All amounts expressed in millions of RMB except percentages, unless otherwise stated)		
Results of operations			Percentage of change (%)
Net interest income	3,859.6	3,343.1	15.4
Net fee and commission income	333.7	143.5	132.5
Operating income	5,130.2	4,670.4	9.8
Operating expenses	(1,151.0)	(1,173.8)	(1.9)
Impairment losses on assets	(2,680.0)	(2,172.5)	23.4
Profit before taxation	1,305.7	1,330.9	(1.9)
Profit for the period	1,092.6	1,085.9	0.6
Net profit attributable to equity shareholders of the Bank	1,014.3	1,063.8	(4.7)
Calculated on a per share basis (RMB/share)			Percentage of change (%)
Net assets per share attributable to the Bank’s shareholders	10.58	9.93	6.5
Basic earnings per share	0.42	0.44	(4.5)
Diluted earnings per share	0.42	0.44	(4.5)
Profitability indicators (%)			Changes (percentage point)
Return on average total assets ⁽¹⁾	0.58	0.65	(0.07)
Return on average equity ⁽²⁾	8.48	9.04	(0.56)
Net interest spread ⁽³⁾	2.07	2.43	(0.36)
Net interest margin ⁽⁴⁾	2.11	2.25	(0.14)
Net fee and commission income to operating income	6.50	3.07	3.43
Cost-to-income ratio ⁽⁵⁾	21.40	24.25	(2.85)

Accounting Data and Financial Indicator Highlights

	As of June 30, 2020	As of December 31, 2019	Change over the end of last year
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)			
Capital adequacy indicators (%)			Changes (percentage point)
Core tier-one capital adequacy ratio ⁽⁶⁾	8.74	8.97	(0.23)
Tier-one capital adequacy ratio ⁽⁶⁾	8.74	8.97	(0.23)
Capital adequacy ratio ⁽⁶⁾	11.16	11.64	(0.48)
Total equity to total assets	6.69	6.98	(0.29)
Asset quality indicators (%)			Changes (percentage point)
Non-performing loan ratio ⁽⁷⁾	1.71	1.71	-
General allowance ratio ⁽⁸⁾	167.71	182.34	(14.63)
Allowance to gross loan ratio ⁽⁹⁾	2.87	3.12	(0.25)
Volume indicator			Percentage of change (%)
Total assets	391,051.9	363,351.6	7.6
Including: Loans and advances to customers, net	189,473.9	173,368.6	9.3
Total liabilities	364,871.1	337,993.8	8.0
Including: Customer deposits	275,906.9	255,263.1	8.1
Share capital	2,407.4	2,407.4	-
Equity attributable to equity shareholders of the Bank	25,481.6	24,725.6	3.1
Non-controlling interests	699.2	632.2	10.6
Total equity	26,180.8	25,357.8	3.2
Net capital base ⁽⁶⁾	32,560.6	32,756.9	(0.6)
Other financial indicator (%)			Changes (percentage point)
Leverage ratio	5.91	6.34	(0.43)
Liquidity ratio	72.54	75.57	(3.03)
Liquidity coverage	269.67	292.92	(23.25)
Loan to deposit ratio	70.46	70.11	0.35
Ratio of loans and advances to single top customer ⁽¹⁰⁾	0.93	1.01	(0.08)
Ratio of loans and advances to top 10 customers ⁽¹⁰⁾	5.96	6.26	(0.30)

Notes:

- (1) Represents profit for the period as a percentage of average balance of total assets at the beginning and the end of the period.
- (2) Calculated by dividing profit for the period by the average balance of total equity at the beginning and the end of the period.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average interest rate of total interest-bearing liabilities, and based on daily average interest-earning assets and interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets, and based on daily average interest-earning assets.
- (5) Calculated by dividing operating expenses, excluding business tax and surcharges, by operating income.
- (6) The Bank calculates its capital adequacy ratios and relevant data in accordance with Regulation Governing the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) and relevant regulations of CBIRC and based on the statutory financial statements prepared in accordance with the accounting standards for enterprises.
- (7) Calculated by dividing total non-performing loans by gross loans and advances to customers.
- (8) Calculated by dividing allowance for impairment losses on loans by total non-performing loans.
- (9) Calculated by dividing allowance for impairment losses on loans by gross loans and advances to customers.
- (10) Ratio of loans and advances to single top customer and ratio of loans and advances to top 10 customers were recalculated in accordance with the regulatory standards and based on reviewed data.

Management Discussion and Analysis

1. Historical Economy and Politics

Since 2020, due to the COVID-19 epidemic, the global economic downturn has been exacerbated, which has seriously affected international trade and investment activities, intensified the rise of trade protectionism and unilateralism, and posed great challenges to the development of economic globalization. With the severe challenges brought by the COVID-19 epidemic alongside the complex and ever-changing domestic and foreign environment, the whole nation coordinated the missions on epidemic prevention and control as well as economic and social development under the leadership of the Party Central Committee centering around Xi Jinping, resolutely implementing various decisions and plans, continuing to improve the situation of epidemic prevention and control, and accelerating the resumption of work and production as well as business and market. In the first half of 2020, China's economy first declined and then rose and the Gross Domestic Product (GDP) was RMB45,661.4 billion, representing a decrease of 1.6% year over year. On a quarterly basis, the first quarter was 6.8% lower and the second quarter increased by 3.2% year over year, turning positive from negative. The major indicators returned to growth, thanks to the steady recovery in economic operation, strong protection of citizens' basic livelihood, and generally positive market expectations.

Since this year, in the face of the sudden outbreak of the COVID-19 epidemic, Jiangxi Province has continued to carry out in-depth implementation of the decisions and deployment by the Party Central Committee and the State Council on the whole, focused on the work requirements of "Six Stables and Six Guarantees", and insisted on coordinating and promoting the prevention and control of epidemic as well as economic and social development, struggling to achieve the principle of "strong effort in both aspects with a win-win situation". In the first half of 2020, Jiangxi Province achieved a total production value of RMB1,169.11 billion, representing a growth of 0.9% year on year, or RMB93.4 billion as compared to the same period of last year. The economic recovery of the whole province was accelerated and the recovery trend was obvious, the major economic indicators greatly improved, and the economic operation steadily recovered to the normal state.

Since this year, with the severe challenges brought by the COVID-19 epidemic alongside the complex and ever-changing domestic and foreign environment, CBIRC has fully supported epidemic prevention and control as well as economic and social development, with the focus on preventing and mitigating financial risks and deepening financial reform and opening-up, under the leadership of the Party Central Committee centering around Xi Jinping. It has firmly maintained the bottom line of systemic financial risks, effectively responded to the problems and challenges arising from the fast-changing and complicated situation since the beginning of the year, and achieved remarkable results in all these missions. At present, the overall operation of China's banking and insurance industries is stable, the risk is controllable, the ability to serve the real economy is constantly improving, while the major operating and

regulatory indicators of banking and insurance institutions are in a reasonable range. As of the end of June 2020, the domestic and foreign currency assets of financial institutions of China's banking industry amounted to RMB309.4 trillion, representing a year-on-year increase of 9.7% and maintained a stable growing trend. The balance of non-performing loan amounted to RMB2.74 trillion, non-performing loan ratio amounted to 1.94%, representing an increase of 0.08 percentage point as compared to the end of last year, and the overall quality of credit assets remained stable. The accumulated net profit amounted to RMB1.0 trillion, representing a year-on-year decrease of 9.4%. Meanwhile, allowance for impairment losses on loans amounted to RMB5.0 trillion, representing an increase of RMB0.51 trillion compared to the end of last year, and the risk compensation capacity is relatively sufficient.

Since 2020, facing the sudden impact of COVID-19 epidemic as well as the complex and severe domestic and international situation, the PBOC has adhered to Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era as the guideline, resolutely implemented the decisions and deployment of the Party Central Committee and the State Council, and actively responded to the new challenges brought by the changes in the epidemic in accordance with the overall guidance of the Financial Commission of the State Council. It has also decisively increased the counter-cyclical adjustment of monetary policy, maintained stability in the financial market, prevented and mitigated major financial risks, further deepened financial reform and opening-up, innovated financial services, and made every effort to improve the work of "Six Stables and Six Guarantees", therefore providing strong support for the rapid recovery of the national economy. First, we ensured reasonable and adequate liquidity in the financial market. In the first half of the year, the reserve requirement ratio was lowered three times in total, and re-discounted funds amounting to a total of RMB1.8 trillion were provided which were effectively injected into the real economy. Second, we guided financial institutions to increase their support to small and medium-sized and micro enterprises. With the comprehensive use of a variety of monetary policy tools pushing the interest rates downward in the financial market, the average interest rate of newly issued inclusive small and micro loans was 5.08% in June, representing a downward shift of 80 basis points compared to the end of last year. We further extended the time for postponed loan repayment with deferred principal and interest for small and medium-sized and micro enterprises, and helped enterprises to overcome the difficulties, especially small and medium-sized and micro enterprises.

2. Operation Overview

In the first half of 2020, focusing on the major tasks of "preventing financial risks, deepening reform and transformation, and serving the real economy", the Group adhered to the twelve-word principle of "adjusting business structures, reducing capital consumption, controlling non-performing loans, promoting steady growth", returned to the core area, focused on the main business, and achieved steady growth of main business indicators. Each regulatory indicator is stable and up to standard, and the asset liability structure is constantly optimized.

Management Discussion and Analysis

The scale of operation is growing steadily. As of the end of June 2020, the total assets of the Group amounted to RMB391,052 million, representing an increase of 7.6%; the total customer deposits amounted to RMB275,907 million, representing an increase of 8.1%; gross loans and advances to customers amounted to RMB194,413 million, representing an increase of 8.9%; the total financial investments amounted to RMB145,570 million, representing an increase of 6.7%.

Operating efficiency remained strong. In the first half of 2020, affected by the novel coronavirus epidemic and external economic downward pressure, the Group's realized operating income was RMB5,130 million, representing an increase of 9.8% as compared to the same period of last year, of which the net fee and commission income became a business growth point with an increase of 132.5% to RMB334 million over the same period of last year; net profit amounted to RMB1,093 million, basically flat as compared to the same period of last year.

Regulatory indicators are sound and are up to standard. As of the end of June 2020, the Group's non-performing loan ratio was 1.71%, remaining at equilibrium level as compared to the end of last year. Capital adequacy ratio amounted to 11.16%, leverage ratio amounted to 5.91%, general allowance ratio amounted to 167.71%, allowance to gross loan ratio amounted to 2.87%, liquidity ratio amounted to 72.54%, and cost-to-income ratio amounted to 21.40%, with all the main regulatory indicators meeting regulatory requirements.

Effective promotion of policy transmission. In the first half of 2020, the Group actively implemented the requirements of new national policies such as "reduction of fees and concessionary profits" and "Six Stables and Six Guarantees", actively bore social responsibility, continuously strengthened our ability to serve the real economy, invested approximately RMB3,300 million in anti-epidemic refinancing, approximately RMB7,000 million in small-scale refinancing, approximately RMB1,900 million in special rediscounted bills for resumption of work and production, and underwrote and issued anti-epidemic certificates of deposit and bonds, etc.

Steady improvement of brand image. In the first half of 2020, the Bank ranked 322nd in the "Top 1,000 World Banks 2020" published by "The Banker", a globally authoritative journal in the United Kingdom, moving up 5 places from the previous year; in the "Top 100 China Banks Rankings of 2019" published by the China Banking Association, our Bank ranked 52nd, moving up 10 places from the previous year; in the "Top 2,000 global enterprises in 2020" released by Forbes, our bank entered the list for the first time, ranking 1,825th.

3. Income statement analysis

In face of repeated COVID-19 epidemic and economic downturn during the reporting period, the Group actively responded to retain stable development trend by the twelve-word principle: “adjusting business structures, reducing capital consumption, controlling non-performance loans, promoting steady growth”. For the six months ended June 30, 2020, the Group achieved profit before taxation of RMB1,306 million, representing a year-on-year decrease of 1.9%; net profit of RMB1,093 million, representing a year-on-year increase of 0.6%.

	For the six months ended June 30,			
	2020	2019	Amount of change	Percentage of change (%)
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Interest income	8,420.2	7,323.6	1,096.6	15.0
Interest expense	(4,560.6)	(3,980.5)	(580.1)	14.6
Net interest income	3,859.6	3,343.1	516.5	15.4
Fee and commission income	396.1	276.4	119.7	43.3
Fee and commission expense	(62.4)	(132.9)	70.5	(53.0)
Net fee and commission income	333.7	143.5	190.2	132.5
Net gains arising from financial investments	948.5	1,193.9	(245.4)	(20.6)
Other income, gains or losses	(11.6)	(10.1)	(1.5)	14.9
Operating income	5,130.2	4,670.4	459.8	9.8
Operating expenses	(1,151.0)	(1,173.8)	22.8	(1.9)
Impairment losses on assets	(2,680.0)	(2,172.5)	(507.5)	23.4
Share of profit of associates	6.5	6.8	(0.3)	(4.4)
Profit before taxation	1,305.7	1,330.9	(25.2)	(1.9)
Income tax expense	(213.1)	(245.0)	31.9	(13.0)
Profit for the period	1,092.6	1,085.9	6.7	0.6
Net profit attributable to equity shareholders of the Bank	1,014.3	1,063.8	(49.5)	(4.7)
Non-controlling interests	78.3	22.1	56.2	254.3

Management Discussion and Analysis

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

During the reporting period, the Group achieved a net interest income of RMB3,860 million, representing a year-on-year increase of RMB517 million, or 15.4%, accounting for 75.2% of operating income.

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

	For the six months ended June 30,					
	2020			2019		
	Average balance	Interest income/expense	Average yield/interest rate (%) ⁽¹⁾	Average balance	Interest income/expense	Average yield/interest rate (%) ⁽¹⁾
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)						
Interest-earning assets						
Loans and advances to customers	187,041.7	5,382.7	5.76	150,403.9	4,296.8	5.71
Financial investments ⁽²⁾	122,576.7	2,631.8	4.29	89,155.1	2,339.1	5.25
Financial assets held under resale agreements	17,167.4	141.8	1.65	18,514.4	417.0	4.50
Balances with the central bank ⁽³⁾	27,515.0	214.5	1.56	26,490.7	202.0	1.53
Amounts due from banks and other financial institutions ⁽⁴⁾	10,856.1	49.4	0.91	12,324.7	68.7	1.11
Total interest-earning assets	365,156.9	8,420.2	4.61	296,888.8	7,323.6	4.93
Interest-bearing liabilities						
Customer deposits	261,632.4	3,186.7	2.44	237,144.2	2,595.5	2.19
Deposits from banks and other financial institutions	26,013.4	328.9	2.53	17,476.0	308.1	3.53
Financial assets sold under repurchase agreements	18,055.0	161.6	1.79	17,811.3	204.8	2.30
Debt securities issued ⁽⁵⁾	45,919.5	798.4	3.48	42,826.2	831.3	3.88
Borrowings from the central bank	7,369.6	85.0	2.31	3,768.1	40.8	2.17
Total interest-bearing liabilities	358,989.9	4,560.6	2.54	319,025.8	3,980.5	2.50
Net interest income		3,859.6			3,343.1	
Net interest spread ⁽⁶⁾		2.07			2.43	
Net interest margin ⁽⁷⁾		2.11			2.25	

Notes:

- (1) Calculated by dividing interest income/expense by average balance.
- (2) Consists of the financial investments measured at amortized cost and at fair value through other comprehensive income.
- (3) Consists primarily of mandatory reserve deposits and surplus reserve deposits.
- (4) Consists of deposits with banks and other financial institutions and placements with banks and other financial institutions.
- (5) Consists of tier-two capital bonds issued and interbank negotiable certificates of deposit.
- (6) Calculated as the difference between the average yield on total interest-earning assets and the average interest rate of total interest-bearing liabilities.
- (7) Calculated by dividing net interest income by the average balance of total interest-earning assets.

Management Discussion and Analysis

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

**For the six months ended June 30,
Change over the corresponding period
of last year**

Reasons of increase/(decrease)

	Scale ⁽¹⁾	Rate ⁽²⁾	Net increase/ decrease ⁽³⁾
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(All amounts expressed in millions of RMB except percentages, unless otherwise stated)

Interest-earning assets			
Loans and advances to customers	1,039.1	46.8	1,085.9
Financial investments	881.1	(588.4)	292.7
Financial assets held under resale agreements	(30.6)	(244.6)	(275.2)
Balances with the central bank ⁽⁴⁾	8.4	4.1	12.5
Amounts due from banks and other financial institution ^s ⁽⁵⁾	(8.4)	(10.9)	(19.3)
Change in interest income	1,889.6	(793.0)	1,096.6
Interest-bearing liabilities			
Customer deposits	264.2	327.0	591.2
Deposits from banks and other financial institutions	150.9	(130.1)	20.8
Financial assets sold under repurchase agreements	2.8	(46.0)	(43.2)
Debt securities issued ⁽⁶⁾	58.9	(91.8)	(32.9)
Borrowings from the central bank	39.0	5.2	44.2
Change in interest expense	515.8	64.3	580.1
Change in net interest income	1,373.8	(857.3)	516.5

Notes:

- (1) Represents the average balance of the reporting period deducting the average balance of the previous period, multiplied by the average yield/interest rate of the previous period.
- (2) Represents the average yield/interest rate of the reporting period deducting the average yield/interest rate of the previous period multiplied by the average balance for the reporting period.
- (3) Represents interest income/expense during the reporting period deducting interest income/expense from the previous period.
- (4) Consists primarily of mandatory reserve deposits and surplus reserve deposits.
- (5) Consists of deposits with banks and other financial institutions and placements with banks and other financial institutions.
- (6) Consists of tier-two capital bonds issued and interbank negotiable certificates of deposit.

3.2 Interest income

For the six months ended June 30, 2020, the Group achieved interest income of RMB8,420 million, representing a year-on-year increase of RMB1,097 million, or 15.0%. The increase in interest income was mainly due to the increase in the average balance of interest-earning assets, which was partially offset by the decrease in the average asset yield. The increase in the average balance of interest-earning assets during the reporting period was mainly due to the increase in the average balance of the Group's loans and advances to customers and financial investments along with the growth of the Group's business. The decrease in the average asset yield was mainly due to the downward trend of the macro market interest rate and the decrease in the yield of businesses such as financial investments, financial assets held under resale agreements and amounts due from banks and other financial institutions along with the acceleration of interest rate marketization.

3.2.1 Interest income from loans and advances to customers

For the six months ended June 30, 2020, interest income from the Group's loans and advances to customers was RMB5,383 million, representing a year-on-year increase of RMB1,086 million or 25.3%, mainly attributable to the increase in the average balance of total loans and advances to customers. During the reporting period, the average balance of our total loans and advances to customers increased, primarily reflecting the overall growth of our loan portfolio.

Management Discussion and Analysis

The following table sets forth the average balance, interest income and average yield of various components of loans and advances to customers of the Group in the period indicated.

	For the six months ended June 30,					
	2020			2019		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)						
Corporate loans and advances	111,107.9	3,296.1	5.93	98,029.1	2,894.4	5.91
Retail loans and advances	58,703.3	1,760.3	6.00	46,220.5	1,275.7	5.52
Discounted bills	17,230.5	326.3	3.79	6,154.3	126.7	4.12
Total	187,041.7	5,382.7	5.76	150,403.9	4,296.8	5.71

3.2.2 Interest income from financial investments

For the six months ended June 30, 2020, interest income from financial investments of the Group amounted to RMB2,632 million, representing a year-on-year increase of RMB293 million, or 12.5%, primarily due to the increase in average balance of debt securities investment.

3.2.3 Interest income from financial assets held under resale agreements

For the six months ended June 30, 2020, interest income from financial assets held under resale agreements of the Group amounted to RMB142 million, representing a year-on-year decrease of RMB275 million, or 66.0%, primarily due to the decrease in the average yield of financial assets held under resale agreements. The decrease in average yield was primarily due to: (i) decreased portion of bills held under resale agreements which have higher yields, and (ii) loosened market liquidity.

3.2.4 Interest income from balances with the central bank

For the six months ended June 30, 2020, interest income from balances with the central bank of the Group was RMB215 million, representing a year-on-year increase of RMB13 million or 6.2%, mainly attributable to: (i) the increase in reserve and excess reserve deposits in the central bank as the growth in scale of various deposit businesses, and (ii) the increase in the average yield of balances with the central bank.

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

For the six months ended June 30, 2020, the interest income from amounts due from banks and other financial institutions of the Group was RMB50 million, representing a year-on-year decrease of RMB19 million, or 28.1%. This was mainly due to the decrease in the average yield of amounts due from banks and other financial institutions. The decrease in the average yield was primarily due to a decrease in percentage of our time deposits with banks and other financial institutions, which have relatively higher yields compared to demand deposits.

3.3 Interest expense

For the six months ended June 30, 2020, interest expense of the Group amounted to RMB4,561 million, representing a year-on-year increase of RMB580 million, or 14.6%.

3.3.1 Interest expense on customer deposits

For the six months ended June 30, 2020, interest expense on customer deposits of the Group amounted to RMB3,187 million, representing a year-on-year increase of RMB591 million, or 22.8%, primarily due to the increase in the average interest rate and the increase in average balance of customer deposits. The increase in the average interest rate of customer deposits was mainly due to fierce competition in the industry. The increase in the average balance of customer deposits was mainly due to: (i)(a) our continuous efforts to broaden our corporate customer base, and (b) improvements in our customer service and marketing activities, which resulted in an increase in the Group's corporate deposits; and (ii) our increased personal deposits in line with the expansion of our retail banking branch network.

Management Discussion and Analysis

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

	For the six months ended June 30,					
	2020			2019		
	Average balance	Interest expense	Average interest rate (%)	Average balance	Interest expense	Average interest rate (%)
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)						
Corporate deposits						
Demand	86,715.6	573.3	1.32	86,114.1	446.8	1.04
Time	43,836.2	766.3	3.50	38,610.9	628.7	3.26
Pledged deposits	29,768.7	308.0	2.07	28,019.7	350.7	2.50
Subtotal	160,320.5	1,647.6	2.06	152,744.7	1,426.2	1.87
Personal deposits						
Demand	16,604.8	41.2	0.50	15,760.0	30.8	0.39
Time	84,429.3	1,497.9	3.55	68,421.4	1,138.5	3.33
Subtotal	101,034.1	1,539.1	3.05	84,181.4	1,169.3	2.78
Others	277.8	–	–	218.1	–	–
Total customer deposits	261,632.4	3,186.7	2.44	237,144.2	2,595.5	2.19

3.3.2 Interest expense on deposits from banks and other financial institutions

For the six months ended June 30, 2020, interest expense on deposits from banks and other financial institutions of the Group was RMB329 million, representing a year-on-year increase of RMB21 million, or 6.8%. This was mainly due to the increase in the average balance of deposits from banks and other financial institutions, which was partially offset by the decrease in the average interest rate. Such increase in the average balance of deposits from banks and other financial institutions was mainly due to the Group's increased funding from banks and other financial institutions. The decrease in average interest rate of deposits from banks and other financial institutions primarily reflected lower market interest rates which resulted from loosened market liquidity in 2020.

3.3.3 Interest expense on financial assets sold under repurchase agreements

For the six months ended June 30, 2020, interest expense on financial assets sold under repurchase agreements of the Group amounted to RMB162 million, representing a year-on-year decrease of RMB43 million, or 21.1%. This was mainly due to the increase in the average balance of financial assets sold under repurchase agreements, which was partially offset by the decrease in the average interest rate. The increase in the average balance was primarily due to the gradual improvement on liquidity management of the Group. The decrease in average interest rate was primarily due to the implementation of a stable and neutral monetary policy by the central bank in 2020. The market liquidity was generally sufficient and the capital price was lower than that in 2019.

3.3.4 Interest expense from debt securities issued

For the six months ended June 30, 2020, interest expense from debt securities issued by the Group amounted to RMB798 million, representing a year-on-year decrease of RMB33 million, or 4.0%. This was mainly due to the decrease in the average interest rate of debt securities issued by the Group, which was partially offset by the increase in the average balance. The decrease in the average interest rate was mainly due to the new issuance of interbank certificates of deposit with a relatively lower interest rate compared to the corresponding period during the reporting period.

3.3.5 Interest expense on borrowings from the central bank

For the six months ended June 30, 2020, the Group's interest expense on borrowings from the central bank was RMB85 million, representing a year-on-year increase of RMB44 million, or 108.3%. It was primarily due to the increase in the average balance of the Group's borrowings from the central bank.

3.3.6 Net interest spread and net interest margin

For the six months ended June 30, 2020, net interest spread of the Group decreased from 2.43% in the same period of the previous year to 2.07%. The net interest margin decreased from 2.25% in the previous year to 2.11%, mainly due to the acceleration of interest rate marketization and the narrowing of interest spread in the overall macro market.

Management Discussion and Analysis

3.4 Non-interest income

3.4.1 Fee and commission income

For the six months ended June 30, 2020, the fee and commission income of the Group amounted to RMB396 million, representing a year-on-year increase of RMB120 million or 43.3%, mainly attributable to the strengthening of management related to net income of intermediary business of the Group.

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

	For the six months ended June 30,			
	2020	2019	Amount of change	Percentage of change (%)
	(All amounts expressed in millions of RMB except percentages, unless otherwise stated)			
Fee and commission income				
Agency service fees	121.1	77.1	44.0	57.1
Wealth management fees	78.3	51.4	26.9	52.3
Credit commitments and financial guarantees fees	41.3	29.2	12.1	41.4
Settlement and clearing fees	22.9	16.1	6.8	42.2
Bank card fees	93.7	61.3	32.4	52.9
Transaction and consultancy fees	38.8	41.3	(2.5)	(6.1)
Subtotal	396.1	276.4	119.7	43.3
Fee and commission expense				
Settlement fees	(23.6)	(82.1)	58.5	(71.3)
Transaction fees	(29.0)	(23.2)	(5.8)	25.0
Others	(9.8)	(27.6)	17.8	(64.5)
Subtotal	(62.4)	(132.9)	70.5	(53.0)
Net fee and commission income	333.7	143.5	190.2	132.5

For the six months ended June 30, 2020, agency service fee income of the Group amounted to RMB121 million, representing a year-on-year increase of RMB44 million or 57.1%, mainly attributable to the increase in bond underwriting business of the Group which led to an increase in the agency service fee income.

For the six months ended June 30, 2020, the wealth management fee income of the Group amounted to RMB78 million, representing a year-on-year increase of RMB27 million or 52.3%, mainly attributable to the expansion of scale of the Group's wealth management assets.

For the six months ended June 30, 2020, credit commitments and financial guarantees fee income of the Group amounted to RMB41 million, representing a year-on-year increase of RMB12 million or 41.4%, mainly attributable to the growth in letters of guarantee business and commercial bill acceptance business of the Group.

For the six months ended June 30, 2020, bank card fee income of the Group reached RMB94 million, representing a year-on-year increase of RMB32 million, or 52.9%. The increase in income was mainly due to the increase in the related fee income as a result of promotion and application of the Group's credit cards.

3.4.2 Net gains arising from financial investments

For the six months ended June 30, 2020, net gains arising from financial investments of the Group reached RMB949 million, representing a year-on-year decrease of RMB245 million, or 20.6%, mainly due to the increase in floating losses of fair value of some investments compared to last year due to the impact of market environment.

Management Discussion and Analysis

3.5 Operating Expenses

For the six months ended June 30, 2020, operating expenses of the Group amounted to RMB1,151 million, which was basically the same as that of the same period of last year.

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

	For the six months ended June 30,			
	2020	2019	Amount of change	Percentage of change (%)
	(All amounts expressed in millions of RMB except percentages, unless otherwise stated)			
Staff costs	647.7	510.2	137.5	27.0
General and administrative expenses	247.4	415.3	(167.9)	(40.4)
Tax and surcharges	53.0	41.1	11.9	29.0
Rental and property management expenses	3.0	6.8	(3.8)	(55.9)
Depreciation	148.1	134.8	13.3	9.9
Amortization	51.8	54.5	(2.7)	(5.0)
Others	-	11.1	(11.1)	(100.0)
Total operating expenses	1,151.0	1,173.8	(22.8)	(1.9)

For the six months ended June 30, 2020, staff costs of the Group amounted to RMB648 million, representing a year-on-year increase of RMB138 million, or 27.0%, mainly attributable to the general increase in the number of employees and their average remuneration along with our continuous business expansion which led to an increase in salaries, bonuses, allowances and housing funds of employees.

The following table sets forth the amount, amount of change and percentage of change for each component of staff costs of the Group in the period indicated.

	For the six months ended June 30,			
	2020	2019	Amount of change	Percentage of change (%)
	(All amounts expressed in millions of RMB except percentages, unless otherwise stated)			
Salaries, bonuses and allowances	554.1	430.1	124.0	28.8
Staff welfare	20.9	22.5	(1.6)	(7.1)
Social insurance and supplementary insurance	47.5	35.0	12.5	35.7
Housing funds	17.6	15.2	2.4	15.8
Labor union fees and staff education expenses	7.6	7.4	0.2	2.7
Total staff costs	647.7	510.2	137.5	27.0

For the six months ended June 30, 2020, general and administrative expenses of the Group were RMB247 million, representing a year-on-year decrease of RMB168 million or 40.4%, mainly due to the impact of the epidemic in the first half of this year, some marketing promotion and internal management activities of the Group were carried out online, and some activities were cancelled, thus reducing expenses.

For the six months ended June 30, 2020, the tax and surcharges of the Group were RMB53 million, representing a year-on-year increase of RMB12 million, or 29.0%, mainly attributable to the normal business growth of the Group.

For the six months ended June 30, 2020, the rental and property management expenses of the Group were RMB3 million, representing a year-on-year decrease of RMB4 million, or 55.9%. The decrease in expenses was mainly impacted by IFRS 16 Leasing Standard. The assets rented under the operating lease are accounted as right-of-use assets and lease liabilities. The relevant rental expenses are no longer shown under operating expenses, and instead accounted for operating expenses through depreciation of right-of-use assets and amortization of interest expenses of lease liabilities.

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For the six months ended June 30, 2020, depreciation and amortization of the Group were RMB148 million and RMB52 million, respectively. Depreciation increased by RMB13 million year-on-year, and amortization decreased by RMB3 million year-on-year. This is primarily due to changes in tangible assets, property and equipment and renovation expenses of the Group during the relevant period.

3.6 Impairment losses on assets

For the six months ended June 30, 2020, the Group's impairment losses on assets were RMB2,680 million, representing a year on year increase of RMB508 million or 23.4%. This is primarily due to the expected pressure of economic downturn, the Group increased the provision for asset impairment.

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

	For the six months ended June 30,			
	2020	2019	Amount of change	Percentage of change (%)
	(All amounts expressed in millions of RMB except percentages, unless otherwise stated)			
Loans and advances to customers at amortized cost	249.1	1,715.2	(1,466.1)	(85.5)
Loans and advances to customers at FVOCI	69.7	11.4	58.3	511.4
Financial investments measured at amortized cost	1,896.5	417.6	1,478.9	354.1
Financial investments measured at FVOCI	242.2	3.6	238.6	6,627.8
Others ⁽¹⁾	222.5	24.7	197.8	800.8
Total impairment losses on assets	2,680.0	2,172.5	507.5	23.4

Note:

- (1) Consists of placements with banks and other financial institutions, deposits with banks and other financial institutions, financial assets held under resale agreements, interests receivable, other receivables, and credit commitments and financial guarantees.

3.7 Income Tax Expense

For the six months ended June 30, 2020, income tax expense of the Group was RMB213 million, representing a year-on-year decrease of RMB32 million or 13.0%, mainly attributable to the exemption of enterprise income tax on interest income and dividends of funds from the Group's investments in national bonds and local government bonds.

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

	For the six months ended June 30,			
	2020	2019	Amount of change	Percentage of change (%)
	(All amounts expressed in millions of RMB except percentages, unless otherwise stated)			
Current income tax	832.6	250.7	581.9	232.1
Tax filing differences	653.1	4.0	649.1	16,227.5
Deferred tax	(1,272.6)	(9.7)	(1,262.9)	13,019.6
Total income tax expenses	213.1	245.0	(31.9)	(13.0)

Management Discussion and Analysis

4. Analysis of major financial position items

4.1 Assets

As of June 30, 2020, total assets of the Group were RMB391,052 million, representing an increase of RMB27,700 million or 7.6% as compared to the end of last year, mainly attributable to the increase in the following assets: (i) loans and advances to customers; and (ii) financial investments.

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

	As of June 30, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Total loans and advances to customers	194,412.7	49.8	178,455.6	49.1
Accrued interest on loans and advances to customers	435.1	0.1	499.9	0.1
Less: Allowances for impairment losses	(5,373.9)	(1.4)	(5,586.9)	(1.5)
Loans and advances to customers, net	189,473.9	48.5	173,368.6	47.7
Financial investments, net	143,016.7	36.5	134,421.6	37.0
Cash and balances with the central bank	31,974.1	8.2	35,382.2	9.8
Deposits with banks and other financial institutions	2,729.4	0.7	2,247.7	0.6
Placements with banks and other financial institutions	1,150.4	0.3	2,251.0	0.6
Financial assets held under resale agreements	13,230.6	3.4	7,808.5	2.2
Interests in associates	123.2	–	121.6	–
Other assets ⁽¹⁾	9,353.6	2.4	7,750.4	2.1
Total assets	391,051.9	100.0	363,351.6	100.0

Note:

(1) Consists of property and equipment, right-of-use assets, deferred tax assets and others.

4.1.1 Loans and advances to customers

As of June 30, 2020, loans and advances to customers of the Group amounted to RMB194,413 million, representing an increase of RMB15,957 million, or 8.9% from the end of the previous year. The increase in the loan portfolio of the Group is primarily due to: (i) the stable growth in our corporate loans; and (ii) our continued efforts to develop retail loan business.

The following table sets forth, on the dates indicated, total loans and advances to customers of the Group by business type.

	As of June 30, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Corporate loans and advances	112,437.6	57.9	105,661.7	59.2
Retail loans and advances	62,088.2	31.9	59,427.6	33.3
Discounted bills	19,886.9	10.2	13,366.3	7.5
Total loans and advances to customers	194,412.7	100.0	178,455.6	100.0

(1) Corporate loans and advances

As of June 30, 2020, corporate loans and advances of the Group amounted to RMB112,438 million, representing an increase of RMB6,776 million, or 6.4% from the end of the previous year. The overall increase in corporate loans and advances was mainly due to our continued expansion of its corporate loan portfolio.

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The following table sets forth, as at the dates indicated, the distribution of corporate loans and advances of the Group by product type.

	As of June 30, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Working capital loans	66,981.0	59.6	60,734.6	57.5
Fixed asset loans	38,619.4	34.3	39,248.4	37.1
Trade finance loans	5,842.4	5.2	4,056.9	3.8
Others	994.8	0.9	1,621.8	1.6
Total corporate loans and advances	112,437.6	100.0	105,661.7	100.0

(2) Retail loans and advances

As of June 30, 2020, retail loans and advances of the Group amounted to RMB62,088 million, representing an increase of RMB2,661 million, or 4.5% as compared to the end of last year. The continuous growth of the Group's retail loans and advances was mainly due to the rapid development of the group's retail banking business and the expansion of its branch network.

The following table sets forth, as at the dates indicated, the breakdown of retail loans and advances of the Group by product type.

	As of June 30, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Residential mortgage loans	27,080.4	43.6	25,155.5	42.4
Personal loans for business purposes	10,779.6	17.4	9,891.8	16.6
Personal loans for consumption	22,105.8	35.6	22,569.0	38.0
Credit card	2,122.4	3.4	1,811.3	3.0
Total retail loans and advances	62,088.2	100.0	59,427.6	100.0

(3) Discounted bills

As of June 30, 2020, discounted bills of the Group were RMB19,887 million, representing an increase of RMB6,521 million or 48.8% as compared to the end of last year, mainly attributable to significant increase in demand for short-term funding from customers in the market.

4.1.2 Financial investments

As of June 30, 2020, the total financial investments of the Group were RMB145,570 million, increasing by RMB9,097 million, or 6.7% over that at the end of last year. The increase is primarily due to the fact that: (i) the debt securities held by the Group increased; and (ii) equity investments held by the Group increased, primarily in bond funds and currency funds.

The following table sets out the components of the Group's financial investments by investment intention as at the dates indicated.

	As of June 30, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
Financial investments at fair value through profit or loss	31,597.9	21.7	34,789.9	25.5
Financial investments measured at amortized cost	88,379.2	60.7	83,124.9	60.9
Financial investments at fair value through other comprehensive income	25,592.5	17.6	18,558.0	13.6
Total financial investments	145,569.6	100.0	136,472.8	100.0

(All amounts expressed in millions of RMB except percentages, unless otherwise stated)

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The following table sets forth, as at the dates indicated, the distribution of financial investments of the Group.

	As of June 30, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Debt securities				
Government bonds	23,415.1	16.1	14,836.7	10.9
Debt securities issued by PRC policy banks	29,775.2	20.5	25,737.9	18.9
Debt securities issued by commercial banks and other financial institutions	5,097.5	3.5	5,073.5	3.7
Debt securities issued by PRC corporate issuers	26,278.0	18.1	24,649.5	18.0
Subtotal	84,565.8	58.2	70,297.6	51.5
Non-standard investment				
Trust beneficiary rights and asset management plans	40,286.6	27.7	44,158.5	32.3
Wealth management products issued by other PRC commercial banks	1,215.7	0.8	937.0	0.7
Other investments at fair value through profit or loss	5,235.4	3.6	4,873.2	3.6
Subtotal	46,737.7	32.1	49,968.7	36.6
Equity investments				
Equity investments	626.8	0.4	689.5	0.5
Fund investments	11,975.6	8.2	13,618.7	10.0
Subtotal	12,602.4	8.6	14,308.2	10.5
Accrued interest	1,663.7	1.1	1,898.3	1.4
Total financial investments	145,569.6	100.0	136,472.8	100.0
Less: Allowances for impairment losses	(2,552.9)		(2,051.2)	
Financial investments, net	143,016.7		134,421.6	

4.1.3 Other Components of the Group' Assets

Other components of the Group' assets mainly include: (i) Cash and balances with the central bank; (ii) Deposits with banks and other financial institutions; (iii) Placements with banks and other financial institutions; and (iv) Financial assets held under resale agreements.

As of June 30, 2020, the total amount of cash and balances with the central bank of the Group was RMB31,974 million, representing a decrease of RMB3,408 million or 9.6% from the end of the previous year. The decrease was primarily due to our strategic adjustment on the asset structure portfolio, on the basis of ensuring liquidity and safety, increased investment in other interest earning assets.

As of June 30, 2020, the total amount of deposits with banks and other financial institutions of the Group was RMB2,729 million, representing an increase of RMB482 million or 21.4% from the end of the previous year. The increase was mainly due to our adjustment of liquidity management measures based on the funding situation and market liquidity changes.

As of June 30, 2020, the total amount of placements with banks and other financial institutions of the Group was RMB1,150 million, representing a decrease of RMB1,101 million or 48.9% from the end of the previous year. The decrease was mainly due to our adjustment of liquidity management measures based on the funding situation and market liquidity changes.

As of 30 June 2020, the total amount of financial assets held under resale agreements of the Group was RMB13,231 million, representing an increase of RMB5,422 million or 69.4% as compared with the end of the last year. This is mainly due to the increase of financial assets held under resale agreements based on the Group's liquidity management measures.

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4.2 Liabilities

As of June 30, 2020, the total liabilities of the Group were RMB364,871 million, increasing by RMB26,877 million, or 8.0% over that at the end of last year.

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

	As of June 30, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Borrowings from the central bank	9,917.0	2.7	4,073.3	1.2
Customer deposits	275,906.9	75.5	255,263.1	75.5
Deposits from banks and other financial institutions	13,333.4	3.7	14,244.3	4.2
Placements from banks and other financial institutions	6,393.7	1.8	5,140.2	1.5
Financial assets sold under repurchase agreements	15,047.5	4.1	6,379.4	1.9
Debt securities issued	40,334.4	11.1	49,667.0	14.7
Other liabilities ⁽¹⁾	3,938.2	1.1	3,226.5	1.0
Total liabilities	364,871.1	100.0	337,993.8	100.0

Note:

- (1) Consisted of income tax payable, lease liabilities, provisions, salaries payable, settlement and clearing accounts, and dividend payable, etc.

4.2.1 Customer deposits

As of June 30, 2020, the Group recorded total customer deposits of RMB275,907 million, increasing by RMB20,644 million, or 8.1% over that at the end of last year, mainly due to rising momentum of our corporate and retail banking business.

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

	As of June 30, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Corporate deposits				
Demand	86,806.9	31.5	86,076.1	33.7
Time	46,406.7	16.8	46,260.2	18.1
Pledged deposits	33,003.4	12.0	27,088.5	10.6
Subtotal	166,217.0	60.3	159,424.8	62.4
Personal deposits				
Demand	17,187.5	6.2	16,669.5	6.5
Time	88,753.2	32.2	75,925.0	29.8
Subtotal	105,940.7	38.4	92,594.5	36.3
Other deposits ⁽¹⁾	320.4	0.1	219.7	0.1
Accrued interest	3,428.8	1.2	3,024.1	1.2
Total customer deposits	275,906.9	100.0	255,263.1	100.0

Note:

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

4.2.2 Deposits from banks and other financial institutions

As of June 30, 2020, the balance of the Group's deposits from banks and other financial institutions was RMB13,333 million, decreasing by RMB911 million, or 6.4% from that at the end of last year, which was primarily due to our strategic adjustment on the financing structure portfolio and the reduction of deposits from banks and other financial institutions.

4.2.3 Borrowings from the central bank

As of 30 June 2020, the balance of the Group's borrowings from the central bank was RMB9,917 million, representing an increase of RMB5,844 million, or 143.5%, as compared with the end of last year. The increase was primarily due to the Group's borrowings at lower interest rates from the central bank during the reporting period to support the economic development of farmers and small and micro enterprises.

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4.2.4 Financial assets sold under repurchase agreements

As of June 30, 2020, the Group's financial assets sold under repurchase agreements valued RMB15,048 million, increasing by RMB8,668 million, or 135.9% from that at the end of last year. The increase was primarily a result of our adjustment on selling bonds for repurchase in compliance with the working capital management measures.

4.2.5 Debt securities issued

As of June 30, 2020, the Group's debt securities issued totaled RMB40,334 million, decreasing by RMB9,333 million or 18.8%, as compared to the end of last year, which was primarily due to the maturity of the Group's certain interbank negotiable certificates of deposit.

4.3 Equity

As of June 30, 2020, the total equity of the Group was RMB26,181 million, increasing by RMB823 million, or 3.2% over that at the end of last year. For the six months ended June 30, 2020, the equity attributable to equity shareholders of the Bank was RMB25,482 million, increasing by RMB756 million, or 3.1% over that at the end of last year. The increase in the Group's equity can be primarily ascribed to the growing retained earnings.

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

	As of June 30, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Share capital	2,407.4	9.2	2,407.4	9.5
Share premium	8,165.7	31.2	8,165.7	32.2
Surplus reserve	3,460.5	13.2	3,460.5	13.6
General reserve	4,175.5	15.9	4,175.5	16.5
Investment revaluation reserve	84.8	0.3	54.2	0.2
Retained earnings	7,187.7	27.5	6,462.3	25.5
Equity attributable to equity shareholders of the Bank	25,481.6	97.3	24,725.6	97.5
Non-controlling interests	699.2	2.7	632.2	2.5
Total equity	26,180.8	100.0	25,357.8	100.0

5. Off-balance sheet commitments of assets and liabilities

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

	As of June 30, 2020	As of December 31, 2019
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)		
Credit commitments		
Unused credit card commitments	7,237.6	4,136.8
Bank acceptances	30,668.9	27,953.3
Letters of credit	8,388.5	7,144.3
Letters of guarantee	9,309.2	5,776.7
Total	55,604.2	45,011.1

As of June 30, 2020, the Group's off-balance sheet commitments totaled RMB55,604 million, representing an increase of RMB10,593 million, or 23.5% as compared to the end of last year, which was mainly due to the increase in bank acceptance bills and letters of guarantee. For details on off-balance sheet commitments of assets and liabilities, see the note "Contingent Liabilities and Commitments" to the financial statement in this report.

6. Loan quality analysis

In 2020, the Group paid close attention to external dynamics and took concrete steps to strengthen full-process management over loans, sped up credit structure adjustment, intensified recovery and disposal of non-performing loans, and enhanced risk management performance assessment. However, due to the impact of COVID-19 epidemic, changes in the market operating environment, slowdown in economic growth and operational difficulties of small and medium-sized enterprises, the Group's non-performing loans were facing upward pressure. As of June 30, 2020, the Group's balance of non-performing loans was RMB3,329 million; Non-performing loan ratio was 1.71%, remaining at equilibrium level as compared to the end of last year.

Management Discussion and Analysis

6.1 Distribution of loans by five-category loan classification

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

	As of June 30, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
	(All amounts expressed in millions of RMB except percentages, unless otherwise stated)			
Normal	187,640.1	96.5	170,453.3	95.5
Special mention	3,443.3	1.8	4,946.9	2.8
Substandard	997.0	0.5	891.6	0.5
Doubtful	1,660.2	0.9	1,619.2	0.9
Loss	672.1	0.3	544.6	0.3
Total loans and advances to customers	194,412.7	100.0	178,455.6	100.0
Non-performing loan ratio ⁽¹⁾		1.71		1.71

Note:

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

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

As of the end of the reporting period, the Group's total normal and special mention loans amounted to RMB191,083 million, accounting for 98.3%, among which, total special mention loan decreased by RMB1,504 million, or 30.4%, as compared to the end of last year; the Group's total non-performing loans amounted to RMB3,329 million, the non-performing loan ratio was 1.71%, which remained flat as compared to the end of last year.

6.2 Loans and non-performing loans classified by business type

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

	As of June 30, 2020				As of December 31, 2019			
	Amount	% of total (%)	Non-performing loan amount	Non-performing loan ratio (%)	Amount	% of total (%)	Non-performing loan amount	Non-performing loan ratio (%)
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)								
Corporate loans and advances								
Working capital loans	66,981.0	34.5	1,773.6	2.65	60,734.6	34.0	1,813.8	2.99
Fixed asset loans	38,619.4	19.9	376.0	0.97	39,248.4	22.0	265.8	0.68
Trade finance loans	5,842.4	3.0	3.1	0.05	4,056.9	2.3	3.0	0.07
Others ⁽¹⁾	994.8	0.5	442.9	44.52	1,621.8	0.9	386.3	23.82
Subtotal	112,437.6	57.9	2,595.6	2.31	105,661.7	59.2	2,468.9	2.34
Retail loans and advances								
Residential mortgage loans	27,080.4	13.9	156.2	0.58	25,155.5	14.2	62.1	0.25
Personal loans for business purposes	10,779.6	5.5	244.8	2.27	9,891.8	5.5	329.7	3.33
Personal loans for consumption	22,105.8	11.4	298.1	1.35	22,569.0	12.6	144.9	0.64
Credit card	2,122.4	1.1	34.6	1.63	1,811.3	1.0	49.8	2.75
Subtotal	62,088.2	31.9	733.7	1.18	59,427.6	33.3	586.5	0.99
Discounted bills	19,886.9	10.2	-	-	13,366.3	7.5	-	-
Total loans and advances to customers	194,412.7	100.0	3,329.3	1.71	178,455.6	100.0	3,055.4	1.71

Note:

(1) Mainly include bank acceptance bills in corporate loans, third-party loans and merger and acquisition loans.

Management Discussion and Analysis

As of June 30, 2020, the Group's corporate loans and advances amounted to RMB112,438 million, representing an increase of RMB6,776 million from the end of the previous year; the Group's non-performing loan balance of corporate loans and advances amounted to RMB2,596 million, representing an increase of RMB127 million as compared to the end of last year; the non-performing loan ratio of the Group's corporate loans and advances decreased by 0.03 percentage point to 2.31%, which was basically the same as that of the end of last year.

As of June 30, 2020, the Group's retail loans and advances amounted to RMB62,088 million, representing an increase of RMB2,661 million from the end of last year; the Group's non-performing loan balance of retail loans and advances amounted to RMB734 million, representing an increase of RMB147 million as compared to the end of last year; the non-performing loan ratio of retail loans and advances increased by 0.19 percentage point to 1.18%, which was mainly due to the weakening of the repayment ability of specific individual customers.



6.3 Loans and non-performing loans classified by industry

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

	As of June 30, 2020				As of December 31, 2019			
	Amount	% of total (%)	Non-performing	Non-performing	Amount	% of total (%)	Non-performing	Non-performing
			loan amount	loan ratio (%) ⁽¹⁾			loan amount	loan ratio (%) ⁽¹⁾
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)								
Real estate	27,825.7	14.3	752.6	2.70	25,717.1	14.4	695.8	2.71
Construction	20,551.4	10.6	350.6	1.71	14,208.7	8.0	254.5	1.79
Wholesale and retail	12,913.6	6.6	303.9	2.35	11,684.1	6.5	653.4	5.59
Water conservancy, environment and public utility management	12,000.6	6.2	-	-	13,368.2	7.5	-	-
Leasing and commercial services	11,821.7	6.1	164.2	1.39	20,129.6	11.3	26.5	0.13
Manufacturing	8,887.8	4.6	870.8	9.80	7,386.2	4.1	598.3	8.10
Production and supply of electricity, gas and water	3,829.0	2.0	1.7	0.04	2,972.6	1.7	-	-
Education	1,742.8	0.9	-	-	1,339.9	0.8	-	-
Agriculture, forestry, animal husbandry and fishery	1,618.8	0.8	24.0	1.48	1,431.5	0.8	125.5	8.77
Hotels and catering services	1,263.9	0.7	11.7	0.93	1,288.2	0.7	4.5	0.35
Transportation, storage and postal services	1,225.8	0.6	34.3	2.80	721.4	0.4	22.2	3.08
Others ⁽²⁾	8,756.5	4.5	81.8	0.93	5,414.2	3.0	88.2	1.63
Total corporate loans and advances	112,437.6	57.9	2,595.6	2.31	105,661.7	59.2	2,468.9	2.34
Total retail loans and advances	62,088.2	31.9	733.7	1.18	59,427.6	33.3	586.5	0.99
Discounted bills	19,886.9	10.2	-	-	13,366.3	7.5	-	-
Gross loans and advances to customers	194,412.7	100.0	3,329.3	1.71	178,455.6	100.0	3,055.4	1.71

Management Discussion and Analysis

Notes:

- (1) Calculated by dividing non-performing loans in each industry by gross loans to corporate customers in that industry.
- (2) Mainly included: (i) hygiene and social services; (ii) information transmission, software and information technology services; (iii) finance; (iv) scientific research and technical services; and (v) residential services, repairing and other services.

As of June 30, 2020, the Group's non-performing loans of corporate loans and advances were primarily from: (i) the manufacturing industry; (ii) the real estate industry; (iii) construction industry, whose non-performing loan ratios were 9.80%, 2.70% and 1.71%, respectively.

As of June 30, 2020, the Group's non-performing loan balance of the manufacturing industry was RMB871 million, increasing by RMB273 million from the end of last year. The non-performing loan ratio of the manufacturing industry increased by 1.70 percentage points compared to the end of last year. The increase in non-performing loan balance and non-performing loan ratio of the manufacturing industry reflects the weakening of the repayment ability of customers from specific companies due to the impact of the COVID-19 epidemic.

As of June 30, 2020, the Group's non-performing loan balance of the real estate industry was RMB753 million, increasing by RMB57 million from the end of last year. The non-performing loan ratio of the real estate industry, slightly decreased by 0.01 percentage point compared to the end of last year.

As of June 30, 2020, the Group's non-performing loan balance of construction industry was RMB351 million, increased by RMB96 million from the end of last year. The non-performing loan ratio decreased by 0.08 percentage point compared to the end of last year.

6.4 Loans and non-performing loans classified by collateral

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

	As of June 30, 2020				As of December 31, 2019			
	Amount	% of total (%)	Non-performing	Non-performing	Amount	% of total (%)	Non-performing	Non-performing
			loan amount	loan ratio (%) ⁽¹⁾			loan amount	loan ratio (%) ⁽¹⁾
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)								
Unsecured loans	38,626.1	19.9	460.3	1.19	45,575.6	25.5	336.6	0.74
Pledged loans	37,032.5	19.0	310.5	0.84	20,006.1	11.2	121.0	0.60
Guaranteed loans	38,235.3	19.7	1,021.1	2.67	35,623.0	20.0	1,053.4	2.96
Collateralized loans	80,518.8	41.4	1,537.4	1.91	77,250.9	43.3	1,544.4	2.00
Total	194,412.7	100.0	3,329.3	1.71	178,455.6	100.0	3,055.4	1.71

Note:

(1) Calculated by dividing the non-performing loans by form of guarantee by the total amount of loans under that form of guarantee.

As of June 30, 2020, the Group's non-performing loan balance of guaranteed loans decreased by RMB32 million as compared to the end of last year. The non-performing loan ratio decreased by 0.29 percentage point; the Group's non-performing loan balance of collateralized loans decreased by RMB7 million as compared to the end of last year. The non-performing loan ratio decreased by 0.09 percentage point; the decrease was primarily due to the efforts of the Group on settling non-performing loans.

As of June 30, 2020, the Group's non-performing loan balance of unsecured loans increased by RMB124 million as compared to the end of last year. The non-performing loan ratio increased by 0.45 percentage point; the Group's non-performing loan balance of pledged loans increased by RMB190 million as compared to the end of last year. The non-performing loan ratio increased by 0.24 percentage point; it is mainly due to the weakening of repayment ability of some customers.

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6.5 Borrower concentration

As of June 30, 2020, the Group's loan balance to any single borrower did not exceed 10% of the Group's net capital base.

The following table sets forth, as at the dates indicated, the loan balances to the Group's ten largest single borrowers (excluding group borrowers).

		As of June 30, 2020		
Industry	Loan balance	% of total loans	% of total net capital base	
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Borrower A	Real estate	1,800.0	0.93	5.53
Borrower B	Leasing and commercial services	1,356.0	0.70	4.16
Borrower C	Water conservancy, environment and public utility management	1,199.0	0.62	3.68
Borrower D	Construction	1,175.9	0.60	3.61
Borrower E	Real estate	1,145.0	0.59	3.52
Borrower F	Real estate	1,086.0	0.56	3.34
Borrower G	Water conservancy, environment and public utility management	1,030.0	0.53	3.16
Borrower H	Construction	1,000.0	0.51	3.07
Borrower I	Production and supply of electricity, gas and water	950.0	0.49	2.92
Borrower J	Leasing and commercial services	840.0	0.43	2.58
Total		11,581.9	5.96	35.57

As of June 30, 2020, the Group's loan balance to the largest single borrowers amounted to RMB1,800 million, representing 0.93% of the Group's total loans; the total loans to our ten largest single borrowers amounted to approximately RMB11,582 million, representing 5.96% of the Group's total loans, accounting for 35.57% of the Group's net capital.

6.6 Overdue loans

The following table sets forth, on the dates indicated, the Group's loans and advances to customers by overdue period.

	As of June 30, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Current loans	190,480.5	98.0	173,999.5	97.5
Overdue loans ⁽¹⁾				
Up to 3 months (inclusive)	1,180.4	0.6	2,010.5	1.1
3 months to 1 year	1,015.8	0.5	993.4	0.6
1 to 3 years	1,544.1	0.8	1,283.4	0.7
Over 3 years	191.9	0.1	168.8	0.1
Subtotal	3,932.2	2.0	4,456.1	2.5
Total loans and advances to customers	194,412.7	100.0	178,455.6	100.0

Note:

(1) Represents the principal amount of the loans on which principal or interest is overdue.

As of June 30, 2020, the Group's gross overdue loans amounted to RMB3,932 million, representing a decrease of RMB524 million as compared to the end of last year; overdue loans accounted for 2.0% of the total loans and advances to customers, representing a decrease of 0.5 percentage point as compared to the end of the last year. The decrease in overdue loans was primarily due to the efforts of the Group on overdue loans management.

Management Discussion and Analysis

7. Segment report

7.1 By geographical region

The following table sets forth, for the periods indicated, the Group's operating income in various geographical regions and shares in the total operating income.

	As of June 30, 2020		As of June 30, 2019	
	Amount	% of total	Amount	% of total
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Jiangxi Province	4,394.4	85.7	4,367.4	93.5
Guangdong Province	353.9	6.9	125.8	2.7
Anhui Province	283.8	5.5	40.9	0.9
Other areas ⁽¹⁾	98.1	1.9	136.3	2.9
Total operating income	5,130.2	100.0	4,670.4	100.0

Note:

- (1) Mainly includes the controlled county banks of the Group where they are located in the provinces and cities such as Beijing, Shandong Province and Jiangsu Province.

7.2 By business segment

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

	As of June 30, 2020		As of June 30, 2019	
	Amount	% of total	Amount	% of total
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Corporate banking business	2,783.1	54.2	2,540.6	54.5
Retail banking business	1,142.4	22.3	954.6	20.4
Financial market business	985.0	19.2	973.6	20.8
Unallocated ⁽¹⁾	219.7	4.3	201.6	4.3
Total operating income	5,130.2	100.0	4,670.4	100.0

Note:

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

8. Analysis of Capital Adequacy Ratio and leverage ratio

8.1 Capital adequacy ratio

The Group continued to optimize its business structure and strengthen its capital management. As of June 30, 2020, the Group's capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio were 11.16%, 8.74% and 8.74%, respectively. In comparison to the end of the prior year, the capital adequacy ratio, tier-one capital adequacy ratio, and core tier-one capital adequacy ratio decreased by 0.48 percentage point, 0.23 percentage point and 0.23 percentage point respectively, which met the internal regulatory requirements of the Administrative Measures for Capital of Commercial Banks (Trial) of the CBIRC.

The changes in capital adequacy ratio were mainly due to an increase in risk-weighted assets arising from the expansion of scale of the Group's assets.

The capital adequacy ratio calculated by the Group in accordance with "the Administrative Measures for Capital of Commercial Banks (Trial)" promulgated by the CBIRC is as follows:

	As of June 30, 2020	As of December 31, 2019
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)		
Core tier-one capital		
Share capital	2,407.4	2,407.4
Qualifying portion of capital reserve	8,250.5	8,220.0
Surplus reserve and general reserve	7,636.0	7,636.0
Retained earnings	7,187.7	6,462.3
Qualifying non-controlling interests	698.3	632.2
Deductions of core tier-one capital	(663.9)	(132.5)
Net core tier-one capital	25,516.0	25,225.4
Other tier-one capital	-	-
Net tier-one capital	25,516.0	25,225.4
Tier-two capital		
Qualifying portion of tier-two capital instruments issued	5,000.0	5,000.0
Surplus provision for loan impairment	2,044.6	2,531.5
Qualifying non-controlling interests	-	-
Net tier-two capital	7,044.6	7,531.5
Net capital base	32,560.6	32,756.9
Total risk-weighted assets	291,825.9	281,314.6
Core tier-one capital adequacy ratio(%)	8.74	8.97
Tier-one capital adequacy ratio(%)	8.74	8.97
Capital adequacy ratio(%)	11.16	11.64

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8.2 Leverage ratio

The leverage ratio of commercial banks shall not be lower than 4% in accordance with the “Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)” promulgated by the CBIRC. As of June 30, 2020, the Group’s leverage ratio, calculated in accordance with “Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)” promulgated by the CBIRC, was 5.91%, higher than the regulatory requirement.

Item	As of June 30, 2020	As of December 31, 2019
	(All amounts expressed in millions of RMB except percentages, unless otherwise stated)	
Net tier-one capital	25,516.0	25,225.4
Adjusted on-and off-balance sheet assets	431,422.19	397,820.4
Leverage ratio	5.91%	6.34%



Project: Fight COVID-19 with financial measures

To fully cooperate with the prevention and control of coronavirus epidemic, the Bank actively implemented multiple relevant measures and requirements such as to donate money and materials to key areas affected by the epidemic as a financial institution, continuously improve the outlet service mode, grant anti-epidemic loans, and invest in anti-epidemic bonds. The Bank considered the prevention and control of epidemic, as well as the support of financial services as its primary tasks to ensure smooth financial services.

1. Establish a dedicated credit line to focus precisely on helping enterprises

Together with MOC, the Bank has established a contingency financing mechanism for epidemic prevention and control, and set up a dedicated RMB5,000 million credit line to assist relevant enterprises to resume work and production. As of end of June 2020, the Bank had granted loans of RMB2,700 million to 380 enterprises related to transportation, wholesale and retail, culture and entertainment, and accommodation and catering etc. Moreover, in response to the People's Bank of China's policies on special re-loan and re-loan for small businesses, the Bank issued preferential loans to listed companies. As of end of June 2020, our Bank had issued 182 anti-epidemic preferential loans for 158 enterprises with key epidemic prevention and control, amounting to RMB3,313 million; 11,329 loans had been disbursed to those enterprises that comply to special re-loan and re-loan for small business policies, with an accumulated loan amount of RMB7,013 million.

Management Discussion and Analysis

2. Issuance of anti-epidemic special products based on our own qualification advantages

In response to the direct financing needs of enterprises for epidemic prevention, our Bank launched special anti-epidemic debt products in the first instance and opened up green approval and underwriting channels. In the first half of 2020, the Bank took the lead in coordinating the registration and issuance of 20 Ganzhou city investment (epidemic prevention and control debt) CP001, the largest debt financing instrument for epidemic prevention and control in the country in the interbank market, with a registered amount of RMB4,600 million and an issued amount of RMB2,000 million; the Bank launched the first private enterprise epidemic prevention and control debt in Jiangxi Province - 20 Zhengbang SCP001, and the first municipal epidemic prevention and control debt financing plan in Jiangxi Province - Nanchang municipal epidemic prevention and control debt financing plan and others; the Bank innovated financial instruments and issued AAA against-epidemic certificates with an initial amount of RMB100 million. All the funds raised were used to meet the needs for the capital of enterprises in the province for epidemic prevention and control, and to ensure normal production and operation of enterprises.

3. Increase the transmission of discounts to meet the financing needs of enterprises

The Bank proactively implemented the central government's policy and increased its effort on the interest rate preferential bill rediscounting policies. In the first half of 2020, the highest rediscounting amount of the resumption of work and production projects of the Bank amounted to RMB1,889 million, ranking first in the province. During the epidemic period, the Bank provided bill discounting financial services to 797 small and micro enterprises in total, so as to effectively introduce the bill rediscounting policies to small and micro enterprises as well as private enterprises, providing physical enterprises with easy and accessible funds. The Bank launched the "Jiuyin Rapid Loan (九銀極速貼)" business, which implemented automatic approval, processing anytime and instant receipt of payment, meeting customers' financing needs without them leaving home, continued to improve customer experience for those with discounts, and helped enterprises resume production and work in an efficient and safe manner. Since its launch on March 18, 2020 the Bank has handled a total of 1,305 "Rapid Loan (極速貼)" businesses with an amount of RMB523 million.

4. Set up cross-border green channels to alleviate difficulties faced by foreign trade enterprises

The Bank actively responded to the People's Bank of China and Foreign Bureau on the details of prevention and control of epidemic and built a "green lane" for international business, and sought a breakthrough to "stabilize foreign trade". In the first half of 2020, the Bank's international spending on epidemic prevention materials exceeded RMB410 million. It also practiced the mission of "protecting people's livelihood" by setting up a dedicated channel for implementing the first cross-boarded epidemic prevention and control donation locally.

5. Technological empowerment of innovative products assisting enterprises to resume work and production

In order to help small and micro enterprises affected by the epidemic to resume work and production and meet their financing needs, we launched "Enterprise Helping Loan (助商贷)" products. As of June 30, 2020, our Bank granted loans of RMB226 million to 99 enterprises. Meanwhile, the Bank strengthened its technology capability, fully promoted the supply chain finance business, leveraged on technological means to improve supply chain financial risk control technology and quality, intensively performed research and investigation on copper industry, manufacturing industry and other industry scenarios, customized supply chain financial business solutions, as well as implemented "1+N" supply chain finance business in place in Yingtan, Guangzhou and other areas by batches, speeding up the promotion of local industry upgrades.

9. Business Operation

9.1 Corporate financing business

The Bank's corporate banking business adheres to its principle of moving forward with steady growth and continuously optimizes the structure of the corporate business to highlight the point of serving the real economy; uses our geographical advantages to support local enterprises to resume work and production. Please refer to "**Project: Fight COVID-19 with financial measures**" in this section for the Bank's supporting measures in the epidemic.

Management Discussion and Analysis

As of June 30, 2020, the Group's corporate deposit customers amounted to be approximately 50,000 and its corporate loan customers amounted to be approximately 4,000. As of June 30, 2020, the Group recognized corporate business operating income of RMB2,783 million, accounting for 54.2% of the total operating income. The total corporate deposits of the Group amounted to RMB166,217 million, representing an increase of RMB6,792 million, or 4.3% as compared to the end of last year. The total corporate loans and advances of the Group amounted to RMB112,438 million, representing an increase of RMB6,776 million, or 6.4% as compared to the end of last year.

9.1.1 Trading and Financial Business

The trading and financial business of the Bank sticks to its operation direction of "Stable in development, Compliance in business, Innovation in products". As of the end of June 2020, the Bank's revenue from trading and financial business amounted to RMB136 million, representing a year-on-year increase of 33.15%; total settlement of trading and financial business amounted to USD2,078 million, representing a year-on-year increase of 0.52%; a total of USD103 million of international trade financing was provided, representing a year-on-year increase of 21.71%, which provide a continuous support to the business.

Optimizing customer structure. The Bank adheres to the "International + domestic" two-way customer expansion strategy with a foothold in the strategy of "expanding corporate business", as of the end of June 2020, the number of effective trading and financial customers of the Bank recorded a year-on-year increase of 37.66% compared to the same period of last year; the number of international business customers increased by 24.53% year on year, while the number of domestic business customers increased by 66.67% year on year, which showed an overall two-way growth. Domestic business customers accounted for 37.74%, representing an increase of 6.57% compared to the same period of last year, achieving a continuously improved balance.

Expanding the practice of business. We continued to deepen the penetration of letters of credit and forfeiting financing products in the domestic trade scenes. With the settlement scale reaching the first "RMB10,000 million", the settlement of domestic letters of credit amounted to RMB10,057 million, representing an increase of 27.89% compared to the same period of last year. Forfeiting achieved stable growth in scale, with the total amount of RMB4,542 million of domestic letters of credit handled by the Bank, representing an increase of 21.77% compared to the same period of last year.

9.1.2 Bill Discounting Business

Transmitting financial policies and serving enterprises. In the first half of 2020, the Bank continued to expand our total bill business volume, the discounted bills of the Bank amounted to RMB36,011 million, representing a year-on-year increase of 41% and RMB10,404 million. The Bank actively practised the guiding policies of the People's Bank of China by providing interest rate preferential bill rediscounting policies to support the resumption of work and production of enterprises. As of the end of June 2020, the Bank's rediscounted balance amounted to RMB4,075 million, representing an increase of 11% and RMB395 million compared to the beginning of the year, which hit a record high; a total of RMB5,038 million of rediscounted bill was provided to a number of 486 enterprises, representing a year-on-year increase of 52% and RMB1,719 million.

Accelerating product innovation and creating unique brands. In the first half of 2020, the Bank established the chief brand for the bill, "Jiuyin Bill Trade Financing (九銀票易融)" and completed trademark registration, built two product series "Financing series (融系列)" and "Discount series (貼系列)", and successively launched 4 featured products, namely, Jiuyin Rapid Loan (九銀極速貼), Jiuyin Kuai Huo Discount (九銀快活貼), Jiuyin Green Bill Financing (九銀綠票融) and Jiuyin Bill Direct Loan (九銀票直融), providing expert, comprehensive, featured and online bill financing services for enterprises.

Promoting in-depth industry, learning and research to guide practical application. In May 2020, the Bank, together with Jiangxi University of Finance and Economics and Higher People's Court of Jiangxi Province (Second Civil Division), held a special seminar on "Bill market and the adjudication rules of bill dispute cases in China", which aimed to form case reference documentation for bill cases, showing great significance for the trial of national dispute cases in court.

Management Discussion and Analysis

9.1.3 Investment banking business

Actively expending debt financing instruments. The Bank actively cooperated with securities companies, guarantee institutions, cross-border investment banks and various intermediary institutions. In the first half of 2020, the Bank managed to underwrite 7 debt financing instruments in the inter-bank market with an issue amount of RMB4,960 million, ranking among the top 3 newcomer class B lead underwriters in China. The Bank invested, purchased, consulted, coordinated and assisted with 38 corporate bonds in the province, and issued 11 bonds of various types, such as Beijing Financial Assets Exchange and Provincial Equity Exchange Center. The Bank provided multi-dimensional and all-round services for direct financing of Jiangxi enterprises.

Customized debt financing plan products. In the first half of 2020, the Bank successfully issued 9 debt financing plans with an issuance amount of RMB2,317 million by relying on its professional contracting ability and fund sales ability, and by tailoring debt financing plan products according to customer needs.

9.2 Retail banking business

In the first half of 2020, the Bank's retail banking business continued to build a "one core, two platforms" strategic plan based on improvement of retail products, and continued to deepen the "Mobile Jiuyin" business channel layout, establishing a retail marketing system, product system and interest system and ultimately achieved a larger scale of the retail business and the structural optimization of retail customers. As of June 30, 2020, the Group recognized retail banking business operating income of RMB1,142 million, accounting for 22.3% of the total operating income, increased by 1.9 percentage points as compared to the same period of last year. The Group recorded total retail loans and advances of RMB62,088 million, increasing by RMB2,661 million, or 4.5% compared to the same period of last year. The Group recorded total personal deposits of RMB105,941 million, increasing by RMB13,346 million, or 14.4% compared to the same period of last year.

Strengthening marketing strategies, launching customized packages. In the first half of 2020, the Bank organized regular marketing events to different customer groups, including "Diversified rewards to new customer of Jiuyin (「開卡到九銀·新客666」)" and "Diversified rewards to payroll customer (「薪金留九銀·代發666」)" etc to new customer group, payroll customer group and VIP customer group whose deposits over RMB0.3 million. As of June 30, 2020, the number of retail loan customers of the Group was approximately 122,100, and the number of personal deposit customers was approximately 3,748,000.

Integrating online and offline marketing to credit customer group. In the first half of 2020, the Bank worked on increasing the number of loan customers by seizing the preferential interest rate policy for special small-scale refinancing; White list marketing with targeted doctors, teachers, civil servants and community neighbors as the customer base, and promoted consumer loans. The branches promoted the marketing of targeted credit customer base, the headquarters continuously optimized the retail credit product line with the core of “Mortgage Loan (房抵貸)” and “Operating Loan (經營貸)”, and launched 2 mortgage functions of second-mortgaged housing to work together to boost credit growth.

Increase the construction of smart scenarios and promote the construction of online “Mini Financial Stores” (金融小店). The Bank provided comprehensive application solutions focusing on places such as labor union, education and property management to obtain online traffic customers; and provided bills collection solutions focusing on places such as supermarkets, restaurants, wet markets and public transportation to obtain merchant traffic deposits. The Bank built online “Mini Finance Store” to realize the targeted marketing towards the customer base in Wechat’s friend circle; achieved data analysis of audience and behavior in terms of financial products; realized online marketing functions such as group purchase, reservation and invitation; and achieved personally tailor-made marketing promotion. As of June 30, 2020, we had approached approximately 43,100 merchants and more than 60,000 followers on online “Mini Finance Store”.

9.2.1 Electronic Banking Business

Our electronic channels provide customers with comprehensive financial services through online banking, mobile banking, telephone banking, WeChat banking and self-service banking. In the first half of 2020, the Group completed transactions of RMB844,830 million through e-banking channels. The online platform handled a total transaction volume of RMB751,818 million, accounting for 88.99% of the total amount of electronic banking transactions. As of June 30, 2020, the number of mobile banking users of the Group approximately amounted to 1,095,200, representing an increase of 182,000, or 19.93% as compared to the end of last year. The number of retail Internet banking customers was 1,063,800, representing an increase of 142,000, or 15.40% as compared to the end of last year. The number of corporate online banking customers was 46,300, representing an increase of 3,800, or 8.94% as compared to the end of last year.

9.2.2 Bank Card Business

Debit card

The Bank strengthened marketing strategies, increasing the number of cards issued. As of June 30, 2020, the Bank’s total issued debit cards “Lushan card (廬山卡)” was amounted to 3,690,000, representing an increase of 330,000 as compared to the end of last year.

Management Discussion and Analysis

Credit card

In the first half of 2020, the Bank's credit card business steadily promoted the issuance at the credit card center through independent issuance and win-win cooperation. As of June 30, 2020, the number of customers reached 268,500, representing an increase of 123,300 as compared with the beginning of the year, with an aggregate of 350,500 cards issued, representing an increase of 147,000 as compared with the beginning of the year; the activation volume was 214,700, representing an increase of 73,000 as compared with the beginning of the year; and the overdraft balance was RMB2,122 million, representing an increase of RMB311 million as compared with the beginning of the year. In the first half of 2020, the number of cards issued by the Bank within the half year exceeded that for the whole year of 2019, and the number of cards issued in June 2020 exceeded that for the whole year of 2018.

Optimize service level and risk control ability. In order to provide customers with more convenient financial services with higher quality, our credit card business launched mobile “face-to-face APP” featuring a vast array of services, such as on-site activation and card usage instructing, to solve the difficulties for customers to go back and forth from the bank to run errands. In addition, the Bank focused on strengthening its risk control capabilities, optimizing the whole process regarding credit card before, in and after lending to achieve the handling efficiency of its data-driven credit card business and risk control at all aspects. As of the end of June 2020, the automatic approval rate for credit card business was over 90%, and the number of new overdue customers showed a low growth rate, and even a negative growth in certain months, effectively improving the asset quality of the Bank's credit card business.

Expand cooperation platform and broaden customer dimension. In February 2020, the Bank cooperated with Meituan Dianping to launch a fast, easy to use and cost-effective “Meituan co-branded credit card”. Bank of Jiujiang's Meituan co-branded credit card allows consumers to enjoy the preferential experience of eating, drinking, playing, and enjoyment with full of consumer discounts, truly contributing to the benefits among everyone. As of the end of June 2020, the Bank issued 73,149 Meituan co-branded credit cards, which also accumulated a group of young customers for the development of credit cards of the Bank.

9.2.3 Direct banking business

Online services demonstrate advantages. During the reporting period, relying on the internet channel, the Bank could operate the issuance of personal loans for consumption anytime, and the total personal loans for consumption issued amounted to over RMB20,126 million; We actively arranged loan renewal and extension for customers, and provided repayment deferment service for 3,117 households during this special period. In order to reduce the pressure of offline medical treatment, cross-infection and burden of the epidemic, the “24-hour Online Free Clinic” service was launched on the direct banking platform in time.

Breakthroughs in supply chain finance. During the reporting period, with the real international procurement trading of plastic granules as the backdrop, combined with warehousing process to control bills of lading and cargo as the starting point, the Bank provided the first batch of loans for supply chain financial business with the combination of prepayment and inventories, actively assisting SMEs to return to production.

9.3 Financial Market Business

In the first half of 2020, the Bank's financial market business focused on bond business, supporting entity development, expanding our business, preventing internal risk, strengthening management and fostering transformation. The results began to take effect. As of June 30, 2020, the Group recognized a financial market business operating income of RMB985 million, accounting for 19.2% of the total operating income.

Carried out our inclusive financial social responsibilities. In order to serve the real economy as the key objective, the Bank optimized asset allocation, continuously reduced non-standard investment, adjusted the investment structure, transformed and expanded inclusive finance and supply chain finance, and increased inclusive financial investment amounting to RMB300 million to actively support the development of medium, small and micro enterprises as well as personal consumption.

Established the brand characteristics of bond business. The Bank actively carried out its role as market maker, and enhanced its involvement in the bond market so as to create a “transactional bank”. In the first half of 2020, the total amount of bond transactions reached RMB5,312,828 million, ranked 37th in the market; realizing a delivery volume of cash bonds of RMB304,047 million, ranking third in the market.

Management Discussion and Analysis

Fruitful results in business qualification and honor. The Bank was listed in Top 300 Traders in the Inter-bank Local Currency Market of 2019 and was ranked eighth in the urban commercial bank group; was awarded with the “core dealer” of the inter-bank local currency market in 2019 and the X-REPO trading mechanism innovation award; in the comprehensive assessment of the members of the central government bond company in 2019, the Bank was awarded the honors of “Local Bond Institution and Bank Underwriters with the Best Progression” and “Top 100 Clearing Companies - Excellent Dealers”; was awarded with the 2019 “Outstanding Award for Self-operated Clearing of Net Bonds” from Shanghai Clearing House; at the beginning of 2020, it became a member of interest rate upper/lower limit options and interest rate swap options markets; was awarded the three honors of “Excellent Underwriter”, “Excellent Market Dealer”, and “Contribution Award for Anti-epidemic and Resumption of Production” in the domestic RMB financial bond underwriting business from the Export-Import Bank of China in 2019; and was awarded the “Best Progress Award” of the 2019 financial bond underwriting business from Agricultural Development Bank of China.

9.3.1 Wealth Management Business

In order to adapt to the needs of business transformation, optimize the organizational structure of wealth management business and accelerate the development of wealth management business, the Bank adjusted and established the first-level department - wealth management business department. By deepening the research and development of products and creating high-quality products, the Bank constantly enriched the types of net worth products of our Bank, and gradually established a three-type net worth product mechanism, namely closed type, open type and cash management categories. In the first half of 2020, the Bank issued the first regular open net value wealth management product “Rixinyueyi Monthly Dividend No. 1 (日鑫月溢月月分紅1號)”, and continuously accelerated the net value transformation of wealth management business. The Bank vigorously developed cash management net worth wealth management products. As of the end of June 2020, the existing scale of the Bank’s net worth wealth management product “Jiuyingzengli No. 1 (久贏增利1號)” exceeded RMB7,000 million, which was rated as 5 star (the highest) cash management wealth management product by PY Standard.

As of June 30, 2020, the remaining balance of wealth management products of the Bank was RMB39,681 million, representing an increase of RMB4,765 million over the end of the previous year, of which the remaining balance of net worth products was RMB7,244 million, representing an increase of RMB7,078 million over the end of the previous year, and the net worth transformation has been continuously accelerating.

9.4 Specialty Business

9.4.1 Inclusive financial business

Set foot in the Grassroots level and promote Financial Business services stations.

Inclusive Financial Business services stations were set up in the Jiujiang and Ji'an regions. As of June 30, 2020, the number of service stations of the Bank accumulated to 117 and the number of transactions was 3,749.

Focus on Sannong and preciously commit to poverty alleviation. As of June 30, 2020, we recorded a loan balance relevant to agriculture of RMB38,784 million, increasing by RMB2,531 million, or 6.98% over that at the end of last year. We recorded a loan balance focused on financial poverty alleviation of RMB518 million, increasing by RMB129 million, or 33.12% over that at the end of last year.

Customization according to requirements and innovation on credit varieties. "Rural Experts Loan (鄉村能人貸)" was launched by the Bank to focus on large-scale farmers who needs agricultural chemicals, chemical fertilizer and seeds for daily cultivation, "Smart Farm Loan (智慧牧場貸)" was launched to focus on the need of expanding breeding scale, purchasing feed and live animal and other production and operation purposes, "Smart Logistic Loan (智慧物流貸)" was launched to focus on purchasing frozen meat from foreign countries, and "Live Animal Mortgage Loan (活體抵押貸款)" for using raised live animals as collateral for those without collateral for mortgage.

9.4.2 Green Financial Business

The bank's green financial business took brand building as the core and innovative development as the guiding principle. The Bank continued to increase efforts from the aspects of system and mechanism construction, product and service innovation and multi-party cooperation to promote the high-quality development of green finance. In April 2020, the Bank successfully signed the United Nations Principles for Responsible Banking (PRB) and formally joined the United Nations Environment Programme Finance Initiative (UNEP FI) as the first national city commercial bank to sign the PRB.

Green credit to the next level. As of the end of June 2020, the Bank's Green credit exceeded RMB10 billion, representing an increase of RMB1,020 million or 11.33% as compared to the beginning of the year. The Bank's green credit accounted for 5.32%, representing an increase of 0.09 percentage point from the beginning of the year. Products and services continued to be innovative. The Bank completed the transformation and implementation of green bill research and launched a special product Jiuyin Green Bill Financing (九銀綠票融); As of the end of June 2020, green bill acceptance amounted to RMB136 million and green bill discount amounted to RMB216 million, effectively supporting the development of green industries such as green constructions, new energy vehicles and resource recycling.

Management Discussion and Analysis

Spread of green concept. The Bank launched the theme month event “To Build an Ecological Jiangxi Poyang Lake Areas Linking with Banking and Insurance Peers”, held the collaborative event “Public Lecture Hall of Green Finance in Soviet Areas”, and compiled the “The Bank of Jiujiang’s Green Finance Brochure”, offering multi-perspective, multi-level, multi-channel access to the public to promote the knowledge of green finance and green development concepts. In May 2020, the Bank established the first eco-finance division in Jiangxi Province, striving to open up the “two mountains” conversion channel and provide financial wisdom for the realization of ecological product mechanism. The Bank carried out special training on green finance, strengthened the guidance of green finance examples, launched the “special training course on green finance”, published “green finance cases”, and constantly improved our professional service ability in green finance.

9.4.3 Automobile Finance Business

Increase cooperation among the tripartite parties and expand automobile finance business. The Bank reinforced its constant efforts on developing the “Shang Dai Tong (商貸通)” business and strove to expand our cooperation with our OEMs. As of June 2020, the Bank established tripartite inventory financing cooperation with 9 OEMs, including Beijing Hyundai, BAIC New Energy Vehicle, Chery Automobile, Yueda Kia, Geely New Energy and others, the accumulative billing scale has exceeded RMB10 billion.

Outline the local business plan and expand the customer base. Our automobile finance retail products are designed to tailor with the characteristics of the Bank and break the traditional retail model among city commercial banks, which in turn gradually increase the scale of retail business.

Optimize operation process and improve risk control ability. Focusing on the management of automobile brands in terms of team management and targeted marketing, the Bank clarified the responsibility of middle and front-line positions, enhanced the team’s risk management and identifying ability, created a professional expert team, established standardized automobile financial processes, as well as improved business handling efficiency plus risk management and control capacity.

9.5 Subsidiaries Business

9.5.1 Businesses of controlling subsidiaries

As of June 30, 2020, the Bank controlled 18 county banks, including 15 in Jiangxi Province and 3 in Beijing, Shandong Province and Jiangsu Province. The total assets of 18 county banks amounted to RMB14,597 million, increasing by 4.7% as compared to the end of last year. The total loans amounted to RMB6,398 million whereas the balance of deposits amounted to RMB12,438 million, an increase of 3.8% as compared to the end of last year; in the first half of 2020, 18 controlling county banks realized net profits of RMB31 million.

9.5.2 Companies in which the Bank has shareholdings

As of June 30, 2020, there were 2 county banks in which the Bank has shareholdings, which were Zhongshan Xiaolan County Bank Co., Ltd. and Guixi Jiuyin County Bank Co., Ltd., respectively. The total assets of 2 county banks in which the Bank has shareholdings amounted to RMB4,239 million. The total loans amounted to RMB3,078 million whereas the total deposits amounted to RMB3,378 million; in the first half of 2020, the net profit of the 2 county banks in which the Bank has shareholdings was RMB26 million.

10. Development Strategy

The Bank always upholds the great vision of “creating a branded bank and building a century-old store”, adheres to the high-quality development concept of “innovation-driven, green, coordinated, oriented toward global progress, and beneficial to all”, and strides towards the goals of “being the internationally and regionally leading listed bank with distinctive characteristics, adequate capital, strict internal control, safe operation, excellent efficiency and service”.

In 2020, the Bank continues to adhere to Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as the guideline and further strengthens “Four Consciousnesses”, secures “Four Confidences” and accomplishes “Two Maintenances”. The Bank focused on the financial supply-side structural reform and revolved around the three major missions and regulatory policy requirements, and promoted the high-quality development of Jiuyin. We also ensured the work theme of “adjusting the structures, reducing the capital, controlling the non-performance, promoting steady growth with a serious work style and earnest effort to forge ahead, promoting the new journey of Digital Jiuyin with a focus on high-quality development”.

Optimize the structure to achieve high-quality development. The Bank expanded and strengthened its customer base, optimized product research and development promotion and business operation processes, and steadily improved its traditional business, highlighting its distinctive business.

Motivate empowerment to improve quality and efficiency. The Bank further enhanced corporate governance and adhered to the organic unification of the Party committee overall leadership and the strategic deployment of the Board; the Bank continued to strengthen the role of discipline inspection and supervision, and promoted the synergy between the responsibilities of entities and supervisors; we will explore into the efficiency of human resources, integrate selection and training, and optimize the talent supply chain.

Management Discussion and Analysis

Prioritize compliance to strengthen the foundation of internal control. The Bank deepened the corporate culture of compliance priority, consolidate risk management, practice the credit culture of “due diligence, flexibility and service”, and promote the construction of project management in the whole process of credit; the Bank strengthened audit supervision, increased the use of audit results, and promoted the improvement of management capability and efficiency of the Bank.

Focus on efficiency to promote “Digital Jiuyin”. Taking advantage of the launch of the new core system, the Bank implemented digitalized and refined management, enhanced technology empowerment and supported efficient operation. Taking “Digital Jiuyin” as the core, the Bank will promote platform integration, data exchange, capability opening and scenario aggregation to further enhance the level of technology enabling and leading role. The Bank adhere to “Digital Operation” and promote the construction of smart bank.

11. Risk Management

11.1 Risk management structure

The risk management structure of the Bank consists of the Board of Directors and its sub-committees, senior management and its sub-committees, as well as risk management functions.

The Board performs its risk management duties in accordance with the Articles of Association and regulatory requirements. The Risk Management Committee under the Board is responsible for determining the risk management strategies and risk appetite of the Bank, reviewing the risk organizational structure, policies and systems, supervising and evaluating the implementation of the systems and risk control, and regularly assessing the risk management status and risk tolerance. The Board regularly reviews the annual risk appetite statement, comprehensive risk management report and special reports on various risks to ensure that the overall risk of the Bank is within the scope of risk appetite. The Board of Supervisors supervises the establishment of a comprehensive risk management system and the performance of the duties of comprehensive risk management by the Board and senior management. The senior management is responsible for implementing the risk strategies formulated by the Board and organizing as well as implementing comprehensive risk management.

The risk management department of the Bank is a centralized risk management department, and the relevant functional departments take the lead in managing various risks.

11.2 Credit risk management

The Bank has always been committed to building a credit risk management culture with a unified risk appetite and prudent and healthy approach. The Bank has been dedicated to recruiting quality talents and continuously improving the risk management structure and system. The Bank gained advanced concepts and technologies, promoted the construction of systems including a unified credit limit system, an intelligent risk control system, a non-retail customer rating system and a risk forewarn system, improved the accuracy, efficiency and comprehensiveness of the credit risk management system, and strove to achieve a more advanced credit risk management with a more reasonable structure and a higher asset quality.

- 1. Lay stress on asset quality improvement to achieve orderly control and management.** Through the formulation of comprehensive working system, optimization of management mechanism, specialization of management measures, the Bank enhanced the efficiency of risk management and achieved the goal of asset quality optimization. During the reporting period, the Bank established a variety of institutional measures, including the management system of overdue loan scissors differences, the rules of procedure of the Risk Management Committee of Bank of Jiujiang Co., Ltd., the Rules of Procedure of the Credit Risk Special Committee of Bank of Jiujiang Co., Ltd. and the Administrative Measures of Risk Reporting Management of Bank of Jiujiang (Trial).
- 2. Lay stress on the improvement of basic management to strengthen credit management.** In addition to the strict execution of a differential credit system, the Bank carried out normalized risk examination and inspection, covering investigation on credit risk during the anti-epidemic period, special inspection on existing non-performing credit facilities, investigation on proprietary investment and off balance sheet wealth management business and collateral data governance and physical management self inspection in accordance with regulatory requirements and changes in external environment. Through self-examination and rectification, the Bank enhanced the effectiveness of internal control, strengthened the risk awareness and improved the risk management capability.
- 3. Lay stress on the control of digital risk to establish itself as a smart bank.** By persistently improving the quality and enhancing the efficiency, the Bank thoroughly implemented the strategy of “digital risk control”, adhered to the principle of “useful, unified and compatible”, and was committed to building a unified digital risk control platform incorporating the features of “unified credit limit management, unified collateral management, unified post-lending warning, unified collection management, unified decision platform” to achieve the information sharing of various risk control data and information. During the reporting period, the Bank activated the establishment of smart risk control system, collateral management system, unified credit limit management system, credit risk forewarn system, collection management system, moving forward towards a goal of a full-process digital risk control.

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4. Strictly execute the requirements of risk classification. Firstly, the Bank formulated the loan risk classification management measures and implementation rules, covering two categories of credit assets and non-credit assets. Secondly, pursuant to the regulatory requirements, the Bank revised relevant rules regarding the overdue days in the implementation rules of classification to implement the regulatory requirements. Thirdly, in the classification process, the Bank strictly followed the classification principles of authenticity, timeliness, materiality and prudence to truly and comprehensively reflect the asset quality and reveal the actual risks.

11.3 Market risk management

Market risk refers to the risk that the value of a financial instrument may change due to the changes in interest rates, exchange rates and other market factors, which may result in potential losses to future income or future cash flows. Primary sources of market risks for our Bank are interest rate risks and exchange rate risks, including the trading book and banking book.

11.3.1 Interest rate risk – trading book

The trading book includes financial instruments and positions that are freely traded and held by the Bank for purposes of trading or hedging the risks of other items in the trading book.

The Bank established the market risk management system for the trading book according to the nature, scale and actual condition of the trading book, regularly analyzed the trading book risk profile, and judged the trend of interest rates to provide necessary basis for the trades of the trading book. At the same time, the Bank increased the utilization of technology with the launch of the online treasury operations on the Comstar system, and made use of its regular stress test on the market risks in the trading book to analyze the impact on the Bank.

11.3.2 Interest rate risk – banking book

Banking book refers to the assets and liabilities business and related financial instruments recorded on and off the balance sheet of the Bank, with relatively stable market value, that the Bank is willing to hold for stable income or to hedge the risk of the banking book business.

Our Bank primarily uses re-pricing cap analysis, revenue curve analysis, duration analysis, interest rate sensitivity analysis and stress testing to measure the interest rate risk of the banking book. It also periodically convenes asset and liability meetings to report the interest rate risk level to the management, and propose managements recommendations and business adjustment strategies.

The Bank continuously pays attention to the changes in the external interest rate environment, forecasts the future interest rate trend, and achieves the balance between risks and profits primarily through the adjustment of our asset and liability structure to manage the interest rate. On the one hand, our Bank is committed to adjusting our asset and liability structure by adjusting the interest rate maturity and pricing of our products as well as the transfer pricing of internal capital, and developing new products and securitizing assets. On the other hand, through analysing maturity status of bond instruments in our investment portfolios and the sensitivity of the bonds' price against interest rate fluctuations, our Bank evaluates their potential price fluctuations to ensure the interest rate risk of banking book is under control.

11.3.3 Exchange rate risk

Exchange rate risk refers to the risk of loss of the overall income of the Bank due to adverse changes in exchange rates for assets and liabilities, and equity projects, foreign exchange and foreign exchange derivative positions in the form of foreign currencies.

Our Bank's primary principle for controlling our exchange rate risk is to match assets with liabilities denominated in each currency and monitor our foreign currency exposure on a daily basis. At the same time, based on the relevant regulatory requirements and the management's decisions on the current situation, we reasonably arranging our sources and use of funds denominated in foreign currencies to minimize the mismatches of assets and liabilities in different currencies. We also prevent currency exchange loss arising from exchange rate fluctuation through settlement and sales of foreign exchange in a timely manner under our prudent transaction strategy. In addition, our Bank imposes an exchange rate lock on the large transactions in foreign currencies and conducts regular re-evaluation on exchange rate translation for collaterals, and reduces losses from exchange rate risk through advance repayment or supplementary guarantee in a timely manner in the event of collateral devalue.

Management Discussion and Analysis

11.4 Operational risk management

Operational risk refers to risks caused by imperfect or problematic internal procedures, employees or information technology systems, as well as external incidents. Our Bank may be primarily exposed to the following categories of operational risks: internal fraud, external fraud, workplace safety incidents and information technology system incidents. Our Bank has set up an operational risk governance organizational structure composed of the Board of Directors and the Risk Management Committee under it, the Senior Management and the implementation level. The Board of Directors is our Bank's highest decision-making body regarding operational risk management. The Senior Management is responsible for executing operational risk management strategies, overall policies and systems approved by the Board of Directors. The Compliance Department leads our Bank's operational risk management, with the Risk Management Department, Operation Management Department and other departments supporting it in collaboration.

During the reporting period, the Bank managed operational risk mainly through the following measures:

1. **Establish the three operational risk tools.** The Bank is focusing on the development of internal control compliance and operational risk management system, initially forming three operational risk tools including risk and control self-assessment, key risk indicators and loss event management, including case prevention content, which is beneficial to the unified management of information system, management methods and management processes, and strengthening the management and control of operational risk through the system.
2. **Effectively prevent the moral hazard of employees.** Through the use of the Bank's employee capital account flow monitoring model, the Bank monitored the Bank's employee capital transactions in real time, and manually verified and identified the early warning information identified by the system. In addition, the Bank regularly inquired about the employees' litigation and business operation through Qichacha, dishonest executor inquiry website, judgement documents website and others to understand employees' behavior in the 8 working hours as well as other times out of the 8 working hours to prevent employees' moral hazard.

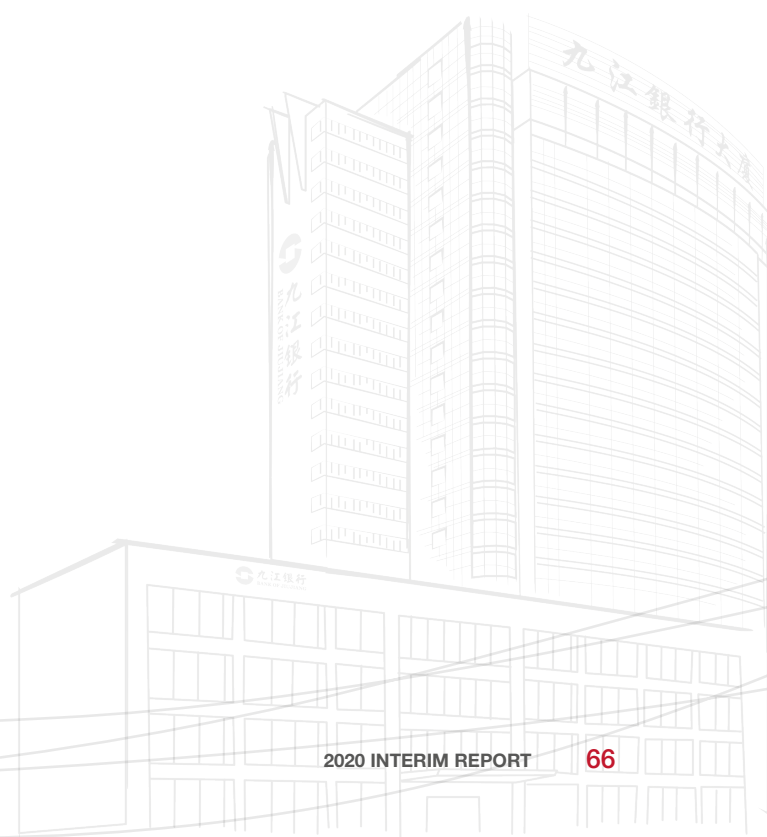
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3. **Enhance business operational risk management.** On the one hand, the management of business seal at the front office is reformed. “Seal for account” with a lower legal risk was used to replace “business seal” to reduce the risk of using seal to complete online reconciliation system and reconstruct online tasks seal inspection system, and complete the overall use of the accounting file image supervision system. On the other hand, we strengthened the separation of incompatible posts and the control of authorization and approval. The Bank constructed a financial market operation management structure of operation positions at the front office, risk control approval positions at middle office, settlement review positions at back office, ensuring the posts in the three offices can be separated but balanced, and facilitating and complementing each other. The Bank strengthened the management of authorization approval, implemented unified authorization management, specified authorization at all levels in terms of scope and rights, so that personnel at all levels can exercise their powers and assume responsibilities within the scope of authorization.

11.5 Liquidity risk management

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

Management Discussion and Analysis

The organizational structure for liquidity risk management consists of a decision-making system, an executive system and a supervision system. The decision-making system includes the Board and the Risk Management Committee under the Board; the implementation system includes senior management and its Asset and Liability Management Committee, Risk Classification Committee and other relevant business management departments; the supervision system includes the Board of Supervisors and the audit department. The Board of Directors is our Bank's highest decision-making body regarding liquidity risk management and takes the ultimate responsibility for liquidity risk management. The Board of Supervisors supervises and evaluates the performance of the Board of Directors and senior management in liquidity risk management. The senior management is fully responsible for organization and implementation of the Bank's liquidity risk management. The risk management department of the Head Office leads the liquidity risk management of the Bank, which is responsible for integrating liquidity risk into the comprehensive risk management system, preparing comprehensive risk management reports to the senior management and risk management committee on a regular basis. The planning and finance department of the Head Office is the executive department of the Bank's liquidity risk management, and is primarily responsible for management of the daily fund position, while the financial market management department and other departments (lines) in the Head Office are the executive departments of the Bank's liquidity risk management, and are responsible for coordinating the implementation of liquidity risk management. The Audit Department performs independent audit and supervision on our Bank's liquidity risk management activities.



During the reporting period, the Bank managed liquidity risk mainly through the following measures: Firstly, the Bank improved relevant policies and basic systems, optimized the organizational structure and process, updated and made amendments to the: Liquidity Risk Emergency Response Plan of Bank of Jiujiang Co., Ltd., and further improved the liquidity risk management system and mechanism of the Bank. Secondly, the Bank strengthened the daily coordination of liquidity risk, increased the monitoring of regulatory indicators and liquidity gap prediction and limit control in special periods, and ensured that the value of each indicator is higher than the regulatory requirements. Thirdly, the Bank intensified the construction of liquidity early warning mechanism, effectively implemented liquidity emergency drills, conducted liquidity stress test and assessment on a quarterly basis, and increased the number of special stress tests and pressure tests according to the actual situation. The results show that the bank's minimum survival period under stress is more than 30 days, and its stress bearing capacity remains at a good level. Fourthly, the Bank monitored the term of assets and liabilities, and continuously optimized the term structure of assets and liabilities. Fifthly, the Bank controlled the total amount and structure of assets and liabilities through the asset and liability management system, so as to enhance the ability of active management of liquidity risk and foster the organic alignment of risk management and control, profitability and resource allocation. Meanwhile, we adopted measures including setting up dedicated capital planning positions, a lead management department, execution and operation department and a liquidity risk contingency team to keep improving our liquidity risk management organizational structure and enhance effectiveness of liquidity risk management.

Management Discussion and Analysis

As of June 30, 2020, the Group's liquidity ratio, the net stable capital ratio and liquidity coverage ratio were 72.54%, 114.91% and 269.67%, respectively. Among them, the balance of high-quality liquid assets was RMB45,577 million and the net cash outflow in the next 30 days was RMB16,901 million.

Item	Amount	
	As of June 30, 2020	As of March 31, 2020
	(All amounts expressed in millions of RMB except percentages, unless otherwise stated)	
Net stable capital ratio	114.91%	112.87%
Available stable capital	263,129.76	256,307.57
Required stable capital	228,991.69	227,083.62

11.6 Compliance risk management

The Bank has established a three-level compliance management departments (positions) from top to bottom, formed a compliance risk management structure of "foreground, middleground and background that covers both dimensions", and created a compliance system highly consistent with the Bank's development strategy, market positioning, operating environment, corporate culture and management philosophy.



During the reporting period, the Bank managed compliance risk through the following measures:

- 1. Promoting the construction of compliance system at a high level.** The Bank has further reformed and optimized the compliance management system and organizational structure. First is to establish the Compliance Management Committee. Formally set up a Compliance Management Committee under the senior management level, formulate “Rules of Work of the Compliance Management Committee”, and clarify the rules of procedure for compliance risk management. Second is to strengthen the construction of the compliance team. The formal establishment of a compliance director has clarified the management core of the construction of the Bank’s compliance system, mechanism and culture, further enhancing the independence and professionalism of compliance work; we dispatched compliance officers for major business lines, we selected 5 personnel with outstanding performance, extensive practical experience and knowledge for policies and regulations from the Bank and dispatched them to the five major lines of corporate finance, retail finance, credit approval, operation management and planned finance respectively to prevent and control compliance risks in advance. Third is to establish a case prevention leadership responsibility system in order to further reinforce entity responsibility of management personal at each level for case prevention, the Bank strives to manage simultaneously and actively and consciously for case prevention, and issued Measures for Responsibility System of Leaders for Case Prevention and Control of Bank of Jiujiang. This is to clarify case prevention responsibilities of management at all levels and to associate promotion to performance and salary, constructing a responsibility system so that responsibilities are taken in all levels, where it comprehensively covers the network and systematically prevents cases.

Management Discussion and Analysis

- 2. Joint efforts to improve the efficiency of compliance management.** First is to fully cooperate with on-site inspections. In order to fully carry out the docking work of the on-site inspection by the CBIRC Jiangxi Bureau, under the principle of “full exposure, comprehensive rectification, and accountability in place”, Bank of Jiujiang formulated and issued the “Implementation Plan for Comprehensive Compliance Inspection in 2020”, and organized all branches and subsidiaries to carry out self-examination in an orderly manner. Second is to continuously supervise the rectification of problems. The Bank kept tracking and carrying out rectification work of market chaos appeared in previous years, and performed 2020 “Looking back” rectification work in market chaos in accordance with regulatory requirements by implementing rectification and revocation measures. Third is to follow regulatory advice. The Bank assigned staff to specifically manage, supervise and close loopholes of policies so as to fulfill regulatory policies and requirements, optimize the mechanism and system, and enhance the effectiveness of compliance management. Fourth is to promote system development. The Bank focused on the customized development of a three-in-one system of internal control, compliance and operational risk. It plans to include compliance management into corporate governance, internal control case prevention and business management, and to achieve systematic management, to streamline compliance inspection procedures, to improve operational style, and to systematize compliance management.



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3. **Building a culture of compliance gradually.** First is to develop a compliance culture. The Bank organized monthly compliance examination and “Monthly Session for Leaders of the Bank” activities to promote corporate key values of “Compliance is everyone’s responsibility” and “Practice of compliance creates values” to develop an overall compliance culture of “Doing business with compliance”. Second is to conduct strict internal accountability. Starting from 2020, the Director of Compliance also serves as the vice chairperson of Accountability Committee of Head Office to tighten compliance guidance and supervision, and play as a role of warning against violation acts. Third is to enhance reporting on integrity violation. The Bank listed and announced major “integrity violation” activities, operated seasonal reporting mechanism, assigned staff members to specifically handle reports on integrity violation. Meanwhile, the Bank established various reporting channels such as drop-in boxes, reporting hotline and OA online QR code reporting etc. Fourth is to integrate compliance cases. With reference to daily compliance issues and external regulatory cases, the Bank kept updating and posting compliance cases on “Compliance Online” column to educate all employees of the Bank to “Stay alert to compliance cases, bear in mind the compliance rules”.

11.7 Money laundering risk management

The risk of money laundering refers to the criminals or criminals who use various means to cover up or conceal the source and nature of illegal funds and turn it into legitimate funds in the process of establishing business relationships with customers, selling financial products and providing financial services, and the likelihood or probability of an act or process.

Effective money laundering risk management is the foundation for the safe and sound operation of banks. In accordance with the requirements of diligence and integrity, the Bank firmly established compliance awareness and risk awareness, and established a sound money laundering risk management system. According to the risk-based approach, resources were reasonably allocated, and the Bank’s money laundering risk was continuously identified, prudently assessed, effectively controlled and managed throughout the process to effectively prevent the risk of money laundering.

Management Discussion and Analysis

During the reporting period, the Bank managed money laundering risk mainly through the following measures: **Firstly, the Bank optimized the system construction to further enhance the effectiveness of the anti-money laundering system.** The Bank took system assessment as a starting point and required all major business lines to include money laundering risk management requirements into operational rules of specific products so as to comprehensively improve anti-money laundering management and governance capabilities. **Secondly, the Bank strengthened system construction to further enhance money laundering risk management level.** The Bank continuously promoted the “centralized operation” model. The Bank initiated a centralized operation model on anti-money laundering by appointing experts on the work as to reduce the workload of branches and improve the quality and efficiency of anti-money laundering. On the other hand, it continuously optimized its assessment plan. In accordance with the actual situation and major work of anti-money laundering, the Bank set multiple assessment indicators for branches, departments and employees as to build a scientific, reasonable, comprehensive and effective assessment system, and to encourage relevant institutions and employees to perform their duties on their own initiative. **Thirdly, the Bank strengthened self-monitoring to further enhance its money laundering risk assessment system.** The Bank established a well-rounded risk assessment on institutions, products and customers to enhance the scientific basis and effectiveness of risk assessment. Meanwhile, it regularly assessed and adjusted the monitoring model, enhanced the accuracy of suspicious monitoring, improved and optimized the anti-money laundering monitoring and assessment system. **Fourthly, the Bank refined the risk forewarn system to further improve its risk investigation.** With the underlying risks discovered in daily operations and official risk information, the Bank organized irregular risk investigation to timely detect risks and prevent money laundering activities. **Fifthly, the Bank innovated new form of promotions to further practice social responsibility.** It made good use of its outlets by distributing leaflets, displaying standees and playing promotional videos to continuously promote anti-money laundering. On the other hand, it used online channels such as Wechat public platform to promote knowledge of anti-money laundering to the general public so as to practice social responsibility.

11.8 Information technology risk management

Information technology risk refers to the operational, legal and reputational risks caused by natural and artificial factors, technical vulnerabilities and management defects during the application of information technology by the Bank.

The Bank has set up an information technology risk management organizational structure composed of the Board of Directors, the Senior Management and the Information Technology Management Committee under it, and the Implementation level. The information technology risk management framework of our Bank, under the leadership of our Board of Directors and our senior management, is based on the three lines of defense. The pre-event, during-event and post-event risk prevention system have been effectively ameliorated.

1. **Promoting qualification certification and improving operation and maintenance capabilities.** The Wuhan data center of the Bank successfully passes the final trial of Uptime M&O certification, becoming the first city commercial bank in China to receive the certification. It also passes the ISO27000 (Information Security System) certification, which strengthened the information security management level of the Bank.
2. **Strengthening risk assessment and promoting system development.** Firstly, all processes prior to the launch of important information system (including project approval, demands and technology review, risk assessment of production versions, business impact analysis and grading) were discussed in online and offline meetings, and risk assessment were performed. Secondly, comprehensive risk assessment and resource backup plan for emergency were carried out on the constructions of important systems for internet application, such as new core system, credit system and retail lines.
3. **Strengthening information security, preventing and mitigating risks.** Firstly, the Bank adhered to the principle of in-depth defense when carrying out information security-related work, and established a sufficiently efficient defense system to ensure the information security of the Bank. Secondly, the Bank upgraded the anti-virus version of the Bank's anti-virus version system, updated the rule base of the professional anti-virus system, as well as managed and controlled the USB mobile storage, so as to immediately give attention to and solve the loopholes and strengthen the security control. Thirdly, it strengthened network security protection, completed resource preparation, self security examination and attack and defense drill. It plans to continue the improvement work, organize more safety awareness training, and establish an overall protection system.

Management Discussion and Analysis

4. **Standardizing management of outsourcing to minimize risks of outsourcing.**

In respect of the outsourcing projects currently carried out by the Bank, the Bank mainly assessed individual aspects, such as system security management, source code management, developer management, development terminal environment management, and development test server management. It also carried out in-depth analysis on potential risk, extent of impacts, risk control measures and more, and analyzed the risk control effects based on the risk control measures adopted or to be adopted.

11.9 Reputational risk management

Reputational risk refers to the risk of negative comments from relevant interested parties resulting from our Bank's operation, management, and other activities or external events. Our Bank's reputational risk management further improves the establishment of system, optimizes the organizational structure, strengthens the training, investigation and assessment of reputational risk, and establishes a sound reputational risk coordination mechanism to effectively enhance the ability of prevention and resilience of public opinions and reputational risk management. Classification standards, subjects of accountability and management principles concerning reputational risk have been defined. Prevention, monitoring, reporting and handling of reputational risks have been improved so as to minimize the loss and negative impact on our Bank caused by the reputational risk-related events and promote our sustainable and stable operation. During the reporting period, our Bank established a public opinion monitoring mechanism running 365 days x 24 hours to achieve a comprehensive coverage of public opinion monitoring, further stepping up its efforts in monitoring public opinions, managing and handling related events.

11.10 Strategic risk management

Strategic risk refers to the risk caused by improper operation policies of a commercial bank or changes in the external operation environment. Our Bank's strategic risk management goals is to set up and improve the strategic risk management system to systematically identify and evaluate potential risks in our Bank's existing strategic plans and adopt scientific decision-making approaches and risk management measures to minimize or avoid substantial losses at a maximum level.

Our Bank has established a well-rounded strategic risk management organizational structure composed of the Board of Directors and the Strategy Committee under it, the Senior Management, strategy management functional departments of the Head Office and other related functional departments. During the reporting period, our Bank executed the Management Measures for Strategy and Operation Planning of Bank of Jiujiang strictly, and proactively launched strategic risk management to identify strategic management risks. Risk identification includes identifying whether the strategic plan is scientific and reasonable, whether the plan has taken external business environment changes into consideration, whether the plan has covered the readiness and equipment of enough resources (including manpower, capital, management and IT resources) to support the execution of strategic decisions, whether an effective control mechanism over the strategy implementation process is in place, and whether any significant emergencies that affects the implementation of the strategy occurred, so as to ensure the consistency of the strategic plan with our Bank's development prospect and with our Bank's scale, risk preferences and portfolio complexity.

As of the end of the first half of 2020, our Bank's strategic risk level remained stable and under control overall, indicating our effective management over strategic risks. Next, our Bank plans to set up and improve our strategic risk evaluation system step-by-step and adopt reasonable methods to evaluate the likelihood and the extend of impact of strategic risk occurrences. We will also evaluate the strategic risks on a bank-wide regular basis which covers the following risk factors: the changes in the external environment, formulation of strategic plans, execution and control of strategic plans, resource allocation and emergencies.

Changes in Share Capital and Information on Shareholders

1. Changes in Share Capital

As of June 30, 2020, the Bank's total number of issued shares was 2,407,367,200, including 2,000,000,000 Domestic Shares and 407,367,200 H Shares.

During the reporting period, the Bank had no change in share capital.

1.1 Breakdown table of changes in shares

Class of shares	As at December 31, 2019		Changes in shares during the reporting period (share)	As at June 30, 2020	
	Number of shares (share)	Proportions (%)		Number of shares (share)	Proportions (%)
Domestic state-owned shares	366,020,000	15.20	0	366,020,000	15.20
Domestic state-owned legal person shares	491,721,736	20.43	12,500,000	504,221,736	20.94
Domestic social legal person shares	1,116,450,790	46.38	(12,500,000)	1,103,950,790	45.87
Domestic natural person shares	25,807,474	1.07	0	25,807,474	1.07
Overseas listed shares (H Shares)	407,367,200	16.92	0	407,367,200	16.92
Total number of ordinary shares	2,407,367,200	100.00	0	2,407,367,200	100.00

1.2 Information on changes in more than 1% of Domestic Shares

During the reporting period, the Bank had no changes in more than 1% of domestic shares.

On July 27, 2020, Tellhow Group Limited transferred 57,040,000 domestic shares it held of the Bank to Nanchang County Cultural Tourism Investment Co., Ltd.

On August 12, 2020, 136,070,000 domestic shares of the Bank held by Dasheng (Fujian) Agriculture Co., Ltd. were successfully sold off on Alibaba's public auction platform, and the buyer, Fangda Carbon New Material Co., Ltd. (a listed company on Shanghai Stock Exchange, stock code: 600516) is currently undergoing shareholder's qualification approval procedures.

From the end of the reporting period and as at the date of this report, except for the above-mentioned, there were no information on changes in more than 1% of Domestic Shares of the Bank.

2. Particulars of shareholders

2.1 Total number of shareholders of Domestic Shares as at the end of the reporting period

As of June 30, 2020, the Bank had 671 domestic shareholders in total, including 1 state-owned shareholder, 7 state-owned legal person shareholders, 57 social legal person shareholders and 606 natural person shareholders.

2.2 Top 10 shareholders of non-overseas listed domestic shares

As of June 30, 2020, the shareholdings of the top 10 shareholders who directly held non-overseas listed Domestic Shares are as follows:

Name of shareholders	Classes of shares	Number of shares held as at the end of the reporting period (share)	Approximate Percentage of Total Issued Share Capital of the Bank by the end of reporting period (%)	Shares pledged or frozen	
				Particulars of shares	Number of shares (share)
Jiujiang Finance Bureau	Domestic shares	366,020,000	15.20	Normal	-
Beijing Automotive Group Co., Ltd.	Domestic shares	366,020,000	15.20	Normal	-
Industrial Bank Co., Ltd.	Domestic shares	294,400,000	12.23	Normal	-
Dasheng (Fujian) Agricultural Co., Ltd. ⁽²⁾	Domestic shares	136,077,498	5.65	Pledged	136,070,000
				Frozen	136,077,498
Foshan Gaomin Jindun Hengye Computer Special Printing Co., Ltd.	Domestic shares	95,840,000	3.98	Normal	-
Jiangxi Baoshen Industrial Co., Ltd.	Domestic shares	86,920,000	3.61	Pledged	84,792,010
Junhe (Xiamen) Holdings Co., Ltd.	Domestic shares	86,653,080	3.60	Pledged	81,653,080
Tellhow Group Limited ⁽²⁾	Domestic shares	57,040,000	2.37	Pledged	25,000,000
Jiujiang Hehui Import & Export Co., Ltd	Domestic shares	56,392,500	2.34	Pledged	49,890,000
Jiujiang State-owned Assets Management Co., Ltd.	Domestic shares	43,454,831	1.81	Normal	-
Total		1,588,817,909	66.00 ⁽¹⁾		

Changes in Share Capital and Information on Shareholders

Notes:

- (1) The inconsistency between the sum of the numbers in this table and the total figures is due to rounding.
- (2) For the shareholding of Dasheng (Fujian) Agriculture Co., Ltd. and Tellhow Group Limited after the reporting period, please refer to "1.2 Information on changes in more than 1% of Domestic Shares" in this chapter.

2.3 Interests and short positions of substantial shareholders in shares and underlying shares under Hong Kong laws and regulations

As of June 30, 2020, so far as is known to the Bank and the Directors, substantial shareholders of the Bank and other persons (other than Directors, Supervisors and chief executive officers of the Bank) who had interests and short positions in the Shares and underlying Shares of the Bank which were required to notify 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 by the Bank under Section 366 of the SFO were as follows:

Name of shareholders	Classes of shares	Number of shares (share)	Nature of interest	Approximate percentage of shareholding in the relevant class of share (%)	Approximate percentage of total share capital of the Bank (%)
Jiujiang Finance Bureau ⁽²⁾	Domestic shares	366,020,000(L) ⁽¹⁾	Beneficial Owner	18.30	15.20
	Domestic shares	40,000,000(L) ⁽¹⁾	Interest of Controlled Corporation	2.00	1.66
Beijing Automotive Group Co., Ltd. ⁽³⁾	Domestic shares	366,020,000(L) ⁽¹⁾	Beneficial Owner	18.30	15.20
Industrial Bank Co., Ltd. ⁽⁴⁾	Domestic shares	294,400,000(L) ⁽¹⁾	Beneficial Owner	14.72	12.23
Dasheng (Fujian) Agricultural Co., Ltd. ⁽⁵⁾	Domestic shares	136,077,498(L) ⁽¹⁾	Beneficial Owner	6.80	5.65
Foresea Life Insurance Co., Ltd.	H Shares	104,666,400(L) ⁽¹⁾	Beneficial Owner	25.69	4.35
Taiping Assets Management (HK) Company Limited	H Shares	104,666,400(L) ⁽¹⁾	Investment Manager	25.69	4.35
Chu Mang Yee ⁽⁶⁾	H Shares	66,037,600(L) ⁽¹⁾	Interest of Controlled Corporation	16.21	2.74
Sounda Properties Limited ⁽⁶⁾	H Shares	66,037,600(L) ⁽¹⁾	Interest of Controlled Corporation	16.21	2.74
Hopson Development Holdings Limited ⁽⁶⁾	H Shares	66,037,600(L) ⁽¹⁾	Interest of Controlled Corporation	16.21	2.74

Name of shareholders	Classes of shares	Number of shares (share)	Nature of interest	Approximate	Approximate
				percentage of shareholding in the relevant class of share (%)	percentage of total share capital of the Bank (%)
Hopson Development International Limited ⁽⁶⁾	H Shares	66,037,600(L) ⁽¹⁾	Interest of Controlled Corporation	16.21	2.74
R&F Properties (HK) Co., Ltd. ⁽⁷⁾	H Shares	59,591,000(L) ⁽¹⁾	Beneficial Owner	14.63	2.48
Guangzhou R&F Properties Co., Ltd. ⁽⁷⁾	H Shares	59,591,000(L) ⁽¹⁾	Interest of Controlled Corporation	14.63	2.48
Harbor Sure (HK) Investments Limited	H Shares	59,591,000(L) ⁽¹⁾	Security interest in shares	14.63	2.48
ABCI Investment Management Limited	H Shares	59,591,000(L) ⁽¹⁾	Interest of Controlled Corporation	14.63	2.48
ABCI International Holdings Limited	H Shares	59,591,000(L) ⁽¹⁾	Interest of Controlled Corporation	14.63	2.48
Agricultural Bank of China Limited	H Shares	59,591,000(L) ⁽¹⁾	Interest of Controlled Corporation	14.63	2.48
Ministry of Finance of the People's Republic of China	H Shares	59,591,000(L) ⁽¹⁾	Interest of Controlled Corporation	14.63	2.48
Central Huijin Investment Ltd.	H Shares	59,591,000(L) ⁽¹⁾	Interest of Controlled Corporation	14.63	2.48
Hopeson Holdings Limited ⁽⁶⁾	H Shares	46,037,600(L) ⁽¹⁾	Beneficial Owner	11.30	1.91
Success Cypress Limited ⁽⁸⁾	H Shares	40,317,800(L) ⁽¹⁾	Beneficial Owner	9.90	1.67
Tan Huichuan ⁽⁸⁾	H Shares	40,317,800(L) ⁽¹⁾	Interest of Controlled Corporation	9.90	1.67
Guangzhou Jinxiu Dadi Property Development Company Limited ⁽⁸⁾	H Shares	40,317,800(L) ⁽¹⁾	Interest of Controlled Corporation	9.90	1.67
Guangzhou Jinxiu Investment Company Limited ⁽⁸⁾	H Shares	40,317,800(L) ⁽¹⁾	Interest of Controlled Corporation	9.90	1.67
Zhaoqing Tiancheng Property Co., Ltd. ⁽⁸⁾	H Shares	40,317,800(L) ⁽¹⁾	Interest of Controlled Corporation	9.90	1.67
Faithful Edge Limited ⁽⁸⁾	H Shares	40,317,800(L) ⁽¹⁾	Interest of Controlled Corporation	9.90	1.67
Rong De Investment Limited ⁽⁹⁾	H Shares	33,308,200(L) ⁽¹⁾	Beneficial Owner	8.18	1.38
East System Investments Limited	H Shares	27,370,800(L) ⁽¹⁾	Beneficial Owner	6.72	1.14
Venfi Group Limited ⁽¹⁰⁾	H Shares	22,205,400(L) ⁽¹⁾	Beneficial Owner	5.45	0.92

Changes in Share Capital and Information on Shareholders

Notes:

- (1) The letter “L” denotes the person’s long position in the shares.
- (2) Jiujiang Finance Bureau, an official organ as legal person, directly holds a total of 366.02 million domestic shares of the Bank, accounting for 15.20% of the Bank’s total issued share capital as at the end of the reporting period. The bureau’s legal representative is Wu Zexun. Besides, Jiujiang Finance Bureau indirectly holds 40 million domestic shares of the Bank through the holding of Jiujiang City Financial Enterprise Financial Services Co., Ltd. Furthermore, in accordance with the forms for filing disclosure of interests submitted on August 20, 2019, Jiujiang Finance Bureau and Jiujiang State-owned Assets Management Co., Ltd. have acted in concert or without contradictory since January 1, 2016, the Bank’s domestic shares held by Jiujiang State-owned Assets Management Co., Ltd. amounted to 43,454,831 shares. Therefore, Jiujiang Finance Bureau controlled an approximate of 18.67% of shares of the Bank.
- (3) Beijing Automotive Group Co., Ltd. (“BAIC Group”) holds 366.02 million domestic shares of the Bank, accounting for 15.20% of the Bank’s total issued share capital as at the end of the reporting period. The company’s legal representative is Xu Heyi. Founded in 1958, BAIC Group is headquartered in Beijing and is one of leading automotive groups in China and a Fortune 500 Company.
- (4) Industrial Bank Co., Ltd. (“Industrial Bank”) holds 294.40 million domestic shares of the Bank, accounting for 12.23% of the Bank’s total issued share capital as at the end of the reporting period. The company’s legal representative is Gao Jianping. Founded in August 1988 and headquartered in Fuzhou City, Fujian province, Industrial Bank is one of the first joint-stock commercial banks approved by the State Council and the central bank. Industrial Bank was officially listed in Shanghai Stock Exchange on February 5, 2007 (stock code: 601166) and ranks among the Top 50 banks in the world.
- (5) Dasheng (Fujian) Agriculture Co., Ltd. (“Dasheng Agriculture”) holds 136.08 million domestic shares of the Bank, accounting for 5.65% of the Bank’s total issued share capital as at the end of the reporting period. Founded on May 18, 2006 and situated in Fuzhou city, Fujian province, with Lu Tingfu as its legal representative, Dasheng Agriculture was established by Shenzhen Dasheng Agriculture Group Co.,Ltd. with full investment, and was consecutively shortlisted as one of the Top 500 Chinese private enterprises from 2015 to 2017. For the shareholding of Dasheng (Fujian) Agriculture Co., Ltd. after the reporting period, please refer to “1.2 Information on changes in more than 1% of Domestic Shares” in this chapter.
- (6) Chu Mang Yee holds equity interests in 66,037,600 H shares of the Bank through two controlled corporations, of which 46,037,600 H shares held through Hopeson Holdings Limited and the remaining 20,000,000 H shares held through Sound Zone Properties Limited.
- (7) R&F Properties (HK) Co., Ltd. is a company incorporated in Hong Kong and a wholly-owned subsidiary of Guangzhou R&F Properties Co., Ltd. (stock code: 2777). It is principally engaged in investment holding business.
- (8) Success Cypress Limited is a company incorporated in the British Virgin Islands and is ultimately held by Tan Huichuan, Tan Mei, Tan Haocheng and Tan Yuehua as to 43%, 7%, 25% and 25%, respectively. It is principally engaged in investment holding business.
- (9) Rong De Investments Limited is a company incorporated in the British Virgin Islands and is owned as to 36%, 34.06% and 29.94% by Liao Tengjia, Zhu Qingsong and Zhu Muzhi, respectively. It is principally engaged in investment holding business.
- (10) Venfi Group Limited is a company incorporated in Hong Kong and is wholly owned by Liu Yang. It is principally engaged in investment holding business.

2.4 Top 10 shareholders of ordinary shares

As of June 30, 2020, the shareholdings of the top 10 shareholders who directly held ordinary shares are as follows:

Name of shareholders	Classes of shares	Number of shares held as at the end of the reporting period(share)	Approximate
			Percentage of Total Issued Share Capital of the Bank by the end of reporting period (%)
Jiujiang Finance Bureau	Domestic shares	366,020,000	15.20
Beijing Automotive Group Co., Ltd.	Domestic shares	366,020,000	15.20
Industrial Bank Co., Ltd.	Domestic shares	294,400,000	12.23
Dasheng (Fujian) Agricultural Co., Ltd. ⁽¹⁾	Domestic shares	136,077,498	5.65
Foresea Life Insurance Co., Ltd.	H Shares	104,666,400	4.35
Foshan Gaomin Jindun Hengye Computer Special Printing Co., Ltd.	Domestic shares	95,840,000	3.98
Jiangxi Baoshen Industrial Co., Ltd.	Domestic shares	86,920,000	3.61
Junhe (Xiamen) Holdings Co., Ltd.	Domestic shares	86,653,080	3.60
R&F Properties (HK) Co., Ltd.	H Shares	59,591,000	2.48
Tellhow Group Limited ⁽¹⁾	Domestic shares	57,040,000	2.37
Total		1,653,227,978	68.67

Note:

- (1) For the shareholding of Dasheng (Fujian) Agriculture Co., Ltd. and Tellhow Group Limited after the reporting period, please refer to “1.2 Information on changes in more than 1% of Domestic Shares” in this chapter.

2.5 The controlling shareholders of the Bank

As of the end of the reporting period, the Bank had no controlling shareholders.

Changes in Share Capital and Information on Shareholders

2.6 Shareholders holding 5% (inclusive) or more of the Bank's shares

Jiujiang Finance Bureau

Jiujiang Finance Bureau holds 366.02 million domestic shares of the Bank, which are state-owned shares, accounting for 15.20% of the Bank's total issued share capital as of the end of the reporting period. Jiujiang Finance Bureau is an official organ as legal person, and the bureau's legal representative is Wu Zexun.

Jiujiang Finance Bureau holds 40 million domestic shares of the Bank through Jiujiang City Financial Enterprise Financial Services Co., Ltd., the wholly-owned company of Jiujiang Finance Bureau. In addition, Jiujiang Finance Bureau and Jiujiang State-owned Assets Management Co., Ltd have acted in concert since January 1, 2016, the Bank's domestic shares held by Jiujiang State-owned Assets Management Co., Ltd. amounted to 43,454,831 shares. Therefore, Jiujiang Finance Bureau controlled an aggregate of 18.67% of the ordinary shares of the total issued share capital of the Bank.

As of the end of the reporting period, both Jiujiang Finance Bureau and its concert parties did not pledge the equity of the Bank.

Beijing Automotive Group Co., Ltd.

BAIC Group holds 366.02 million domestic shares of the Bank, which are state-owned legal person shares, accounting for 15.20% of the Bank's total issued share capital as of the end of the reporting period. As of the end of the reporting period, BAIC Group did not pledge the equity of the Bank.

Founded in 1958, BAIC Group, with a registration place in Beijing and a total of RMB17,132 million registered capital, is one of leading automotive groups in China and a Fortune 500 Company. The company's legal representative is Jiang Deyi and its controlling shareholder is Beijing State-owned Capital Operation and Management Center. The actual controller and ultimate beneficial owner are the State-owned Assets Supervision and Administration Commission of Beijing Municipality. BAIC Group has no concert parties.

Industrial Bank Co., Ltd.

Industrial Bank holds 294.40 million domestic shares of the Bank, which are social legal person shares, accounting for 12.23% of the Bank's total share capital as of the end of the reporting period. As of the end of the reporting period, Industrial Bank did not pledge the equity of the Bank.

Founded in August 1988 and with a registration place in Fuzhou City, Fujian province, Industrial Bank is one of the first joint-stock commercial banks approved by the State Council and the People's Bank of China. It has a total of RMB20,774 million registered capital. The company's legal representative is Gao Jianping. It has no controlling shareholder, concert parties and actual controller. The ultimate beneficial owner is Industrial Bank. Industrial Bank was officially listed in Shanghai Stock Exchange on February 5, 2007 (stock code: 601166) and ranks among the Top 50 banks in the world.

Dasheng (Fujian) Agricultural Co., Ltd.

Dasheng Agriculture holds 136.08 million domestic shares of the Bank, which are social legal person shares, accounting for 5.65% of the Bank's total issued share capital as of the end of the reporting period. As of the end of the reporting period, Dasheng Agriculture pledged approximately 136.08 million shares, of which it held approximately 136.08 million shares of the Bank that were judicial frozen. For the shareholding of Dasheng (Fujian) Agriculture Co., Ltd. after the reporting period, please refer to "1.2 Information on changes in more than 1% of Domestic Shares" in this chapter.

Dasheng Agriculture was founded on May 18, 2006 with a registration place in Fuzhou city, Fujian province, and Lu Tingfu as its legal representative and Shenzhen Dasheng Agriculture Group Co., Ltd. as the controlling shareholder. The actual controller and the ultimate beneficial owner are Lan Huasheng. Dasheng Agriculture has no concert parties.

Changes in Share Capital and Information on Shareholders

2.7 Other substantial domestic shareholders

According to the Interim Measures for the Equity Management of Commercial Banks of CBIRC (CBRC Order 2018 No. 1), substantial shareholders of a commercial bank means shareholders who hold or control 5% or more shares or voting rights of the commercial bank, or who hold less than 5% of total capital or total shares of the commercial bank but have significant influence on the business of the commercial bank. The significant influence mentioned above includes but not limited to dispatching directors, supervisors or senior management of a commercial bank.

Other than those disclosed in the section 2.6 in this chapter, i.e. Jiuzhang Finance Bureau, Beijing Automotive Group, Industrial Bank and Dasheng (Fujian) Agriculture, substantial domestic shareholder of the Bank who holds less than 5% of total capital or total shares but dispatch directors and supervisors to the Bank is Foshan Gaoming Jindun Hengye Computer Special Printing Co., Ltd. (“Foshan Gaoming”).

Foshan Gaoming Jindun Hengye Computer Special Printing Co., Ltd.

Foshan Gaoming holds 95.84 million domestic shares of the Bank, which are social legal person shares, accounting for 3.98% of the Bank’s total issued share capital as of the end of the reporting period. As of the end of the reporting period, Foshan Gaoming did not pledge the equity of the Bank.

Foshan Gaoming, with Luo Hanmin as its legal representative, was established in 2000 with a registration place in Foshan city, Guangdong province. It has a total of RMB300 million registered capital. The controlling shareholder, the actual controller and the ultimate beneficial owner are Lin Xin. Foshan Gaoming has no concert parties. The company is engaged in deposit receipt and deposit books printing, R&D and sales, and is the earliest in China to apply hot stamping to magnetic stripes of deposit books. It is also a member of “China Trade Association for Anti-counterfeiting”, one of the “Top 100 Printing Enterprises in Guangdong Province”, and a “Garden-like Organization in Foshan City”.

2.8 Related parties of substantial domestic shareholders at the end of the reporting period

No.	Name of substantial shareholders	Related parties of substantial shareholders and their concert parties (if any)
1	Jiujiang Finance Bureau	Jiujiang Financial Holdings Group Co., Ltd., Jiujiang City Financial Enterprise Financial Services Co., Ltd., Jiujiang City Financial Investment Management Co., Ltd., Jiujiang Technology Investment Co., Ltd., 九江金控非融資性擔保有限公司, Jiujiang Infrastructural Investment Limited and Jiujiang State-owned Assets Management Co., Ltd., etc.
2	Beijing Automotive Group Co., Ltd.	BAIC Group Industrial Investment Co., Ltd., BAIC Group Finance Co., Ltd., Beijing Hyundai Motor Co., Ltd., Jiangxi Changhe Automobile Co., Ltd., Beijing Benz Automotive Co., Ltd., Beijing Xingdongfang Industry Co., Ltd., Beijing Automotive Industry Imp. & Exp. Co., Ltd., and Beijing Automotive Institute Co.,Ltd., etc.
3	Industrial Bank Co., Ltd.	Industrial Bank Financial Leasing Co., Ltd., China Industrial International Trust Co., Ltd., CIB Fund Management Co., Ltd., Industrial Consumer Finance Co., Ltd., Industrial Economic Research Consulting Co., Ltd., Ciit Asset Management Co.,Ltd., Industrial Wealth Asset Management Co., Ltd., and Industrial Securities Co.,Ltd., etc.
4	Dasheng (Fujian) Agricultural Co., Ltd.	Dasheng Holdings Limited, Shenzhen Dasheng Agriculture Group Co., Ltd., Major Linkage Ltd., and Shenzhen Qianhai Dasheng Equity Investment Fund Co., Ltd., etc.
5	Foshan Gaomin Jindun Hengye Computer Special Printing Co., Ltd.	Foshan Gaoming Standard Spectrum Garden Co., Ltd., Foshan Gaoming Hengye Real Estate Co., Ltd., and Guigang Hengfu Real Estate Co., Ltd., etc.

Changes in Share Capital and Information on Shareholders

2.9 Related party transactions between the Bank and the substantial shareholders and controlling domestic shareholders, actual controllers, related parties, persons acting in concert and ultimate beneficiaries thereof in the reporting period

Unit: in millions of RMB

No.	Name of shareholders	The controlling shareholders of the corporation		Credit balance	Actual controller	Credit balance	Parties acting in concert	Credit balance	Ultimate beneficiary	Credit balance	Related party with related transaction(\$)	Credit balance	Total
		Credit balance	Actual controller										
1	Jiujiang Finance Bureau	-	-	-	-	-	Jiujiang State-owned Assets Management Co., Ltd.	100.00	-	-	Jiujiang Infrastructural Investment Limited Jiangxi Natural Gas Duchang Co., Ltd. Jiujiang Non-financial Guarantee Holdings Co., Ltd.	275.00 10.00 32.47	417.47
2	Beijing Automotive Group Co., Ltd.	-	Beijing State-owned Capital Operation and Management Center	-	State-owned Assets Supervision and Administration Commission of Beijing Municipality	-	-	-	State-owned Assets Supervision and Administration Commission of Beijing Municipality	-	Anpeng International Financial Leasing (Shenzhen) Co., Ltd. BAIC Rocar (Tianjin) Import & Export Co. Ltd. Baic Yinxiang Automobile Co., Ltd. Hunan Guanghua Rongchang Automobile Parts Co., Ltd. Jiangxi Changhe Automobile Sales Co., Ltd. Jiangxi Zhicheng Automobile Co., Ltd. Beijing Beiqi Pengyuan Automobile Sales & Service Co., Ltd. Beijing CA Sinfusi Financial Leasing Co., Ltd. Jiangxi Changhe Automobile Co., Ltd. BAIC Group Industrial Investment Co., Ltd. Jingdezhen City Xingchangda Property Co., Ltd.	600.00 150.00 102.00 5.30 100.00 71.14 47.00 0.80 309.76 210.00 50.00	1,646.00
3	Industrial Bank Co., Ltd.	-	-	-	-	-	-	-	Industrial Bank Co., Ltd.	-	-	-	-
4	Dasheng (Fujian) Agricultural Co., Ltd.	-	Shenzhen D.S Agriculture	-	Lan Huashen	-	-	-	Lan Huashen	-	Anhui Huaxing Chemical Industry Company Limited Ever Fortune Financial Leasing Co., Ltd. Gongqingcheng Dasheng Agriculture Wholesale One Investment Center (L.P.)	264.20 3.71 44.00	311.91
5	Foshan Gaomin Jindun Hengye Computer Special Printing Co., Ltd.	-	Lin Xin	-	Lin Xin	-	-	-	Lin Xin	-	-	-	-
Total		-	-	-	-	-	-	100.00	-	-	-	2,275.38	2,375.98

2.10 Pledge of equity in the Bank by substantial domestic shareholders

As of June 30, 2020, the pledge of equity in the Bank by substantial shareholders of the Bank is as follows:

Dasheng (Fujian) Agricultural Co., Ltd. held 136,077,498 shares of the Bank and pledged 136,070,000 shares, with a pledge rate of 99.99%⁽¹⁾.

2.11 Nomination of Directors and Supervisors by the shareholders

- (1) Jiujiang Finance Bureau nominated Mr. Zeng Huasheng as a Director of the Bank;
- (2) Beijing Automotive Group Co., Ltd. nominated Mr. Zhang Jianyong as a Director of the Bank;
- (3) Industrial Bank Co., Ltd. nominated Mr. Li Jianbao as a Director of the Bank; and
- (4) Foshan Gaomin Jindun Hengye Computer Special Printing Co., Ltd. nominated Ms. Liu Chunmei and Ms. Liao Jingwen as Supervisors of the Bank.

2.12 The number of pledged shares of the Bank reaching or exceeding 20% of the issued share capital

As of the end of the reporting period, the Bank issued a total of 2,407,367,200 shares, 517,723,100 of which held by 26 Domestic Shareholders were pledged, accounting for 21.51% of the Bank's total issued capital, representing 2.63 percentage points below that at the end of last year.

Changes in Share Capital and Information on Shareholders

2.13 The Bank's pledged shares being frozen, judicially auctioned, restricted from voting or other rights

- (1) As of the end of the reporting period, the Bank has a total of 517,723,100 of which held by 26 Domestic Shareholders were pledged, accounting for 21.51% of the Bank's total issued capital; 1 company, Dasheng (Fujian) Agriculture Co., Ltd., pledged and had 136,077,498 shares⁽¹⁾ that were judicial frozen; 1 company, Dasheng (Fujian) Agriculture Co., Ltd., had 136,070,000 shares⁽¹⁾ involved in judicial auctions.
- (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 Shareholders' General Meeting. As of the end of the reporting period, the number of Domestic Shares pledged by 23 shareholders reached or exceeded 50% (inclusive) of the total shares held by them in the Bank, and voting rights represented by 490,773,100 shares were restricted, accounting for 20.39% of the total shares.

2.14 Purchase, sale or redemption of listed securities of the Bank

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

Note:

- (1) On August 12, 2020, 136,070,000 domestic shares of the Bank held by Dasheng (Fujian) Agriculture Co., Ltd. were successfully sold off, and the pledge and frozen status of the Bank's equity held by it were released accordingly.

Information on Directors, Supervisors, Senior Management, Staff and Institution

1. Current Directors, Supervisors and Senior Management

1.1 Directors

Name	Former name or alias	Gender	Age	Position	Terms of appointment	Number of shares held on June 30, 2020 (Share)	Classes of shares
LIU Xianting		Male	59	Chairman of the Board of Directors and Executive Director	May 2020 – May 2023	500,000	Domestic shares
PAN Ming		Male	45	Vice Chairman of the Board of Directors, Executive Director, President and Chief Customer Manager	May 2020 – May 2023	224,910	Domestic shares
CAI Liping (蔡麗平)	CAI Liping (蔡麗萍)	Female	56	Executive Director and Vice President	May 2020 – May 2023	500,000	Domestic shares
ZENG Huasheng		Male	56	Non-executive Director	May 2020 – May 2023	Nil	
ZHANG Jianyong		Male	44	Non-executive Director	May 2020 – May 2023	Nil	
LI Jianbao		Male	46	Non-executive Director	May 2020 – May 2023	Nil	
CHUA Alvin Cheng- Hock		Male	61	Independent Non-executive Director	May 2020 – May 2023	Nil	
GAO Yuhui		Female	70	Independent Non-executive Director	May 2020 – May 2023	Nil	
QUAN Ze		Male	48	Independent Non-executive Director	May 2020 – May 2023	Nil	
YANG Tao		Male	46	Independent Non-executive Director	May 2020 – May 2023	Nil	

Information on Directors, Supervisors, Senior Management, Staff and Institution

1.2 Supervisors

Name	Former name or alias	Gender	Age	Position	Terms of appointment	Number of shares held on	
						June 30, 2020 (Share)	Classes of shares
MEI Mengsheng		Male	53	Chairman of the Board of Supervisors	May 2020 – May 2023	Nil	
LIU Chunmei		Female	71	Supervisor	May 2020 – May 2023	Nil	
GUO Jiequn		Male	49	Supervisor	May 2020 – May 2023	Nil	
CHEN Chunxia		Female	56	Supervisor	May 2020 – May 2023	Nil	
LIAO Jingwen		Female	35	Supervisor	May 2020 – May 2023	14,000	Domestic shares
WAN Dandan		Female	32	Supervisor	May 2020 – May 2023	Nil	

1.3 Senior Management

Name	Former name or alias	Gender	Age	Position	Number of shares	
					held on June 30, 2020 (Share)	Classes of shares
PAN Ming		Male	45	Vice Chairman of the Board of Directors, Executive Director, President and Chief Customer Manager	224,910	Domestic shares
CAI Liping (蔡麗平)	CAI Liping (蔡麗萍)	Female	56	Executive Director and Vice President	500,000	Domestic shares
WANG Kun		Male	44	Vice President	434,588	Domestic shares
XIAO Jing		Male	43	Vice President and Chief Information Officer	55,566	Domestic shares
HUANG Chaoyang		Male	50	Assistant to President	500,000	Domestic shares
QI Yongwen		Male	50	Director of Retail banking	249,900	Domestic shares
CHEN Luping		Male	54	Director of Small-enterprise Credit	331,100	Domestic shares
XU Cao		Male	52	Assistant to President and President of Fuzhou Branch	217,560	Domestic shares
WANG Yuanxin		Male	53	Assistant to the President, Chairman and President of Beijing Daxing Jiuyin County Bank	220,500	Domestic shares
CAI Jianhong		Male	51	Director of Compliance ⁽¹⁾	16,170	Domestic shares
WANG Li		Female	56	Assistant to President and Board Secretary ⁽²⁾	Nil	

Notes:

- (1) Please refer to “2.4. Changes in Directors, Supervisors and Senior Management after the Reporting Period” in this chapter for the changes in the position of Mr. CAI Jianhong.
- (2) Please refer to this chapter headed “2.3 Changes in Senior Management” for changes in the position of Ms. Wang Li.

Information on Directors, Supervisors, Senior Management, Staff and Institution

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

2.1 Changes in Directors

According to the requirements of the relevant laws and regulations and the Articles of Association of the Bank, the term of office of Directors shall be three years, and Directors are eligible for re-election upon expiration of the term of office. The term of office of the fifth session of the Board of Directors expired in May 2020. The Bank had worked on the re-election of Directors.

At the 18th meeting of the fifth session of the Board on May 19, 2020, Mr. LIU Yinan was nominated as the non-executive Director of the sixth session of the Board, which is subject to the consideration and approval at the Shareholders' General Meeting. Details of the nomination of Director, please refer to the announcement of the Bank dated May 19, 2020.

At the Annual General Meeting of 2019 on May 22, 2020, Mr. LIU Xianting, Mr. PAN Ming and Ms. CAI Liping were re-elected as the executive Directors of the Bank. Mr. ZENG Huasheng, Mr. ZHANG Jianyong and Mr. LI Jianbao were re-elected as the non-executive Directors of the Bank. Mr. CHUA Alvin Cheng-Hock, Ms. GAO Yuhui, Mr. QUAN Ze and Mr. YANG Tao were re-elected as the independent non-executive Directors of the Bank. Mr. HUANG Jiajue, the newly elected Director, will be reported to China Banking and Insurance Regulatory Authority for the approval of director's qualification. His tenure will start from the date of the effective approval by China Banking and Insurance Regulatory Authority and last until the expiry of the term of the sixth session of the Board. Details of the election of Directors, please refer to the announcement of the Bank dated May 22, 2020.

At the first meeting of the sixth session of the Board on June 18, 2020, Mr. LIU Xianting was appointed as the Chairman of the sixth session of the Board. Mr. PAN Ming was appointed as the Deputy Chairman of the sixth session of the Board. Details of the appointment of the Chairman and Deputy Chairman, please refer to the announcement of the Bank dated June 18, 2020.

2.2 Changes in Supervisors

According to the requirements of the relevant laws and regulations and the Articles of Association of the Bank, the term of office of Supervisors shall be three years, and Supervisors are eligible for re-election upon expiration of the term of office. The term of office of the fifth session of the Board of Supervisors expired in May 2020. The Bank had worked on the re-election of Supervisors.

At the Annual General Meeting of 2019 on May 22, 2020, Ms. LIAO Jingwen was re-elected as the Shareholder Supervisor of the Bank. Ms. LIU Chunmei was newly appointed as the Shareholder Supervisor of the Bank. Mr. GUO Jiequn and Ms. CHEN Chunxia were re-elected as the External Supervisors of the Bank. At the general meeting of employee representatives of the Bank on May 22, 2020, Mr. MEI Mengsheng and Ms. WAN Dandan were appointed as Employee Representative Supervisors of the sixth session of the Board of Supervisors. Details of the election of Supervisors, please refer to the announcement of the Bank dated May 22, 2020.

At the first meeting of the sixth session of the Board of Supervisors on June 2, 2020, Mr. MEI Mengsheng was elected as the Chairman of the sixth session of the Board of Supervisors. Details of the appointment of the Chairman of the Board of Supervisors, please refer to the announcement of the Bank dated June 2, 2020.

2.3 Changes in Senior Management

At the first meeting of the 6th session of the Board on June 18, 2020, Ms. WANG Li was appointed as the Board Secretary of the Bank, and her qualification is subject to the approval of the China Banking and Insurance Regulatory Commission. Prior to that, Ms. WANG Li will perform her duties as Board Secretary of the Bank, while Mr. TONG Faping will no longer serve as the Board Secretary of the Bank.

2.4 Changes in Directors, Supervisors and Senior Management after the Reporting Period

In August 2020, upon the consideration and approval of the Board of the Bank and the approval of the qualification of senior management of China Banking and Insurance Regulatory Commission Jiangxi Bureau, Mr. Cai Jianhong was appointed as the compliance director of the Bank and no longer served as the assistant to the president of the Bank.

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

2.5 Changes in Company Secretary and Authorized Representatives after the Reporting Period

At the third meeting of the 6th session of the Board on August 28, 2020, Ms. FOK Po Yi was appointed as the Authorized Representative (the “**Authorized Representative**”) of the Bank under Rule 3.05 of the Listing Rules and the sole company secretary of the Bank, and Mr. TONG Faping will no longer serve as the joint company secretary and authorized representative of the Bank. Details of changes in company secretary and authorized representative, please refer to the announcement of the Bank dated August 28, 2020.

Information on Directors, Supervisors, Senior Management, Staff and Institution

3. Biographies of Newly Appointed Directors and Supervisors

3.1 Directors

Mr. HUANG Jiajue, aged 49, worked as a lecturer in the Department of Economics of Jiaying University, Meizhou city from July 1991 to March 1993; a staff member and then the deputy chief of the Personnel Section of China Construction Bank Meizhou Branch from March 1993 to May 1996; the president of China Construction Bank Fengshun County Sub-branch from May 1996 to April 2000; the assistant president and the vice president of Guangdong Eastern Fibernet Investment Co., Ltd. from May 2000 to December 2001; the vice president of Guangdong Zhuguang Group from December 2001 to November 2009; acts as the executive director, deputy chairman of the Board, and CFO of Zhuguang Holdings Group Company Limited (listed on Hong Kong Stock Exchange, stock code: 1176) from November 2009 up to now; and is also the executive director and CEO of Silver Grant International Holdings Group Limited (listed on Hong Kong Stock Exchange, stock code: 171) from January 2019 up to now.

Mr. HUANG obtained the EMBA degree from Sun Yat-Sen University (中山大學) in June 2008.

Mr. LIU Yinan, aged 43, served as a director and general manager of Vitek Technology Limited from January 2006 to January 2007; the vice president of D&S Media Group from January 2007 to December 2007; the assistant president of BlueFocus Intelligent Communications Group Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 300058) from January 2008 to June 2008; a director and vice president of Liaoning Fangda Group Industrial Co., Ltd. from June 2008 to February 2014; the president of China Forestry Exchange from June 2014 to January 2016; the vice general manager of the head office of investment management of Sun Life Everbright Life Insurance Co., Ltd. From April 2016 to December 2016; an executive director of China Fortune Financial Group Limited (listed on the Hong Kong Stock Exchange, stock code: 00290) from June 2017 to September 2018; and he serves as the vice president and deputy party committee secretary of Liaoning Fangda Group Industrial Co., Ltd. since November 2018. In addition, Mr. LIU serves as a director of Fangda Carbon New Material Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600516) since January 2019.

Mr. LIU is a professorate senior engineer of the People's Republic of China. He graduated from Northeastern University with a bachelor's degree in computer science in July 2000; and obtained a doctor's degree in computer engineering from the University of Rhode Island in January 2006.

3.2 Supervisors

Mr. MEI Mengsheng, aged 53, has been a physical education teacher of Pengze Agricultural Technology School (彭澤縣農業技術學校) from August 1989 to January 1993, a cadre and an officer of Jiujiang Sports Commission from January 1993 to February 1995, an office deputy director of Jiujiang Veterans' Sports Commission (九江市老年體協辦公室) from February 1995 to December 1997, an office deputy director of Jiujiang Sports Commission from December 1997 to November 2000, a secretary general of the Sports Federation of the General Administration of Sport of Jiujiang from November 2000 to May 2003, a party member and discipline officer of the General Administration of Sport of Jiujiang from May 2003 to July 2012, the secretary of the No. 4 Discipline Commission and the leader of the Inspection Group of the Commission for Discipline Inspection of Jiujiang from July 2012 to October 2016, and the leader of No. 2 Inspection Group (Inspection Group) of Jiujiang Municipal Party Committee from October 2016 to September 2019. He serves as the party member of Bank of Jiujiang, the leader of the discipline and inspection group of the Commission for Discipline Inspection of Jiujiang and the Supervision Committee of Jiujiang in Bank of Jiujiang since September 2019.

Mr. MEI has obtained the bachelor's degree in administrative management of the Open University of China in July 2006.

Information on Directors, Supervisors, Senior Management, Staff and Institution

Ms. WAN Dandan, aged 32, has been an audit specialist of the audit department of Bank of Jiujiang from January 2014 to March 2016. She serves as the leader of the financial and accounting operation, management and audit center of the audit department of Bank of Jiujiang since March 2016.

Ms. WAN is a certified public accountant and a certified intermediate auditor of the People's Republic of China. She has obtained the bachelor's degree in accountant of Jiujiang University in July 2011; and the master's degree in corporate management of Jiangsu University of Science and Technology in June 2014.

Ms. LIU Chunmei, aged 71, was an educated youth in the 12th Regiment of the 4th Division under Guangzhou Production and Construction Corps from 1968 to 1973; continued her studies in People's Bank of China Guangzhou Branch Technical Secondary School from 1974 to 1976; acted in succession as the chief of the Savings Section and office head of Industrial and Commercial Bank of China Guangzhou Branch from 1976 to 2000; and serves as the deputy general manager of Foshan Gaoming Jindun Hengye Computer Special Printing Co., Ltd. from 2004 up to now.

Ms. LIU graduated in December 1997 from Correspondence College of the Party School of the Central Committee of the Communist Party of China.

4. Securities Transactions by Directors, Supervisors and Relevant Employees

The Bank has adopted the Model Code as the code of conduct for securities transactions of the Bank by all Directors and Supervisors. The Bank has also put in place guidelines in respect of dealings in securities of the Bank for the relevant employees (as defined under the Listing Rules), of which the terms are no less exacting than those of the Model Code. Having made specific enquiries to all Directors and Supervisors regarding their compliance with the Model Code, each of the Directors and Supervisors confirmed that those standards as provided thereunder have been complied with for the six months ended June 30, 2020. Having made specific enquiries to the relevant employees regarding their compliance with the guidelines of dealing in securities of the Bank, the Bank is not aware of any non-compliance with the guidelines.

5. Interests and Short Positions of Directors, Supervisors and Chief Executive in Shares, Underlying Shares and Debentures

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

Interests in the Shares of the Bank (Long Positions)

Name	Position	Classes of shares	Nature of interest	Number of shares (share)	Approximate percentage of the total issued share capital of the relevant class of the Bank (%)	Approximate percentage of total issued share capital of the Bank (%)
LIU Xianting	Chairman of the Board of Directors and Executive Director	Domestic shares	Beneficial Owner	500,000	0.03	0.02
PAN Ming	Vice Chairman of the Board of Directors, Executive Director, President and Chief Customer Manager	Domestic shares	Beneficial Owner	224,910	0.01	0.01
CAI Liping	Executive Director and Vice President	Domestic shares	Beneficial Owner	500,000	0.03	0.02
LIAO Jingwen	Supervisor	Domestic shares	Beneficial Owner	14,000	-	-

Information on Directors, Supervisors, Senior Management, Staff and Institution Interests in Associated Corporations (Long Positions)

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

Name	Position	Associated Corporation	Nature of interest	Number of shares (share)	Approximate percentage of share capital (%)
CAI Liping	Executive Director and Vice President	Pengze Jiuyin County Bank Co., Ltd. (彭澤九銀村鎮銀行股份有限公司) ⁽¹⁾	Beneficial Owner	100,000	0.20
		Ruichang Jiuyin County Bank Co., Ltd. (瑞昌九銀村鎮銀行股份有限公司) ⁽²⁾	Beneficial Owner	100,000	0.20
		Zixi Jiuyin County Bank Co., Ltd. (資溪九銀村鎮銀行股份有限公司) ⁽³⁾	Beneficial Owner	80,000	0.40
		Chongren Jiuyin County Bank Co., Ltd. (崇仁九銀村鎮銀行股份有限公司) ⁽⁴⁾	Beneficial Owner	160,000	0.40
		Fenyi Jiuyin County Bank Co., Ltd. (分宜九銀村鎮銀行股份有限公司) ⁽⁵⁾	Beneficial Owner	200,000	0.40
LIAO Jingwen	Supervisor	Ruichang Jiuyin County Bank Co., Ltd. (瑞昌九銀村鎮銀行股份有限公司) ⁽²⁾	Beneficial Owner	50,000	0.10
		Zixi Jiuyin County Bank Co., Ltd. (資溪九銀村鎮銀行股份有限公司) ⁽³⁾	Beneficial Owner	20,000	0.10
		Chongren Jiuyin County Bank Co., Ltd. (崇仁九銀村鎮銀行股份有限公司) ⁽⁴⁾	Beneficial Owner	40,000	0.10
		Fenyi Jiuyin County Bank Co., Ltd. (分宜九銀村鎮銀行股份有限公司) ⁽⁵⁾	Beneficial Owner	50,000	0.10

Notes:

- (1) The Bank holds 35.0% of equity interests and 54.0% of voting rights of Pengze Jiuyin County Bank Co., Ltd. (彭澤九銀村鎮銀行股份有限公司), a subsidiary of the Bank.
- (2) The Bank holds 35.0% of equity interests and 54.1% of voting rights of Ruichang Jiuyin County Bank Co., Ltd. (瑞昌九銀村鎮銀行股份有限公司), a subsidiary of the Bank.
- (3) The Bank holds 35.0% of equity interests and 54.4% of voting rights of Zixi Jiuyin County Bank Co., Ltd. (資溪九銀村鎮銀行股份有限公司), a subsidiary of the Bank.
- (4) The Bank holds 35.0% of equity interests and 54.9% of voting rights of Chongren Jiuyin County Bank Co., Ltd. (崇仁九銀村鎮銀行股份有限公司), a subsidiary of the Bank.
- (5) The Bank holds 35.0% of equity interests and 54.9% of voting rights of Fenyi Jiuyin County Bank Co., Ltd. (分宜九銀村鎮銀行股份有限公司), a subsidiary of the Bank.

Information on Directors, Supervisors, Senior Management, Staff and Institution

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

Ms. CAI Liping, Director of the Bank, serves as the director of Zhongshan Xiaolan Jiuyin County Bank.

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

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

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



7. Information on Employees

7.1 Composition of personnel

By department/function

	As at June 30, 2020	
	Number of staff	Percentage of total (%)
Corporate banking	663	17.10
Retail banking	817	21.07
Inclusive financial	93	2.40
Financial market	35	0.90
Finance and accounting	306	7.89
Risk management, internal control and audit	204	5.26
Legal and compliance, human resources and information technology	275	7.09
Management	67	1.73
Teller	827	21.32
Jiuyin county bank	533	13.74
Others	58	1.50
Total	3,878	100.00

By age

	As at June 30, 2020	
	Number of staff	Percentage of total (%)
Aged below 30	2,452	63.23
Aged 31 – 40	1,214	31.30
Aged 41 – 50	167	4.31
Aged over 50	45	1.16
Total	3,878	100.00

Information on Directors, Supervisors, Senior Management, Staff and Institution

By education level

	As at June 30, 2020	
	Number of staff	Percentage of total (%)
Master's degree and above	449	11.58
Undergraduate and junior college	3,414	88.03
Others	15	0.39
Total	3,878	100.00

7.2 Staff training plan

In order to continue to develop as a learning organization and to help our employees to become professional, resourceful and career-oriented managers, the Bank implemented the concepts of “self-training, self-enhancing, self-criticizing and self-improving”, fully integrating the Bank’s development strategies and business needs to promote the ability of self-taught through works and duties.

The Bank promoted the development concept of “Digital Jiuyin”, by utilizing online learning platform to enhance professional standards of employees through regular learning of new knowledge. The Bank also invited experts in the industry to hold “Mingde Lectures” live lessons every Saturday to broaden horizons of the employees. Also, it held the “Monthly Session for Leaders of the Bank” learning sessions to empower all employees. During the reporting period, the Bank produced 434 courses, with course views of 51,500 times; while the learning number of employees reached 39,727, and the learning hours reached 10,917.36 hours, with an average learning hours up to 2.53 hours; and organized 17 training sessions, involving a total of 6,498 employees.

The Bank continuously improved the new employee learning system to let them know, understand and trust the Bank, then strive and enjoy working here. It also aimed to enhance company cultural identity of the new employees, to boost their understanding of the Bank of Jiujiang and to help them adapt to the environment so as to improve coordination and team cohesion. During the reporting period, the Bank organized 3 sessions of new employee learning activities, with a total of 138 new employees.

7.3 Staff remuneration policies

Remuneration management structure and decision-making procedures

In order to standardize the remuneration management of the Bank, improve the remuneration management mechanism of the Bank, and establish a scientific remuneration management structure and decision-making procedures, the Bank has established a remuneration management structure formed by the Nomination and Remuneration Committee of the Board, as well as the Remuneration Management Team.

There is a Nomination and Remuneration Committee under the Board of Directors of the Bank, which reviews the general remuneration management system and policies of the Bank; formulates remuneration plans for Directors and the senior management, and provides suggestions to the Board on remuneration plans and supervises the implementation of remuneration plans. The Nomination and Remuneration Committee under the Board of our Bank was composed of one executive Director and two independent non-executive Directors, namely Mr. LIU Xianting as the executive Director, and Mr. QUAN Ze and Mr. YANG Tao as the independent non-executive Directors. The independent non-executive Director, Mr. YANG Tao acted as the chairman.

There is also a Remuneration Management Team internally in the Bank which is mainly responsible for remuneration management strategies, mechanism and methods of the Bank and establishing employees remuneration benefit management mechanism, policies and improvement proposals. The Remuneration Management Team is formed by members from the Human Resources Department of Head Office as well as the Planning and Finance Department.

Balance of remuneration and results, standard of risk adjustment

The Bank followed the guiding ideology of “Performance-driven” to implement a remuneration mechanism as both an incentive and constraint to employees. The remuneration is directly linked to performances and contributions to the Bank and is evaluated by EVA of each branch and FTP net income of new bank deposits.

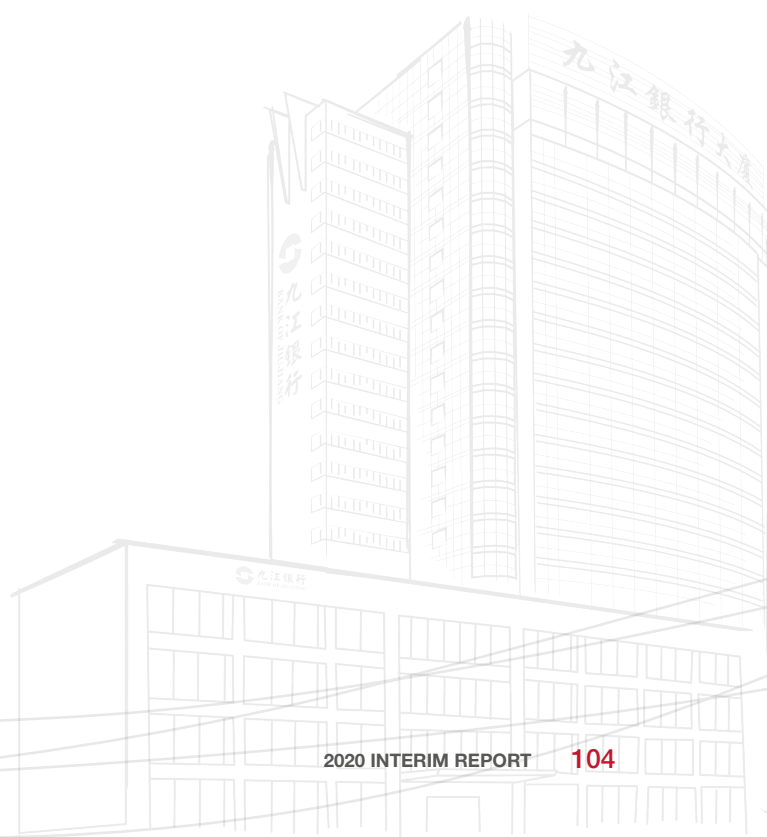
Information on Directors, Supervisors, Senior Management, Staff and Institution

Deferred payment remuneration, non-cash remuneration and deduction system

In order to ensure full effectiveness of remuneration in the Bank's risk management and control and to establish a scientific and reasonable incentive and restraint mechanism, in accordance with the Supervisory Guidelines on Sound Compensation in Commercial Banks, the Bank established a deferred payment management system for employees of the Bank, and strictly implemented the remuneration deferred payment system that associated performance remuneration of key employees to business risk exposure. Exposure shall be subject to corresponding recourse and rebate system. During deferred payment period, in case of significant risk losses, the Bank will cease the deferred payment of the person responsible and could recall the performance salary.

Remuneration policies of commercial banks

In order to enhance our competitiveness and establish a scientific incentive and restrain mechanism and to adhere to the principle of efficiency, fairness, flexibility and business-orientation, the Bank established an all-rounded remuneration system as an incentive, constraint and protection to foster value creation, evaluation and allocation. The remuneration system of current employees is composed of basic salary, position salary, performance remuneration as well as allowance and benefits. Basic salary is evaluated based on the type of employment, responsibilities, employment level, basic salary points and adjustment by regions. Position salary is evaluated based on the number of days worked, type of employment, responsibilities, employment level, management responsibility, basic salary points and adjustment by regions. Performance remuneration is evaluated based on the results and performances of employees.



8. Basic Information of Institutions under the Bank

As of June 30, 2020, the Bank operated the business through the operation department of head office in Jiujiang, 13 branches and 260 sub-branches which consisted of 156 traditional sub-branches, 92 community sub-branches and 12 small and micro enterprises sub-branches. The branch network of the Bank is primarily located in Jiangxi Province, and also covers Guangzhou, Guangdong Province and Hefei, Anhui Province. We plan to steadily expand our distribution network to all major cities in Jiangxi Province. In addition, we established 20 Jiuyin County banks, among which 18 County banks were controlled and consolidated as of June 30, 2020.

Status of the branches of the Bank as of June 30, 2020 is set out below:

District	Name of institution	Operating address	Remark	Number
Jiangxi Province	Head Office	Bank of Jiujiang Mansion, No.619 Changhong Avenue, Jiujiang, Jiangxi Province	1 operation department of head office, 39 traditional sub-branches, 17 community sub-branches	57
	Nanchang Branch	No.1398 Hongguzhong Avenue, Nanchang, Jiangxi Province	1 branch, 11 traditional sub-branches, 19 community sub-branches, 1 small and micro enterprises sub-branch	32
	Ganjiang River New Area Branch	No. 528 Shuanggang West Street, Jingkai District, Nanchang, Jiangxi Province	1 branch, 1 community sub-branch, 1 small and micro enterprises sub-branch	3
	Ji'an Branch	No.196 Jinggangshan Avenue, Ji'an, Jiangxi Province	1 branch, 14 traditional sub-branches, 6 community sub-branches, 3 small and micro enterprises sub-branches	24
	Ganzhou Branch	Building 5, Shenghui City Center, Ganxian Road, Zhanggong District, Ganzhou, Jiangxi Province	1 branch, 15 traditional sub-branches, 10 community sub-branches, 2 small and micro enterprises sub-branches	28
	Fuzhou Branch	No. 1250 Gandong Avenue, Fuzhou, Jiangxi Province	1 branch, 11 traditional sub-branches, 9 community sub-branches	21
	Yichun Branch	No. 587 Luzhou North Road, Yichun, Jiangxi Province	1 branch, 14 traditional sub-branches, 3 community sub-branches, 3 small and micro enterprises sub-branches	21

Information on Directors, Supervisors, Senior Management, Staff and Institution

District	Name of institution	Operating address	Remark	Number
	Shangrao Branch	1-1, 2-1, 3-1, 4-1, 5-1, No. 87 Wusan Avenue, Xinzhou District, Shangrao, Jiangxi Province	1 branch, 11 traditional sub-branches, 6 community sub-branches	18
	Jingdezhen Branch	No. 197 Licun Garden, Jingdezhen, Jiangxi Province	1 branch, 7 traditional sub-branches, 5 community sub-branches	13
	Pingxiang Branch	No. 121 Yuejin North Road, Pingxiang, Jiangxi Province	1 branch, 6 traditional sub-branches, 2 community sub-branches	9
	Xinyu Branch	No. 720 Xianlai East Avenue, Xinyu City, Jiangxi Province	1 branch, 2 traditional sub-branches, 3 community sub-branches, 1 small and micro enterprises sub-branch	7
	Yingtian Branch	Bank of Jiujiang Mansion, South of Wei Wu Road and North of Binjiang Road, Xinjiang New Area, Yingtian, Jiangxi Province	1 branch, 3 traditional sub-branches, 1 community sub-branch, 1 small and micro enterprises sub-branch	6
Guangdong Province	Guangzhou Branch	Rms 106, 107 and 108, No. 108, Huangpu West Avenue, Tianhe District, Guangzhou, Guangdong Province	1 branch, 10 traditional sub-branches, 5 community sub-branches	16
	Nansha Sub-branch in Guangdong Pilot Free-Trade Zone	Rms 105, 401, 402, 403, 404, 405, 406 and 407, No. 106 (Self-named Building 1) Fengze East Road, Nansha District, Guangzhou City, Guangdong Province	1 sub-branch	1
Anhui Province	Hefei Branch	Office Building A, Jiaqiao International Plaza, Intersection Of Maanshan Road And South Second Ring Road (Southwest), Baohe District, Hefei, Anhui Province	1 branch, 12 traditional sub-branches, 5 community sub-branches	18
Total				274

Status of the controlled county banks of the Bank as of June 30, 2020 is set out below:

Name of subsidiaries	Operating address
Xiushui Jiuyin County Bank LLC.	No. 123 Valley Avenue, Xiushui County, Jiangxi Province
Jinggangshan Jiuyin County Bank LLC.	No. 17-22 Guanrui Mall, Yingshanhong Road, Xincheng District, Jinggangshan, Jiangxi Province
Beijing Daxing Jiuyin County Bank Co., Ltd.	No. 3, No. 18 Yard, Xinrong North Street, Xihongmen Town, Daxing District, Beijing
Rizhao Jiuyin County Bank Co., Ltd.	No.619 Lanshan West Road, Lanshan District, Rizhao, Shandong Province
Nanjing Liuhe Jiuyin County Bank Co., Ltd.	No. 103, 105, Taishan Road, Xiongzhou Street, Liuhe District, Nanjing, Jiangsu Province
Nanchang Changdong Jiuyin County Bank Co., Ltd.	Rooms 130, 201, Commercial Building 38#, Greenland Metropolis, No. 2977 Ziyang Avenue, High-tech Zone, Nanchang, Jiangxi Province
Ruichang Jiuyin County Bank Co., Ltd.	No.1-46 Jianshe Road, Ruichang, Jiangxi Province
Pengze Jiuyin County Bank Co., Ltd.	No. 1172 Longcheng Avenue, Pengze County, Jiujiang, Jiangxi Province
Zixi Jiuyin County Bank Co., Ltd.	No. 1-18 Bund International, Binjiang Road, Hecheng Town, Zixi County, Fuzhou, Jiangxi Province
Chongren Jiuyin County Bank Co., Ltd.	No. 8 Xianfu West Road, Chongren County, Fuzhou, Jiangxi Province
Fenyi Jiuyin County Bank Co., Ltd.	No. 83 Qianshandong Road, Fenyi County, Xinyu, Jiangxi Province
Jing'an Jiuyin County Bank Co., Ltd.	Tower A, Yikun Building, Dongfang West Road, Shuangxi Town, Jing'an County, Yichun, Jiangxi Province
Tonggu Jiuyin County Bank Co., Ltd.	No. 2 Dingjiang West Road, Tonggu County, Yichun, Jiangxi Province
Jingdezhen Changjiang Jiuyin County Bank Co., Ltd.	No. 1268 Porcelain Avenue, Changjiang District, Jingdezhen, Jiangxi Province
Lushan Jiuyin Art County Bank Co., Ltd.	No. 86 Xiufeng Avenue South, Lushan, Jiujiang, Jiangxi Province
Fengxin Jiuyin County Bank Co., Ltd.	No.619 Yingxing North Avenue, Fengxin County, Yichun, Jiangxi Province
Hukou Jiuyin County Bank Co., Ltd.	No. 29 Sanli Avenue, Shuangzhong Town, Hukou County, Jiujiang, Jiangxi Province
Duchang Jiuyin County Bank Co., Ltd.	No. 99 Dongfeng Avenue, Duchang County, Jiujiang, Jiangxi Province

Information on Directors, Supervisors, Senior Management, Staff and Institution

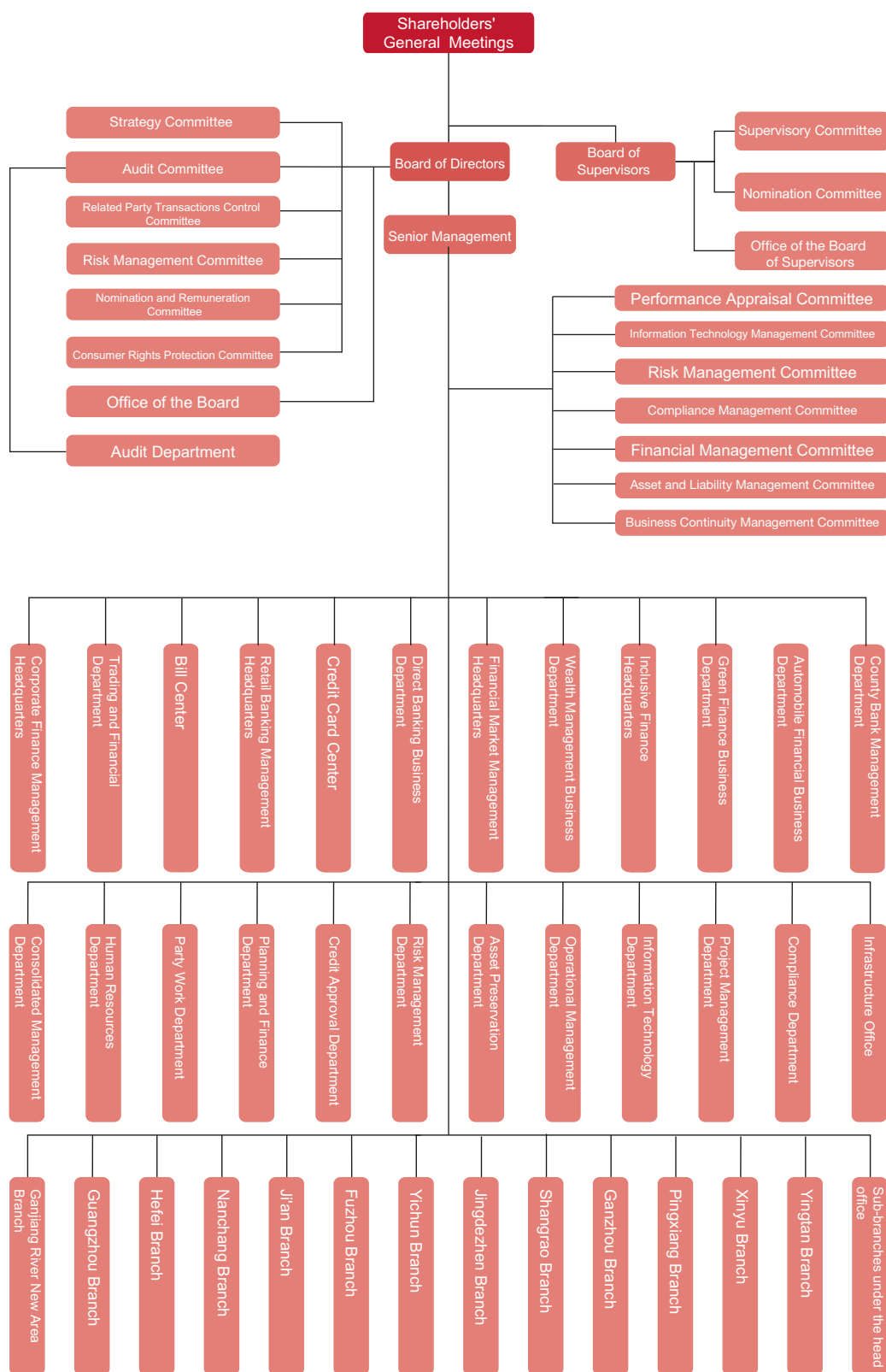
Status of the county banks in which the Bank has shareholdings as of June 30, 2020 is set out below:

Name of associates	Operating address
Zhongshan Xiaolan County Bank Co., Ltd.	1/F and 4/F, No. 10 Shengping Middle Road, Xiaolan Town, Zhongshan, Guangdong Province
Guixi Jiuyin County Bank Co., Ltd.	No. 619 Jianshe Road, Guixi, Jiangxi Province



Corporate Governance

Organizational Chart



Note: The Bank has established the Inspection and Supervision Team of the Bank of Jiujiang of the Jiujiang Municipal Supervisory Committee of the CPC, directly under the leadership of the Jiujiang Municipal Supervisory Committee.

Corporate Governance

1. Overview of Corporate Governance

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

The Bank's general meeting of shareholders, Board of Directors, Board of Supervisors, as well as various special committees under the Board of Directors and the Board of Supervisors enjoyed efficient operation during the reporting period, which has effectively ensured the Bank's compliance and robust operation as well as sustainable and healthy development. The Bank convened 27 meetings during the reporting period, including 1 general meeting of shareholders, 4 meetings of the Board of Directors, 15 meetings of special committees under the Board of Directors, 3 meetings of the Board of Supervisors, and 4 meetings of special committees under the Board of Supervisors.

2. Compliance with the Corporate Governance Code

During the reporting period, the Bank strictly complied with the provisions in the Corporate Governance Code in Appendix 14 to the Listing Rules and, where appropriate, adopted the recommended best practices.

3. Holding of general meetings of shareholders

The Bank held 1 general meeting of shareholders during the reporting period. On May 22, 2020, the Bank convened the 2019 annual general meeting and the first domestic shareholders class meeting and H shareholders class meeting of 2020. Among them, the 2019 annual general meeting deliberated on a total of 27 proposals, including the "Proposal of Deliberating on the 2019 Annual Director's Report of Bank of Jiujiang Co., Ltd.", the first domestic shareholders class meeting of 2020 deliberated on a total of 2 proposals, including the "Proposal on Adjustment of the Plan for issuance of Preference Shares", the first H shareholders class meeting of 2020 deliberated on a total of 2 proposals, including the "Proposal on Adjustment of the Plan for issuance of Preference Shares".

All summoning, notifying, convening and voting procedures concerning the above general meetings of shareholders have complied with relevant laws and regulations as well as the relevant provisions of the Articles of Association of the Bank.

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

During the reporting period, the Board of Directors of the Bank held 4 meetings, deliberated on and adopted a total of 63 proposals. The special committees under the Board of Directors of the Bank held 15 meetings, including 3 meetings of the Risk Management Committee, 3 meetings of the Audit Committee, 2 meetings of the Related Party Transactions Control Committee, 3 meetings of the Strategy Committee, 3 meetings of the Nomination and Remuneration Committee and 1 meeting of the Consumer Rights Protection Committee, deliberated on and adopted a total of 52 proposals.

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

During the reporting period, the Board of Supervisors of the Bank held 3 meetings, deliberated on and adopted a total of 45 proposals. The special committees under the Board of Supervisors of the Bank convened 4 meetings, including 3 Nomination Committee Meetings and 1 Supervisory Committee meeting, at which 12 proposals were deliberated.

6. Amendments to the Articles of Association

In accordance with the latest requirements of relevant laws and regulations and other regulatory documents, together with the Bank's actual situation, the Bank intends to amend certain provisions of the Articles of Association. The amendment has been deliberated and passed by the Board of Directors and the general meetings of shareholders, and will take effect upon the approval of the China Banking and Insurance Regulatory Commission. Prior to the effective date of the newly amended Articles, the Bank shall still apply the current effective Articles. Details of the amendments to the Articles of Association, please refer to the announcements of the Bank dated March 30, 2020 and May 22, 2020.

Corporate Governance

7. Establishment of Compliance Management Committee

In order to further strengthen the Board's management and decision-making regarding the compliance of the Bank and to improve the governance structure of the Bank, the Bank intends to establish a Compliance Management Committee in accordance with relevant laws and regulations and the Articles of Association. The Compliance Management Committee is mainly responsible for carrying out compliance management work under the authorization of the Board of Directors. These have been deliberated and passed by the Board of Directors of the Bank and the general meetings of shareholders, and will be established upon the date of China Banking and Insurance Regulatory Commission approving the Bank's intended amendments to the Articles of Association. Details of the establishment of the Compliance Management Committee, please refer to the announcement of the Bank dated March 30, 2020.

8. Internal control and internal audit

8.1 Internal control

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

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

The Bank laid stress on inspection and evaluation, and effectively supervised and corrected any problems found. It kept enhancing inspection effort targeting specific business development statuses and existing risks. During the reporting period, the compliance department of the Head Office carried out internal control and compliance inspection on case prevention and control, operational risk and other aspects of 7 branches directly under the Head Office, carried out self-examination and self-correction on the problems found in internal control for comprehensive risk investigation work of the entire Bank, and rectified them in a timely manner. With our investigation and inspection, we understood the internal

control status of the Bank, started to carry out internal control assessment and issued the Compliance Risk Assessment Report and Internal Control Self-assessment Report. Meanwhile, the Bank adopted the COSO framework and carried out internal control evaluation in light of the five elements determined by the Internal Control Guidelines for Commercial Banks and Internal Evaluation Measures for Commercial Banks, namely internal control environment, risk identification and evaluation, internal control measures, information exchange and feedback, and supervision, evaluation and correction. It included key problems found during internal audit and regulator inspection into the Problem Library and Records of Implementing Supervision Opinions, enforced pertinent rectifications by means of site correction, follow-up, and coordinated supervision over follow-up audit, which had improved internal control in a sustainable manner.

8.2 Internal audit

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

The Bank has established a vertical and independent internal audit organizational structure which is led by its Board of Directors and comprises the Audit Committee and the audit department of the Head Office. The Board of Directors of the Bank has an Audit Committee responsible for reviewing and approving the important regulations and reports related to internal audit and more, as well as approving medium-to long-term audit plans and annual audit plans and providing guidance, assessment and evaluation for internal auditing. The Audit Committee is supervised by the Board of Directors and reports to it when appropriate. The audit department of the Head Office is an internal audit department of the Bank. The audit department reports audit work to the Audit Committee on a regular basis. Pursuant to the internal and external requirements, it assumes responsibilities dominated by formulating and implementing medium- to long-term plans as well as annual audit plans, organizing and performing subsequent audit work, evaluating the rectifications and being responsible for the quality of the audit project.

Corporate Governance

According to the requirements of the Board of Directors, the Board of Supervisors and regulatory departments, the audit department makes annual internal audit plans taking nature of business, risk profile, management requirements and the allocation of audit resources into consideration, reports them to the Audit Committee for approval, and implements the plans upon approval. The Bank conducts special audits centering on various risks such as credit risk, market risk, operational risk and information technology risk, and also conducts audits on commission upon our senior and middle-level managerial staff's economic liabilities during their tenure. The Bank usually carries out internal audit in the combination forms of site audit and off-site audit. The audit procedure is made up of the preparatory stage, the implementation stage, the reporting and opposition processing stage, the rectification and follow-up audit stage as well as the archiving stage. The audit report covers various contents such as the objective, scope, basis, findings, conclusions and recommendation of audit. In order to ensure and improve the audit effectiveness, the audit department established the auditing result utilization mechanism to continuously follow up the rectifications of auditees, and ascertain corresponding responsibilities in a timely manner. Regarding the typicality, universality and tendency problems found by internal audit, the audit department urged the Bank to formulate and improve the relevant management systems and establish sound internal control measures.



Significant Issues

1. Profits and dividends

The income and financial position of the Bank for the six months ended June 30, 2020 are set out in the interim financial statement of this interim report. The Bank did not recommend the payment of interim dividend for the six months ended June 30, 2020.

2. Related party transactions

During the reporting period, the related party transactions with legal persons related to the bank are set out in Section 2.9 of Chapter 4 of this interim report, with a total balance of approximately RMB2,375 million; the balance of related party transactions with natural persons related to the bank was approximately RMB60 million; the total balance of related party transactions was approximately RMB2,435 million, accounting for 7.48% of the Bank's net capital.

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

3. Material lawsuits and arbitration matters

The Bank and its subsidiaries are involved in certain legal proceedings in their normal business operations. As of June 30, 2020, in light of court decisions or advice from legal counsels, the Group considered that provision has been provided for any potential losses from these claims.

The Bank estimates that such pending litigations or arbitration (whether individually or jointly) will not result in any significant adverse impact on the Bank's operation and financial status.

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

During the reporting period, the Bank, as well as its Directors, Supervisors and senior management of the Bank were neither under any investigation, administrative penalty or open criticism by the CSRC, nor under any public censure by Hong Kong Stock Exchange or under any punishment by any other regulators which had a material effect on the Bank's operation.

Significant Issues

5. Significant contracts and their performance

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

6. Significant investment and plans

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

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

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

8. Appointment and removal of auditor

In accordance with relevant requirement under "Administrative Measures for the Selection and Appointment of Accounting Firms by State-owned Financial Enterprises" (國有金融企業選聘會計師事務所管理辦法) (Caijin [2020] No. 6) issued by the MOF, "the term of appointment of an accounting firm by a financial enterprise shall not exceed eight years". As of 2019, Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu have been appointed as audit institutions of the Bank's financial statements for eight consecutive years. In order to comply with the above relevant requirements, the Bank has reached a mutual understanding with Deloitte on the non-renewal of its appointment.

Pursuant to the resolution considered and approved by the Bank on Board of Directors Meeting held on April 22, 2020 and 2019 Annual General Meeting held on May 22, 2020, the Bank has resolved to appoint KPMG Huazhen LLP and KPMG as the newly appointed domestic and overseas auditors of the Bank. Details of the appointment and removal of auditor, please refer to the announcement of the Bank dated April 22, 2020.

9. Acquisition and disposal of subsidiaries, associates and joint ventures

During the reporting period, the Bank was not involved in any significant acquisition, disposal of subsidiaries, associates and joint ventures.

10. Charge on assets of the Group

The Group did not charge any significant assets during the reporting period.

11. Review of interim report

The interim financial report disclosed in this interim report is unaudited. KPMG has reviewed the interim financial statements for the six months ended June 30, 2020, which were prepared by the Bank in accordance with the International Financial Reporting Standards, following relevant review standards, and issued the auditors' review report with a clean opinion.

On August 27, 2020, the Audit Committee of the Bank had reviewed and confirmed the interim results announcement of the Bank for the six months ended June 30, 2020, the 2020 interim report, as well as the unaudited interim financial statements for the six months ended June 30, 2020 which was prepared in accordance with the requirements of the International Financial Reporting Standards.

12. Interim results

The interim results announcement of the Bank for the six months ended June 30, 2020 was published on the HKExnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.jjccb.com) on August 28, 2020.

13. Event after the reporting period

On August 12, 2020, Dasheng (Fujian) Agriculture Co., Ltd., the Bank's original major shareholder, sold off 136,070,000 domestic shares of the Bank it held on Alibaba's public auction platform, and the buyer, Fangda Carbon New Material Co., Ltd., is currently undergoing major shareholder's qualification approval procedures.

Apart from this, the Bank has no other significant discloseable subsequent event after June 30, 2020.

Review Report to the Board of Directors of Bank of Jiujiang 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 page 120 to 184 which comprises the consolidated statement of financial position of Bank of Jiujiang Co., Ltd. (the “Bank”) and its subsidiaries (collectively the “Group”) as at June 30, 2020, the related consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the International Auditing and Assurance Standards Board. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Review Report to the Board of Directors of Bank of Jiujiang Co., Ltd.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at June 30, 2020 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 28, 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2020 – Unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	NOTE	Six months ended June 30,	
		2020 (Unaudited)	2019 (Unaudited)
Interest income		8,420,233	7,323,561
Interest expense		(4,560,613)	(3,980,462)
Net interest income	5	3,859,620	3,343,099
Fee and commission income		396,103	276,408
Fee and commission expense		(62,392)	(132,867)
Net fee and commission income	6	333,711	143,541
Net gains arising from financial investments	7	948,483	1,193,943
Other income, gains or losses	8	(11,551)	(10,089)
Operating income		5,130,263	4,670,494
Operating expenses	9	(1,150,988)	(1,173,830)
Impairment losses on assets	10	(2,680,046)	(2,172,451)
Share of profits of associates		6,528	6,765
Profit before taxation		1,305,757	1,330,978
Income tax expense	11	(213,130)	(245,027)
Profit for the period		1,092,627	1,085,951
Attributable to:			
Equity shareholders of the Bank		1,014,325	1,063,846
Non-controlling interests		78,302	22,105

The notes on pages 127 to 184 form part of this interim financial report. Details of dividends payable to equity shareholders of the Bank are set out in Note 33.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

	NOTE	Six months ended June 30,	
		2020 (Unaudited)	2019 (Unaudited)
Profit for the period		1,092,627	1,085,951
Items that may be reclassified subsequently to profit or loss:			
– Financial assets at fair value through other comprehensive income: net movement in the fair value reserve		(271,109)	16,347
– Financial assets at fair value through other comprehensive income: net movement in impairment losses		311,931	14,946
– Income tax relating to items that may be reclassified to profit or loss		(10,206)	(7,823)
Other comprehensive income for the period, net of tax		30,616	23,470
Total comprehensive income for the period		1,123,243	1,109,421
Total comprehensive income for the period attributable to:			
Equity shareholders of the Bank		1,044,949	1,090,525
Non-controlling interests		78,294	18,896
Total comprehensive income for the period		1,123,243	1,109,421
Basic and diluted earnings per share (in RMB)	12	0.42	0.44

The notes on pages 127 to 184 form part of this interim financial report.

Consolidated Statement of Financial Position

As at June 30, 2020 – Unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	NOTE	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS			
Cash and balances with the central bank	13	31,974,117	35,382,213
Deposits with banks and other financial institutions	14	2,729,443	2,247,682
Placements with banks and other financial institutions	15	1,150,390	2,251,001
Financial assets held under resale agreements	16	13,230,606	7,808,479
Loans and advances to customers	17	189,473,887	173,368,584
Financial investments	18	143,016,718	134,421,629
Interest in associates	19	123,175	121,647
Property and equipment	20	2,759,132	2,722,460
Right-of-use assets	21	306,329	338,188
Deferred tax assets	22	3,140,969	1,878,548
Other assets	23	3,147,168	2,811,169
Total assets		391,051,934	363,351,600

The notes on pages 127 to 184 form part of this interim financial report.

Consolidated Statement of Financial Position

As at June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

	NOTE	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
LIABILITIES			
Borrowings from the central bank		9,917,010	4,073,327
Deposits from banks and other financial institutions	24	13,333,362	14,244,344
Placements from banks and other financial institutions	25	6,393,746	5,140,224
Financial assets sold under repurchase agreements	26	15,047,518	6,379,391
Customer deposits	27	275,906,882	255,263,070
Income tax payable		741,131	227,501
Debt securities issued	28	40,334,409	49,666,982
Lease liabilities	21	319,659	360,610
Provisions	29	457,038	333,421
Other liabilities	30	2,420,332	2,304,938
Total liabilities		364,871,087	337,993,808
EQUITY			
Share capital	31	2,407,367	2,407,367
Reserves	32	23,074,282	22,318,218
Equity attributable to equity shareholders of the Bank		25,481,649	24,725,585
Non-controlling interests		699,198	632,207
Total equity		26,180,847	25,357,792
Total liabilities and equity		391,051,934	363,351,600

The financial statements have been approved by the Board of Directors of the Bank on August 28, 2020.

Liu Xianting
EXECUTIVE DIRECTOR

Pan Ming
EXECUTIVE DIRECTOR

The notes on pages 127 to 184 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended June 30, 2020 – Unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Bank							Non-controlling interests	Total	
	NOTE	Share capital	Share premium	Fair value reserve	Surplus reserve	General reserve	Retained earnings			Subtotal
As at January 1, 2020		2,407,367	8,165,761	54,188	3,460,463	4,175,514	6,462,292	24,725,585	632,207	25,357,792
Profit for the period		-	-	-	-	-	1,014,325	1,014,325	78,302	1,092,627
Other comprehensive income for the period		-	-	30,624	-	-	-	30,624	(8)	30,616
Total comprehensive income for the period		-	-	30,624	-	-	1,014,325	1,044,949	78,294	1,123,243
Dividend distribution	33	-	-	-	-	-	(288,885)	(288,885)	-	(288,885)
Dividend distribution to non-controlling interests		-	-	-	-	-	-	-	(11,303)	(11,303)
As at June 30, 2020 (unaudited)		2,407,367	8,165,761	84,812	3,460,463	4,175,514	7,187,732	25,481,649	699,198	26,180,847
As at January 1, 2019		2,407,367	8,165,761	(12,602)	3,106,406	3,894,136	5,453,106	23,014,174	532,832	23,547,006
Profit for the period		-	-	-	-	-	1,063,846	1,063,846	22,105	1,085,951
Other comprehensive income for the period		-	-	26,679	-	-	-	26,679	(3,209)	23,470
Total comprehensive income for the period		-	-	26,679	-	-	1,063,846	1,090,525	18,896	1,109,421
Dividend distribution	33	-	-	-	-	-	(192,589)	(192,589)	-	(192,589)
Dividend distribution to non-controlling interests		-	-	-	-	-	-	-	(5,726)	(5,726)
As at June 30, 2019 (unaudited)		2,407,367	8,165,761	14,077	3,106,406	3,894,136	6,324,363	23,912,110	546,002	24,458,112

The notes on pages 127 to 184 form part of this interim financial report.

Consolidated Statement of Cash Flows

For the six months ended June 30, 2020 – Unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended June 30,	
	2020 (Unaudited)	2019 (Unaudited)
Cash flows from operating activities		
Profit before taxation	1,305,757	1,330,978
<i>Adjustments for:</i>		
Depreciation and amortization	202,328	191,274
Impairment losses	2,759,383	2,201,282
Interest income arising from financial investments	(2,631,827)	(2,339,119)
Interest expense arising from debt securities issued	789,012	820,611
Interest expense arising from lease liabilities	9,438	10,709
Net gains arising from financial investments	(905,658)	(1,161,949)
Share of profits of associates	(6,528)	(6,765)
(Gains)/losses on disposal of property and equipment and other assets	(3)	110
Unrealized exchange (gains)/losses	(18,405)	8,376
Operating cash flows before movements in working capital	1,503,497	1,055,507
Increase in balances with the central bank and deposits with banks and other financial institutions	(2,882,276)	(2,300,879)
Decrease/(increase) in placements with banks and other financial institutions	185,058	(2,750,192)
Decrease in financial assets held under resale agreements	6,959,280	5,060,669
Decrease/(increase) in bonds investment measured at fair value through profit or loss	6,748,387	(744,640)
Increase in loans and advances to customers	(16,540,966)	(20,868,236)
Increase/(decrease) in borrowings from the central bank	5,840,170	(38,000)
(Decrease)/increase in deposits from banks and other financial institutions	(942,061)	4,692,044
Increase in placements from banks	1,256,297	4,462,325
Increase in financial assets sold under repurchase agreements	8,669,761	11,222,593
Increase in customer deposits	20,239,069	22,257,749
Increase in other operating assets	(154,406)	(49,458)
Increase in other operating liabilities	185,536	147,728
Net cash generated from operating activities before tax	31,067,346	22,147,210
Income tax paid	(972,127)	(810,499)
Net cash generated from operating activities	30,095,219	21,336,711

The notes on pages 127 to 184 form part of this interim financial report.

Consolidated Statement of Cash Flows

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

	NOTE	Six months ended June 30,	
		2020 (Unaudited)	2019 (Unaudited)
Cash flows from investing activities			
Dividends received from associates		5,000	5,000
Cash received from disposal and redemption of financial investments		95,666,664	36,079,023
Cash received from disposal of property and equipment		15,626	1,165
Net cash received from investment gains and interest		3,067,383	3,181,713
Cash paid for purchase of financial investments		(105,979,040)	(62,965,662)
Cash paid for purchase of property and equipment and other assets		(225,806)	(200,238)
Net cash used in investing activities		(7,450,173)	(23,898,999)
Cash flows from financing activities			
Cash received from debt securities issued		12,940,831	25,380,000
Repayment of debt securities issued		(22,990,000)	(23,197,000)
Repayment of leases liabilities		(57,519)	(47,273)
Interest expenses paid for debt securities issued		(72,416)	(672,400)
Dividends paid		(19,563)	(11,384)
Net cash (used in)/generated from financing activities		(10,198,667)	1,451,943
Net increase/(decrease) in cash and cash equivalents		12,446,379	(1,110,345)
Cash and cash equivalents at the beginning of the period		13,953,397	8,450,383
Effect of foreign exchange rate changes		(25,416)	5,716
Cash and cash equivalents at the end of the period	34	26,374,360	7,345,754
Net cash generated from operating activities include:			
Interest received		6,206,783	5,249,712
Interest paid		(3,327,237)	(3,162,069)

The notes on pages 127 to 184 form part of this interim financial report.

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

1. GENERAL INFORMATION

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

The Bank is licensed as a financial institution by the former China Banking Regulatory Commission (the “CBRC”, currently the China Banking and Insurance Regulatory Commission, the “CBIRC”) Jiangxi Province Bureau (No. B0348H236040001) and is registered as a business enterprise with the approval of Jiujiang Administration of Industry and Commerce of the People’s Republic of China (the “PRC”) (No. 9136040070552834XQ). On July 10, 2018, the Bank was listed on The Stock Exchange of Hong Kong Limited with the stock code of 06190.

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

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

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, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board. It was authorized for issue on August 28, 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by International Auditing and Assurance Standards Board.

The financial information relating to the financial year ended December 31, 2019 that is included in the interim financial report as comparative information does not constitute the Bank’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

3. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

Amendments to IFRS 3, *Definition of a Business*

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional “concentration test” that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

Amendment to IFRS 16, *Covid-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“COVID-19-related rent concessions”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

4. SEGMENT ANALYSIS

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

Measurement of segment assets and liabilities and segment income and results is based on the Group’s accounting policies. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements as disclosed in Note 3.

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

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

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

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

4. SEGMENT ANALYSIS (continued)

Corporate banking

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

Retail banking

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

Financial market business

The Group's financial market business conduct money market or repurchase transactions, and financial investments for its own accounts or on behalf of customers except for those carried by subsidiaries of the Bank.

Segment result represents the profit earned by each segment without allocation of certain other income, gains or losses, impairment losses on assets, share of profits of associates, income tax expense and results from subsidiaries of the Group. Segment assets/liabilities are allocated to each segment, excluding investment properties, loans and advances to customers, interests in associates and assets/liabilities of the subsidiaries of the Group. This is the measure reported to the Chief Operating Decision Maker for the purposes of resource allocation and performance assessment.

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

4. SEGMENT ANALYSIS (continued)

Financial market business (continued)

	Six months ended June 30, 2020				
	Corporate banking	Retail banking	Financial market business	Unallocated	Total
External interest income	3,223,610	1,631,081	3,311,799	253,743	8,420,233
External interest expense	(1,601,866)	(1,466,772)	(1,359,531)	(132,444)	(4,560,613)
Net inter-segment interest income/ (expense)	991,969	910,487	(2,028,487)	126,031	-
Net interest income	2,613,713	1,074,796	(76,219)	247,330	3,859,620
Fee and commission income	179,189	96,837	117,113	2,964	396,103
Fee and commission expense	(4,604)	(29,071)	(25,068)	(3,649)	(62,392)
Net fee and commission income	174,585	67,766	92,045	(685)	333,711
Net gains arising from financial investments	-	-	949,221	(738)	948,483
Other income, gains or losses	(5,183)	(142)	19,957	(26,183)	(11,551)
Operating income	2,783,115	1,142,420	985,004	219,724	5,130,263
Operating expenses	(398,783)	(305,304)	(341,706)	(105,195)	(1,150,988)
Impairment losses on assets	(480,881)	889	(2,290,579)	90,525	(2,680,046)
Share of profits of associates	-	-	-	6,528	6,528
Profit before taxation	1,903,451	838,005	(1,647,281)	211,582	1,305,757
Income tax expense					(213,130)
Profit for the period					1,092,627
Depreciation and amortization	73,158	37,016	75,159	16,995	202,328
Purchase of non-current assets	77,656	39,292	79,781	3,597	200,326
Segment assets	129,216,975	57,319,509	189,408,100	11,966,381	387,910,965
Deferred tax assets					3,140,969
Total assets					391,051,934
Segment liabilities/Total liabilities	(127,701,541)	(101,376,956)	(85,914,824)	(49,877,766)	(364,871,087)
Credit commitments	48,366,554	7,237,611	-	-	55,604,165

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

4. SEGMENT ANALYSIS (continued)

Financial market business (continued)

	Six months ended June 30, 2019				
	Corporate banking	Retail banking	Financial market business	Unallocated	Total
External interest income	2,944,860	1,131,965	3,039,145	207,591	7,323,561
External interest expense	(1,394,815)	(1,121,247)	(1,367,238)	(97,162)	(3,980,462)
Net inter-segment interest income/ (expense)	945,031	937,672	(1,920,103)	37,400	-
Net interest income	2,495,076	948,390	(248,196)	147,829	3,343,099
Fee and commission income	118,940	61,175	94,851	1,442	276,408
Fee and commission expense	(50,212)	(49,385)	(30,421)	(2,849)	(132,867)
Net fee and commission income	68,728	11,790	64,430	(1,407)	143,541
Net gains arising from financial investments	-	-	1,165,841	28,102	1,193,943
Other income, gains or losses	(23,162)	(5,670)	(8,376)	27,119	(10,089)
Operating income	2,540,642	954,510	973,699	201,643	4,670,494
Operating expenses	(493,400)	(289,311)	(291,468)	(99,651)	(1,173,830)
Impairment losses on assets	(1,369,616)	(335,268)	(405,697)	(61,870)	(2,172,451)
Share of profits of associates	-	-	-	6,765	6,765
Profit before taxation	677,626	329,931	276,534	46,887	1,330,978
Income tax expense					(245,027)
Profit for the period					1,085,951
Depreciation and amortization	81,764	43,460	49,371	16,679	191,274
Purchase of non-current assets	92,967	49,414	56,135	1,722	200,238
Segment assets	113,342,269	40,671,188	193,076,613	8,849,222	355,939,292
Deferred tax assets					1,661,091
Total assets					357,600,383
Segment liabilities/Total liabilities	(150,261,050)	(82,543,568)	(91,399,196)	(8,938,457)	(333,142,271)
Credit commitments	43,485,456	2,433,736	-	-	45,919,192

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

4. SEGMENT ANALYSIS (continued)

Geographical information

The Group's revenue from external customers is derived mainly from its operations and services rendered in the PRC, and non-current assets of the Group are located in the PRC.

Information about major customers

During the six-month ended June 30, 2020 and 2019, there were no revenue from transactions with a single external customer amounting to 10.00% or more of the Group's total revenue.

5. NET INTEREST INCOME

	Six months ended June 30,	
	2020	2019
Interest income:		
Balances with the central bank	214,533	202,030
Deposits with banks and other financial institutions	32,127	34,499
Placements with banks and other financial institutions	17,307	34,137
Financial assets held under resale agreements	141,747	416,958
Loans and advances to customers		
– Corporate loans and advances	3,296,078	2,894,409
– Retail loans and advances	1,760,335	1,275,705
– Discounted bills	326,279	126,704
Financial investments	2,631,827	2,339,119
Subtotal	8,420,233	7,323,561
Interest expense:		
Borrowings from the central bank	(84,981)	(40,764)
Deposits from banks and other financial institutions	(236,892)	(254,067)
Placements from banks and other financial institutions	(91,998)	(54,084)
Financial assets sold under repurchase agreements	(161,628)	(204,753)
Customer deposits	(3,186,664)	(2,595,474)
Debt securities issued	(789,012)	(820,611)
Lease liabilities	(9,438)	(10,709)
Subtotal	(4,560,613)	(3,980,462)
Net interest income	3,859,620	3,343,099

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

6. NET FEE AND COMMISSION INCOME

	Six months ended June 30,	
	2020	2019
Fee and commission income		
Agency service fees	121,057	77,124
Wealth management fees	78,248	51,374
Settlement and clearing fees	22,947	16,116
Bank card fees	93,725	61,337
Credit commitments and financial guarantees fees	41,292	29,182
Transaction and consultancy fees	38,834	41,275
Subtotal	396,103	276,408
Fee and commission expense		
Settlement fees	(23,569)	(82,092)
Transaction fees	(29,036)	(23,201)
Others	(9,787)	(27,574)
Subtotal	(62,392)	(132,867)
Net fee and commission income	333,711	143,541

7. NET GAINS ARISING FROM FINANCIAL INVESTMENTS

	Six months ended June 30,	
	2020	2019
Net gains on financial investments at fair value through profit or loss (“FVTPL”)	850,804	1,194,108
Net gains/(losses) on financial investments at fair value through other comprehensive income (“FVOCI”)	93,720	(1,065)
Net gains on financial investments at amortized cost	3,959	–
Dividend income from equity investments at FVTPL	–	900
Total	948,483	1,193,943

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

8. OTHER INCOME, GAINS OR LOSSES

	NOTE	Six months ended June 30,	
		2020	2019
Reversal of business tax payable		89,596	46,621
Exchange gains/(losses)		19,957	(8,376)
Government subsidies	(a)	13,806	9,080
Rental income		8,248	3,081
Impairment losses on repossessed assets		(79,337)	(28,831)
Losses on disposal of repossessed assets		(59,040)	(29,516)
Donation		(2,811)	(445)
Depreciation of investment properties		(2,411)	(1,990)
Gains/(losses) on disposal of property and equipment		3	(110)
Others		438	397
Total		(11,551)	(10,089)

(a) Government subsidies mainly represent bonus for the Group's contribution to the local economic development and tax refund.

9. OPERATING EXPENSES

	Six months ended June 30,	
	2020	2019
Staff costs	647,725	510,239
General and administrative expenses	247,310	415,300
Depreciation (property and equipment, excluding investment properties)	109,086	96,086
Tax and surcharges	52,990	41,068
Amortization	51,842	54,498
Depreciation – right-of-use assets	38,989	38,700
Rental and property management expenses	3,046	6,822
Others	–	11,117
Total	1,150,988	1,173,830

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

10. IMPAIRMENT LOSSES ON ASSETS

	Six months ended June 30,	
	2020	2019
Loans and advances to customers at amortized cost	249,051	1,715,245
Loans and advances to customers at FVOCI	69,745	11,364
Financial investment measured at amortized cost	1,896,525	417,561
Financial investment measured at FVOCI	242,186	3,582
Others	222,539	24,699
Total	2,680,046	2,172,451

11. INCOME TAX EXPENSE

	NOTE	Six months ended June 30,	
		2020	2019
Current income tax		832,597	250,751
Tax filing differences		653,160	4,016
Deferred tax	22	(1,272,627)	(9,740)
Total		213,130	245,027

The Group carries out its operation in mainland China and all group entities are subject to the PRC Enterprise Income Tax. It is calculated at 25.00% of the estimated assessable profit for the period.

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

12. EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	Six months ended June 30,	
	2020	2019
Earnings for the purpose of basic earnings per share:		
Profit for the period attributable to equity shareholders of the Bank	1,014,325	1,063,846
Numbers of shares:		
Weighted average number of shares for the purpose of basic earnings per share (in '000)	2,407,367	2,407,367
Basic and diluted earnings per share attributable to equity shareholders of the Bank (in RMB)	0.42	0.44

No diluted earnings per share for the six months ended June 30, 2020 and 2019 were presented as there were no dilutive potential ordinary shares outstanding during the respective periods.

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

13. CASH AND BALANCES WITH THE CENTRAL BANK

	NOTE	June 30, 2020	December 31, 2019
Cash		423,872	601,607
Mandatory reserve deposits	(a)	27,913,370	26,316,221
Surplus reserve deposits	(b)	3,437,347	8,389,916
Other deposits	(c)	186,099	61,101
Subtotal		31,960,688	35,368,845
Accrued interest		13,429	13,368
Total		31,974,117	35,382,213

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

As at June 30, 2020, mandatory reserve deposits with the PBOC were calculated at 10.50% of eligible RMB deposits for the Bank and at 6.00% or 5.00% for subsidiaries (December 31, 2019: 10.50% for the Bank and 7.50% for the subsidiaries); and at 5.00% of foreign currency deposits for the Bank and its subsidiaries (December 31, 2019: except for six subsidiaries, which were at 6.50% this year, and at 5.00% for the Bank and its subsidiaries). The foreign currency reserve deposits placed with the PBOC are non-interest bearing.

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

- (c) *Other deposits mainly represent fiscal deposits placed with the PBOC.*

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

14. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	June 30, 2020	December 31, 2019
Deposits with:		
Banks and other financial institutions in mainland China	1,275,664	1,308,004
Banks outside mainland China	1,451,463	935,996
Gross balance	2,727,127	2,244,000
Accrued interest	3,540	4,567
Less: Allowances for impairment losses	(1,224)	(885)
Total	2,729,443	2,247,682

15. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	June 30, 2020	December 31, 2019
Placements with:		
Banks in mainland China	–	1,242,262
Other financial institutions in mainland China	1,150,000	1,000,000
Gross balance	1,150,000	2,242,262
Accrued interest	809	9,571
Less: Allowances for impairment losses	(419)	(832)
Total	1,150,390	2,251,001

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

16. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

Analyzed by counterparties:

	June 30, 2020	December 31, 2019
Banks in mainland China	1,099,920	1,193,000
Other financial institutions in mainland China	12,134,559	6,618,147
Gross balance	13,234,479	7,811,147
Accrued interest	847	1,484
Less: Allowances for impairment losses	(4,720)	(4,152)
Total	13,230,606	7,808,479

Analyzed by collateral type:

	June 30, 2020	December 31, 2019
Bills	1,919,577	–
Bonds	11,314,902	7,811,147
Gross balance	13,234,479	7,811,147
Accrued interest	847	1,484
Less: Allowances for impairment losses	(4,720)	(4,152)
Total	13,230,606	7,808,479

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

17. LOANS AND ADVANCES TO CUSTOMERS

(1) Analyzed by nature

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

NOTE	June 30, 2020	December 31, 2019
Corporate loans and advances		
– Loans	107,119,337	101,871,803
Retail loans and advances		
– Residential mortgage loans	27,080,368	25,155,527
– Personal loans for consumption	22,105,768	22,569,047
– Personal loans for business purposes	10,779,600	9,891,752
– Credit card	2,122,439	1,811,294
Subtotal	62,088,175	59,427,620
Gross loans and advances to customers at amortized cost	169,207,512	161,299,423
Accrued interest	435,163	499,942
Allowances for impairment losses		
– 12-month ECL	(3,407,142)	(3,129,218)
– lifetime ECL not credit-impaired	(451,674)	(603,435)
– lifetime ECL credit-impaired	(1,515,129)	(1,854,264)
Subtotal	(5,373,945)	(5,586,917)
Loans and advances to customers at amortized cost, net	164,268,730	156,212,448
Loans and advances to customers at FVOCI		
– Discounted bills and forfeiting (a)	25,205,157	17,156,136
Total loans and advances to customers	189,473,887	173,368,584

(a) As at June 30, 2020 and December 31, 2019, the Group's allowances for impairment losses on loans and advances to customers measured at FVOCI was RMB209.73 million and RMB139.99 million respectively, as detailed in Note 17(5)(b).

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

17. LOANS AND ADVANCES TO CUSTOMERS (continued)

(2) Analyzed by industry sector

	June 30, 2020		
	Amount	Percentage	Loans and advances secured by collaterals
Real estate	27,825,739	14.31%	19,904,260
Construction	20,551,360	10.57%	9,532,129
Wholesale and retail	12,913,580	6.64%	3,756,487
Water conservancy, environment and public utility management	12,000,587	6.17%	3,503,450
Leasing and commercial services	11,821,685	6.08%	2,105,869
Manufacturing	8,887,750	4.57%	1,856,109
Production and supply of electricity, gas and water	3,829,046	1.97%	153,060
Education	1,742,792	0.90%	260,200
Agriculture, forestry, animal husbandry and fishery	1,618,757	0.83%	436,142
Hotels and catering services	1,263,891	0.65%	1,042,478
Transportation, storage and postal services	1,225,838	0.63%	509,926
Others	8,756,547	4.51%	1,282,917
Sub-total of corporate loans and advances	112,437,572	57.83%	44,343,027
Retail loans and advances	62,088,175	31.94%	36,175,804
Discounted bills	19,886,922	10.23%	–
Gross loans and advances to customers	194,412,669	100.00%	80,518,831

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

17. LOANS AND ADVANCES TO CUSTOMERS (continued)

(2) Analyzed by industry sector (continued)

	December 31, 2019		Loans and advances secured by collaterals
	Amount	Percentage	
Real estate	25,717,076	14.41%	20,596,087
Leasing and commercial services	20,129,551	11.28%	3,961,673
Construction	14,208,668	7.96%	6,893,908
Water conservancy, environment and public utility management	13,368,198	7.49%	3,144,790
Wholesale and retail	11,684,100	6.55%	3,876,258
Manufacturing	7,386,249	4.14%	1,850,645
Production and supply of electricity, gas and water	2,972,616	1.67%	499,974
Agriculture, forestry, animal husbandry and fishery	1,431,519	0.80%	391,512
Education	1,339,869	0.75%	210,200
Hotels and catering services	1,288,218	0.72%	981,097
Transportation, storage and postal services	721,413	0.40%	412,624
Others	5,414,209	3.04%	1,091,401
Sub-total of corporate loans and advances	105,661,686	59.21%	43,910,169
Retail loans and advances	59,427,620	33.30%	33,340,577
Discounted bills	13,366,253	7.49%	-
Gross loans and advances to customers	178,455,559	100.00%	77,250,746

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

17. LOANS AND ADVANCES TO CUSTOMERS (continued)

(3) Analyzed by type of collateral

	June 30, 2020	December 31, 2019
Unsecured loans	38,626,098	45,575,648
Pledged loans	37,032,463	20,006,127
Guaranteed loans	38,235,277	35,623,038
Collateralized loans	80,518,831	77,250,746
Gross loans and advances to customers	194,412,669	178,455,559
Accrued interest	435,163	499,942
Less: Allowances for impairment losses on loans and advances to customers measured at amortized cost	(5,373,945)	(5,586,917)
Net loans and advances to customers	189,473,887	173,368,584

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

17. LOANS AND ADVANCES TO CUSTOMERS (continued)

(4) Overdue loans analyzed by overdue period

	June 30, 2020				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	239,194	190,599	75,984	91,729	597,506
Pledged loans	209,685	–	110,466	–	320,151
Guaranteed loans	301,464	448,808	338,337	38,631	1,127,240
Collateralized loans	430,044	376,420	1,019,327	61,518	1,887,309
Total	1,180,387	1,015,827	1,544,114	191,878	3,932,206
As a percentage of gross loans and advances to customers	0.61%	0.52%	0.79%	0.10%	2.02%

	December 31, 2019				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	153,040	131,749	69,904	64,382	419,075
Pledged loans	1,064,668	10,060	110,980	–	1,185,708
Guaranteed loans	320,460	372,289	230,600	10,691	934,040
Collateralized loans	472,284	479,281	871,912	93,749	1,917,226
Total	2,010,452	993,379	1,283,396	168,822	4,456,049
As a percentage of gross loans and advances to customers	1.13%	0.56%	0.72%	0.09%	2.50%

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

17. LOANS AND ADVANCES TO CUSTOMERS (continued)

(5) Analysis of movements of the allowances for impairment losses on loans and advances to customers are as follows:

(a) Loans and advances to customers at amortized cost

	Six months ended June 30, 2020			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at January 1, 2020	3,129,218	603,435	1,854,264	5,586,917
Transferred:				
– to 12-month ECL	122,476	(119,442)	(3,034)	–
– to lifetime ECL not credit-impaired	(8,663)	15,963	(7,300)	–
– to lifetime ECL credit-impaired	(9,936)	(206,626)	216,562	–
Charged/(released) for the period	174,047	158,344	(83,340)	249,051
Write-offs/transferred out	–	–	(537,278)	(537,278)
Recoveries	–	–	75,255	75,255
As at June 30, 2020	3,407,142	451,674	1,515,129	5,373,945
	Year ended December 31, 2019			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at January 1, 2019	2,765,371	356,972	1,558,963	4,681,306
Transferred:				
– to 12-month ECL	109,250	(60,899)	(48,351)	–
– to lifetime ECL not credit-impaired	(105,690)	111,735	(6,045)	–
– to lifetime ECL credit-impaired	–	(103,419)	103,419	–
Charged for the year	360,287	299,046	1,670,498	2,329,831
Write-offs/transferred out	–	–	(1,628,773)	(1,628,773)
Recoveries	–	–	204,553	204,553
As at December 31, 2019	3,129,218	603,435	1,854,264	5,586,917

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

17. LOANS AND ADVANCES TO CUSTOMERS (continued)

(5) Analysis of movements of the allowance for impairment losses on loans and advances to customers are as follows: (continued)

(b) Loans and advances to customers at FVOCI

	Six months ended June 30, 2020			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at January 1, 2020	139,986	–	–	139,986
Charged for the period	69,745	–	–	69,745
As at June 30, 2020	209,731	–	–	209,731

	Year ended December 31, 2019			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at January 1, 2019	117,962	–	–	117,962
Charged for the year	22,024	–	–	22,024
As at December 31, 2019	139,986	–	–	139,986

Allowances for impairment losses on loans and advances to customers measured at FVOCI is recognized in other comprehensive income without decreasing the carrying amount of loans and advances presented in the consolidated statement of financial position, and any impairment loss or reversal is recognized in the profit or loss.

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

18. FINANCIAL INVESTMENTS

	NOTE	June 30, 2020	December 31, 2019
Financial investments at fair value through profit or loss	(a)	31,597,931	34,789,870
Financial investments at fair value through other comprehensive income	(b)	25,592,509	18,558,018
Financial investments measured at amortised cost	(c)	85,826,278	81,073,741
Total		143,016,718	134,421,629

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

	June 30, 2020	December 31, 2019
<i>Debt securities issued by:</i>		
<i>Policy banks</i>	–	101,887
<i>Corporations</i>	1,237,854	1,114,213
<i>Subtotal</i>	1,237,854	1,216,100
<i>Equity investments</i>	626,834	689,535
<i>Funds and other investments:</i>		
<i>Fund investments</i>	11,975,645	13,618,659
<i>Trust beneficiary rights and asset management plans</i>	11,306,585	13,455,396
<i>Wealth management products</i>	1,215,652	936,952
<i>Others</i>	5,235,361	4,873,228
<i>Subtotal</i>	29,733,243	32,884,235
Total	31,597,931	34,789,870
<i>Listed</i>	391,166	474,640
<i>Unlisted</i>	31,206,765	34,315,230
Total	31,597,931	34,789,870

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

18. FINANCIAL INVESTMENTS (continued)

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

	June 30, 2020	December 31, 2019
<i>Debt securities issued by:</i>		
<i>Government</i>	6,962,517	2,481,805
<i>Policy banks</i>	10,487,457	7,214,650
<i>Commercial banks and other financial institutions</i>	5,097,479	5,073,475
<i>Corporations</i>	2,703,154	3,358,677
<i>Subtotal</i>	25,250,607	18,128,607
<i>Accrued interest</i>	341,902	429,411
<i>Total</i>	25,592,509	18,558,018
<i>Listed</i>	5,620,438	5,791,617
<i>Unlisted</i>	19,972,071	12,766,401
<i>Total</i>	25,592,509	18,558,018

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For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

18. FINANCIAL INVESTMENTS (continued)

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

Movements of the allowances for impairment losses on financial investments measured at FVOCI are as follows:

	Six months ended June 30, 2020			Total
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
As at January 1, 2020	6,711	–	180,883	187,594
Charged for the period	123,145	–	119,041	242,186
As at June 30, 2020	129,856	–	299,924	429,780

	Year ended December 31, 2019			Total
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
As at January 1, 2019	39,823	–	145,621	185,444
Transferred:				
– To lifetime ECL credit-impaired	(136)	–	136	–
(Released)/charged for the year	(32,976)	–	84,780	51,804
Write-offs	–	–	(49,654)	(49,654)
As at December 31, 2019	6,711	–	180,883	187,594

Allowances for impairment losses on financial investments measured at FVOCI is recognized in other comprehensive income without decreasing the carrying amount of financial investments presented in the consolidated statement of financial position, and any impairment loss or reversal is recognized in the profit or loss.

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

18. FINANCIAL INVESTMENTS (continued)

(c) *Financial investments measured at amortised cost*

	June 30, 2020	December 31, 2019
<i>Debt securities issued by:</i>		
Government	16,452,632	12,354,897
Policy banks	19,287,713	18,421,396
Corporations	22,336,967	20,176,561
<i>Subtotal</i>	58,077,312	50,952,854
<i>Trust beneficiary rights and asset management plans</i>	28,980,038	30,703,173
<i>Accrued interest</i>	1,321,793	1,468,908
<i>Less: Allowances for impairment losses</i>	(2,552,865)	(2,051,194)
<i>Total</i>	85,826,278	81,073,741
<i>Listed</i>	8,886,539	6,136,063
<i>Unlisted</i>	76,939,739	74,937,678
<i>Total</i>	85,826,278	81,073,741

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

18. FINANCIAL INVESTMENTS (continued)

(c) *Financial investments measured at amortised cost (continued)*

Movements of the allowances for impairment losses on financial investments measured at amortized cost are as follows:

	Six months ended June 30, 2020			Total
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
As at January 1, 2020	570,329	174,573	1,306,292	2,051,194
Transferred:				
– To 12-months ECL	15,421	(15,421)	–	–
– To lifetime ECL not credit-impaired	(2,139)	2,139	–	–
– To lifetime ECL credit-impaired	(2,519)	(101,401)	103,920	–
Charged for the period	234,141	50,483	1,611,901	1,896,525
Write-offs	–	–	(1,400,000)	(1,400,000)
Recoveries	–	–	5,146	5,146
As at June 30, 2020	815,233	110,373	1,627,259	2,552,865

	Year ended December 31, 2019			Total
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
As at January 1, 2019	1,051,652	18,259	300,871	1,370,782
Transferred:				
– To lifetime ECL not credit-impaired	(70,506)	70,506	–	–
– To lifetime ECL credit-impaired	–	(182,789)	182,789	–
(Released)/charged for the year	(410,817)	268,597	2,239,111	2,096,891
Write-offs	–	–	(1,416,479)	(1,416,479)
As at December 31, 2019	570,329	174,573	1,306,292	2,051,194

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

19. INTEREST IN ASSOCIATES

	June 30, 2020	December 31, 2019
Cost of unlisted investments in associates	83,040	83,040
Share of post-acquisition profits and other comprehensive income, net of dividends received	40,135	38,607
Total	123,175	121,647

Details of the Bank's associates as at June 30, 2020 and December 31, 2019 are set out below:

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorized/ paid-in capital as at June 30, 2020	Proportion of ownership held by the Group		Proportion of voting rights held by the Group		Principal activities
				June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	
				%	%	%	%	
Zhongshan Xiaolan County Bank Co., Ltd.	Guangdong, PRC	December 2008	250,000	25.00%	25.00%	25.00%	25.00%	Commercial bank
Guixi Jiuyin County Bank Co., Ltd.	Jiangxi, PRC	December 2011	99,500	20.64%	20.64%	25.62%	25.62%	Commercial bank

20. PROPERTY AND EQUIPMENT

During the six months ended June 30, 2020, the Group acquired items of property and equipment at a total cost of RMB200.33 million (the year ended December 31, 2019: RMB570.45 million), among which the cost of construction in progress was RMB161.03 million (the year ended December 31, 2019: RMB424.75 million).

21. RIGHT-OF-USE ASSETS

During the six months ended June 30, 2020, the Group entered into new lease agreements for the use of land and buildings. The Group is required to make fixed periodically payments depending on the usage of the asset during the contract period. On lease commencement, the Group recognized RMB306.33 million of right-of-use asset (December 31, 2019: RMB338.19 million) and RMB319.66 million lease liability (December 31, 2019: RMB360.61 million).

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

22. DEFERRED TAXATION

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

	Allowances for impairment losses	Accrued salaries, bonuses and allowances	Fair value changes of financial investments measured at FVOCI	Fair value changes of financial investments measured at FVTPL	Others	Total
January 1, 2020	1,611,145	166,495	55,313	(24,585)	70,180	1,878,548
Recognised in profit or loss	1,163,014	(849)	–	78,097	32,365	1,272,627
Recognised in other comprehensive income	(77,983)	–	67,777	–	–	(10,206)
June 30, 2020	2,696,176	165,646	123,090	53,512	102,545	3,140,969

	Allowances for impairment losses	Accrued salaries, bonuses and allowances	Fair value changes of financial investments measured at FVOCI	Fair value changes of financial investments measured at FVTPL	Others	Total
January 1, 2019	1,277,825	127,970	70,314	67,969	115,096	1,659,174
Recognised in profit or loss	339,364	38,525	–	(92,554)	(44,916)	240,419
Recognised in other comprehensive income	(6,044)	–	(15,001)	–	–	(21,045)
December 31, 2019	1,611,145	166,495	55,313	(24,585)	70,180	1,878,548

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

23. OTHER ASSETS

	NOTE	June 30, 2020	December 31, 2019
Reposessed assets	(a)	1,802,952	1,976,742
Settlement and clearing accounts		984,064	492,046
Intangible assets		128,120	132,547
Research and development expenditure		112,594	85,994
Prepayments for projects		85,552	159,512
Deferred expenses		14,001	20,034
Others		363,271	109,928
Gross balance		3,490,554	2,976,803
Less: Allowances for impairment losses		(343,386)	(165,634)
Net balance		3,147,168	2,811,169

(a) *Reposessed assets:*

	June 30, 2020	December 31, 2019
<i>Land use rights and buildings</i>	1,802,450	1,976,203
<i>Others</i>	502	539
<i>Gross reposessed assets</i>	1,802,952	1,976,742
<i>Less: Allowances for impairment losses</i>	(226,591)	(147,254)
<i>Net reposessed assets</i>	1,576,361	1,829,488

24. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	June 30, 2020	December 31, 2019
Banks in mainland China	9,603,004	12,890,998
Other financial institutions in mainland China	3,584,421	1,238,488
Subtotal	13,187,425	14,129,486
Accrued interest	145,937	114,858
Total	13,333,362	14,244,344

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

25. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	June 30, 2020	December 31, 2019
Banks in mainland China	4,408,134	2,926,001
Banks outside mainland China	1,975,181	2,197,503
Subtotal	6,383,315	5,123,504
Accrued interest	10,431	16,720
Total	6,393,746	5,140,224

26. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analyzed by type and location of counterparty

	June 30, 2020	December 31, 2019
Banks in mainland China	15,046,900	6,377,139
Accrued interest	618	2,252
Total	15,047,518	6,379,391

(b) Analyzed by collaterals

	June 30, 2020	December 31, 2019
Bonds	8,368,279	2,690,000
Bills	6,678,621	3,687,139
Subtotal	15,046,900	6,377,139
Accrued interest	618	2,252
Total	15,047,518	6,379,391

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

27. CUSTOMER DEPOSITS

	June 30, 2020	December 31, 2019
Demand deposits		
Corporate customers	86,806,877	86,076,150
Individual customers	17,187,456	16,669,477
Subtotal	103,994,333	102,745,627
Time deposits		
Corporate customers	46,406,690	46,260,178
Individual customers	88,753,214	75,925,012
Subtotal	135,159,904	122,185,190
Pledged deposits	33,003,407	27,088,507
Others	320,432	219,683
Accrued interest	3,428,806	3,024,063
Total	275,906,882	255,263,070

28. DEBT SECURITIES ISSUED

	NOTE	June 30, 2020	December 31, 2019
15 Jiujiang Bank bonds	(a)	2,000,000	2,000,000
18 Jiujiang Bank bonds	(b)	7,000,000	7,000,000
Interbank negotiable certificates of deposit	(c)	31,046,111	40,520,559
Subtotal		40,046,111	49,520,559
Accrued interest		288,298	146,423
Total		40,334,409	49,666,982

- (a) On December 25, 2015, the Bank issued a fixed-rate tier-two capital bond with nominal value of RMB2.00 billion. Pursuant to the agreement, the bond has a term of 10 years, expiring on December 24, 2025, bearing an interest rate of 4.90% per annum. The issuer has the right to redeem the bond in full at nominal value at the end of the fifth year. No adjustment is made on the bond interest rate after five years of issue, if the bond is not redeemed in the fifth year.

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

28. DEBT SECURITIES ISSUED (continued)

(b) On January 31 and July 17, 2018, the Bank issued two fixed-rate subordinated bonds with nominal value of RMB1.50 billion respectively. Pursuant to the agreement, the two bonds both have a term of 10 years, expiring on January 30, 2028 and July 16, 2028, bearing an interest rate at 5.00% and 6.29% per annum respectively. The Bank has the right to redeem the bonds in full at nominal value at the end of the fifth year. No adjustment is made to the bond interest rate after five years of issue, if the bonds are not redeemed in the fifth year.

On August 17 and November 6, 2018, the Bank issued two Green Financial Bonds with nominal value of RMB1.00 billion and 3.00 billion respectively. Pursuant to the agreement, the two bonds have a term of 3 years, expiring on August 16, 2021 and November 5, 2021 respectively, bearing an interest rate at 4.25% and 4.13% per annum.

(c) As at June 30, 2020, the Bank had 247 outstanding interbank negotiable certificates of deposit with total notional amount of RMB31.30 billion. As at December 31, 2019, the Bank had 106 outstanding interbank negotiable certificates of deposit with total notional amount of RMB41.10 billion. All of these certificates were due within 1 year at the time of issuance. Such certificates were issued at a discount of which interests will be paid-in lump sum at the maturity date.

29. PROVISIONS

	June 30, 2020	December 31, 2019
Off-balance-sheet items	457,038	333,421

30. OTHER LIABILITIES

	NOTE	June 30, 2020	December 31, 2019
Salaries payable	(a)	894,637	983,515
Settlement and clearing accounts		683,257	595,252
Dividend payable		285,264	4,639
Other tax payables		269,034	319,181
Payables to external companies		110,048	133,758
Non-performing assets collection		56,697	71,625
Others		121,395	196,968
Total		2,420,332	2,304,938

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

30. OTHER LIABILITIES (continued)

(a) Salaries payable:

	June 30, 2020	December 31, 2019
Salaries, bonuses and allowances	580,823	701,232
Social insurance	5,677	1,752
Housing funds	2,624	759
Labor union fees and staff education expenses	3,027	2,856
Staff welfare	–	95
Retiring benefit and annuity plan	88,940	62,953
Early retirement benefits	17,509	15,138
Defined Contribution Plans	196,037	198,730
Total	894,637	983,515

31. SHARE CAPITAL

Share capital of the Group as at June 30, 2020 and December 31, 2019 represented share capital of the Bank, which was fully paid.

	June 30, 2020	December 31, 2019
Ordinary shares in Mainland China	2,000,000	2,000,000
Ordinary shares listed in Hong Kong (H-share)	407,367	407,367
Total	2,407,367	2,407,367

32. RESERVES

	NOTE	June 30, 2020	December 31, 2019
Share premium	(a)	8,165,761	8,165,761
Fair value reserve	(b)	84,812	54,188
Surplus reserve	(c)	3,460,463	3,460,463
General reserve	(d)	4,175,514	4,175,514
Retained earnings		7,187,732	6,462,292
Total		23,074,282	22,318,218

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

32. RESERVES (continued)

(a) *Share premium*

For the period ended June 30, 2020 and the year ended December 31, 2019, the share premium amounting to RMB3,145.74 million was resulted from the public offering on The Stock Exchange of Hong Kong Limited in 2018.

(b) *Fair value reserve*

	Gross amount	Tax effect	Net amount
As at January 1, 2019	(16,851)	4,249	(12,602)
Financial assets at fair value through other comprehensive income:			
– net movement in the fair value reserve	10,330	(2,583)	7,747
– net movement in impairment losses	78,724	(19,681)	59,043
As at December 31, 2019	72,203	(18,015)	54,188
Financial assets at fair value through other comprehensive income:			
– net movement in the fair value reserve	(271,109)	67,777	(203,332)
– net movement in impairment losses	311,941	(77,985)	233,956
As at June 30, 2020	113,035	(28,223)	84,812

(c) *Surplus reserve*

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.

After making the appropriation to the statutory surplus reserve, the corporation may also appropriate its profit for the year to a discretionary surplus reserve upon approval by the shareholders in general meeting. Subject to the approval by the shareholders, the discretionary surplus reserve may be used to offset accumulated losses of the corporation, if any, and may be converted into capital.

	Statutory surplus reserve	Discretionary surplus reserve	Total
As at January 1, 2019	1,429,029	1,677,377	3,106,406
Appropriation during the year	183,051	171,006	354,057
As at December 31, 2019	1,612,080	1,848,383	3,460,463
Appropriation during the period	–	–	–
As at June 30, 2020	1,612,080	1,848,383	3,460,463

(d) *General reserve*

Pursuant to the "Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No. 20)" issued by the Ministry of Finance ("MOF"), 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.

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

33. PROFIT DISTRIBUTION

In accordance with the resolution at the Bank's Annual General Meeting on May 22, 2020, the shareholders approved the following profit appropriations for the year ended December 31, 2019:

Appropriation of statutory surplus reserve amounted to 10.00% of net profit.

Appropriation of general reserve amounted to 1.50% of the aggregate amount of risk assets for the year ended December 31, 2019.

Declaration of cash dividend of RMB1.20 per 10 shares before tax and in an aggregation amount of RMB288.89 million to all existing shareholders of record on June 3, 2020.

As at June 30, 2020, the consolidated retained earnings attributable to equity shareholders of the Bank included an appropriation of RMB63.08 million to surplus reserve made by subsidiaries (December 31, 2019: RMB47.97 million).

34. CASH AND CASH EQUIVALENTS

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

	June 30, 2020	December 31, 2019
Cash	423,872	601,607
Balances with the central bank	3,450,777	9,304,395
Deposits with banks and other financial institutions	2,368,097	2,143,989
Placements with banks and other financial institutions	1,000,000	1,903,406
Financial assets held under resale agreements	12,379,645	–
Financial investments	6,751,969	–
Total	26,374,360	13,953,397

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

35. STRUCTURED ENTITIES

(a) Consolidated structured entities

The consolidated structured entities of the Group included non-principal-guaranteed wealth management products issued by the Bank that were invested by its subsidiaries. As at June 30, 2020 and December 31, 2019, the scale of the consolidated structured entities amounted to RMB760.00 million and RMB925.00 million respectively.

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

(b) Unconsolidated structured entities

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

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

The following tables set out an analysis of the gross carrying amounts of interests held by the Group as at June 30, 2020 and December 31, 2019 in the structured entities sponsored and managed by third party institutions.

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

35. STRUCTURED ENTITIES (continued)

(b) Unconsolidated structured entities (continued)

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

	June 30, 2020				
	Financial investments at FVTPL	Financial investments at FVOCI	Financial investments at amortized cost	Total	Maximum risk exposure (Note)
Wealth management products	1,215,652	–	–	1,215,652	1,215,652
Fund investments	11,975,645	–	–	11,975,645	11,975,645
Trust beneficiary rights and asset management plans	11,306,585	–	27,313,247	38,619,832	38,619,832
Asset Backed Medium-term Notes	566,986	–	–	566,986	566,986
Total	25,064,868	–	27,313,247	52,378,115	52,378,115

	December 31, 2019				
	Financial investments at FVTPL	Financial investments at FVOCI	Financial investments at amortized cost	Total	Maximum risk exposure (Note)
Wealth management products	936,952	–	–	936,952	936,952
Fund investments	13,618,659	–	–	13,618,659	13,618,659
Trust beneficiary rights and asset management plans	13,455,396	–	29,335,878	42,791,274	42,791,274
Asset backed medium-term notes	557,909	–	–	557,909	557,909
Total	28,568,916	–	29,335,878	57,904,794	57,904,794

Note: The maximum exposures to loss in the above investment products are the carrying amounts of the assets held by the Group at the end of each reporting period.

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

35. STRUCTURED ENTITIES (continued)

(b) Unconsolidated structured entities (continued)

(2) Unconsolidated structured entities managed by the Group

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

As at June 30, 2020 and December 31, 2019, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products managed by the Group amounting to RMB38,921.03 million and RMB33,990.63 million respectively. The Group did not hold any investment in the wealth management products and management fee earned from these products for the six months ended June 30, 2020 and 2019 amounted to RMB78.25 million and RMB51.37 million, respectively.

36. RELATED PARTY TRANSACTIONS

(1) Major shareholders and entities under their control

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.

Name of shareholders	Percentage of shares held	
	June 30, 2020	December 31, 2019
Jiujiang Finance Bureau	15.20%	15.20%
Beijing Automotive Group Co., Ltd.	15.20%	15.20%
Industrial Bank Co., Ltd.	12.23%	12.23%
Dasheng (Fujian) Agricultural Co., Ltd.	5.65%	5.65%
Foshan Gaomin Jindun Hengye Computer Special Printing Co., Ltd.	3.98%	3.98%

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

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

36. RELATED PARTY TRANSACTIONS (continued)

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

During the six months ended June 30, 2020 and the year ended December 31, 2019, the Group had the following material balances and entered into the following material transactions with major shareholders and entities under their control. These transactions were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties.

	NOTE	June 30, 2020	December 31, 2019
Balances at end of the period/year:			
Assets			
Deposits with banks and other financial institutions		1,408,935	734,750
Loans and advances to customers at amortized cost		1,338,809	654,376
Financial investments at FVTPL		12,643	–
Total		2,760,387	1,389,126
Liabilities			
Customer deposits		6,694,656	4,973,817
Placements from banks		1,975,181	2,207,588
Deposits from banks and other financial institutions		144,435	1,064,638
Total		8,814,272	8,246,043
Non-principal-guaranteed wealth management products	(a)	210,000	1,410,000

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

	Six months ended June 30,	
	2020	2019
Transactions during the period:		
Interest income	16,890	56,052
Interest expense	23,371	31,022
Net gains arising from financial investments	(2,193)	1,701

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

36. RELATED PARTY TRANSACTIONS (continued)

(2) Subsidiaries of the Bank

	June 30, 2020	December 31, 2019
Balances at the end of the period/year: Deposits from banks and other financial institutions	2,847,567	515,927
	Six months ended June 30,	
	2020	2019
Transactions during the period:		
Interest expense	40,876	80,350
Dividend from subsidiaries	10,296	5,076

(3) Associates of the Bank

	June 30, 2020	December 31, 2019
Balances at the end of the period/year: Deposits from banks and other financial institutions	808,390	230,952
	Six months ended June 30,	
	2020	2019
Transactions during the period:		
Interest expense	12,199	20,094
Dividend from associates	5,000	5,000

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For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

36. RELATED PARTY TRANSACTIONS (continued)

(4) Other related parties

Other related parties include: members of the Board of Directors, the Board of Supervisors and senior management and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals. Transactions with other related parties were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties.

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

	June 30, 2020	December 31, 2019
Balances at the end of the period/year:		
Assets		
Loans and advances to customers at amortized cost	6,767	13,865
Liabilities		
Customer deposits	8,747	3,782
	Six months ended June 30, 2020	2019
Transactions during the period:		
Interest income	199	375
Interest expense	42	9

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

36. RELATED PARTY TRANSACTIONS (continued)

(5) Key management personnel

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

The remuneration of directors and other members of key management during the six months ended June 30, 2020 and 2019 were as follows:

	Six months ended June 30,	
	2020	2019
Salaries and other emoluments	5,418	2,857
Discretionary bonuses	5,449	4,647
Contributions by the employer to social insurance and staff welfares, housing fund, etc	345	518
Other welfare	46	40
Total	11,258	8,062

37. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Legal proceedings

The Bank and its subsidiaries are involved as defendants in certain lawsuits arising from their normal business operations. As at June 30, 2020 and December 31, 2019, in light of court decisions or advice from legal counsels, the Group considered that sufficient provision has been provided for any potential losses from these claims.

(b) Capital commitment

	June 30, 2020	December 31, 2019
Contracted but not provided for	622,666	674,264

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

37. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

(c) Credit commitments

	June 30, 2020	December 31, 2019
Unused credit card commitments	7,237,611	4,136,840
Letters of credit	8,388,469	7,144,313
Letters of guarantee	9,309,162	5,776,737
Bank acceptances	30,668,923	27,953,333
Total	55,604,165	45,011,223

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

(d) Collateral

Assets pledged

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

	June 30, 2020	December 31, 2019
Bonds	8,831,000	2,754,054
Bills	6,698,659	3,697,264
Total	15,529,659	6,451,318

As at June 30, 2020, the carrying amount of financial assets sold under repurchase agreements for the Group amounted to RMB15,047.52 million (December 31, 2019: RMB6,379.39 million).

All repurchase agreements were due within twelve months from inception.

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

38. FIDUCIARY ACTIVITIES

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

As at June 30, 2020 and December 31, 2019, the entrusted loans balance of the Group amounted to RMB9,053.74 million and RMB11,487.11 million respectively.

As at June 30, 2020 and December 31, 2019, the balance of the non-principal-guaranteed wealth management products issued and managed by the Group amounted to RMB39,681.03 million and RMB34,915.63 million respectively.

39. 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 CBIRC. 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 CBIRC.

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

39. Capital management (continued)

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

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

The Group’s capital adequacy ratios at 30 June 2020 and 31 December 2019 calculated in accordance with “Regulation Governing Capital of Commercial Banks (Provisional)” and relevant requirements promulgated by the CBIRC are as follows:



Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

39. Capital management (continued)

	June 30, 2020	December 31, 2019
Core tier-one capital		
– Share capital	2,407,367	2,407,367
– Qualifying portion of capital reserve	8,250,573	8,219,949
– Surplus reserve and general reserve	7,635,977	7,635,977
– Retained earnings	7,187,732	6,462,292
– Qualifying non-controlling interest	698,349	632,207
– Deductions of core tier-one capital	(663,901)	(132,547)
Net core tier-one capital	25,516,097	25,225,245
Net tier-one capital	25,516,097	25,225,245
Tier-two capital		
– Qualifying portions of tier-two capital instruments issued	5,000,000	5,000,000
– Surplus provision for loan impairment	2,044,630	2,531,495
Net capital base	32,560,727	32,756,740
Total risk weighted assets	291,825,880	281,314,603
Core tier-one capital adequacy ratio	8.74%	8.97%
Tier-one capital adequacy ratio	8.74%	8.97%
Capital adequacy ratio	11.16%	11.64%

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

40. FINANCIAL RISK MANAGEMENT

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

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

Details of the financial instruments are disclosed in respective notes to the consolidated financial statements. The risks associated with these financial instruments include credit risk, liquidity risk and market risk (i.e. interest rate risk, currency risk and other price risk). The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The policies on how to mitigate these risks for the six-month period ended June 30, 2020 are the same as those presented in the Group's consolidated financial statements for the year ended December 31, 2019.

41. FAIR VALUE

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

41. FAIR VALUE (continued)

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

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Financial investments measured at FVTPL				
– Debt securities	–	1,237,854	–	1,237,854
– Fund investments	11,975,645	–	–	11,975,645
– Equity investments	17,556	–	609,278	626,834
– Trust beneficiary rights and asset management plans	–	–	11,306,585	11,306,585
– Wealth management products	–	–	1,215,652	1,215,652
– Others	–	–	5,235,361	5,235,361
Financial investments measured at FVOCI				
– Debt securities	–	25,466,621	125,888	25,592,509
Loans and advances to customers measured at FVOCI	–	25,205,157	–	25,205,157
Total	11,993,201	51,909,632	18,492,764	82,395,597

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

41. FAIR VALUE (continued)

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

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial investments measured at FVTPL				
– Debt securities	–	1,216,100	–	1,216,100
– Fund investments	13,618,659	–	–	13,618,659
– Equity investments	27,111	–	662,424	689,535
– Trust beneficiary rights and asset management plans	–	–	13,455,396	13,455,396
– Wealth management products	–	–	936,952	936,952
– Others	–	–	4,873,228	4,873,228
Financial investments measured at FVOCI				
– Debt securities	–	18,415,563	142,455	18,558,018
Loans and advances to customers measured at FVOCI	–	17,156,136	–	17,156,136
Total	13,645,770	36,787,799	20,070,455	70,504,024

There were no transfers between Level 1 and Level 2 during the six months ended June 30, 2020 and the year ended December 31, 2019.

Financial assets at FVTPL and financial assets at FVOCI are stated at fair value by reference to the quoted market prices when available.

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

41. FAIR VALUE (continued)

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

If quoted market prices are not available, fair values are estimated on the basis of discounted cash flows or other pricing models. For debt securities, the fair values of bonds are determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data. For wealth management products, the fair value is measured by discounted cash flow model with main inputs as interest rates, credit spread which are substantively based on observable market data and/or obtainable from active open market.

For the investment funds, the fair value is measured based on the observable quoted price of the underlying investment portfolio in active market.

The fair value of loans and advances to customers at FVOCI in Mainland China are categorized as Level 2. Based on the different credit risk, the Group uses the transaction interest rate of rediscounted bills announced by the Shanghai Commercial Paper Exchange as the basis for calculating the fair value of discounted bills.

For Level 3 financial assets, the Group adopts the discounted cash flow method or other valuation methods to determine the fair value. The fair value of debt securities type of financial assets is measured by the expected discounted cash flows with unobservable input of discount rate reflecting the credit risk of debtors, and the fair value of equity securities type of financial assets are measured by market comparison approach with unobservable input of discount for lack of marketability.

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

41. FAIR VALUE (continued)

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

Reconciliation of Level 3 fair value measurements of financial assets is as follows:

	Financial investments measured at FVTPL	Financial investments measured at FVOCI
As at January 1, 2020	19,928,000	142,455
Total gains		
– In profit or loss	324,358	–
Purchases	1,350,000	–
Disposals and settlement on maturity	(3,235,482)	(16,567)
As at June 30, 2020	18,366,876	125,888
Total unrealized gains and losses for the period included in profit or loss for assets held at the end of the reporting period	(191,413)	–

	Financial investments measured at FVTPL	Financial investments measured at FVOCI
As at January 1, 2019	28,327,769	–
Total gains		
– In profit or loss	76,441	(174,112)
Purchases	3,855,085	–
Transferred to level 3	–	316,567
Disposals and settlement on maturity	(12,331,295)	–
As at December 31, 2019	19,928,000	142,455
Total unrealized gains and losses for the period included in profit or loss for assets held at the end of the reporting period	(62,866)	–

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

41. FAIR VALUE (continued)

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

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

	June 30, 2020		December 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Debt securities measured at amortized cost	58,513,030	60,007,645	51,737,863	52,114,258
Financial liabilities				
Debt securities issued	40,334,409	40,646,865	49,666,982	49,867,574

During the six months ended 30 June 2020 and the year ended 31 December 2019, there were no significant transfers into or out of Level 3.

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

41. FAIR VALUE (continued)

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

The valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorized within Level 3. Quantitative information of Level 3 fair value measurement is as below:

Financial assets/ financial liabilities	Fair value as at		Valuation technique(s) and key input(s)	Significant unobservable input(s)
	June 30, 2020	December 31, 2019		
Financial investments at fair value through profit or loss				
– Restricted listed equity investments	373,610	447,530	The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.	Discount for lack of marketability
– Unlisted equity investments	235,668	214,894	Market approach. Fair value determined by reference to price to earnings ratio of comparable companies after considering the discount for lack of marketability.	Price to earnings ratio; discount for lack of marketability
– Trust beneficiary rights and asset management plans	11,306,585	13,455,396	Discounted cash flows. Future cash flows are discounted using the discount rates with reference to the PBOC benchmark interest rates and credit spread for specific borrowers.	Discount rate, Future Cash Flow
– Other investments	5,235,361	4,873,228	Discounted cash flows. Future cash flows are discounted using the discount rates with reference to the PBOC benchmark interest rates and credit spread for specific borrowers.	Discount rate, Future Cash Flow
Financial investments at fair value through other comprehensive income				
– Debt securities	125,888	142,455	Discounted cash flows. Future cash flows are discounted using the discount rates with reference to the PBOC benchmark interest rates and credit spread for specific borrowers.	Discount rate, Future Cash Flow

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

42. PARTICULARS OF SUBSIDIARIES

Details of the Bank's subsidiaries as at June 30, 2020 and December 31, 2019 are set out below:

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorized/ paid-in capital as at June 30, 2020	Proportion of ownership held by the Group		Proportion of voting rights held by the Group		Principal activities	Type of entity
				June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019		
				%	%	%	%		
Xiushui Jiuyin County Bank LLC.	Jiangxi, PRC	December 2007	40,000	51.00	51.00	51.00	51.00	Commercial Bank	Limited Liability Company
Beijing Daxing Jiuyin County Bank Co., Ltd. (i)	Beijing, PRC	May 2010	220,000	45.00	45.00	53.00	53.00	Commercial Bank	Joint Stock Company
Jinggangshan Jiuyin County Bank LLC. (i)	Jiangxi, PRC	March 2010	64,274	41.00	41.00	58.33	55.00	Commercial Bank	Limited Liability Company
Rizhao Jiuyin County Bank Co., Ltd.	Shandong, PRC	November 2011	50,000	51.00	51.00	51.00	51.00	Commercial Bank	Joint Stock Company
Nanjing Liuhe Jiuyin County Bank Co., Ltd	Jiangsu, PRC	December 2011	100,000	51.00	51.00	56.00	56.00	Commercial Bank	Joint Stock Company
Nanchang Changdong Jiuyin County Bank Co., Ltd.	Jiangxi, PRC	October 2012	50,000	51.00	51.00	51.00	51.00	Commercial Bank	Joint Stock Company
Pengze Jiuyin County Bank Co., Ltd. (i)	Jiangxi, PRC	December 2015	50,000	35.00	35.00	54.00	54.00	Commercial Bank	Joint Stock Company

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

42. PARTICULARS OF SUBSIDIARIES (continued)

Details of the Bank's subsidiaries as at June 30, 2020 and December 31, 2019 are set out below (continued):

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorized/ paid-in capital as at June 30, 2020	Proportion of ownership held by the Group		Proportion of voting rights held by the Group		Principal activities	Type of entity
				June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019		
				%	%	%	%		
Ruichang Jiuyin County Bank Co., Ltd. (i)	Jiangxi, PRC	December 2015	50,000	35.00	35.00	54.10	54.10	Commercial Bank	Joint Stock Company
Zixi Jiuyin CountyBank Co., Ltd. (i)	Jiangxi, PRC	April 2016	20,000	35.00	35.00	54.40	54.40	Commercial Bank	Joint Stock Company
Chongren Jiuyin County Bank Co., Ltd. (i)	Jiangxi, PRC	June 2016	40,000	35.00	35.00	54.90	54.90	Commercial Bank	Joint Stock Company
Fenyi Jiuyin County Bank Co., Ltd. (i)	Jiangxi, PRC	June 2016	50,000	35.00	35.00	54.90	54.90	Commercial Bank	Joint Stock Company
Fengxin Jiuyin County Bank Co., Ltd. (i)	Jiangxi, PRC	October 2016	50,000	42.21	42.21	55.00	55.00	Commercial Bank	Joint Stock Company
Jing'an Jiuyin County Bank Co., Ltd. (i)	Jiangxi, PRC	November 2016	20,000	42.21	42.21	55.00	55.00	Commercial Bank	Joint Stock Company
Tonggu Jiuyin County Bank Co., Ltd. (i)	Jiangxi, PRC	November 2016	20,000	42.21	42.21	55.00	55.00	Commercial Bank	Joint Stock Company
Jingdezhen Changjiang Jiuyin County Bank Co., Ltd. (i)	Jiangxi, PRC	December 2016	40,000	42.21	42.21	55.00	55.00	Commercial Bank	Joint Stock Company

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

42. PARTICULARS OF SUBSIDIARIES (continued)

Details of the Bank's subsidiaries as at June 30, 2020 and December 31, 2019 are set out below (continued):

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorized/ paid-in capital as at June 30, 2020	Proportion of ownership held by the Group		Proportion of voting rights held by the Group		Principal activities	Type of entity
				June 30, 2020 %	December 31, 2019 %	June 30, 2020 %	December 31, 2019 %		
Lushan Jiuyin Art County Bank Co., Ltd. (i)	Jiangxi, PRC	January 2017	30,000	42.21	42.21	55.00	55.00	Commercial Bank	Joint Stock Company
Duchang Jiuyin County Bank Co., Ltd. (i)	Jiangxi, PRC	February 2018	50,000	50.00	50.00	52.00	52.00	Commercial Bank	Joint Stock Company
Hukou Jiuyin County Bank Co., Ltd. (i)	Jiangxi, PRC	February 2018	50,000	50.00	50.00	52.70	52.70	Commercial Bank	Joint Stock Company

None of the subsidiaries had issued any debt securities at the end of the period/year.

- (i) *The Bank holds less than 50.00% equity interests in these subsidiaries. In accordance with the agreements to act in concert entered into by the Bank and the non-controlling shareholders, and through appointing or approving the appointment of the key management of these subsidiaries, the Bank has right to variable returns from its involvement in the relevant operations of these subsidiaries and the ability to affect the returns through the power over these subsidiaries. In the opinion of the directors of the Bank, the Bank has controls over these subsidiaries.*
- (ii) *As at June 30, 2020, the Group consists of the Bank and 18 subsidiaries, and the non-controlling interests have no material interest in the Group's activities and cash flows.*

43. SUBSEQUENT EVENTS

The Group has no material events for disclosure subsequent to the end of the reporting period.

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 – Unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

44. Impacts of COVID-19 pandemic

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position.

The Group has been closely monitoring the impact of the developments on the Group's business and has put in place contingency measures. These contingency measures include assessing the quality of loans and receivables and liaising with high-risk borrowers; negotiating with borrowers on loans payment schedule, etc. The Group will keep the contingency measures under review as the situation evolves.

45. COMPARATIVE FIGURES

For financial statements disclosure purpose, the Group made reclassification adjustments to some comparative figures.



Definition

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

“Articles of Association” or “Articles”	the articles of association of the Bank, the version of which was passed by the shareholders of the Bank at the first extraordinary shareholders’ meeting of 2019 on March 7, 2019 and was approved by the CBIRC Jiangxi Bureau on June 10, 2019, as the same may be amended, supplemented or otherwise modified from time to time
“Bank”, “Bank of Jiujiang” or “Group”	Bank of Jiujiang Co., Ltd. (九江銀行股份有限公司), a joint stock company incorporated on November 17, 2000 in Jiangxi Province, China with limited liability in accordance with the PRC laws and regulations and, if the context requires, includes its predecessors, subsidiaries, branches and sub-branches
“Board” or “Board of Directors”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會), and if the context requires, includes its predecessor China Banking Regulatory Commission (中國銀行業監督管理委員會)
“CBIRC Jiangxi Bureau”	China Banking and Insurance Regulatory Commission Jiangxi Bureau (中國銀行保險監督管理委員會江西監管局)
“CBIRC Jiujiang Branch Office”	China Banking and Insurance Regulatory Commission Jiujiang Branch Office (中國銀行保險監督管理委員會九江監管分局)
“CBRC”	former China Banking Regulatory Commission (中國銀行業監督管理委員會), currently Chinese Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“China” or “PRC”	the People’s Republic of China, for the purpose of this interim report only, refers to Mainland China, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan of the PRC

Definition

“city commercial banks”	banks with branches at municipal or higher levels created with the approval of the CBIRC pursuant to the Company Law of the PRC and the PRC Commercial Banking Law
“commercial banks”	all the banking financial institutions in the PRC other than policy banks, including the Large Commercial Banks, the Nationwide Joint-stock Commercial Banks, city commercial banks, foreign banks and other banking financial institutions
“Company Law of the PRC”	the Company Law of the PRC (中華人民共和國公司法), which was promulgated by the 5th session of the 8th Standing Committee of the National People’s Congress on December 29, 1993 and became effective on July 1, 1994, as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules
“county bank”	banking institution(s) incorporated with the approval of the CBIRC, pursuant to the Company Law of the PRC and the PRC Commercial Banking Law, to provide services to local growers or enterprises in rural areas
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of the Bank
“Domestic Shares”	ordinary shares issued by the Bank in the PRC, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in full for in RMB

“H Shares”	overseas-listed shares in the share capital of the Bank, with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and for which an application has been made for listing and permission to trade on the Hong Kong Stock Exchange
“HK\$” or “HKD” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“Hong Kong” or “HK”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards and International Accounting Standards (“ IAS ”), which include the related standards, amendments and interpretations issued by the International Accounting Standards Board (“ IASB ”)
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, are independent of the Bank or are not its Connected Persons
“Jiuyin County Banks”	18 Jiuyin County Banks controlled and consolidated by the Bank as at June 30, 2020
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
“MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)

Definition

“related party(ies)”	has the meaning ascribed to it under the Administrative Measures for the Related Party Transactions between the Commercial Banks and their Insiders or Shareholders promulgated by the CBRC, Accounting Standards for Business Enterprises promulgated by the MOF, and/or IFRS
“related party transaction(s)”	has the meaning ascribed to it under the Administrative Measures for the Related Party Transactions between the Commercial Banks and their Insiders or Shareholders promulgated by the CBRC, Accounting Standards for Business Enterprises promulgated by the MOF, and/or IFRS
“reporting period”	the six months from January 1, 2020 to June 30, 2020
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Supervisor(s)”	the supervisor(s) of the Bank
“US\$”, “USD” or “US dollars”	United States dollars, the lawful currency of the United States of America

