



吉林九台農村商業銀行股份有限公司*
JILIN JIUTAI RURAL COMMERCIAL BANK CORPORATION LIMITED*

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

Stock Code : 6122

2020

Interim Report

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



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Chapter 1 Definitions and Glossary

In this interim report, unless the context otherwise requires, the following terms shall have the meanings set out below:

“Anci District Huimin Village and Township Bank”	Huimin Village Bank Company Limited of Anci, Langfang (廊坊市安次區惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 6, 2011, in which the Bank holds a 51.00% equity interest. The remaining 60 shareholders hold 49.00% equity interest in Anci District Huimin Village and Township Bank
“Anping Huimin Village and Township Bank”	Anping Huimin Village Bank Co., Ltd. (安平惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 24, 2013, in which the Bank holds a 28.17% equity interest. The remaining 82 shareholders hold 71.83% equity interest in Anping Huimin Village and Township Bank. The Bank and 5 other shareholders (holding an aggregate of 32.46% equity interest in Anping Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Anping Huimin Village and Township Bank. Anping Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Articles of Association”	the articles of association of the Bank
“Baicheng Taobei Huimin Village and Township Bank”	Baicheng Taobei Huimin Village Bank Co., Ltd. (白城洮北惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on November 23, 2015, in which the Bank holds a 49.00% equity interest. The remaining 14 shareholders hold 51.00% equity interest in Baicheng Taobei Huimin Village and Township Bank. The Bank and 5 other shareholders (holding an aggregate of 16.00% equity interest in Baicheng Taobei Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Baicheng Taobei Huimin Village and Township Bank. Baicheng Taobei Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Bank”	Jilin Jiutai Rural Commercial Bank Corporation Limited, a joint stock company incorporated in the PRC on December 16, 2008 with limited liability in accordance with PRC laws, including its predecessors, but excluding its subsidiaries

Chapter 1 Definitions and Glossary

“Board” or “Board of Directors”	the board of directors of the Bank
“Board of Supervisors”	the board of supervisors of the Bank
“CBIRC”	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“CBIRC Jilin Bureau”	the China Banking and Insurance Regulatory Commission Jilin Bureau (中國銀行保險監督管理委員會吉林監管局)
“Changbai Mountain Rural Commercial Bank”	Changbai Mountain Rural Commercial Bank Co., Ltd. (長白山農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 14, 2011, in which the Bank holds a 38.80% equity interest. The other 14 shareholders hold 61.20% equity interest in Changbai Mountain Rural Commercial Bank
“Changchun Gaoxin Huimin Village and Township Bank”	Changchun Gaoxin Huimin Village Bank Co., Ltd. (長春高新惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on September 24, 2013, in which the Bank holds a 50.00% equity interest. The remaining 7 shareholders hold 50.00% equity interest in Changchun Gaoxin Huimin Village and Township Bank. The Bank and another shareholder (holding 10.00% equity interest in Changchun Gaoxin Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Changchun Gaoxin Huimin Village and Township Bank. Changchun Gaoxin Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Changchun Nanguan Huimin Village and Township Bank”	Changchun Nanguan Hui Min Village Bank Co., Ltd. (長春南關惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on January 11, 2011, in which the Bank holds a 51.20% equity interest. The remaining 34 shareholders hold 48.80% equity interest in Changchun Nanguan Huimin Village and Township Bank

Chapter 1 Definitions and Glossary

“Da’an Huimin Village and Township Bank”	Da’an Huimin Village Bank Co., Ltd. (大安惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on January 26, 2011, in which the Bank holds a 51.46% equity interest. The remaining 12 shareholders hold 48.54% equity interest in Da’an Huimin Village and Township Bank
“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 Renminbi
“Fuyu Huimin Village and Township Bank”	Fuyu Huimin Village Bank Co., Ltd. (扶餘惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 14, 2015, in which the Bank holds a 49.00% equity interest. The remaining 15 shareholders hold 51.00% equity interest in Fuyu Huimin Village and Township Bank. The Bank and 3 other shareholders (holding an aggregate of 6.00% equity interest in Fuyu Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Fuyu Huimin Village and Township Bank. Fuyu Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Gaomi Huimin Village and Township Bank”	Gaomi Huimin Village and Township Bank Co., Ltd. (高密惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on May 25, 2011, in which the Bank holds a 56.70% equity interest. The remaining 44 shareholders hold 43.30% equity interest in Gaomi Huimin Village and Township Bank
“Group”	the Bank and its consolidated subsidiaries
“Guangzhou Huangpu Huimin Village and Township Bank”	Guangzhou Huangpu Huimin Village and Township Bank Co., Ltd. (廣州黃埔惠民村鎮銀行股份有限公司) (formerly known as Guangzhou Luogang Huimin Village Bank Co., Ltd. 廣州蘿崗惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on February 7, 2014, in which the Bank holds a 51.00% equity interest. The remaining 7 shareholders hold 49.00% equity interest in Guangzhou Huangpu Huimin Village and Township Bank

Chapter 1 Definitions and Glossary

“H Shares”	the ordinary shares issued by the Bank in Hong Kong with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars
“Hanshan Huimin Village and Township Bank”	Hanshan Huimin Town Bank Co., Ltd. (含山惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on December 30, 2010, in which the Bank holds a 78.51% equity interest. The remaining 33 shareholders hold 21.49% equity interest in Hanshan Huimin Village and Township Bank
“Heyang Huimin Village and Township Bank”	Heyang Huimin Village Bank Co., Ltd. (合陽惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 16, 2013, in which the Bank holds a 38.25% equity interest. The remaining 14 shareholders hold 61.75% equity interest in Heyang Huimin Village and Township Bank. The Bank and 2 other shareholders (holding an aggregate of 17.38% equity interest in Heyang Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Heyang Huimin Village and Township Bank. Heyang Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“HK\$” or “Hong Kong dollars”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as may be amended, supplemented or otherwise modified from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huadian Huimin Village and Township Bank”	Huadian Huimin Village Bank Co., Ltd. (樅甸惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on October 29, 2013, in which the Bank holds a 51.00% equity interest. The remaining 18 shareholders hold 49.00% equity interest in Huadian Huimin Village and Township Bank

Chapter 1 Definitions and Glossary

“Huidong Huimin Village and Township Bank”	Huidong Huimin Village Bank Co., Ltd. (惠東惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on November 21, 2014, in which the Bank holds a 35.00% equity interest. The remaining 10 shareholders hold 65.00% equity interest in Huidong Huimin Village and Township Bank. The Bank and 3 other shareholders (holding an aggregate of 30.00% equity interest in Huidong Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Huidong Huimin Village and Township Bank. Huidong Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“IFRS”	the International Accounting Standards, International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
“Jilin Chuanying Huimin Village and Township Bank”	Jilin Chuanying Huimin Village Bank Co., Ltd. (吉林船營惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 21, 2016, in which the Bank holds a 46.00% equity interest. The remaining 26 shareholders hold 54.00% equity interest in Jilin Chuanying Huimin Village and Township Bank. The Bank and another shareholder (holding 5.00% equity interest in Jilin Chuanying Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Jilin Chuanying Huimin Village and Township Bank. Jilin Chuanying Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Jilin Chuncheng Rural Commercial Bank”	Jilin Chuncheng Rural Commercial Bank Co., Ltd. (吉林春城農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on October 12, 2015, in which the Bank holds a 30.00% equity interest. The remaining 28 shareholders hold 70.00% equity interest in Jilin Chuncheng Rural Commercial Bank
“Jilin Dehui Rural Commercial Bank”	Jilin Dehui Rural Commercial Bank Co., Ltd. (吉林德惠農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 30, 2013, in which the Bank holds a 9.90% equity interest. The remaining ten shareholders hold 90.10% equity interest in Jilin Dehui Rural Commercial Bank

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“Jilin Fengman Huimin Village and Township Bank”	Jilin Fengman Huimin Village Bank Co., Ltd. (吉林豐滿惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 16, 2013, in which the Bank holds a 46.00% equity interest. The remaining 16 shareholders hold 54.00% equity interest in Jilin Fengman Huimin Village and Township Bank. The Bank and 2 other shareholders (holding an aggregate of 5.00% equity interest in Jilin Fengman Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Jilin Fengman Huimin Village and Township Bank. Jilin Fengman Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Jilin Gongzhuling Rural Commercial Bank”	Jilin Gongzhuling Rural Commercial Bank Co., Ltd. (吉林公主嶺農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on October 12, 2015, in which the Bank holds a 30.00% equity interest. The remaining 532 shareholders hold 70.00% equity interest in Jilin Gongzhuling Rural Commercial Bank
“Jilin Jiuyin Financial Leasing”	Jilin Jiuyin Financial Leasing Co., Ltd. (吉林九銀金融租賃股份有限公司), a joint stock company with limited liability incorporated in the PRC on February 20, 2017, in which the Bank holds a 60.00% equity interest. The remaining four shareholders hold 40.00% equity interest in Jilin Jiuyin Financial Leasing
“Jingmen Dongbao Huimin Village and Township Bank”	Jingmen Dongbao Huimin Village Bank Co., Ltd. (荊門東寶惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 21, 2011, in which the Bank holds a 51.36% equity interest. The remaining 7 shareholders hold 48.64% equity interest in Jingmen Dongbao Huimin Village and Township Bank
“Latest Practicable Date”	September 18, 2020, being the latest practicable date for ascertaining certain information in this interim report before its publication

Chapter 1 Definitions and Glossary

“Leizhou Huimin Village and Township Bank”	Leizhou Huimin Village Bank Co., Ltd. (雷州惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on March 25, 2015, in which the Bank holds a 17.87% equity interest. The remaining 28 shareholders hold 82.13% equity interest in Leizhou Huimin Village and Township Bank. The Bank and 7 other shareholders (holding an aggregate of 33.82% equity interest in Leizhou Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Leizhou Huimin Village and Township Bank. Leizhou Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Liaoyuan Rural Commercial Bank”	Liaoyuan Rural Commercial Bank Limited Liability Company (遼源農村商業銀行有限責任公司), a company with limited liability incorporated in the PRC on November 15, 2012, and a wholly-owned subsidiary of the Group
“Lingshui Huimin Village and Township Bank”	Lingshui Huimin Village Bank Co., Ltd. (陵水惠民村鎮銀行股份有限公司) (formerly known as Lingshui Dasheng Company Bank Co., Ltd. (陵水大生村鎮銀行股份有限公司)), a joint stock company with limited liability incorporated in the PRC on May 16, 2011, in which the Bank holds a 20.00% equity interest. The remaining 27 shareholders hold 80.00% equity interest in Lingshui Huimin Village and Township Bank. The Bank and 6 other shareholders (holding an aggregate of 32.60% equity interest in Lingshui Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Lingshui Huimin Village and Township Bank. Lingshui Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Lujiang Huimin Village and Township Bank”	Lu Jiang Hui Min Town Bank Co., Ltd. (廬江惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on December 28, 2010, in which the Bank holds a 60.00% equity interest. The remaining 49 shareholders hold 40.00% equity interest in Lujiang Huimin Village and Township Bank
“non-performing loans”	non-performing loans, and for the purpose of this interim report, means such loans that are classified as substandard, doubtful and loss according to the five-category loans classification system the Bank and each subsidiary adopted pursuant to applicable PRC guidelines

Chapter 1 Definitions and Glossary

“non-performing loan ratio”	the percentage ratio calculated by dividing non-performing loans by total loans
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC” or “China”	the People’s Republic of China, but for the purposes of this interim report, excluding Hong Kong, Macau and Taiwan, unless otherwise indicated
“PRC GAAP”	the PRC Accounting Standards for Business Enterprises (中國企業會計準則) promulgated by the Ministry of Finance of the PRC on February 15, 2006 and its supplementary regulations, as amended, supplemented or otherwise modified from time to time
“Qianan Huimin Village and Township Bank”	Qianan Huimin Village Bank Co., Ltd. (乾安惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on December 28, 2010, in which the Bank holds a 45.25% equity interest. The remaining 23 shareholders hold 54.75% equity interest in Qianan Huimin Village and Township Bank. The Bank and 2 other shareholders (holding an aggregate of 6.40% equity interest in Qianan Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Qianan Huimin Village and Township Bank. Qianan Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Qingdao Jimo Huimin Village and Township Bank”	Qingdao Jimo Huimin Village Bank Co., Ltd. (青島即墨惠民村鎮銀行股份有限公司) (formerly known as Qingdao Jimo Jingdu Village and Township Bank Co., Ltd. (青島即墨京都村鎮銀行股份有限公司)), a joint stock company with limited liability incorporated in the PRC on October 14, 2008, in which the Bank holds a 59.00% equity interest. The remaining 5 shareholders hold 41.00% equity interest in Qingdao Jimo Huimin Village and Township Bank
“Qingdao Pingdu Huimin Village and Township Bank”	Qingdao Pingdu Huimin Village Bank Co., Ltd. (青島平度惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 23, 2010, in which the Bank holds a 58.82% equity interest. The remaining 94 shareholders hold 41.18% equity interest in Qingdao Pingdu Huimin Village and Township Bank

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“Qingyuan Qingxin Huimin Village and Township Bank”	Qingyuan Qingxin Huimin Village Bank Co., Ltd. (清遠清新惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 23, 2014, in which the Bank holds a 39.23% equity interest. The remaining 13 shareholders hold 60.77% equity interest in Qingyuan Qingxin Huimin Village and Township Bank. The Bank and 2 other shareholders (holding an aggregate of 19.84% equity interest in Qingyuan Qingxin Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Qingyuan Qingxin Huimin Village and Township Bank. Qingyuan Qingxin Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Reporting Period”	the six months ended June 30, 2020 (from January 1, 2020 to June 30, 2020)
“RMB” or “Renminbi”	the lawful currency of the PRC
“Sanya Huimin Village and Township Bank”	Sanya Huimin Village Bank Co., Ltd. (三亞惠民村鎮銀行股份有限公司) (formerly known as Sanya Phoenix County Village and Township Bank Co., Ltd. (三亞鳳凰村鎮銀行股份有限公司)), a joint stock company with limited liability incorporated in the PRC on May 16, 2011, in which the Bank holds a 20.00% equity interest. The remaining 33 shareholders hold 80.00% equity interest in Sanya Huimin Village and Township Bank. The Bank and 10 other shareholders (holding an aggregate of 30.50% equity interest in Sanya Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Sanya Huimin Village and Township Bank. Sanya Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Shares”	ordinary shares in the share capital of the Bank with a nominal value of RMB1.00 each

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“Shareholder(s)”	holder(s) of the Shares
“Shuangcheng Huimin Village and Township Bank”	Shuangcheng Huimin Village Bank Co., Ltd. (雙城惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on January 25, 2010, in which the Bank holds a 62.26% equity interest. The remaining 28 shareholders hold 37.74% equity interest in Shuangcheng Huimin Village and Township Bank
“Songyuan Ningjiang Huimin Village and Township Bank”	Songyuan Ningjiang Huimin Village Bank Company Limited (松原寧江惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 19, 2011, in which the Bank holds a 40.80% equity interest. The remaining 103 shareholders hold 59.20% equity interest in Songyuan Ningjiang Huimin Village and Township Bank. The Bank and 3 other shareholders (holding an aggregate of 9.73% equity interest in Songyuan Ningjiang Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Songyuan Ningjiang Huimin Village and Township Bank. Songyuan Ningjiang Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Supervisor(s)”	the supervisor(s) of the Bank
“Taonan Huimin Village and Township Bank”	Taonan Huimin Village Bank Co., Ltd. (洮南惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 11, 2015, in which the Bank holds a 49.00% equity interest. The remaining 12 shareholders hold 51.00% equity interest in Taonan Huimin Village and Township Bank. The Bank and 4 other shareholders (holding an aggregate of 30.00% equity interest in Taonan Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Taonan Huimin Village and Township Bank. Taonan Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“three rurals”	a short term for the issues related to agriculture, rural areas and rural households

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“Tianjin Binhai Huimin Village and Township Bank”	Tianjin Binhai Huimin Village Bank Co., Ltd. (天津濱海惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on June 11, 2014, in which the Bank holds a 47.00% equity interest. The remaining 72 shareholders hold 53.00% equity interest in Tianjin Binhai Huimin Village and Township Bank. The Bank and 5 other shareholders (holding an aggregate of 8.21% equity interest in Tianjin Binhai Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Tianjin Binhai Huimin Village and Township Bank. Tianjin Binhai Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Tongcheng Huimin Village and Township Bank”	Tongcheng Huimin Village Bank Co., Ltd. (通城惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on September 19, 2012, in which the Bank holds a 75.76% equity interest. The remaining 32 shareholders hold 24.24% equity interest in Tongcheng Huimin Village and Township Bank
“Wenan County Huimin Village and Township Bank”	Huimin Village Bank of Wenan (文安縣惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 23, 2011, in which the Bank holds a 36.00% equity interest. The remaining 64 shareholders hold 64.00% equity interest in Wenan County Huimin Village and Township Bank. The Bank and 4 other shareholders (holding an aggregate of 15.99% equity interest in Wenan County Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Wenan County Huimin Village and Township Bank. Wenan County Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Wuchang Huimin Village and Township Bank”	Wuchang Huimin Village Bank Co., Ltd. (五常惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on November 11, 2010, in which the Bank holds a 66.67% equity interest. The remaining 25 shareholders hold 33.33% equity interest in Wuchang Huimin Village and Township Bank

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“Wuhua Huimin Village and Township Bank”

Wuhua Huimin Village Bank Co., Ltd. (五華惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 13, 2014, in which the Bank holds a 39.23% equity interest. The remaining 19 shareholders hold 60.77% equity interest in Wuhua Huimin Village and Township Bank. The Bank and 2 other shareholders (holding an aggregate of 17.52% equity interest in Wuhua Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders' general meetings of Wuhua Huimin Village and Township Bank. Wuhua Huimin Village and Township Bank is deemed to be under the Bank's control and to be the Group's subsidiary

“Yun'an Huimin Village and Township Bank”

Yun'an Huimin Village Bank Co., Ltd. (雲安惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 27, 2014, in which the Bank holds a 61.00% equity interest. The remaining 5 shareholders hold 39.00% equity interest in Yun'an Huimin Village and Township Bank

In this interim report:

- 1. any discrepancies in any table between totals and sums of the amounts listed are due to rounding; and*
- 2. if there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail.*

Chapter 2 Company Profile

I. BASIC INFORMATION OF THE BANK

Registered Name in Chinese:

吉林九台農村商業銀行股份有限公司 (abbreviated as “九台農商銀行”)

Registered Name in English:

Jilin Jiutai Rural Commercial Bank Corporation Limited (abbreviated as “Jiutai Rural Commercial Bank”)

Legal Representative:

Gao Bing (高兵)

Authorized Representatives:

Gao Bing (高兵), Lau Kwok Yin (劉國賢)

Board Secretary:

Yuan Chunyu (袁春雨)

Joint Company Secretaries:

Yuan Chunyu (袁春雨), Lau Kwok Yin (劉國賢)

Registered Office Address:

No. 504 Xinhua Main Street
Jiutai District, Changchun
Jilin Province, the PRC

Principal Office Address:

No. 2559 Wei Shan Road
High-tech Zone, Changchun
Jilin Province, the PRC

Chapter 2 Company Profile

Customer Service Hotline:

+86 (431) 96888

Telephone:

+86 (431) 8925 0628

Facsimile:

+86 (431) 8925 0628

Company Website:

www.jtnsh.com

Principal Place of Business in Hong Kong:

Room 15, 11th Floor, Tower 2, Admiralty Centre
18 Harcourt Road
Admiralty, Hong Kong

H Share Disclosure Websites:

The Stock Exchange of Hong Kong Limited's HKEXnews website at www.hkexnews.hk
The Bank's website at www.jtnsh.com

Listing Place:

The Stock Exchange of Hong Kong Limited

Stock Short Name:

JIUTAI RCB

Stock Code:

06122

H Share Registrar:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Chapter 2 Company Profile

PRC Legal Adviser:

King & Wood Mallesons
20/F, East Tower
World Financial Center
1 Dongsanhuan Zhonglu
Chaoyang District, Beijing, the PRC

Hong Kong Legal Adviser:

Clifford Chance
27/F, Jardine House
1 Connaught Place
Central, Hong Kong

Auditors:

Domestic Auditor:

ShineWing Certified Public Accountants LLP
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II. HISTORY OF THE BANK

On December 15, 2008, upon the approval of the CBIRC Jilin Bureau, the Bank was promoted and established as a joint stock commercial bank named “Jilin Jiutai Rural Commercial Bank Corporation Limited” (吉林九台農村商業銀行股份有限公司) by qualified natural person shareholders of the former Jiutai Rural Credit Cooperative (九台市農村信用合作聯社), newly introduced natural person shareholders and legal person shareholders. On December 16, 2008, the Bank was formally incorporated.

The Bank’s current registered address is No. 504 Xinhua Main Street, Jiutai District, Changchun, Jilin Province, the PRC. The Bank has established a place of business in Hong Kong at Room 15, 11th Floor, Tower 2, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong and registered as a non-Hong Kong company in Hong Kong on February 17, 2016 under Part XVI of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The Bank appointed Mr. Lau Kwok Yin (劉國賢) as the Bank’s authorized representative for the acceptance of service of process and notices in Hong Kong. The address for service of process on the Bank in Hong Kong is at 40th Floor, Sunlight Tower, 248 Queen’s Road East, Wanchai, Hong Kong. As the Bank was established in the PRC, the Bank’s corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC.

The Bank’s H Shares were listed on the Main Board of the Hong Kong Stock Exchange on January 12, 2017.

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

Chapter 2 Company Profile

III. MAJOR AWARDS AND RECOGNITIONS IN THE FIRST HALF OF 2020

The Group has won numerous awards and recognitions in the first half of 2020 attributable to its outstanding business performance and management ability, including the following:

Unit	Awards/Recognitions	Organizer
The Bank	Top 300 Trading Banks in Interbank RMB Market in 2019 (2019年度銀行間本幣市場交易300強)	China Foreign Exchange Trade System and National Interbank Funding Center (中國外匯交易中心暨全國銀行間同業拆借中心)
The Bank	Top 100 Banks in Interbank RMB and Foreign Exchange Market in 2019 (2019年度銀行間人民幣外匯市場100強)	China Foreign Exchange Trade System and National Interbank Funding Center (中國外匯交易中心暨全國銀行間同業拆借中心)
The Bank	Class-A Bank for Implementation of Foreign Exchange Control Regulations in 2019 (2019年度執行外匯管理規定考核A類銀行)	Jilin Branch of the State Administration of Foreign Exchange (國家外匯管理局吉林省分局)
The Bank	Top 100 Chinese Banks in 2019 (2019年中國銀行業100強)	China Banking Association (中國銀行業協會)
The Bank	Outstanding Rural Financial Institution for Banking Wealth Management Registration in 2019 (2019年度銀行業理財登記工作優秀農村金融機構獎)	China Banking Wealth Management Registration & Depository Center (銀行業理財登記託管中心)
The Bank	Top 1000 World Banks in 2020 (2020年全球銀行1000強)	The Banker, a U.K. magazine (英國《銀行家》雜誌)
The Bank — Yilaxi Branch Office of Yongji Sub-branch	Outstanding Branch with Special Contribution for Social Responsibility (最佳社會責任特殊貢獻網點獎)	China Banking Association (中國銀行業協會)
The Bank	Charity Model Enterprise of Jilin (吉商公益示範企業)	The Fifth World Jilin Entrepreneurs Convention (第五屆全球吉商大會)

Chapter 2 Company Profile

Unit	Awards/Recognitions	Organizer
Huadian Huimin Village and Township Bank	Jilin Youth Civilization Unit (吉林市青年文明號)	Jilin Municipal Committee of Communist Youth League (共青團吉林市委)
Huadian Huimin Village and Township Bank	May Fourth Red Flag Youth League Committee of Jilin City (吉林市五四紅旗團委)	Jilin Municipal Committee of Communist Youth League (共青團吉林市委)
Da'an Huimin Village and Township Bank	Advanced Group on Safety and Security for Banking and Financial Institutions in the Province in 2019 (2019年度全省銀行業金融機構安全保衛工作先進集體)	Jilin Provincial Public Security Department (吉林省公安廳), Jilin Banking and Insurance Regulatory Bureau (吉林銀保監局)
Qingdao Jimo Huimin Village and Township Bank	Pioneer Financial Institution for Poverty Alleviation in 2019 (2019年度金融扶貧先進單位)	Regional Financial Regulatory Bureau of Jimo District of Qingdao City (青島市即墨區地方金融監督管理局)
Anci District Huimin Village and Township Bank	Top Ten Inclusive Financial Village and Township Bank (十佳普惠金融村鎮銀行)	Organizing Committee of the Forum for Chinese New Financial Institutions (中國新型金融機構論壇組委會)
Jilin Fengman Huimin Village and Township Bank	Outstanding Financial Service Provider in 2019 (2019年度金融服務優秀單位)	Economic and Technology Development Zone Management Committee of Jilin City (吉林經濟技術開發區管理委員會)
Qingdao Pingdu Huimin Village and Township Bank	Outstanding Financial Institution for Contribution to Development of Real Economy in 2019 (2019年度「金融機構服務實體經濟發展獎」)	Pingdu Municipal Committee of the Communist Party of China (中共平度市委), Pingdu Municipal People's Government (平度市人民政府)
Qingdao Pingdu Huimin Village and Township Bank	Civilization Unit in Qingdao in 2019 (2019年度「青島市文明單位」)	Spiritual Civilization Construction Committee of Qingdao City (青島市精神文明建設委員會)

Chapter 3 Financial Summary

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2020	2019	Change in percentage (%)	Year ended December 31, 2019
Operating results				
Interest income	4,572.8	4,171.2	9.6	8,722.5
Interest expenses	(2,476.2)	(2,257.3)	9.7	(4,557.1)
Net interest income	2,096.6	1,913.9	9.5	4,165.4
Fee and commission income	53.7	102.5	(47.6)	349.0
Fee and commission expenses	(16.7)	(14.0)	19.3	(32.5)
Net fee and commission income	37.0	88.5	(58.2)	316.5
Net trading gains	96.4	350.8	(72.5)	609.8
Dividend income	59.4	64.2	(7.5)	64.7
Net gains arising from investment securities	35.2	7.7	357.1	21.1
Gains on disposals of associated companies	—	—	—	37.5
Net exchange gains	4.1	3.4	20.6	5.7
Other operating income (expense), net	10.9	(1.5)	(826.7)	90.7
Operating income	2,339.6	2,427.0	(3.6)	5,311.4
Operating expenses	(1,141.4)	(1,156.5)	(1.3)	(2,787.4)
Impairment losses on assets	(655.0)	(678.9)	(3.5)	(1,088.1)
Operating profit	543.2	591.6	(8.2)	1,435.9
Share of (loss) profits of associates	(2.7)	18.1	(114.9)	67.6
Profit before tax	540.5	609.7	(11.3)	1,503.5
Income tax expense	(125.5)	(110.3)	13.8	(307.8)
Profit for the period/end of year	415.0	499.4	(16.9)	1,195.7
Profit for the year attributable to:				
— Owners of the Bank	343.4	454.7	(24.5)	1,042.2
— Non-controlling interests	71.6	44.7	60.2	153.5
Profit for the period/end of year	415.0	499.4	(16.9)	1,195.7
Basic earnings per share (RMB)	0.08	(restated) 0.10	(20.0)	(restated) 0.24
Diluted earnings per share (RMB)	0.08	0.10	(20.0)	0.24

Chapter 3 Financial Summary

(Expressed in millions of RMB, unless otherwise stated)	As at June 30, 2020	As at December 31, 2019	Change in percentage (%)	
Major indicators of assets/liabilities				
Total assets	179,725.0	173,275.5	3.7	
Of which: loans and advances to customers	107,125.8	93,394.2	14.7	
Total liabilities	164,443.6	157,615.4	4.3	
Of which: deposits from customers	129,738.4	122,840.4	5.6	
Total equity	15,281.4	15,660.1	(2.4)	
	Six months ended June 30, 2020	2019	Change in percentage (%)	
Profitability indicators (%)				
Return on assets ⁽¹⁾⁽¹⁵⁾	0.47%	0.61%	(23.0)	
Return on capital ⁽²⁾⁽¹⁵⁾	5.37%	6.66%	(19.4)	
Net interest spread ⁽³⁾⁽¹⁵⁾	2.37%	2.61%	(9.2)	
Net interest margin ⁽⁴⁾⁽¹⁵⁾	2.46%	2.56%	(3.9)	
Net fee and commission income to operating income ratio ⁽⁵⁾	1.58%	3.65%	(56.7)	
Cost-to-income ratio ⁽⁶⁾	47.63%	46.56%	2.3	
	As at June 30, 2020	As at December 31, 2019	Change in percentage (%)	As at June 30, 2019
Capital adequacy indicators (%)				
Core tier-one capital adequacy ratio ⁽⁷⁾	8.72%	9.55%	(8.7)	8.85%
Tier-one capital adequacy ratio ⁽⁸⁾	8.81%	9.66%	(8.8)	8.94%
Capital adequacy ratio ⁽⁹⁾	10.99%	11.98%	(8.3)	11.25%
Shareholders' equity to total assets ratio	8.50%	9.04%	(6.0)	9.11%
Assets quality indicators (%)				
Non-performing loan ratio ⁽¹⁰⁾	1.85%	1.68%	10.1	1.85%
Provision coverage ratio ⁽¹¹⁾	156.55%	167.58%	(6.6)	161.49%
Provision to total loan ratio ⁽¹²⁾	2.90%	2.82%	2.8	2.98%
Other indicators⁽¹³⁾ (%)				
Loan to deposit ratio ⁽¹⁴⁾	85.04%	78.23%	8.7	77.68%

Chapter 3 Financial Summary

Notes:

- (1) Calculated by dividing the net profit for the period/year by the average balance of total assets at the beginning and the end of that period/year.
- (2) Calculated by dividing the net profit for the period/year by the average balance of total equity at the beginning and at the end of that period/year.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets.
- (5) Calculated by dividing net fee and commission income by operating income.
- (6) Calculated by dividing total operating expenses (net of tax and surcharges) by operating income.
- (7) Core tier-one capital adequacy ratio = (core tier-one capital – corresponding capital deductions)/risk-weighted assets*100%.
- (8) Tier-one capital adequacy ratio = (tier-one capital – corresponding capital deductions)/risk-weighted assets*100%.
- (9) Capital adequacy ratio = (total capital – corresponding capital deductions)/risk-weighted assets*100%.
- (10) Non-performing loan ratio = non-performing loans and advances to customers/gross loans and advances to customers*100%.
- (11) Provision coverage ratio = provision for impairment losses on loans/total non-performing loans and advances to customers*100%.
- (12) Provision to total loan ratio = provision for impairment losses on loans/gross loans and advances to customers*100%.
- (13) These indicators refer to the ratios we report to CBIRC and calculated in accordance with PRC GAAP and relative requirements of the CBIRC regarding the financial data.
- (14) According to the revised PRC Commercial Banking Law which became effective on October 1, 2015, loan to deposit ratio is no longer applicable to the PRC Commercial Banks as a regulatory ratio.
- (15) Ratios for the six months ended June 30, 2019 and 2020 are calculated on an annualized basis.

Chapter 4 Management Discussion and Analysis

1 Environment and Outlook

Since the beginning of the year, the economy of China has been under severe pressure and unprecedented challenges due to factors including global economic downturn under the impact of the COVID-19. The spreading of the pandemic has been successfully contained by the second quarter of the year. The economy of China has resumed its growth trend in general after the resumption of production and economic activities in the market as well as the implementation of “six stability” and “six guarantees” policies.

The pandemic has imposed significant challenges on the business development of the banking industry, asset quality and risk prevention. However, there are also opportunities during the pandemic. In face of the pandemic, the demand for “Non-contact” financial services significantly increased, the business and risk prevention mode was further improved. The government has adopted more aggressive and constructive fiscal policies. The further strengthening of supportive regulatory policies also facilitates the reformation and development of the Bank.

Looking forward, the Bank will conduct a scientific study of the continuing impact of the pandemic on the economic and social development as well as the financial industry. The Bank will precisely analyze the changing situation and proactively grasp the opportunities to develop business through the timely perfection of responding measures. The Bank will pursuit quality and sustainable business development through the construction and effective implementation of “Four in One Mechanism” which integrates finance for three rurals, community finance, cooperation platform and charity works.

2 Development Strategies

The Group’s strategic goal is to establish its footprint across China while headquartered in Jilin Province, and position itself as a professional financial services provider with unique values and strong competitive advantages. The Group also aims to build itself as a first-class modern PRC rural commercial banking group with strong brand value. To achieve its goal, the Group plans to: (i) reinforce advantages in banking services for the “three rurals” and micro, small and medium-sized enterprises (“SMEs”); (ii) exploit the growth potential of personal financial services to promote the growth of its retail banking business; (iii) develop emerging businesses to promote the transformation of the growth model; (iv) further strengthen the Group’s risk management and internal control; and (v) attract, develop, retain and motivate high-quality talent.

Chapter 4 Management Discussion and Analysis

3 Overall Business Review

In the first half of 2020, in the face of severe challenges of the COVID-19 pandemic and economic downturn, the Group proactively implemented various measures to prevent the spreading of the pandemic and to develop our business in accordance with the requirements, decisions and arrangements of the Party Central Committee, the State Council, government and regulatory authorities at all levels. The actions of the Group are prompt, effective and strong and effectively contain the pandemic and maintain the steady development of our business.

The Group recorded a total operating income of RMB2,339.6 million for the six months ended June 30, 2020, representing a decrease of 3.6% as compared to RMB2,427.0 million for the six months ended June 30, 2019. The Group's net profit decreased by 16.9% from RMB499.4 million for the six months ended June 30, 2019 to RMB415.0 million for the six months ended June 30, 2020. The net interest income of the Group increased by 9.5% from RMB1,913.9 million for the six months ended June 30, 2019 to RMB2,096.6 million for the six months ended June 30, 2020. The major business maintained its steady growth.

As at June 30, 2020, the Group's total assets amounted to RMB179,725.0 million, representing an increase of 3.7% as compared with the beginning of the year; net loans and advances to customers amounted to RMB107,125.8 million, representing an increase of 14.7% as compared with the beginning of the year; the non-performing loan ratio was 1.85%, which remained stable when compared with the same period of last year; total deposits from customers amounted to RMB129,738.4 million, representing an increase of 5.6% as compared with the beginning of the year.

Chapter 4 Management Discussion and Analysis

(a) Analysis of the Consolidated Statement of Profit or Loss

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2020	2019	Change in amount	Change in percentage (%)
Interest income	4,572.8	4,171.2	401.6	9.6
Interest expense	(2,476.2)	(2,257.3)	(218.9)	9.7
Net interest income	2,096.6	1,913.9	182.7	9.5
Fee and commission income	53.7	102.5	(48.8)	(47.6)
Fee and commission expenses	(16.7)	(14.0)	(2.7)	19.3
Net fee and commission income	37.0	88.5	(51.5)	(58.2)
Net trading gains	96.4	350.8	(254.4)	(72.5)
Dividend income	59.4	64.2	(4.8)	(7.5)
Net gains arising from investment securities	35.2	7.7	27.5	357.1
Net exchange gains	4.1	3.4	0.7	20.6
Other operating income (expense), net	10.9	(1.5)	12.4	(826.7)
Operating income	2,339.6	2,427.0	(87.4)	(3.6)
Operating expenses	(1,141.4)	(1,156.5)	15.1	(1.3)
Impairment losses on assets	(655.0)	(678.9)	23.9	(3.5)
Operating profit	543.2	591.6	(48.4)	(8.2)
Share of (loss) profits of associates	(2.7)	18.1	(20.8)	(114.9)
Profit before tax	540.5	609.7	(69.2)	(11.3)
Income tax expense	(125.5)	(110.3)	(15.2)	13.8
Profit for the period	415.0	499.4	(84.4)	(16.9)
Profit for the period attributable to:				
— Owners of the Bank	343.4	454.7	(111.3)	(24.5)
— Non-controlling interests	71.6	44.7	26.9	60.2
Profit for the period	415.0	499.4	(84.4)	(16.9)

In the first six months of 2020, the Group's operating income was RMB2,339.6 million, representing a year-on-year decrease of 3.6%; profit before tax was RMB540.5 million, representing a year-on-year decrease of 11.3%; profit for the period was RMB415.0 million, representing a year-on-year decrease of 16.9%. It was mainly due to the pandemic in the first half of 2020 which resulted in the decline in market demand, causing decrease in income from syndicated loan service fees and advisory fees. The decrease was also due to the decrease in income arising from financial assets at fair value through profit or loss and the fair value of wealth management products, resulting in a decrease in net trading gains, which was partially offset by the increase in net interest income and net gains arising from investment securities.

Chapter 4 Management Discussion and Analysis

(i) Net interest income

Net interest income was the largest component of the Group's operating income, representing 78.9% and 89.6% of operating income for the six months ended June 30, 2019 and 2020, respectively. The table below sets forth the interest income, interest expenses and net interest income for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			Change in percentage (%)
	2020	2019	Change in amount	
Interest income	4,572.8	4,171.2	401.6	9.6
Interest expenses	(2,476.2)	(2,257.3)	(218.9)	9.7
Net interest income	2,096.6	1,913.9	182.7	9.5

The table below sets forth the average balance of the Group's interest-earning assets and interest-bearing liabilities, the related interest income or expense and the average yield or average cost for the periods indicated. The average balance of interest-earning assets and interest-bearing liabilities are the average of the daily balances.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2020			Six months ended June 30, 2019		
	Average Balance	Interest income	Average yield (%)	Average Balance	Interest income	Average yield (%)
Interest-earning assets						
Loans and advances to customers	105,875.3	3,571.4	6.75	83,371.8	2,968.6	7.12
Investment securities and other financial assets ⁽¹⁾	27,619.9	687.2	4.98	29,682.7	788.6	5.31
Deposits with banks and other financial institutions	12,798.2	82.3	1.29	17,818.2	237.6	2.67
Financial assets held under resale agreements	8,192.7	93.3	2.28	2,806.2	40.9	2.91
Deposits with the central bank ⁽²⁾	13,628.5	92.9	1.36	13,709.8	96.4	1.41
Placements with banks and other financial institutions	1,996.0	45.7	4.58	2,132.5	39.1	3.67
Total interest-earning assets	170,110.6	4,572.8	5.38	149,521.2	4,171.2	5.58

Chapter 4 Management Discussion and Analysis

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2020			Six months ended June 30, 2019		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Interest-bearing liabilities						
Deposits from customers	127,003.3	1,819.0	2.86	111,488.2	1,559.5	2.80
Financial assets sold under repurchase agreements	4,982.3	42.5	1.71	10,679.7	118.6	2.22
Deposits from banks and other financial institutions	12,200.2	200.9	3.29	5,721.8	98.6	3.45
Debt securities issued ⁽³⁾	12,515.4	253.6	4.05	21,475.8	438.5	4.08
Placements from banks and other financial institutions	5,935.2	125.8	4.24	960.8	10.0	2.08
Borrowing from the central bank	1,406.4	18.9	2.69	951.3	14.3	3.01
Lease liabilities	683.5	15.5	4.54	817.1	17.8	4.36
Total interest-bearing liabilities	164,726.3	2,476.2	3.01	152,094.7	2,257.3	2.97
Net interest income		2,096.6			1,913.9	
Net interest spread⁽⁴⁾			2.37			2.61
Net interest margin⁽⁵⁾			2.46			2.56

Notes:

- (1) Investment securities and other financial assets include the financial assets at fair value through other comprehensive income and financial assets at amortized cost.
- (2) Primarily consist of statutory deposit reserves, surplus deposit reserves and fiscal deposit reserves.
- (3) Primarily consist of tier-two capital bonds, subordinated fixed rate bonds and interbank certificates.
- (4) Represents the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.
- (5) Calculated by dividing net interest income by the average balance of interest-earning assets (based on the daily average of the interest-earning assets).

The table below sets forth the changes in the Group's interest income and interest expense attributable to changes in volume and interest rate for the periods indicated. Changes in volume are measured by changes in the average balance, and changes in interest rate are measured by changes in the average interest rates. Changes caused by both volume and interest rate have been allocated to changes in volume.

Chapter 4 Management Discussion and Analysis

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2020 vs 2019		
	Volume ⁽¹⁾	Interest rate ⁽²⁾	Net Increase/ (decrease) ⁽³⁾
Interest-earning Assets			
Loans and advances to customers	759.1	(156.3)	602.8
Investment securities and other financial assets	(51.3)	(50.1)	(101.4)
Financial assets held under resale agreements	61.3	(8.9)	52.4
Deposits with banks and other financial institutions	(32.3)	(123.0)	(155.3)
Deposits with the central bank	(0.6)	(2.9)	(3.5)
Placements with banks and other financial institutions	(3.1)	9.7	6.6
Changes in interest income	733.1	(331.5)	401.6
Interest-bearing Liabilities			
Deposits from customers	222.2	37.3	259.5
Financial assets sold under repurchase agreements	(48.6)	(27.5)	(76.1)
Deposits from banks and other financial institutions	106.7	(4.4)	102.3
Debt securities issued	(181.6)	(3.3)	(184.9)
Placements from banks and other financial institutions	105.4	10.4	115.8
Borrowing from the central bank	6.1	(1.5)	4.6
Lease liabilities	(3.0)	0.7	(2.3)
Changes in interest expense	207.2	11.7	218.9
Changes in net interest income	525.9	(343.2)	182.7

Notes:

- (1) Represents the average balance for the period minus the average balance for the previous period, multiplied by the average yield/cost for the period.
- (2) Represents the average yield/cost for the period minus the average yield/cost for the previous period, multiplied by the average balance for the previous period.
- (3) Represents interest income/expense for the period minus interest income/expense for the previous period.

Chapter 4 Management Discussion and Analysis

(ii) Interest income

The table below sets forth the principal components of interest income for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2020		2019	
	Amount	% of total	Amount	% of total
Loans and advances to customers	3,571.4	78.1	2,968.6	71.2
Investment securities and other financial assets	687.2	15.1	788.6	18.9
Deposits with banks and other financial institutions	82.3	1.8	237.6	5.7
Financial assets held under resale agreements	93.3	2.0	40.9	1.0
Deposits with the central bank	92.9	2.0	96.4	2.3
Placements with banks and other financial institutions	45.7	1.0	39.1	0.9
Total	4,572.8	100.0	4,171.2	100.0

The Group's interest income increased by 9.6% from RMB4,171.2 million for the six months ended June 30, 2019 to RMB4,572.8 million for the six months ended June 30, 2020, primarily due to an increase in the average balance of interest-earning assets from RMB149,521.2 million for the six months ended June 30, 2019 to RMB170,110.6 million for the six months ended June 30, 2020, which was partially offset by a decrease in the average yield on interest-earning assets from 5.58% for the six months ended June 30, 2019 to 5.38% for the six months ended June 30, 2020. The increase in the average balance of interest-earning assets was primarily due to increase of average balance of loans and advances to customers and financial assets held under resale agreements, which was partially offset by the decrease in average balance of investment securities and other financial assets, deposits with banks and other financial institutions, deposits with the central bank and placements with banks and other financial institutions. The decrease in the average yield on interest-earning assets was primarily due to decrease of average yield of loans and advances to customers, investment securities and other financial assets, deposits with banks and other financial institutions, financial assets held under resale agreements and deposits with the central bank, which was partially offset by the increase in average yield of placements with banks and other financial institutions.

Chapter 4 Management Discussion and Analysis

(A) Interest income from loans and advances to customers

Interest income from loans and advances to customers represented 71.2% and 78.1% of the Group's total interest income for the six months ended June 30, 2019 and 2020, respectively. The table below sets forth the average balance, interest income and average yield of loans and advances to customers by product for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			2019		
	2020					
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	81,493.5	2,757.3	6.77	61,853.1	2,215.4	7.16
Retail loans	22,792.1	792.7	6.96	21,196.8	748.5	7.06
Discounted bills	1,589.7	21.4	2.69	321.9	4.7	2.92
Gross loans and advances to customers	105,875.3	3,571.4	6.75	83,371.8	2,968.6	7.12

Interest income from loans and advances to customers constitutes the largest portion of the interest income of the Group, which increased by 20.3% from RMB2,968.6 million for the six months ended June 30, 2019 to RMB3,571.4 million for the six months ended June 30, 2020. The increase was primarily due to the increase in the average balance of loans and advances to customers from RMB83,371.8 million for the six months ended June 30, 2019 to RMB105,875.3 million for the six months ended June 30, 2020, which was partially offset by the decrease in the average yield of these assets from 7.12% for the six months ended June 30, 2019 to 6.75% for the six months ended June 30, 2020. The increase in the average balance of these assets was mainly due to the increase in the scale of loans by the Group to support the resumption of work and production of the enterprises affected by the pandemic as well as the real economy development. The decrease in the average yield of these assets was mainly due to the implementation of financial policy, which included the measures for extending the loan repayment period and reducing the fees and interest rate of loans to certain enterprises affected by the pandemic.

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

Interest income from investment securities and other financial assets decreased by 12.9% from RMB788.6 million for the six months ended June 30, 2019 to RMB687.2 million for the six months ended June 30, 2020, primarily due to a decrease in the average balance of investment securities and other financial assets from RMB29,682.7 million for the six months ended June 30, 2019 to RMB27,619.9 million for the six months ended June 30, 2020 and a decrease in the average yield on these assets from 5.31% for the six months ended June 30, 2019 to 4.98% for the six months ended June 30, 2020. The decrease in average balance of such assets was mainly due to the recovery of certain investment assets by the Group. The decrease in average yield of such assets was mainly due to the decrease in overall yield of investment securities and other financial assets upon the recovery of certain investments.

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

Interest income from deposits with banks and other financial institutions decreased by 65.4% from RMB237.6 million for the six months ended June 30, 2019 to RMB82.3 million for the six months ended June 30, 2020, primarily due to a decrease in the average balance of deposits with banks and other financial institutions from RMB17,818.2 million for the six months ended June 30, 2019 to RMB12,798.2 million for the six months ended June 30, 2020 and a decrease in average yield from 2.67% for the six months ended June 30, 2019 to 1.29% for the six months ended June 30, 2020. The decrease in average balance of such assets was mainly due to the reasonable adjustment of interbank assets structure by recovering certain deposits with banks and other financial institutions upon due by the Group. The decrease in the average yield of such assets was mainly due to the decrease in market interest rate.

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

Interest income from financial assets held under resale agreements increased by 128.1% from RMB40.9 million for the six months ended June 30, 2019 to RMB93.3 million for the six months ended June 30, 2020, primarily due to an increase in the average balance of financial assets held under resale agreements from RMB2,806.2 million for the six months ended June 30, 2019 to RMB8,192.7 million for the six months ended June 30, 2020, which was partially offset by a decrease in the average yield on those assets from 2.91% for the six months ended June 30, 2019 to 2.28% for the six months ended June 30, 2020. The increase in the average balance of those assets was mainly due to the adjustment of size of such assets by the Group to balance yield and liquidity needs. The decrease in the average yield of such assets was mainly due to the decline in market interest rate.

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(E) Interest income from deposits with the central bank

Interest income from deposits with the central bank decreased by 3.6% from RMB96.4 million for the six months ended June 30, 2019 to RMB92.9 million for the six months ended June 30, 2020, primarily due to a decrease in the average balance of deposits with the central bank from RMB13,709.8 million for the six months ended June 30, 2019 to RMB13,628.5 million for the six months ended June 30, 2020, and a decrease in the average yield on those assets from 1.41% for the six months ended June 30, 2019 to 1.36% for the six months ended June 30, 2020. The decrease in the average balance of deposits with the central bank was primarily due to the decrease in statutory deposit reserves as a result of the reduction of deposit reserve ratio by the central bank.

(iii) Interest expenses

The table below sets forth the principal components of the Group's interest expenses for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		2019	
	2020 Amount	% of total	Amount	% of total
Deposits from customers	1,819.0	73.5	1,559.5	69.1
Financial assets sold under repurchase agreements	42.5	1.7	118.6	5.3
Deposits from banks and other financial institutions	200.9	8.1	98.6	4.4
Debt securities issued	253.6	10.2	438.5	19.4
Placements from banks and other financial institutions	125.8	5.1	10.0	0.4
Borrowings from the central bank	18.9	0.8	14.3	0.6
Lease liabilities	15.5	0.6	17.8	0.8
Total	2,476.2	100.0	2,257.3	100.0

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(A) Interest expenses on deposits from customers

The table below sets forth the average balance, interest expense and average cost for the components of deposits from customers for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			2019		
	2020 Average balance	2020 Interest expense	2020 Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time	9,073.0	148.2	3.27	16,592.9	322.2	3.88
Demand	30,322.7	282.5	1.86	25,307.5	123.6	0.98
Subtotal	39,395.7	430.7	2.19	41,900.4	445.8	2.13
Retail deposits						
Time	66,026.2	1,196.6	3.62	50,306.5	978.6	3.89
Demand	21,581.4	191.7	1.78	19,281.3	135.1	1.40
Subtotal	87,607.6	1,388.3	3.17	69,587.8	1,113.7	3.20
Total deposits from customers	127,003.3	1,819.0	2.86	111,488.2	1,559.5	2.80

Interest expenses on deposits from customers increased by 16.6% from RMB1,559.5 million for the six months ended June 30, 2019 to RMB1,819.0 million for the six months ended June 30, 2020, primarily due to an increase in the average balance of deposits from customers from RMB111,448.2 million for the six months ended June 30, 2019 to RMB127,003.3 million for the six months ended June 30, 2020 and an increase in the average cost of deposits from customers from 2.80% for the six months ended June 30, 2019 to 2.86% for the six months ended June 30, 2020. The increase in average balance of deposits from customers was mainly due to the enhancement of service and marketing efforts by the Group. The increase in average cost of deposits from customers was mainly due to the interest rate liberalization and increased competition.

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(B) Interest expenses on financial assets sold under repurchase agreements

Interest expenses on financial assets sold under repurchase agreements decreased by 64.2% from RMB118.6 million for the six months ended June 30, 2019 to RMB42.5 million for the six months ended June 30, 2020, primarily due to a decrease in the average balance of financial assets sold under repurchase agreements from RMB10,679.7 million for the six months ended June 30, 2019 to RMB4,982.3 million for the six months ended June 30, 2020 and a decrease of average cost from 2.22% for the six months ended June 30, 2019 to 1.71% for the six months ended June 30, 2020. The decrease of average balance in such debts was mainly the result of the adjustment of liabilities structure of the Group to balance capital cost and stability. The decrease in average cost of those liabilities was mainly due to the change in market interest rate.

(C) Interest expenses on deposits from banks and other financial institutions

Interest expenses on deposits from banks and other financial institutions increased by 103.8% from RMB98.6 million for the six months ended June 30, 2019 to RMB200.9 million for the six months ended June 30, 2020, mainly due to an increase in the average balance of those liabilities from RMB5,721.8 million for the six months ended June 30, 2019 to RMB12,200.2 million for the six months ended June 30, 2020, which was partially offset by a decrease in the average cost of those liabilities from 3.45% for the six months ended June 30, 2019 to 3.29% for the six months ended June 30, 2020. The increase of average balance in such debts was mainly the result of the timely adjustment of liabilities structure of the Group to lower the capital cost and increase capital stability in accordance with market changes. The decrease of average cost of liabilities was mainly due to the changes in market interest rates.

(D) Interest expenses on debt securities issued

Interest expenses on debt securities issued decreased by 42.2% from RMB438.5 million for the six months ended June 30, 2019 to RMB253.6 million for the six months ended June 30, 2020, mainly due to a decrease in the average cost of such liabilities from 4.08% for the six months ended June 30, 2019 to 4.05% for the six months ended June 30, 2020 and a decrease in the average balance of such liabilities from RMB21,475.8 million for the six months ended June 30, 2019 to RMB12,515.4 million for the six months ended June 30, 2020. The decrease in the average balance of those liabilities was mainly due to the increase in maturity of interbank certificates of deposit scale. The decrease in average cost of such liabilities was mainly due to the lower interest rate of the new issuance of interbank certificates of deposit of the year.

(iv) Net interest spread and net interest margin

Net interest spread is the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities. Net interest margin is the ratio of net interest income to the average balance of interest-earning assets.

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Net interest spread decreased by 0.24 percentage point from 2.61% for the six months ended June 30, 2019 to 2.37% for the six months ended June 30, 2020, primarily due to a decrease in the average yield on interest-earning assets by 0.20 percentage point from 5.58% for the six months ended June 30, 2019 to 5.38% for the six months ended June 30, 2020, and an increase in the average cost of interest-bearing liabilities by 0.04 percentage point from 2.97% for the six months ended June 30, 2019 to 3.01% for the six months ended June 30, 2020. Net interest margin decreased by 0.10 percentage point from 2.56% for the six months ended June 30, 2019 to 2.46% for the six months ended June 30, 2020. The major reasons are as follows: Firstly, the Group reduced the interest rate of loans to certain enterprises affected by the pandemic in accordance with the financial policy, resulting in the decrease in the average yield of loans and advances as compared to the corresponding period of the previous year. Secondly, the average yield of treasury operations decreased as a result of market price fluctuations. Thirdly, higher cost of deposits from customers was recorded due to interest rate liberalization and increased competition.

(v) Non-interest income

(A) Net fee and commission income

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2020	2019	Change in amount	Change in percentage (%)
Fee and commission income				
Advisory fees	14.6	22.1	(7.5)	(33.9)
Syndicated loan service fees	16.5	46.9	(30.4)	(64.8)
Settlement and clearing fees	11.9	8.8	3.1	35.2
Agency services fees	4.6	8.0	(3.4)	(42.5)
Wealth management service fees	0.8	0.6	0.2	33.3
Bank card service fees	1.9	1.9	—	—
Others ⁽¹⁾	3.4	14.2	(10.8)	(76.1)
Subtotal	53.7	102.5	(48.8)	(47.6)
Fee and commission expense	(16.7)	(14.0)	(2.7)	19.3
Net fee and commission income	37.0	88.5	(51.5)	(58.2)

Note:

- (1) Primarily consist of fee and commission income from miscellaneous or contingent activities, such as safe deposit, underwriting and agency services.

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Net fee and commission income decreased by 58.2% from RMB88.5 million for the six months ended June 30, 2019 to RMB37.0 million for the six months ended June 30, 2020, primarily due to the decrease in advisory fees, syndicated loan service fees and agency service fees.

Advisory fees income decreased by 33.9% from RMB22.1 million for the six months ended June 30, 2019 to RMB14.6 million for the six months ended June 30, 2020, which was primarily due to the decrease in advisory service provided to customers by the Group as a result of the decrease in market demand.

Syndicated loan service fees income decreased by 64.8% from RMB46.9 million for the six months ended June 30, 2019 to RMB16.5 million for the six months ended June 30, 2020, mainly due to the decreased transactions of syndicated loan business.

Settlement and clearing fees income increased by 35.2% from RMB8.8 million for the six months ended June 30, 2019 to RMB11.9 million for the six months ended June 30, 2020, mainly due to the increase in settlement business.

Agency service fees income decreased by 42.5% from RMB8.0 million for the six months ended June 30, 2019 to RMB4.6 million for the six months ended June 30, 2020, mainly due to the decrease in agency service business.

Wealth management service fees income increased by 33.3% from RMB0.6 million for the six months ended June 30, 2019 to RMB0.8 million for the six months ended June 30, 2020, mainly due the increase in scale of non-principal-guaranteed wealth management products.

Fee and commission expenses mainly included fees paid to third parties for settlement, clearing and agency services. Fee and commission expenses increased by 19.3% from RMB14.0 million for the six months ended June 30, 2019 to RMB16.7 million for the six months ended June 30, 2020, which was mainly due to the increase in settlement and clearing business.

(B) Net gains arising from investment securities

Net gains arising from investment securities included net gains from selling investment securities and other financial assets and revaluation gains resulting from the reclassification from other consolidated income to profits or losses upon the disposal of assets.

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Net gains arising from investment securities increased by 357.1% from RMB7.7 million for the six months ended June 30, 2019 to RMB35.2 million for the six months ended June 30, 2020. The increase was mainly due to the increase in transaction scale and the increase in trading gains arising from investment assets, such as debt securities, as a result of the fluctuation of market interest rate.

(C) Dividend income

Dividend income decreased by 7.5% from RMB64.2 million for the six months ended June 30, 2019 to RMB59.4 million for the six months ended June 30, 2020. The decrease was mainly due to the decrease in actual distribution of dividend income from our investment in non-controlling rural commercial banks and other entities.

(D) Net trading gains

Net trading gains decreased by 72.5% from RMB350.8 million for the six months ended June 30, 2019 to RMB96.4 million for the six months ended June 30, 2020, mainly due to the decrease in income arising from financial assets at fair value through profit or loss and the fair value of wealth management products.

(E) Net exchange gains

Net exchange gains mainly included net gains arising out of foreign exchange settlement and foreign exchange transactions. The Group had net exchange gains of RMB4.1 million and RMB3.4 million for the six months ended June 30, 2020 and 2019, respectively, primarily due to the fluctuation of foreign exchange rates.

(F) Other operating (expense) income, net

Other operating (expense) income, net mainly included non-recurring income such as government subsidies and insurance claim, net of non-recurring expenses such as charitable donation. Other operating (expense) income, net increased by 826.7% from RMB(1.5) million for the six months ended June 30, 2019 to RMB10.9 million for the six months ended June 30, 2020, which was mainly because the Group recognized income of RMB13.7 million for job stabilization subsidies for the current period.

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(vi) Operating expenses

Operating expenses decreased by 1.3% from RMB1,156.5 million for the six months ended June 30, 2019 to RMB1,141.4 million for the six months ended June 30, 2020. The decrease was primarily due to the decrease in property and equipment expenses and general management and administrative expenses, which was partially offset by the increase in staff cost and taxes and surcharges.

The table below sets forth the principal components of operating expenses for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Change in amount	Change in percentage (%)
	2020	2019		
Staff costs	672.8	668.1	4.7	0.7
Property and equipment expenses	288.0	293.4	(5.4)	(1.8)
General management and administrative expenses	153.5	168.4	(14.9)	(8.8)
Taxes and surcharges	27.1	26.6	0.5	1.9
Total	1,141.4	1,156.5	(15.1)	(1.3)

(A) Staff costs

The table below sets forth the components of staff costs for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Change in amount	Change in percentage (%)
	2020	2019		
Salaries and bonuses	469.9	437.9	32.0	7.3
Social insurance	100.1	140.1	(40.0)	(28.6)
Staff welfares	46.5	37.8	8.7	23.0
Housing allowances	47.4	42.7	4.7	11.0
Labor union and staff education expenses	8.9	9.6	(0.7)	(7.3)
Total staff costs	672.8	668.1	4.7	0.7

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Staff costs increased by 0.7% from RMB668.1 million for the six months ended June 30, 2019 to RMB672.8 million for the six months ended June 30, 2020. The increase was primarily due to the increase in staff cost as a result of the increased number of employees during the year.

(B) Property and equipment expenses

Property and equipment expenses decreased by 1.8% from RMB293.4 million for the six months ended June 30, 2019 to RMB288.0 million for the six months ended June 30, 2020. The decrease in property and equipment expenses was mainly due to the decrease in provision for depreciation as a result of the disposal of certain fixed assets by the Group and the fact that certain fixed assets reached their expected useful life and were no longer depreciated.

(C) General management and administrative expenses

General management and administrative expenses mainly included business promotion fees, transportation fee in relation to the delivery of cash, repair expenses and others. General management and administrative expenses decreased by 8.8% from RMB168.4 million for the six months ended June 30, 2019 to RMB153.5 million for the six months ended June 30, 2020. The decrease in general management and administrative expenses was mainly due to the stringent control of general management and administrative expenses as the Group further improved its cost and budget management.

(D) Taxes and surcharges

Taxes and surcharges increased by 1.9% from RMB26.6 million for the six months ended June 30, 2019 to RMB27.1 million for the six months ended June 30, 2020. The increase in taxes and surcharges were primarily due to the increase in relevant taxes and surcharges in line with the increase in value-added tax paid by the Group.

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(vii) Impairment losses on assets

The table below sets forth the principal components of impairment losses on assets for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			Change in percentage (%)
	2020	2019	Change in amount	
Loans and advances to customers	513.4	455.9	57.5	12.6
Financial assets at fair value through other comprehensive income	0.3	2.7	(2.4)	(88.9)
Financial assets at amortized cost	140.4	222.9	(82.5)	(37.0)
Deposits with banks and other financial institutions	(0.8)	(1.3)	0.5	(38.5)
Placements with banks and other financial institutions	0.0	0.1	(0.1)	(100.0)
Other receivables and repossessed assets	1.7	(1.4)	3.1	(221.4)
Total	655.0	678.9	(23.9)	(3.5)

Impairment losses on assets decreased by 3.5% from RMB678.9 million for the six months ended June 30, 2019 to RMB655.0 million for the six months ended June 30, 2020, mainly due to the decrease in scale of financial assets at amortized cost led to a decrease in the provision for impairment losses on assets, which was partially offset by the increase in provision for impairment loss of loans and advances to customers.

(viii) Income tax expense

Income tax expense increased by 13.8% from RMB110.3 million for the six months ended June 30, 2019 to RMB125.5 million for the six months ended June 30, 2020. The increase in income tax expense was primarily due to the increase in effective tax rates. Effective tax rates were 23.2% and 18.1% for the six months ended June 30, 2020 and 2019, respectively. The effective tax rate increased in the first half of 2020, which was mainly due to the decrease in the percentage of non-taxable income, including dividend income, interest income from treasury bonds and local government bonds investments and interest income from small loans to rural households.

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(b) Analysis of the Consolidated Statement of Financial Position

(i) Assets

As of June 30, 2020 and December 31, 2019, the Group's total assets amounted to RMB179,725.0 million and RMB173,275.5 million, respectively. Major components of total assets include (i) loans and advances to customers; (ii) investment securities and other financial assets; (iii) cash and deposits with the central bank; (iv) deposits with banks and other financial institutions; (v) placements with banks and other financial institutions; and (vi) financial assets held under resale agreements. The table below sets forth the components of total assets as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
Assets				
Gross loans and advances to customers	110,324.5	61.4	96,104.0	55.5
Provision for impairment losses	(3,198.7)	(1.8)	(2,709.8)	(1.6)
Loans and advances to customers, net	107,125.8	59.6	93,394.2	53.9
Investment securities and other financial assets ⁽¹⁾	31,485.1	17.5	39,218.2	22.6
Cash and deposits with the central bank	21,120.1	11.7	23,626.4	13.6
Deposits with banks and other financial institutions	7,820.4	4.4	6,193.3	3.6
Placements with banks and other financial institutions	2,048.1	1.1	1,814.0	1.0
Financial assets held under resale agreements	326.0	0.2	100.0	0.1
Other assets ⁽²⁾	9,799.5	5.5	8,929.4	5.2
Total assets	179,725.0	100.0	173,275.5	100.0

Notes:

- (1) Include financial assets at amortized cost, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.
- (2) Primarily consist of property and equipment, goodwill, other receivables and prepayments, interests receivable, deferred tax assets, repossessed assets, interests in associates and right-of-use assets.

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(A) Loans and advances to customers

As of June 30, 2020, the Group's gross loans and advances to customers was RMB110,324.5 million, representing an increase of 14.8% as compared to December 31, 2019. Net loans and advances to customers accounted for 59.6% of the Group's total assets, representing an increase of approximately 5.7 percentage points as compared to December 31, 2019.

The table below sets forth loans and advances to customers by product as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
Corporate loan and advances				
— Loan	85,017.5	77.1	71,018.4	73.9
— Finance leases loan	1,994.7	1.8	2,251.8	2.3
Retail loans	23,309.9	21.1	22,833.8	23.8
Discounted bills	2.4	0.0	—	—
Gross loans and advances to customers	110,324.5	100.0	96,104.0	100.0

Loans and advances to customers are the largest component of total assets. The Group offers a variety of loan products, substantially all of which are denominated in Renminbi. Loans and advances to customers, net of provision for impairment losses, represented 59.6% and 53.9% of total assets as of June 30, 2020 and December 31, 2019, respectively.

The Group's corporate loans increased by 18.8% from RMB73,270.2 million as of December 31, 2019 to RMB87,012.2 million as of June 30, 2020, primarily due to the increase in the scale of loans by the Group to fully support the resumption of work and production of enterprises and the real economy development.

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The Group's retail loans mainly comprise of personal business loans, personal consumption loans, residential and commercial mortgage loans and credit card overdrafts. The Group's retail loans increased by 2.1% from RMB22,833.8 million as of December 31, 2019 to RMB23,309.9 million as of June 30, 2020, primarily due to the increase in loans by the Group in order to provide greater financing support to "three rurals" and individual businesses and enterprises and satisfy reasonable residential and commercial mortgage demands of individual customers.

Loans by Collateral

Collateralized loans, pledged loans and guaranteed loans in the aggregate represented 96.9% and 96.5% of gross loans and advances to customers as of June 30, 2020 and December 31, 2019, respectively. If a loan is secured by more than one form of collateral, the classification is based on the primary form of collateral. The table below sets forth loans and advances to customers by the type of collateral as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
Collateralized loans	42,215.4	38.3	38,545.9	40.1
Pledged loans	11,550.4	10.5	10,259.8	10.7
Guaranteed loans	53,110.1	48.1	43,901.8	45.7
Unsecured loans	3,448.6	3.1	3,396.5	3.5
Gross loans and advances to customers	110,324.5	100.0	96,104.0	100.0

Collateralized loans and pledged loans are the largest component of gross loans and advances to customers. Collateralized loans and pledged loans as a percentage of gross loans and advances to customers were 50.8% as of December 31, 2019 and 48.8% as of June 30, 2020, respectively.

The Group has adopted more stringent credit assessment criteria for extending guaranteed loans. Corporate loans are generally guaranteed by listed companies or guarantee companies. The Bank and each subsidiary bank consider the size, credit history and risk-resistance level of a guarantee company to decide whether or not to accept its guarantees. Guaranteed loans as a percentage of gross loans and advances to customers was 45.7% as of December 31, 2019 and 48.1% as of June 30, 2020.

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The Bank and each subsidiary bank extend unsecured loans to customers with relatively high credit ratings based on their internal credit risk rating system. As of December 31, 2019 and June 30, 2020, unsecured loans represented 3.5% and 3.1% of gross loans and advances to customers.

Movements of provision for impairment losses on loans and advances to customers

(Expressed in millions of RMB, unless otherwise stated)	June 30, 2020	December 31, 2019
As at the beginning of the period/year	2,709.8	2,173.2
Charge for the period/year	534.8	629.1
Reverse for the period/year	(21.4)	(26.6)
Amounts written off as uncollectible	(29.5)	(73.9)
Recoveries of loans and advances previously written off	5.0	8.0
As of June 30/December 31	3,198.7	2,709.8

Provision for impairment losses on loans and advances to customers increased by 18.0% from RMB2,709.8 million as of December 31, 2019 to RMB3,198.7 million as of June 30, 2020, primarily due to the increase in provision for impairment loss in line with the increase in loans and advances to customers.

(B) Investment securities and other financial assets

As of June 30, 2020 and December 31, 2019, the Group had investment securities and other financial assets of RMB31,485.1 million and RMB39,218.2 million, respectively, representing 17.5% and 22.6% of its total assets, respectively.

Investment securities and other financial assets primarily include debt securities, asset management plans, trust plans, funds and equity investments.

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(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
Debt securities investments				
Financial assets at fair value through other comprehensive income	5,286.7	16.8	6,183.8	15.8
Financial assets at amortized cost	3,545.1	11.3	6,110.6	15.6
Subtotal	8,831.8	28.1	12,294.4	31.4
Asset management plans and trust plans				
Asset management plans	12,307.2	39.1	15,194.0	38.7
Trust plans	8,382.7	26.6	9,663.4	24.7
Subtotal	20,689.9	65.7	24,857.4	63.4
Funds	634.7	2.0	715.5	1.8
Subtotal	634.7	2.0	715.5	1.8
T+0 clearing and advances	0.0	0.0	—	—
Subtotal	0.0	0.0	—	—
Equity investments				
Financial assets at fair value through other comprehensive income	154.0	0.5	145.3	0.4
Financial assets at fair value through profit or loss	1,174.7	3.7	1,205.6	3.0
Subtotal	1,328.7	4.2	1,350.9	3.4
Total investment securities and other financial assets, net	31,485.1	100.0	39,218.2	100.0

Investment securities and other financial assets decreased by 19.7% from RMB39,218.2 million as of December 31, 2019 to RMB31,485.1 million as of June 30, 2020. The decreases in investment securities and other financial assets were primarily due to the adjustment of the investment strategy to reduce debts investments, asset management plans and trust plans in response to the regulatory policies and market condition.

Chapter 4 Management Discussion and Analysis

(ii) Liabilities

As of June 30, 2020 and December 31, 2019, total liabilities amounted to RMB164,443.6 million and RMB157,615.4 million, respectively. Major components of liabilities include (i) deposits from customers; (ii) debt securities issued; (iii) deposits from banks and other financial institutions; and (iv) placements from banks and other financial institutions. The table below sets forth the components of total liabilities as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
Deposits from customers	129,738.4	78.9	122,840.4	77.9
Debt securities issued	10,306.2	6.3	14,220.1	9.0
Deposits from banks and other financial institutions	9,282.5	5.6	6,277.6	4.0
Placements from banks and other financial institutions	6,732.5	4.1	4,379.5	2.8
Borrowing from the central bank	1,816.4	1.1	3,345.2	2.1
Financial assets sold under repurchase agreements	1,115.2	0.7	2,610.8	1.7
Other liabilities ⁽¹⁾	5,452.4	3.3	3,941.8	2.5
Total liabilities	164,443.6	100.0	157,615.4	100.0

Note:

(1) Primarily consist of accrued staff costs, taxes payable, interests payable and leased liabilities.

Chapter 4 Management Discussion and Analysis

(A) Deposits from customers

The Group provides demand and time deposit products to corporate and retail customers. The table below sets forth deposits from customers by product and customer type as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
Corporate deposits				
Demand deposits	26,838.4	20.7	28,671.0	23.3
Time deposits	7,889.6	6.1	9,449.1	7.7
Subtotal	34,728.0	26.8	38,120.1	31.0
Retail deposits				
Demand deposits	20,734.7	16.0	21,044.1	17.1
Time deposits	71,227.5	54.9	60,484.1	49.2
Subtotal	91,962.2	70.9	81,528.2	66.3
Others⁽¹⁾	3,048.2	2.3	3,192.1	2.7
Total deposits from customers	129,738.4	100.0	122,840.4	100.0

Note:

(1) Primarily consist of pledged deposits held as collateral and fiscal deposits.

Total deposits from customers increased by 5.6% from RMB122,840.4 million as of December 31, 2019 to RMB129,738.4 million as of June 30, 2020. The increase was primarily because the Group further promoted the transformation and upgrade of branches and strengthened the construction of intelligent bank, and continued to improve our service quality and implemented targeted marketing.

Chapter 4 Management Discussion and Analysis

(B) Debts securities issued

In December 2012, the Bank issued an aggregate principal amount of RMB700.0 million subordinated fixed rate bonds. The bonds have a term of 10 years and bear interest at the rate of 7.00% per annum.

In April 2015, the Bank issued tier-two capital bonds in an aggregate principal amount of RMB800.0 million. The bonds have a term of 10 years and bear interest at the rate of 6.30% per annum.

In October 2016, the Bank issued 10-year tier-two capital bonds at par value of RMB900.0 million at fixed rate of 4.20%. The Bank has an option to redeem the bonds on October 20, 2021 at par.

From January 1, 2019 to December 31, 2019, the Bank had issued 64 tranches of zero-coupon interbank certificates, with an aggregate face value of RMB13,040.0 million. The interbank certificates have terms ranging from one month to one year and bear interest at effective rates between 3.15% and 4.30%.

From January 1, 2020 to June 30, 2020, the Bank had issued 64 tranches of zero-coupon interbank certificates, with an aggregate face value of RMB6,740.0 million. The interbank certificates have a term of three months to one year and bear interest at effective rates between 3.15% and 4.20%.

(iii) Shareholders' equity

The table below sets forth the changes in Shareholders' equity as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
Share capital	4,184.0	27.4	4,184.0	26.7
Capital reserve	5,149.0	33.7	5,148.6	32.9
Investment revaluation reserve	30.7	0.2	12.0	0.1
Surplus reserve	814.1	5.3	814.1	5.2
General reserve	1,777.7	11.6	1,777.7	11.4
Retained earnings	993.8	6.5	1,403.5	9.0
Non-controlling interests	2,332.1	15.3	2,320.2	14.7
Total equity	15,281.4	100.0	15,660.1	100.0

Chapter 4 Management Discussion and Analysis

(c) Assets Quality Analysis

(i) Breakdown of loans by the five-category classification

The non-performing loans of the Group are classified into loans and advances to customers of substandard, doubtful and loss. As of June 30, 2020, the Group's non-performing loans amounted to RMB2,043.3 million. The following table sets forth loans and advances to customers by loan classification as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
Normal	105,140.8	95.3	92,902.1	96.8
Special mention	3,140.4	2.8	1,584.9	1.6
Substandard	542.7	0.5	521.0	0.5
Doubtful	1,460.0	1.3	1,067.1	1.1
Loss	40.6	0.1	28.9	0.0
Gross loans and advances to customers	110,324.5	100.0	96,104.0	100.0
Non-performing loan and non-performing loan ratio⁽¹⁾	2,043.3	1.85	1,617.0	1.68

Note:

(1) Calculated by dividing non-performing loans by gross loans and advances to customers.

As of June 30, 2020 and December 31, 2019, the Group's non-performing loan ratio was 1.85% and 1.68%, respectively. The non-performing loan ratio of the Group increased by 0.17 percentage point as of June 30, 2020 as compared to that as of December 31, 2019, which was primarily due to the operating difficulties and decline in repayment abilities of certain loan customers as affected by the economic downturn and pandemic.

Chapter 4 Management Discussion and Analysis

(ii) Concentration of loans

(A) Concentration by industry and distribution of non-performing loans

The table below sets forth the breakdown of loans and non-performing loans by industry as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2020				As of December 31, 2019			
	Loan amount	% of total	Non- performing loan amount	Non- performing loan ratio (%)	Loan amount	% of total	Non- performing loan amount	Non- performing loan ratio (%)
Corporate loans								
Wholesale and retail	18,390.3	16.7	235.2	1.28	16,974.2	17.7	159.1	0.94
Manufacturing	15,933.5	14.4	477.5	3.00	13,696.6	14.3	488.8	3.57
Leasing and business services	12,929.4	11.7	94.0	0.73	12,293.5	12.8	73.6	0.60
Construction	9,228.4	8.4	160.7	1.74	6,177.7	6.4	142.2	2.30
Agriculture, forestry, animal husbandry and fishery	6,504.6	5.9	115.8	1.78	6,306.7	6.6	97.0	1.54
Real estate	4,675.8	4.2	77.6	1.66	3,413.4	3.5	77.6	2.27
Scientific research and technical services	4,420.2	4.0	81.6	1.85	2,637.7	2.7	20.8	0.79
Transportation, storage and postal services	4,077.6	3.7	83.0	2.04	3,731.9	3.9	53.0	1.42
Information transmission, software and information technology services	2,049.9	1.9	50.0	2.44	1,054.0	1.1	—	—
Electricity, gas and water production and supply	2,010.4	1.8	6.4	0.32	1,816.7	1.9	4.6	0.25
Education	1,999.0	1.8	—	—	1,776.2	1.8	—	—
Water, environment and public facility management	1,470.1	1.3	—	—	402.1	0.4	—	—
Accommodation and catering	1,127.0	1.1	31.5	2.80	900.2	0.9	31.5	3.50
Health and social services	949.4	0.9	—	—	935.8	1.0	—	—
Resident, maintenance and other services	493.0	0.5	17.0	3.45	415.0	0.4	13.6	3.28
Cultural, sports and entertainment	457.6	0.4	—	—	473.7	0.5	10.0	2.11
Public administration, social security and social organizations	151.2	0.1	—	—	163.0	0.2	—	—
Mining	99.9	0.1	2.2	2.20	91.9	0.1	2.2	2.39
Finance	44.9	0.0	—	—	9.9	0.0	—	—
Retail loans	23,309.9	21.1	610.8	2.62	22,833.8	23.8	443.0	1.94
Discounted bills	2.4	0.0	—	—	—	—	—	—
Total loans and advances	110,324.5	100.0	2,043.3	1.85	96,104.0	100.0	1,617.0	1.68

Note: Non-performing loan ratio of an industry is calculated by dividing the balance of non-performing loans of the industry by the balance of loans granted to the industry.

Chapter 4 Management Discussion and Analysis

Loans to borrowers in the wholesale and retail, manufacturing, leasing and business services, construction, agriculture, forestry, animal husbandry and fishery, real estate, scientific research and technical services, transportation, storage and postal services industries represented the largest components of the Group's corporate loan portfolio. Loans to these industries accounted for 87.5% and 89.0% of total corporate loans as of June 30, 2020 and December 31, 2019, respectively.

As of June 30, 2020, the non-performing loans of the Group's corporate loans were mainly concentrated in the resident, maintenance and other services, manufacturing, accommodation and catering industries, with the ratio of non-performing loans of 3.45%, 3.00% and 2.80%, respectively.

(B) Borrower concentration

Loans to the 10 Largest Single Borrowers

The table below sets forth the balance of loans to the 10 largest single borrowers (excluding group borrowers) (on a consolidated or group basis) as of June 30, 2020, and such loans were classified as non-performing.

(Expressed in millions of RMB, unless otherwise stated)		As of June 30, 2020	
		Amount	% of total loan
Customer	Industry		
Borrower A	Wholesale and retail	1,107.0	1.00
Borrower B	Manufacturing	1,100.0	1.00
Borrower C	Leasing and business services	996.0	0.90
Borrower D	Water, environment and public facility management	900.0	0.83
Borrower E	Wholesale and retail	842.9	0.76
Borrower F	Manufacturing	799.5	0.72
Borrower G	Construction	795.0	0.72
Borrower H	Information transmission, software and information technology services	789.0	0.72
Borrower I	Health and social services	743.8	0.67
Borrower J	Wholesale and retail	730.0	0.66
Total		8,803.2	7.98

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(C) Distribution of non-performing loans by product

The table below sets forth the loans and non-performing loans by product as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2020			As of December 31, 2019		
	Loan amount	Non- performing loan amount	Non- performing loan ratio (%)	Loan amount	Non- performing loan amount	Non- performing loan ratio (%)
Corporate loans						
Small and micro enterprises ⁽¹⁾	61,734.0	1,342.0	2.17	51,397.0	1,077.5	2.10
Medium enterprises ⁽¹⁾	16,119.3	90.5	0.56	13,091.7	96.5	0.74
Large enterprises ⁽¹⁾	8,614.4	—	—	8,246.0	—	—
Others ⁽²⁾	544.5	—	—	535.5	—	—
Subtotal	87,012.2	1,432.5	1.65	73,270.2	1,174.0	1.60
Retail loans						
Personal business loans	16,804.0	544.1	3.24	16,700.1	389.4	2.33
Personal consumption loans	2,760.1	52.4	1.90	2,771.1	46.5	1.68
Residential and commercial mortgage loans	3,722.6	14.0	0.38	3,337.9	7.0	0.21
Credit card overdrafts	23.2	0.3	1.29	24.7	0.1	0.40
Subtotal	23,309.9	610.8	2.62	22,833.8	443.0	1.94
Discounted bills	2.4	—	—	—	—	—
Total loans	110,324.5	2,043.3	1.85	96,104.0	1,617.0	1.68

Notes:

- (1) The classification for large, medium, small and micro enterprises is based on the Provisions on the Standards for the Classification of Small and Medium Enterprises (《中小企業劃型標準規定》).
- (2) Mainly consist of public services institutions and social organizations.

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The non-performing loan ratio of corporate loans increased from 1.60% as of December 31, 2019 to 1.65% as of June 30, 2020, primarily due to lower solvency as affected by the increasing pressure of economic downturns and spreading of COVID-19 which caused difficulties in operating for certain enterprises.

The non-performing loan ratio of retail loans increased from 1.94% as of December 31, 2019 to 2.62% as of June 30, 2020, primarily due to the decline in the repayment abilities of certain retail loans customers as affected by factors such as the pandemic, adjustment of industrial structure and economic downturn.

(D) Loan aging schedule

The table below sets forth the loan aging schedule for loans and advances to customers as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
Loans not overdue	106,403.8	96.4	92,790.2	96.5
Loans past due for:				
1 to 90 days	1,503.9	1.5	1,514.7	1.6
91 days to 1 year	806.1	0.7	586.7	0.6
1 to 3 years	784.7	0.7	538.6	0.6
3 years or more	826.0	0.7	673.8	0.7
Subtotal	3,920.7	3.6	3,313.8	3.5
Gross loans and advances to customers	110,324.5	100.0	96,104.0	100.0

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(d) Segment Information

(i) Summary of geographical segment information

In presenting information on the basis of geographical segments, operating income is allocated based on the places of registration of the respective bank that generate the income. The table below sets forth the operating income attributable to each of the geographical segments for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		2019	
	2020 Amount	% of total	Amount	% of total
Jilin Province	2,023.8	86.5	2,082.5	85.8
Other Regions ⁽¹⁾	315.8	13.5	344.5	14.2
Total operating income	2,339.6	100.0	2,427.0	100.0

Note:

(1) Primarily include provinces and municipalities such as Heilongjiang, Guangdong, Hebei, Shandong, Anhui, Hubei, Hainan, Tianjin and Shaanxi.

(ii) Summary of business segments

The Group operates three principal lines of business: corporate banking, retail banking and treasury operations. The table below sets forth the Group's operating income for each of its principal business segments for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		2019	
	2020 Amount	% of total	Amount	% of total
Corporate banking	1,380.2	59.0	1,512.9	62.3
Retail banking	952.1	40.7	723.5	29.8
Treasury operations	(66.1)	(2.8)	125.4	5.2
Others ⁽¹⁾	73.4	3.1	65.2	2.7
Total	2,339.6	100.0	2,427.0	100.0

Note:

(1) Primarily represent assets, liabilities, income and expenses which cannot be directly and reasonably attributable or cannot be allocated to a segment.

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(e) Off-balance Sheet Commitments

Off-balance sheet commitments primarily consist of bank acceptances, letters of credit, letters of guarantee, unused credit card limits and capital commitments. The table below sets forth the contractual amounts of off-balance sheet commitments as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2020	As of December 31, 2019
Credit commitments:		
Bank acceptances ⁽¹⁾	1,461.4	1,703.1
Letters of credit ⁽²⁾	12.9	12.2
Letters of guarantee ⁽²⁾	2,307.0	2,340.4
Unused credit card limits	160.2	158.6
Subtotal	3,941.5	4,214.3
Capital commitments	26.9	25.1
Total	3,968.4	4,239.4

Notes:

- (1) Bank acceptances refer to the Group's undertakings to pay bank bills drawn on its customers.
- (2) The Group issues letters of credit and guarantee to third parties to guarantee its customers' contractual obligations.

Off-balance sheet commitments decreased by 6.4% from RMB4,239.4 million as of December 31, 2019 to RMB3,968.4 million as of June 30, 2020. The decrease in off-balance sheet commitments was mainly due to the decrease of the Group's bank acceptances and letters of guarantee businesses as a result of the decrease in customer demand.

Chapter 4 Management Discussion and Analysis

4 Business Review

(a) Corporate Banking

The Group offers corporate customers a broad range of financial products and services, including loans, bill discounting, deposits and fee- and commission-based products and services. The Group's corporate customers primarily include state-owned enterprises, private enterprises, foreign-invested enterprises, government authorities, financial institutions, public services institutions and non-profit organizations. As of June 30, 2020, the Group had approximately 3,087 corporate borrowers with loans totalling RMB87,014.6 million. For the six months ended June 30, 2020 and 2019, operating income from the Group's corporate banking business accounted for 59.0% and 62.3% of total operating income, respectively.

The Group seeks to grow with its corporate customers, especially SMEs with strong growth potential, and the Group focuses on developing long-term customer relationships. As of June 30, 2020, the Group had 3,038 SME customers with loans totalling RMB77,855.7 million. The Group also collaborates with other financial institutions, such as securities companies, fund companies, trust companies, insurance companies, private equity funds and financial leasing companies, to provide one-stop financial services to corporate customers. The table below sets forth the financial performance of the Group's corporate banking for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Change in percentage (%)
	2020	2019	
External interest income, net ⁽¹⁾	2,301.1	1,830.7	25.7
Inter-segment interest expenses, net ⁽²⁾	(952.1)	(400.6)	137.7
Net interest income	1,349.0	1,430.1	(5.7)
Net fee and commission income	31.2	82.8	(62.3)
Operating income	1,380.2	1,512.9	(8.8)
Operating expenses	(585.8)	(677.6)	(13.5)
Impairment losses on assets	(360.7)	(277.6)	29.9
Profit before tax	433.7	557.7	(22.2)

Notes:

(1) Refers to net income and expenses from third parties.

(2) Refers to inter-segment expenses and transfer pricing.

Chapter 4 Management Discussion and Analysis

(i) Corporate loans

The Group offers loans to corporate customers to satisfy their capital needs for operations, machinery and equipment procurement and for infrastructure and real estate development. As of June 30, 2020 and December 31, 2019, the Group's corporate loans totalled RMB87,012.2 million and RMB73,270.2 million, respectively, accounting for 78.9% and 76.2% of the Group's gross loans and advances to customers, respectively.

(ii) Discounted bills

The Group purchases bank and commercial acceptance bills at discounted prices from corporate customers to fund their working capital needs. These discounted bills generally have a remaining maturity of less than one year. The Group may re-discount these bills to the PBOC or other financial institutions. As of June 30, 2020, the Group had a balance of RMB2.4 million in discounted bills.

(iii) Corporate deposits

The Group accepts time and demand deposits from corporate customers in Renminbi and major foreign currencies, such as U.S. dollars and Euros. The terms of corporate time deposits generally range from three months to three years. The Group's corporate deposit customers include state-owned enterprises, financial and government authorities and institutions, private enterprises, foreign-invested enterprises and non-profit organizations. As of June 30, 2020 and December 31, 2019, the Group's corporate deposits totalled RMB34,728.0 million and RMB38,120.1 million, respectively, accounting for 26.8% and 31.0% of total deposits from customers, respectively.

(iv) Fee- and commission-based products and services

The Group offers corporate customers a wide range of fee- and commission-based products and services, primarily including consulting and financial advisory services, syndicated loans services, settlement and clearing services, entrusted loans, agency services and wealth management services.

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(A) Consulting and financial advisory services

The Group's consulting and financial advisory services primarily include financing solution structuring and asset management services to corporate customers. For the six months ended June 30, 2020 and 2019, the Group's income from consulting and financial advisory services was RMB14.6 million and RMB22.1 million, respectively.

(B) Syndicated loans services

The Group acts as lead manager, agent and lender bank for syndicated loans to corporate customers to meet their larger financing needs. For the six months ended June 30, 2020 and 2019, the Group earned service fees for syndicated loans of RMB16.5 million and RMB46.9 million, respectively.

(C) Settlement and clearing services

The Group offers settlement services, including fund remittance and transfer, drafts, cheques and other negotiable instruments, to corporate customers.

(D) Entrusted loans

The Group provides entrusted loans to borrowers designated by corporate customers in accordance with the uses of proceeds, principal amounts and interest rates determined by corporate customers. The Group also supervises borrowers' uses of loans and assists in collection of loans. The Group charges agency fees based on the principal amount of entrusted loans. The Group's corporate customers bear the risks of default under entrusted loans.

(E) Agency services

The Group provides fee collection services for corporate customers (including enterprises and public services institutions). The Group believes this enables it to maintain close relationships with customers and enhance brand recognition.

(F) Wealth management services

The Bank offers corporate customers a variety of wealth management products based on their risk and return appetites, including principal-guaranteed wealth management products and non-principal-guaranteed wealth management products. Such wealth management products primarily invest in bonds, interbank deposits, money market instruments and investment portfolios of other fixed-income products. For the six months ended June 30, 2020 and 2019, the Bank's sales of wealth management products to corporate customers totalled RMB40.0 million and RMB59.5 million, respectively.

Chapter 4 Management Discussion and Analysis

(b) Retail Banking

The Group offers a broad range of products and services to retail customers, including loans, deposits, debit cards and fee- and commission-based products and services. As of June 30, 2020, the Group had 48,196 retail borrowers with gross loans and advances to customers of RMB23,309.9 million. For the six months ended June 30, 2020 and 2019, the operating income from the Group's retail banking business amounted to RMB952.1 million and RMB723.5 million, respectively, accounting for 40.7% and 29.8% of total operating income of the Group, respectively. The table below sets forth the financial performance of the Group's retail banking business for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Change in percentage (%)
	2020	2019	
External interest expenses, net ⁽¹⁾	(612.2)	(436.8)	40.2
Inter-segment interest income, net	1,559.4	1,155.2	35.0
Net interest income	947.2	718.4	31.8
Net fee and commission income	4.9	5.1	(3.9)
Operating income	952.1	723.5	31.6
Operating expenses	(506.6)	(394.1)	28.5
Impairment losses on assets	(152.7)	(178.3)	(14.4)
Profit before tax	292.8	151.1	93.8

Note:

(1) Refers to net income and expenses from third parties.

(i) Retail loans

Net interest income of the Group's retail bank business as of June 30, 2020 increased by 31.8% when compared with that of June 30, 2019, which was mainly due to the increase in scale of the Group's retail banking business.

Retail loans consist primarily of personal business loans, personal consumption loans, residential and commercial mortgage loans and credit card overdrafts. As of June 30, 2020 and December 31, 2019, the Group's retail loans totalled RMB23,309.9 million and RMB22,833.8 million, respectively, accounting for 21.1% and 23.8% of gross loans and advances to customers, respectively.

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(ii) Retail deposits

The Group offers retail customers a variety of demand deposit and time deposit products denominated in Renminbi and foreign currencies. The Group's retail time deposits denominated in Renminbi generally have maturities ranging from three months to five years. Retail time deposits denominated in foreign currencies (primarily U.S. dollars and Euros) have maturities ranging from one month to two years. As of June 30, 2020 and December 31, 2019, the Group's retail deposits totalled RMB91,962.2 million and RMB81,528.2 million, respectively, accounting for 70.9% and 66.3% of total deposits from customers, respectively.

(iii) Bank cards services

(A) Debit cards

The Group issues Renminbi-denominated debit cards to retail customers who maintain deposit accounts with the Group. Customers may use debit cards for a variety of financial services, including cash deposits and withdrawal, transfers, settlement and bill payment. The Group's debit cards are classified into platinum, gold and basic cards based on customers' daily average financial asset balances. The Group also issues specialized debit cards with added features such as theme cards for different market segments and co-branded cards offering preferential value-added services. The Bank cooperates with Changchun Federation of Trade Unions (“長春市總工會”) to issue service cards for trade union members and offer cardholders comprehensive financial services, including membership management, subsidies and allowances. As of June 30, 2020, the Group had issued approximately 4.04 million debit cards.

(B) Credit cards

Since the issuance of general UnionPay credit cards, the Bank has issued credit cards to high-quality customers and continued to pay attention to customers' needs. Our service quality has been continuously improved. In the first half of 2020, in order to improve the customers' experience, the Bank enhanced the functions of the “Instal-Card (分唄卡)”, and launched updates for the “Jiutai Rural Commercial Bank Credit Card” WeChat official account and “Jiushang Credit Card” mobile APP. In order to provide more convenient and comprehensive online credit card services, the Bank actively responded to the customers' needs for consumer finance and improved the online approval efficiency of “Fortune Borrowing (財神借款)”.

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(iv) Fee- and commission-based products and services

The Group offers retail customers a wide range of fee- and commission-based products and services, primarily including wealth management services, private banking services and transfer and remittances.

(A) Wealth management services

The Bank offers retail customers a variety of wealth management products based on their risk and return appetites, primarily including principal-guaranteed wealth management products and non-principal-guaranteed wealth management products. The Bank also sells insurance products and has obtained the license to engage in fund sales business in February 2016. Funds raised from wealth management products are primarily invested in bonds, interbank deposits, money market instruments and other fixed-income products. For the six months ended June 30, 2020 and 2019, the Bank's sales of wealth management products to retail customers totalled RMB6,796.8 million and RMB9,284.0 million, respectively.

(B) Private banking service

The Bank's private banking department provides one-stop financial services tailored for individual customers. These products and services primarily include wealth planning and customized wealth management products. For the six months ended June 30, 2020 and 2019, the Bank's sales of wealth management products to private banking customers totalled RMB298.8 million and RMB2,408.1 million, respectively. The Bank also provides private banking customers with various value-added services, primarily including priority banking services, one-on-one consultancy services, bank fee discounts and health consultancy services offered in cooperation with third parties.

(C) Other fee- and commission-based products and services

The Group provides retail customers with other fee- and commission-based products and services, including transfer and remittances, collection and bank drafts.

(c) Treasury Operations

The Group's treasury operations consist primarily of money market transactions, investments in securities and other financial assets and treasury operations conducted on behalf of customers. For the six months ended June 30, 2020 and 2019, operating income from the Group's treasury operations was RMB(66.1) million and RMB125.4 million, respectively, accounting for (2.8)% and 5.2% of its total operating income, respectively. The table below sets forth the financial performance of the Group's treasury operations for the periods indicated.

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(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Change in percentage (%)
	2020	2019	
External interest income, net ⁽¹⁾	408.7	520.9	(21.5)
Inter-segment interest expenses, net ⁽²⁾	(607.3)	(754.6)	(19.5)
Net interest income	(198.6)	(233.7)	(15.0)
Net fee and commission income	0.9	0.6	50.0
Net income from other businesses ⁽³⁾	131.6	358.5	(63.3)
Operating income	(66.1)	125.4	(152.7)
Operating expenses	(23.5)	(59.3)	(60.4)
Impairment losses on assets	(139.9)	(224.4)	(37.7)
Profit before tax	(229.5)	(158.3)	45.0

Notes:

- (1) Refers to net income from third parties.
- (2) Refers to inter-segment expenses and transfer pricing.
- (3) Primarily includes net trading gains and losses and net gains/(expenses) from financial assets investments.

(i) Money market transactions

Money market transactions play a significant role in liquidity management. The Group also earns interest income from money market transactions. Money market transactions mainly include (i) interbank deposits with other domestic banks and non-banking financial institutions; (ii) interbank placements; and (iii) interbank repurchase and reverse repurchase transactions.

In 2020, the Bank was selected as one of the “Top 300 Trading Banks in the Interbank RMB Market in 2019” and one of the “Top 100 Banks in the Interbank RMB and Foreign Exchange Market in 2019” in each case by the China Foreign Exchange Trade System and National Interbank Funding Center.

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(A) Interbank deposits

The Group accepts deposits from banks and other financial institutions and deposit funds in other financial institutions to adjust its asset and liability structure. As of June 30, 2020 and December 31, 2019, the balance of Group's deposits from banks and other financial institutions totalled RMB9,282.5 million and RMB6,277.6 million, respectively, and the balance of Group's deposits at banks and other financial institutions totalled RMB7,820.4 million and RMB6,193.3 million, respectively.

(B) Interbank placement

As of June 30, 2020 and December 31, 2019, the balance of Group's placements with banks and other financial institutions totalled RMB2,048.1 million and RMB1,814.0 million, respectively, and the balance of Group's placements from banks and other financial institutions totalled RMB6,732.5 million and RMB4,379.5 million, respectively.

(C) Interbank repurchase and reverse repurchase transactions

The securities underlying the Group's repurchase and reverse repurchase transactions are mainly RMB-denominated treasury bonds and policy-oriented financial bonds. As of June 30, 2020 and December 31, 2019, the Group's financial assets held under resale agreements totalled RMB326.0 million and RMB100.0 million, respectively, and the Group's financial assets sold under repurchase agreements totalled RMB1,115.2 million and RMB2,610.8 million, respectively.

(ii) Investments in securities and other financial assets

The Group's investment portfolio consists primarily of bonds and debt instruments issued by other financial institutions.

While reducing buy-back financing cost by taking various measures, the Bank selectively allocated some bond assets with relatively suitable maturity and yield to improve returns on assets.

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(A) Securities investment by holding purpose of the Group

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
Financial assets at fair value through profit or loss	6,605.8	21.0	9,538.4	24.3
Financial assets at fair value through other comprehensive income	5,785.0	18.4	6,670.9	17.0
Financial assets at amortized cost	19,094.3	60.6	23,008.9	58.7
Total investment securities and other financial assets	31,485.1	100.0	39,218.2	100.0

Total investment securities and other financial assets decreased by 19.7% from RMB39,218.2 million as of December 31, 2019 to RMB31,485.1 million as of June 30, 2020.

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(B) Maturity profile of the Group's investment portfolio

The table below sets forth investment securities and other financial assets by remaining maturity as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
Immediately due	5,582.4	17.8	4,874.9	12.4
Due in 3 months	5,849.5	18.6	8,307.1	21.2
Due between 3 and 12 months	8,944.0	28.4	13,484.0	34.4
Due between 1 and 5 years	6,559.9	20.8	5,994.3	15.3
Due over 5 years	3,220.6	10.2	5,207.0	13.3
Undefined	1,328.7	4.2	1,350.9	3.4
Total	31,485.1	100.0	39,218.2	100.0

The Bank's securities investment with a remaining maturity of between three months and 12 months represented the largest portion.

(C) Holding of government bonds

As of June 30, 2020, the balance of face value of the government bonds held by the Bank amounted to RMB4,682.9 million. The table below sets out the top 10 government bonds with the highest face value held by the Group as of June 30, 2020.

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Name of the bond	Face value (RMB in millions)	Interest rate per annum (%)	Maturity date
15 Interest-bearing treasury bond 19 (15付息國債19)	440.0	3.14	September 8, 2020
20 Interest-bearing treasury bond 04 (20付息國債04)	400.0	3.39	March 16, 2050
20 Interest-bearing treasury bond 06 (20付息國債06)	400.0	2.68	May 21, 2030
15 Interest-bearing treasury bond 16 (15付息國債16)	360.0	3.51	July 16, 2025
16 Jilin bond 02(16吉林債02)	320.0	2.98	June 21, 2021
19 Interest-bearing treasury bond 04 (19付息國債04)	240.0	3.19	April 11, 2024
15 Interest-bearing treasury bond 26 (15付息國債26)	230.0	3.05	October 22, 2022
15 Jilin bond 04(15吉林債04)	220.0	3.58	June 12, 2025
15 Zhejiang bond 03(15浙江債03)	200.0	3.54	June 10, 2022
15 Jilin bond 03(15吉林債03)	190.0	3.52	June 12, 2022

(D) Holding of financial bonds

As of June 30 2020, the balance of face value of the financial bonds (mainly the financial bonds and interbank certificates issued by policy-oriented banks, banks and other financial institutions in China) held by the Group amounted to RMB3,670.2 million. The table below sets out the 10 financial bonds with the highest face value held by the Group as of June 30, 2020.

Name of the bond	Face value (RMB in millions)	Interest rate per annum (%)	Maturity date
20 Guo Kai 05(20國開05)	720.0	3.07	March 10, 2030
19 Ying Kou Bank CD083 (19營口銀行CD083)	500.0	4.00	November 27, 2020
19 Ying Kou Bank CD082 (19營口銀行CD082)	430.0	3.95	November 26, 2020
19 Ying Kou Bank CD081 (19營口銀行CD081)	350.0	3.90	November 25, 2020
16 Nong Fa 05 (Additional Issuance) (16農發05) (增發)	300.0	3.22	January 6, 2026
15 Guo Kai 09 (Additional Issuance) (15國開09) (增發)	200.0	4.22	April 13, 2022
18 Guo Kai 12(18國開12)	150.0	3.68	September 7, 2021
14 Guo Kai 11(14國開11)	130.0	5.67	April 8, 2024
19 Guo Kai 15(19國開15)	100.0	3.45	September 20, 2029
14 Nong Fa 23(14農發23)	100.0	5.48	March 21, 2024

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(iii) Treasury operations conducted on behalf of customers

In the Bank's treasury operations conducted on behalf of customers, the Bank manages funds received from the issuance of wealth management products to corporate and retail customers. For the six months ended June 30, 2020 and 2019, the Bank sold wealth management products totalling RMB6,836.8 million and RMB9,343.5 million, respectively.

(d) Distribution Network

(i) Physical outlets

As of June 30, 2020, the Group had an aggregate of 345 outlets, of which 151 outlets, including three branches in Changchun, Songyuan and Tonghua, were operated by the Bank and the rest by the Group's subsidiary banks under their own names.

Based on different regional conditions, the Group developed community finance, finance for three rurals and corporate finance. In addition to providing traditional banking services, the Group also strove for outlet transformation. In order to accelerate the transformation of intelligent operation, smart counters, smart printers, PAD mobile terminals at lobbies and other intelligent equipment were installed to reorganize the layout of outlets and streamline the service procedures for smoother lobby services so as to increase operating efficiency while further enhancing customers' experience.

(ii) Electronic banking

(A) Self-service banking

The Group provides convenient banking services to customers at lower operation costs by using self-service facilities. Self-service facilities are available at service outlets, self-service zones, commercial complexes, hospitals, schools and other public places. As of June 30, 2020, the Group had 385 self-service outlets, 97 self-service zones and 1,110 self-service facilities.

(B) Telephone and SMS banking

The Group provides customers with account management, status reminders, transfer and remittance and consultation and other services around the clock through an interactive self-service voice system, live customer service, and SMS interaction. As of June 30, 2020, the Group had 1,998,281 phone and SMS banking customers.

(C) Internet banking

The Group provides customers with account management, transfer and remittance, interbank receipt, online loan application and online payment services through the Internet. As of June 30, 2020, the Group had 403,088 Internet banking customers.

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(D) Mobile phone banking

The Group provides customers with mobile phone banking services, including account inquiry and management, transfer and remittance, fee payment and other services. As of June 30, 2020, the Group had 793,224 mobile phone banking customers.

(E) WeChat banking

Through WeChat, the Group's customers can access information relating to its products, services and promotions, manage accounts, search for its outlet locations and reserve counter services. As of June 30, 2020, the Group had 162,294 WeChat banking customers.

(F) Remote video banking

The Group offers remote self-serviced video banking with ancillary customer services for retail customers.

(e) Information on the Subsidiaries

(i) Jilin Jiuyin Financial Leasing Co., Ltd.

The Bank, as the main promoter, established Jilin Jiuyin Financial Leasing Co., Ltd. (“**Jilin Jiuyin**”) after obtaining approval from the CBIRC. The registered address of Jilin Jiuyin is in Changchun of Jilin Province, and its registered capital amounts to RMB500.0 million, RMB300.0 million of which is contributed by the Bank, accounting for 60%. Jilin Jiuyin obtained the business license on February 20, 2017 from the Administration for Industry and Commerce of Jilin Province. Its scope of business includes financial leasing business, transferring assets under financial leases as transferor and transferee, fixed-income securities investment business, accepting deposits as guarantee from the lessee, taking deposits of 3 months or above from non-bank shareholders, interbank placements, obtaining loans from financial institutions, offshore lending, disposal and handling of leased articles and economic consulting. As at June 30, 2020, total assets of Jilin Jiuyin amounted to RMB2,660.5 million. For the six months ended June 30, 2020, the operating income from Jilin Jiuyin amounted to RMB48.8 million, accounting for 2.1% of total operating income of the Group.

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(ii) Rural commercial banks

As of June 30, 2020, the Bank controlled and consolidated one rural commercial bank that was restructured from rural credit cooperatives the Bank acquired. The rural commercial bank offers a broad range of financial products and services to corporate and retail customers, including commercial and consumer loans, bill discounting, deposits from customers and fee- and commission-based products and services, such as settlement services, remittance services and bank card services, and is also involved in money market transactions and investment in debt securities. As at June 30, 2020, the total assets, total deposits and total loans of such rural commercial bank amounted to RMB6,259.3 million, RMB5,380.1 million and RMB3,859.7 million. For the six months ended June 30, 2020, operating income of such rural commercial bank amounted to RMB64.4 million, accounting for 2.8% of the total operating income of the Group.

(iii) Village and township banks

As of June 30, 2020, the Bank controlled and consolidated a total of 33 village and township banks in Jilin province, Heilongjiang, Hebei, Tianjin, Shandong, Anhui, Hubei, Shaanxi, Guangdong and Hainan.

As of June 30, 2020, these village and township banks had total assets of RMB50,532.8 million, total deposits of RMB40,297.1 million and total loans of RMB27,858.7 million. For the six months ended June 30, 2020, the operating income of these village and township banks was RMB802.9 million, accounting for 34.3% of the Group's total operating income.

The Bank's village and township banks provide local corporate and retail customers with a broad range of financial products and services. These products and services include commercial and consumer loans, bill discounting, deposits from customers and fee- and commission-based products and services, such as settlement services, remittance services and bank card services. Some village and township banks also engage in money market transactions and invest in debt securities.

In 2010, the Bank established a village and township bank management department to help village and township banks to establish strategic development plans, provide research, technology and human resource support and supervise risk management. In addition, the Group and other PRC banks have formed a strategic development alliance for village and township banks headquartered in Tianjin Municipality to promote information exchange and resource sharing among PRC village and township banks. The Bank has also established five service centers in Jilin Province, Hebei, Hubei and Guangdong to support the Bank's village and township bank operations.

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(f) Operation and Safety of IT Systems

In the first half of 2020, the Bank improved its IT system through four aspects: enhancing technological governance, protecting information security, consolidating infrastructure and strengthening team development in order to ensure the safe operation of the system and provide comprehensive and effective support for the development of various businesses.

(i) Continuous enhancement of technological governance

The Bank further enhanced its technological governance through continuous deepening reforms and improvement of systems. In the first half of 2020, the Bank revised and improved four sets of rule in relation to the IT system of the Bank, including the Management of Servers at Branches, the Guidelines for Setting Up Servers at Branches, the Management of the Network Environment of Intranet at Branches and the Management of the Inspection of Information Technology System at Branches so as to improve the management of the IT system. To better make use of technology in our operation, the Bank has adopted a three-year fintech development plan for a comprehensive strategic digital reformation of the Bank.

(ii) Strong information security

In order to promote the awareness of information security, the Bank carried out inspections, audits and ISO verification, and participated in “2020 National Internet Security Competition of Rural Financial Institutions” and organized education of internet security law. Firstly, we had conducted five inspections and audits on IT structure, critical facilities, information safety, information system, business continuity and outsourced risk management. Secondly, we initiated the ISO verification for certification of ISO27001 information security management system and ISO22301 business continuity management system. Thirdly, the Bank improved its skills in information security through the participation in “2020 National Internet Security Competition of Rural Financial Institutions”. Fourthly, we also organized education of the third anniversary of the implementation of internet security law through various channels, including our websites, WeChat official account and LED displays at branches.

In the first half of 2020, the Bank, as one of the first batch of mobile financial client application software pilot filing units, successfully passed the acceptance. As of the first half of 2020, the Bank obtained over 10 software system copyright certificates.

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(iii) Consolidation of infrastructure

In the first half of 2020, the server rooms of the information center of the Bank maintained satisfactory operation. The usability of basic environment of server rooms (MTTF) reached 100%. Through the improvement of the operation system, the operation management was more professional and standardised. The Bank has established a platform to integrate the sub-systems of resources distribution, surveillance and process control for overall monitoring, operation and maintenance. In addition, the Bank improved network security, strengthened the access control and CCTV surveillance of server rooms, monitored internet dial-up test system and conducted emergency drills in order to support the safe and smooth operation of business system and offer full protection for the fast growing business systems to go online.

(iv) Strengthening team development

In order to improve the skills of our employees, the Bank enhanced the online trainings by establishing an online “internet college”. The Bank also encouraged employees to participate in online safety skills and IT security verification training programs organized by well-known companies and research organizations. In the first half of 2020, two persons passed with excellent achievement and four persons passed the Certified Financial Security Professional (CFSP) certification exam. By participating in safety trainings, the awareness of internet safety and professional skills of our employees have been greatly improved.

5 Risk Management

(a) Risk Management of the Bank

The Bank is committed to building a comprehensive risk management system to eliminate the impact of various uncertainties on the Bank’s strategy and business objectives. The Bank’s comprehensive risk management has a hierarchical structure. As the highest decision-making body of the risk management structure, the board is responsible for establishing and maintaining an effective comprehensive risk management system. The Bank has established a sound risk management system. Risk management procedures are adopted at all managerial levels and good risk management culture is cultivated to achieve the objectives of risk management. The comprehensive risk management of the Bank covers all major risks, including the credit, market, operating, liquidity, reputational, legal and compliance, IT, anti-money laundering and terrorist financing risks.

(i) Credit risk management

Credit risk is the risk of loss related to failure by a debtor or counterparty to meet its contractual obligations or to changes in their credit ratings. The Bank’s credit risks arise mainly from corporate loans, personal loans and treasury operations.

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The Bank has established a crisscross credit risk management system that covers the head office and all branches and sub-branches, from the front desk business department of the first line of defense to the auditing department of the third line of defense. The Bank's credit risk management organisation includes its president, persons-in-charge of branches and sub-branches, Risk Management Committees, Credit Approval Committees, front desk business, risk management and internal audit departments.

The Bank prepares annual credit direction plans, credit limit plans and credit policies based on national and regional economic development plans, financial market environment, macro-control requirements, its asset and liability structure and deposit and loan growth trends.

Credit risks are managed by various systems of the Bank function as a closed loop, including the customer screening system, credit exit system, risk alert system and non-performing asset disposal system.

The Bank has established a system to manage the provision of corporate and personal loans. As part of this system, the Bank has taken measures to improve credit risk management, including risk identification and monitoring policies and dividing responsibilities among its credit investigation, approval and execution departments. The Bank also sets departmental authorization limits and monitors the use of loans.

In the first half of 2020, the Bank seriously complied with the national industrial policy and various regulatory requirements. On the basis of preventing credit risks, the Bank strengthened its efforts to help ease the enterprises affected by the pandemic, and supported the resumption of operation and production of SMEs. In addition, the Bank optimized its operational procedures and tightened credit management to ensure the quality of new loans. Monitoring and analysis of credit risks were carried out in great depth and credit risk management work was supervised promptly to ensure effective risk control and carried out its risk management obligations to continuously enhance its credit risk management abilities.

In the first half of 2020, the Bank continued to monitor and analyze significant risks, strengthened the prevention and control of significant risks in various businesses, and prevented significant risks through effective identification, measurement and monitoring.

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(ii) Market risk management

Market risk is the risk of loss in on- and off-balance sheet positions arising from fluctuations in market prices due to changes in interest rates, exchange rates and other market factors. The Bank is exposed to market risk primarily through its banking and trading business portfolios. The market risks associated with the banking business portfolio of the Bank include interest rate risk and exchange rate risk. The primary market risks associated with the Bank's trading business portfolio are fluctuations in the market value of trading positions, which are affected by movements in observable market variables, such as interest and exchange rates. The principal objective of the Bank's market risk management is to limit potential market losses to acceptable levels based on its risk appetite while seeking to maximize risk adjusted returns.

The Bank's organizational structure for market risk management includes its front, middle and back offices. The Board of the Bank assumes ultimate responsibility for management of market risk. The Bank's senior management implements market risk management strategies and policies approved by its Board. The Bank's business departments implement market risk management measures in their daily operations.

In the first half of 2020, in the face of the COVID-19 pandemic, the global economic and financial environment was complicated and full of changes. The Bank closely monitored market changes and further refined the market risk management system. Market risks were measured based on sensitive analysis, duration, value at risk (VaR) and other tools. Identification, evaluation and prevention of market risks were further strengthened. The Bank strictly managed market risk limits and continued to monitor transaction limits, stop-loss limits and risk limits. The Bank also provided early warning and took effective measures for potential risks. Based on the results of its regular stress tests, market risk management strategies and methods were adjusted in a timely manner to further enhance the market risk management level.

(A) Interest rate risk management

Interest rate risk refers to the possibility that the uncertainty of market interest rate changes causes losses to commercial banks. Based on its sources, interest rate risk can be categorized into re-pricing risk, yield curve risk, benchmark risk and optionality risk. The interest rate risk of the Bank mainly includes re-pricing risk (also known as maturity mismatch risk), which is due to the difference between the maturity dates of assets, liabilities and off-balance sheet positions of the Bank (for fixed interest rate) and the re-pricing period (for floating interest rate). The Bank's interest rate risk management is to identify, accurately measure, and continuously monitor all interest rate risks, and estimate the interest rate trends, so as to maintain the interest risk within a reasonable range.

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The Bank has established a governance structure compatible with its interest rate risk management, which comprised the Board and its Risk Management Committee, the senior management and its Asset and Liability Management Committee, departments at the front and middle offices, branches and subsidiaries. Such governance structure is also under the supervision of the Board of Supervisors and subject to audit by the audit department. The senior management is responsible for the specific management of the interest rate risk of the Bank, while the Asset and Liability Management Committee of the Head Office performs relevant functions as authorized by senior management, including the formulation, evaluation, supervision and implementation of interest rate risk preferences and interest rate risk management strategies, policies and procedures. Each management level has clear division of work, ensuring that the interest rate risk management can be carried out independently and effectively with sufficient resources.

In the first half of 2020, facing the acceleration of interest rate marketization and the implementation of LPR marketization, the Bank further improved the internal funds transfer pricing (FTP) system and the loan pricing system to strengthen the interest rate pricing management mechanism and incorporate LPR into the FTP system. Operation strategy and business development direction were modified based on the price leverage for more effective allocation of resources and structures. Prevention and control of interest rate risk was further enhanced. Based on the statistics of repricing deadlines of its rate-sensitive assets and liabilities, the Bank adopted specific interest rate shock scenarios to analyze the impact of interest rate fluctuation on its economic values, to measure the potential banking book interest rate risk and to maintain the banking book interest rate risk within its acceptable range. In the future, the Bank will continue to improve the reporting system and limit of banking book interest rate risk, strengthen the assets and liabilities mismatch adjustment and forward-looking arrangements for assets and liabilities maturity, risk monitoring and precaution and minimize the impact of interest rate risk on our business.

(B) Exchange rate risk management

Exchange rate risk is the risk of loss to on-balance-sheet and off-balance-sheet businesses of the Bank due to adverse changes in exchange rate. The exchange rate risk of the Bank is mainly due to the foreign exchange position risk of the transaction exchange rate risk and accounting risk. The Bank manages exchange rate risk by reasonable matching the sources and uses of funds. The Bank mainly uses foreign exchange exposure analysis and sensitivity analysis to measure exchange rate risk. It also seeks to minimize the management cost of exchange rate risk and impact of exchange rate fluctuations and to maintain exchange rate risk within an acceptable range by managing risk exposure limits and choosing appropriate transaction currency. It ensures the adverse impact of exchange rate changes on the Bank's revenue and value is controllable.

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The Bank regulates transactions that have high exchange rate risks and choose the trading currency prudently, regulates transaction with highly sensitive periods in the market and adopts stable operation to obtain stable income, and monitor foreign exchange positions on a real-time basis. The Bank promptly closes positions from major transactions and revalues non-monetary balance sheet items daily, monitors the impact of currency translation on the profits and losses, and strengthens the management of foreign exchange assets and liabilities. Through the above measures, the Bank has continued to strengthen its exchange rate risk management and ensured the reasonable use of foreign exchange funds to further improve its risk management of foreign exchange exposure, measured the impact of exchange rate changes on profits and losses, and proactively regulated potential systematic risks. The exchange rate risk management level of the Bank can be extensively improved.

(iii) Operational risk management

Operational risk refers to the risk of loss caused by incomplete corporate governance structure, defective internal control procedures, failures of employees and IT systems or external events. Operational risk events include risk of internal and external fraud, risk relating to customers, products and operations and risk of errors and malfunctions of IT systems.

The Board of the Bank is ultimately responsible for operational risk management and reviewing operational risk policies. The Bank's senior management is responsible for coordinating daily operational risk management. The Bank's legal compliance department leads the management of operational risks and is responsible for the daily monitoring, identification, evaluation and control of operational risks and reporting to senior management. The risk management department, all business departments, branches and sub-branches are integral to the Bank's operational risk management framework. The Bank manages and controls operational risks through reporting, balancing authority and supervision systems.

In the first half of 2020, the Bank implemented various measures to continuously optimize the operational risk management and enhance its risk management and control capability. During the pandemic, all outlets operated normally when efforts were devoted to pandemic prevention and safety operation. The Bank actively supported the resumption of operation and promoted steady development counter business. Firstly, the Bank strengthened compliance management, continued the three-year "compliance task" and enhance the risk prevention abilities. Secondly, the Bank managed to maintain the normal operation and management of outlets during the pandemic, and carried out virus prevention and disinfection. Thirdly, the Bank further increased the case risk prevention and control during the pandemic to maintain high attention of case prevention, eliminated potential risks in time to effectively mitigate risks. Fourthly, the Bank strengthened the e-learning education for all employees, the execution of the system and the awareness and proactiveness

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of all employees in performing their duties in accordance with the rules, so as to enhance the performance of the management and identification and coping abilities of the frontline staff. Fifthly, the Bank continued its excellent customer services to maintain satisfactory customer experience.

(iv) Liquidity risk

Liquidity risk refers to the risk of failure to secure sufficient funds to fulfil payment obligations at reasonable cost and in a timely manner. Liquidity risk is largely affected by external factors such as domestic and international financial conditions, macroeconomic policies, changes in financial markets and financing capabilities. The Bank's liquidity risk management aims to establish and continuously improve the strategy, policy and procedure of liquidity risk management and to specify the organization structure and responsibilities of the relevant functional departments so as to effectively identify, measure, monitor and control liquidity risks. The objective of liquidity risk management is to maintain the balance of safety, liquidity and efficiency of its operation.

The Bank has established an effective liquidity management framework and decision-making system and related procedures. The Board of the Bank is ultimately responsible for liquidity risk management, and shall review and approve the policy, strategy and procedure relating to the liquidity management of the Bank and limit of liquidity risk according to its risk appetite. The Board will receive regular reports on the major and potential changes of the Bank's liquidity risks. The Assets and Liabilities Management Committee under the senior management is responsible for the implementation of the strategies and policies and procedures of liquidity risk management. The financial accounting department is responsible for the daily liquidity risk management and to cooperate with the inter-bank market and other function departments to orderly and efficiently manage the liquidity risk management system.

The Bank strengthened its liquidity risk management system by adjusting asset and liability management, liquidity risk limits and maturity management. In addition, the Bank closely monitored market movements. With reference to the liquidity exposure, liquidity indicators and liquidity risk emergency capabilities, the Bank properly arranged the capital use, adjusted the asset and liability structure in a timely manner, and properly increased the quality assets, and expanded the sources of financing to further improve the Bank's capabilities to cope with contingency for liquidity risk prevention and control.

In the first half of 2020, the COVID-19 had a relatively significant impact on the economy and certain industries. It strengthened the requirements of the Bank's liquidity risk management. On the basis of the operation principles of safety, liquidity and efficiency, the Bank introduced various measures to fight against the pandemic, and the liquidity remained generally satisfactory. Firstly, the Bank strengthened the management of daily liquidity. It accurately calculated daily capital needs

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and reasonably allocated funds for settlement and over-provision. Emergency management of fund organizations was also enhanced to maintain sufficient provisions and ensure fund payment. Secondly, the Bank further improved its liquidity risk management system to prevent liquidity risk. The Bank promptly adjusted its liquidity management strategies based on the changes in the financial market. Thirdly, the Bank properly conducted liquidity stress test and prepared risk emergency plan according to its liquidity exposure. Fourthly, the Bank properly adjusted the asset and liability structure to ensure the liquidity stability. Pursuant to regulatory policies, the Bank proactively adjusted the asset and liability structure to provide strong support to the real economy, micro-, small- and medium-sized enterprises and three rurals. Efforts were made to improve the credit assets structure and properly increase quality liquidity assets including national debts and local debts. It also strengthened its ordinary deposits to control the proportion of interbank liabilities and stabilize the sources of funds in order to ensure the stability of liquidity indicators of the Bank and safeguard its stable and healthy operation.

(v) Reputational risk management

Reputational risk is the risk of negative reports resulting from the Bank's operations, management, other activities and external events. The Bank's reputational risk management aims to identify, monitor, manage and mitigate reputational risk, establish a positive corporate image and maintain sustainable development.

The Board of the Bank bears ultimate responsibility for reputational risk management. The Risk Management Committee is responsible for formulating policies and guidelines on reputational risk management. The senior management is responsible for reputational risk management of the Bank while the office is responsible for the daily management of reputational risk management.

In the first half of 2020, the Bank improved the reputational risk management system, revised and issued the Implementation Rules on Emergency Reporting (《突發事件信息報告工作實施細則》), further established and improved the system of contingency plan, strengthened prevention and emergency preparation, and monitoring and early warning. In addition, through various online and offline methods, the Bank improved the service quality and efficiency, constantly strengthened the education and financial knowledge popularization of financial consumers, improved financial consumers' risk identification and prevention capabilities to minimize the predisposing factors of reputational risk.

Chapter 4 Management Discussion and Analysis

(vi) Legal and compliance risk management

Legal and compliance risk refers to the risk of legal sanctions and regulatory penalties and significant financial risk resulting from the failure to comply with laws and regulations. The Bank's legal and compliance risk management aims to establish a well-developed compliance risk management structure, clearly promote the culture of compliance, improve the comprehensive risk management system so as to ensure the compliance of operation.

The Bank incorporates legal and compliance risk management in the development of its corporate culture as well as its comprehensive risk management system in order to establish a top-down compliance risk management system. In 2020, adhering to the principle of achieving growth in compliance with the regulations, the Bank prioritized internal control and further improved the effectiveness of its compliance management. Firstly, the Bank launched a three-year "compliance task". Through five key tasks of "organization structure, system and mechanism, early warning monitoring, assessment accountability and culture cultivation" in 15 aspects to form a working mechanism of "organization and promotion, interaction between top and bottom, horizontal linkage and joint management" to effectively solve the shortcomings of the Bank in the management of structure, processes, personnel and systems, and gradually establish a compliant incident prevention system for all businesses and personnel. The Bank also implemented the supervision and inspection mechanism. The Bank also attached high importance to enhancing the inspection and supervision of system implementation with focus on strengthening the constraints and execution. Pursuant to the requirements and planning of the regulatory authorities to prevent financial risks, the Bank carried out activities such as case risk investigation, special inspection of unlawful fund-raising, "5.15" promotion activities to combat and prevent commercial crimes and the promotion month for prevention of unlawful fund-raising in the first half of 2020. Through investigation and rectification as well as promotion and education, the compliance management of the Bank was further enhanced, further consolidating the foundation for serving the real economy.

(vii) IT risk management

IT risk refers to the operational, reputational, legal and other risks arising from natural factors, human factors, technical limitations and management loopholes in the application of information technology. The Bank's IT risk management aims to identify, measure, monitor and control IT risk through the development of effective systems. In doing so, the Bank seeks to ensure its safe and stable operation, promote business innovation of the Bank by advanced information technology.

Chapter 4 Management Discussion and Analysis

The Bank has established the IT Committee responsible for overseeing and guiding the work of IT. The Bank has included IT risks in its comprehensive risk management system while the IT department is responsible for implementation of specific risk management policies, plans and programs. In the first half of 2020, the Bank upgraded related systems, provided safety trainings for its IT staff, improved the operation and maintenance management platform, improved the emergency management system, inspected and certified the ISO system and strengthened the real-time monitoring and control of IT risks. Firstly, the Bank continuously improved the system and management processes and adopted effective IT means and process management mechanism in order to prevent, monitor and trace IT risks. Secondly, the Bank conducted network safety training to enhance the awareness of IT staff on risk and network safety and improve their technical skills and management level. Thirdly, the Bank implemented operation and maintenance integration platform and integrated configuration management, monitoring management, process platform and other subsystems. The Bank strictly controlled information security risks by constructing refined operation and maintenance, standardized operation and maintenance, and automated operation and maintenance. Fourthly, the Bank had organized six emergency drills, including network exit link load equipment, TSM backup system, power system of server room, core database switching, air conditioning system of server room and core network router uplinks, in order to evaluate the effectiveness of the emergency plans and sufficiency of emergency resources and to improve the risk awareness and capabilities to cope with contingency of the emergency team, and ensure the safe and reliable operation of the data center business systems. Fifthly, the Bank started the ISO system certification, conducted ISO27001 information security management system and ISO22301 business continuity management system certification, and carefully identified the potential security risks and implemented rectification to further enhance safe and stable operation capability of information system.

(viii) Anti-money laundering and anti-terrorism financing management

Anti-money laundering management refers to the measures for preventing money laundering activities related to cover up and conceal of drugs dealing, organized crime, terrorism, smuggling, corruption and bribery, breaking the order of financial management and financial fraud.

Chapter 4 Management Discussion and Analysis

The Bank has included anti-money laundering risks into its comprehensive risk management system, and the Board bears the ultimate responsibilities of anti-money laundering risk management. The Board has established the management culture of anti-money laundering, reviewed and decided the strategies of anti-money laundering management and reviewed and approved the policies and procedures for anti-money laundering management. The Board receives periodic anti-money laundering report to understand major anti-money laundering events and the treatments in a timely manner. The senior management of the Bank is responsible for the implementation of anti-money laundering management and the execution of the Board's resolutions. The accounting department of the Bank is specially responsible for the management tasks of anti-money laundering, including the identification, assessment, supervision, reporting, inspection and control of anti-money laundering.

In the first half of 2020, the Bank continued to put high emphasis on risks and duly performed its duties and obligations on anti-money laundering. Firstly, the Bank formulated anti-money laundering plan for 2020 to identify the missions of anti-money laundering of the Bank for the year. Secondly, the Bank maintained the risk prevention and control during the pandemic, and coordinated arrangements to strengthen the anti-money laundering during the pandemic. Thirdly, the Bank continued its duties of customer identification and maintenance of customer information so as to perform statutory obligations against anti-money laundering. Fourthly, the Bank strengthened the anti-money laundering training programs and organized online public welfare seminars on anti-money laundering and international sanctions compliance organized by the China Banking Association for the management at different levels and general staff of the Bank in order to further enhance the performance ability and professionalism of all employees of the Bank in respect of anti-money laundering. Fifthly, the Bank strengthened the management of performance and carefully conducted anti-money laundering supervision and inspection, frequently inspected and supervised the implementation of anti-money laundering regulations, customer identity identification, quality and efficiency of reporting on large and suspicious transactions, customer identity information and transaction records. The Bank identified and solved potential problems and summarized the experiences in a timely manner, so as to continuously and effectively carry out anti-money laundering of the Bank and prevent money laundering risks.

(ix) Internal audit

The Bank's internal audit is risk-oriented and includes independent, objective supervision, assessment and consultancy. It reviews, assesses and supervises the improvement of business operation, risk management, internal control and compliance and effectiveness of corporate governance of the Bank through systemized and standardized methods in order to promote the sound development of the Bank and the realization of the strategic targets of the Board.

Chapter 4 Management Discussion and Analysis

The overall objective of the Bank's internal audit is to promote the implementation of government's economic and financial laws and regulations, guidelines and policies, rules of regulatory authorities and various rules and regulations of the Bank. It raises opinions and makes suggestions on risk management, internal control and compliance and the effectiveness of corporate governance of the Bank within the Bank's risk management framework so that risks can be controlled at an acceptable level. The internal audit is also aimed at continuous improvement of the Bank's business operation, and management, and the enhancement of values.

The Bank has adopted an internal audit organizational system with vertical operation and management, and the Board bears the ultimate responsibility for the independence and effectiveness of the internal audit of the Bank. The Audit Committee is a special committee under the Board and organizes and guides the internal audit pursuant to the authorization of the Board. The internal audit department is responsible for the formulation of internal audit system and the preparation and implementation of annual audit plans. Independent of business operations, risk management, and internal control and compliance, the internal audit department conducts internal audit in a timely manner and evaluates the effectiveness of the functions described above.

The Bank's internal audit performs its duties through on-site audits, off-site audits, scheduled audits, non-scheduled audits, pre-notice audits, ad-hoc audits, comprehensive audits, special audits and audit investigation, to conduct 28 audits in five aspects, including audit supervision and inspection, risk management review, case risk investigation, audit supervision and evaluation, and audit supervision and rectification, and achieved the business target of the year of promoting operation and management activities, effectively preventing operation risks, promoting case prevention and control, promoting the authenticity and effectiveness of internal control evaluation, and correcting violations in a timely manner.

The Bank's internal audit audits and evaluates the Bank's operation management, practices, and performances through routine audit, including comprehensive audits, authenticity of final accounting and economic responsibility auditing, as well as audits and evaluations on the performance of key positions; strengthens the audits and supervision of the business practices and daily operations of the Bank's staff through position exchanges or ad-hoc audits to prevent operational risks and ethical risks. The Bank has also strengthened the implementation of rules and regulations and the audits have fulfilled the functions to identify, remedy and prevent errors, deviations, faults and omissions.

Chapter 4 Management Discussion and Analysis

(b) Risk Management of the Subsidiaries

As a separate legal entity, each subsidiary has established a risk management and internal control system in accordance with the applicable regulatory requirements.

The Bank participates in formulating the risk management policies and strategies of each subsidiary through the Board representatives of the subsidiaries. The Bank supervises and monitors the implementation of the risk management processes of the subsidiaries through the risk management personnel sent or designated by the Bank and through the Bank's village and township bank management department.

(i) Credit risk management

The respective policies of the subsidiaries provide for the management of credit risk through various mechanisms, including customer screening mechanism, credit exit mechanism, risk alert mechanism and non-performing asset disposal mechanism.

(ii) Market risk management

The respective policies require each subsidiary to manage interest rate risks arising from its banking accounts by adjusting the mix of assets and liabilities through interest rates adjustment for different types of products and developing new products. Each subsidiary also revalues its trading account positions on a regular basis, closely monitors trading limits, stop-loss limits and risk limits, and monitors market risks using measures such as stress tests.

(iii) Operational risk management

Each subsidiary has established an operational risk management system and related policies and procedures to strictly divide the duties of front, middle and back offices.

(iv) Liquidity risk management

The respective policies of each subsidiary provide for the management of liquidity risk through (i) a reporting system for large fund movement and a reasonable allocation of funds to increase returns on assets; (ii) closely monitoring movements in key liquidity indicators; (iii) adjusting the maturity profile of assets and liabilities; and (iv) conducting periodic cash flow analyzes and liquidity stress tests.

Chapter 4 Management Discussion and Analysis

(v) Reputational risk management

The respective policies of each subsidiary provide for the management of reputational risk through (i) a system framework that clearly defines duties and responsibilities; (ii) a public opinion reporting system and classification systems for reputational events and public opinion; and (iii) contingency plans with specific procedures for handling reputational risk.

(vi) Legal and compliance risk management

The respective policies of each subsidiary provide for the management of legal and compliance risk through (i) regular compliance training; and (ii) a whistle-blower system to encourage employees to report non-compliance events.

(vii) IT risk management

Each subsidiary has formulated comprehensive procedures and policies to manage IT risks. Each of them has also established business continuity management and contingency plans to manage the risk of business interruption.

(viii) Anti-money laundering and anti-terrorism financing management

Each subsidiary has established comprehensive anti-money laundering and anti-terrorism financing management rules and procedures in accordance with the Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》) and regulations promulgated by the PBOC, including, among others, customer identification, an anti-money laundering information monitoring and reporting system and mandatory anti-money laundering training. Each subsidiary is required to report suspicious transactions to the China Anti-Money Laundering Monitoring and Analyzing Center (中國反洗錢監測分析中心) individually as a separate legal entity in accordance with the relevant regulatory requirements.

(ix) Internal audit

Each subsidiary has designated auditors to perform independent audits, supervision and assessments and provide independent advice.

Chapter 4 Management Discussion and Analysis

6 Analysis on Capital Adequacy Ratio

All commercial banks in China are required to comply with the CBIRC's capital adequacy ratio requirements. Since January 1, 2013, the Group has calculated and disclosed capital adequacy ratios in accordance with the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), which required commercial banks in China (except systematically important banks) to maintain (i) minimum capital adequacy ratios of 9.7%, 10.1%, 10.5%, 10.5% and 10.5%, (ii) minimum tier-one capital adequacy ratios of 7.7%, 8.1%, 8.5%, 8.5% and 8.5%, and (iii) minimum core tier-one capital adequacy ratios of 6.7%, 7.1%, 7.5%, 7.5% and 7.5%, respectively, as of June 30, 2016, 2017, 2018, 2019 and 2020.

The following table sets forth certain information relating to the Group's capital adequacy ratio as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	June 30, 2020	December 31, 2019
Core capital		
Paid-up capital	4,184.0	4,184.0
Qualifying portion of capital reserve	5,149.0	5,148.6
Surplus reserve	814.1	814.1
General risk reserve	1,777.7	1,777.7
Investment revaluation reserve	30.7	12.0
Retained earnings	993.8	1,403.5
Qualifying portions of non-controlling interests	1,143.6	1,115.7
Core tier-one capital deductions ⁽¹⁾	(878.3)	(905.5)
Net core tier-one capital	13,214.6	13,550.1
Other tier-one capital ⁽²⁾	149.9	146.9
Net tier-one capital	13,364.5	13,697.0

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(Expressed in millions of RMB, unless otherwise stated)	June 30, 2020	December 31, 2019
Tier-two capital		
Qualifying portion of tier-two capital instruments issued	1,840.0	1,910.0
Surplus reserve for loan impairment	1,155.4	1,092.8
Qualifying portion of non-controlling interests	303.5	297.0
Net capital	16,663.4	16,996.8
Total risk-weighted assets	151,618.7	141,841.5
Core tier-one capital adequacy ratio (%)	8.72%	9.55%
Tier-one capital adequacy ratio (%)	8.81%	9.66%
Capital adequacy ratio (%)	10.99%	11.98%

Notes:

- (1) Primarily includes other intangible assets excluding land use rights, goodwill and deferred tax recognized for tax losses.
- (2) Primarily includes tier-one capital instruments such as preferred shares and their premiums and eligible portion of non-controlling interests.

Chapter 5 Changes in Share Capital and Particulars of Shareholders

I. Changes in Share Capital of the Bank during the Reporting Period

As of June 30, 2020, the share capital of the Bank was as follows:

Description of Shares	Number of Shares	Approximate % of issued Shares
Domestic Shares	3,387,087,577	81.0
H Shares	796,950,000	19.0
Total	4,184,037,577	100.0

During the period from June 30, 2020 to the Latest Practicable Date, the share capital of the Bank upon completion of the Capitalization Issue (as defined and described in “Chapter 7 Significant Events – III. Plan of Capital Reserve Capitalization” of this interim report) is set out below:

Description of Shares	Number of Shares	Approximate % of issued Shares
Domestic Shares	3,556,441,955	81.0
H Shares	836,797,500	19.0
Total	4,393,239,455	100.0

Chapter 5 Changes in Share Capital and Particulars of Shareholders

II. Particulars of Shareholders

(I) Particulars of Shareholdings of the Top Ten Holders of the Domestic Shares of the Bank

As of June 30, 2020, the top ten holders of the Domestic Shares of the Bank are set out as follows:

Number	Name of Shareholder	Total number of Shares held at June 30, 2020	Approximate percentage in the total issued share capital of the Bank at	Pledged or frozen
			June 30, 2020 (%)	
1	Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司)	402,076,412	9.61	—
2	Changchun Huaxing Construction Co., Ltd. (長春華星建築有限責任公司)	344,459,136	8.23	—
3	Changchun Huamei Tourism and Culture Media Co., Ltd. (長春市華美旅遊文化傳媒有限公司)	190,654,860	4.56	—
4	Yongtai Group Limited (永泰集團有限公司)	168,000,000	4.02	168,000,000
5	Changchun Dingxing Construction Engineering Co., Ltd. (長春鼎興建築工程有限公司)	116,104,055	2.77	52,500,000
6	Changchun Longde Real Estate Development Co., Ltd. (長春市隆德房地產開發有限公司)	114,168,326	2.73	87,000,000
7	China Wood (Group) Co., Ltd. (中國木材(集團)有限公司)	105,369,600	2.52	—
8	Jilin Province Longyuan Agricultural Production Group Co., Ltd. (吉林省隆源農業生產資料集團有限公司)	103,526,976	2.47	—
9	Jishi Media Co., Ltd. (吉視傳媒股份有限公司)	92,022,157	2.20	—
10	Jilin Province Jiapeng Group Co., Ltd. (吉林省嘉鵬集團有限公司)	87,460,434	2.09	—
Total		1,723,841,956	41.20	307,500,000

Chapter 5 Changes in Share Capital and Particulars of Shareholders

(II) Interests and Short Positions of Substantial Shareholders and Other Persons

To the best knowledge of the Bank, as at June 30, 2020, the following persons (other than the Bank's Directors, Supervisors and chief executive) had or be deemed or taken to have interests and/or short positions in the Shares or underlying shares as recorded in the register of interests required to be kept by the Bank pursuant to Section 336 of Part XV of the SFO and which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, were interested in 5% or more of the nominal value of any class of the Bank's share capital carrying rights to vote in all circumstances at the Shareholders' general meetings of any other member of the Bank:

Name of Shareholder	Nature of Interests	Class of Shares	Number of Shares directly or indirectly held ⁽⁹⁾	Approximate percentage of the total issued share capital of the Bank (%)	Approximate percentage of the relevant class of Shares of the Bank (%)
Domestic Shares					
Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司)	Beneficial owner	Domestic Shares	402,076,412(L)	9.61	11.87
Changchun Huaxing Construction Co., Ltd. (長春華星建築有限責任公司)	Beneficial owner	Domestic Shares	344,459,136(L)	8.23	10.17
Changchun Huamei Tourism and Culture Media Co., Ltd. (長春市華美旅遊文化傳媒有限公司)	Beneficial owner	Domestic Shares	190,654,860(L)	4.56	5.63
Jilin Province He'an Automobile Leasing Co., Ltd. (吉林省和安汽車租賃有限公司) ⁽¹⁾	Interest in controlled corporation	Domestic Shares	190,654,860(L)	4.56	5.63
Song Yilin (宋一霖) ⁽²⁾	Interest in controlled corporation	Domestic Shares	190,654,860(L)	4.56	5.63
H Shares					
China Create Capital Limited	Beneficial owner	H Shares	148,240,050(L)	3.54	18.60
Wang Tao (王濤) ⁽³⁾	Interest in controlled corporation	H Shares	148,240,050(L)	3.54	18.60
Suhang Investment Holdings Limited	Beneficial owner	H Shares	105,000,000(L)	2.51	13.18
Huarong Huaqiao Asset Management Co., Ltd. (華融華僑資產管理股份有限公司) ⁽⁴⁾	Interest in controlled corporation	H Shares	105,000,000(L)	2.51	13.18

Chapter 5 Changes in Share Capital and Particulars of Shareholders

Name of Shareholder	Nature of Interests	Class of Shares	Number of Shares directly or indirectly held ⁽⁹⁾	Approximate percentage of the total issued share capital of the Bank (%)	Approximate percentage of the relevant class of Shares of the Bank (%)
China Huarong Asset Management Co., Ltd. (中國華融資產管理股份有限公司) ⁽⁶⁾	Interest in controlled corporation	H Shares	105,000,000(L)	2.51	13.18
Longyuan International (Hong Kong) Limited	Beneficial owner	H Shares	59,179,450(L)	1.41	7.43
Sunshine 100 China Holdings Ltd. ⁽⁶⁾	Beneficial owner	H Shares	58,326,850(L)	1.39	7.32
Joywise Holdings Limited ⁽⁶⁾	Interest in controlled corporation	H Shares	58,326,850(L)	1.39	7.32
Ming Fai International Limited ⁽⁶⁾	Interest in controlled corporation	H Shares	58,326,850(L)	1.39	7.32
Harvest Well Holdings Limited ⁽⁶⁾	Interest in controlled corporation	H Shares	58,326,850(L)	1.39	7.32
Fantasy Races Limited ⁽⁶⁾	Interest in controlled corporation	H Shares	58,326,850(L)	1.39	7.32
Cititrust Private Trust (Cayman) Limited ⁽⁶⁾	Interest in controlled corporation	H Shares	58,326,850(L)	1.39	7.32
Aurum Thrive Limited (金隆有限公司)	Beneficial owner	H Shares	54,578,250(L)	1.30	6.85
Zhang Dan (張丹) ⁽⁷⁾	Interest in controlled corporation	H Shares	54,578,250(L)	1.30	6.85
Huijin Capital Limited	Beneficial owner	H Shares	49,612,500(L)	1.19	6.22
Mia Chen ⁽⁶⁾	Interest in controlled corporation	H Shares	49,612,500(L)	1.19	6.22

Notes:

- (1) Jilin Province He'an Automobile Leasing Co., Ltd. holds 100% equity interest in Changchun Huamei Tourism and Culture Media Co., Ltd. According to the SFO, Jilin Province He'an Automobile Leasing Co., Ltd. is deemed to be interested in the Shares held by Changchun Huamei Tourism and Culture Media Co., Ltd.
- (2) Jilin Province He'an Automobile Leasing Co., Ltd. holds 100% equity interest in Changchun Huamei Tourism and Culture Media Co., Ltd. and Mr. Song Yilin directly holds 90% of the total issued share capital of Jilin Province He'an Automobile Leasing Co., Ltd. According to the SFO, Mr. Song Yilin is deemed to be interested in the Shares held by Changchun Huamei Tourism and Culture Media Co., Ltd.
- (3) Wang Tao holds 100% of the total issued share capital in China Create Capital Limited. According to the SFO, Wang Tao is deemed to be interested in the Shares held by China Create Capital Limited.

Chapter 5 Changes in Share Capital and Particulars of Shareholders

- (4) Suhang Investment Holdings Limited is a wholly-owned subsidiary of Pure Virtue Enterprises Limited. Pure Virtue Enterprises Limited is a wholly-owned subsidiary of China Huarong Overseas Investment Holdings Co., Limited. China Huarong Overseas Investment Holdings Co., Limited is a wholly-owned subsidiary of Huarong Huaqiao Asset Management Co., Ltd. According to the SFO, Huarong Huaqiao Asset Management Co., Ltd. is deemed to be interested in the Shares held by Suhang Investment Holdings Limited.
- (5) Suhang Investment Holdings Limited is a wholly-owned subsidiary of Pure Virtue Enterprises Limited. Pure Virtue Enterprises Limited is a wholly-owned subsidiary of China Huarong Overseas Investment Holdings Co., Limited. China Huarong Overseas Investment Holdings Co., Limited is a wholly-owned subsidiary of Huarong Huaqiao Asset Management Co., Ltd. Huarong Zhiyuan Investment & Management Co., Ltd. is a majority shareholder of Huarong Huaqiao Asset Management Co., Ltd. Huarong Zhiyuan Investment & Management Co., Ltd. is a wholly-owned subsidiary of China Huarong Asset Management Co., Ltd. According to the SFO, China Huarong Asset Management Co., Ltd. is deemed to be interested in the Shares held by Suhang Investment Holdings Limited.
- (6) Joywise Holdings Limited holds 66.34% equity interest in Sunshine 100 China Holdings Ltd. Ming Fai International Limited holds 40.00% equity interest in Joywise Holdings Limited. Harvest Well Holdings Limited holds 60.00% equity interest in Joywise Holdings Limited. Fantasy Races Limited holds 72.40% equity interest in Ming Fai International Limited and Harvest Well Holdings Limited. Cititrust Private Trust (Cayman) Limited holds 100% of Fantasy Races Limited. According to the SFO, Joywise Holdings Limited, Ming Fai International Limited, Harvest Well Holdings Limited, Fantasy Races Limited and Cititrust Private Trust (Cayman) Limited are deemed to be interested in the Shares held by Sunshine 100 China Holdings Ltd.
- (7) Zhang Dan holds the entire issued share capital of Aurum Thrive Limited. Aurum Thrive Limited directly holds 54,578,000 H Shares. According to the SFO, Zhang Dan is deemed to be interested in the Shares held by Aurum Thrive Limited.
- (8) Mia Chen holds 100% equity interest in Huijin Capital Limited. Huijin Capital Limited directly holds 49,612,500 H Shares. According to the SFO, Mia Chen is deemed to be interested in the Shares held by Huijin Capital Limited.
- (9) L represents long positions.
- (10) Under Part XV of the SFO, disclosure of interest forms shall be submitted by Shareholders of the Bank upon satisfaction of certain conditions. If there are changes in the Shareholders' shareholdings in the Bank, Shareholders are not required to inform the Bank and the Hong Kong Stock Exchange, except where certain conditions have been satisfied. Therefore, there could be a difference between the substantial Shareholders' latest shareholdings in the Bank and the information on their shareholdings submitted to the Hong Kong Stock Exchange. Information set out in the above table is mainly based on the disclosure of interests forms submitted by the relevant Shareholders.

Save as disclosed above, as at June 30, 2020, the Bank is not aware of any other person, other than the Directors, Supervisors and chief executive of the Bank, who had interests or short positions in the Shares and underlying shares of the Bank, which were required to be recorded in the register of interests maintained by the Bank pursuant to section 336 of Part XV of the SFO, and which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(III) Shareholders Holding 5% or More of the Share Capital

Please refer to "II. Particulars of Shareholders – (II) Interests and Short Positions of Substantial Shareholders and Other Persons" of this chapter for information on Shareholders holding 5% or more of the share capital of the Bank.

(IV) Particulars of Controlling Shareholder and Actual Controller

The shareholding structure of the Bank is diversified and the Bank does not have a controlling Shareholder or actual controller.

As of the Latest Practicable Date, the largest Shareholder of the Bank is Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司), holding 422,180,233 Domestic Shares of the Bank and representing 9.61% of the total issued share capital of the Bank.

Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

I. Information on Directors, Supervisors and Senior Management Members

As at the Latest Practicable Date, the information of the Directors, Supervisors and senior management members of the Bank is as follows:

Directors

Name	Age	Position	Date of appointment as Director	Expiration of the term of office	Responsibilities
Mr. Gao Bing (高兵)	52	Chairman, Executive Director	December 2008	February 2021	Responsible for overall operations and strategic management, make material decisions and develop the business strategy
Mr. Liang Xiangmin (梁向民)	54	Executive Director, President	April 2016	February 2021	Responsible for the overall management of business operations, participate in making material business decisions and developing the business development strategy
Mr. Yuan Chunyu (袁春雨)	48	Executive Director, Secretary to the Board and Joint Company Secretary	December 2012	February 2021	Responsible for the management of the Board's office, participate in making material business decisions and developing the business development strategy
Mr. Cui Qiang (崔强)	55	Non-executive Director	August 2019	February 2021	Participate in making major business decisions and advise on issues relating to audit, related party transactions and nomination and remuneration of Directors, Supervisors and senior management
Mr. Wu Shujun (吴树君)	61	Non-executive Director	December 2012	February 2021	Same as above
Mr. Zhang Xinyou (张新友)	54	Non-executive Director	December 2012	February 2021	Same as above
Mr. Wang Baocheng (王宝成)	64	Non-executive Director	April 2016	February 2021	Same as above
Mr. Zhang Yusheng (张玉生)	70	Non-executive Director	April 2015	February 2021	Same as above

Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

Name	Age	Position	Date of appointment as Director	Expiration of the term of office	Responsibilities
Dr. Fu Qiong (傅穹)	50	Independent Non-executive Director	April 2015	February 2021	Participate in making major business decisions, developing the business development strategy and advise on issues relating to related party transactions, audit and nomination and remuneration of Directors, Supervisors and senior management
Mr. Jiang Ning (蔣寧)	49	Independent Non-executive Director	January 2017	February 2021	Same as above
Ms. Zhang Qihua (張秋華)	57	Independent Non-executive Director	August 2019	February 2021	Same as above
Mr. Chung Wing Yin (鍾永賢)	43	Independent Non-executive Director	July 2016	February 2021	Same as above
Mr. Yang Jinguan (楊金觀)	57	Independent Non-executive Director	April 2016	February 2021	Same as above

Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

Supervisors

Name	Age	Position	Date of appointment as Supervisor	Expiration of the term of office	Responsibilities
Mr. Luo Hui (羅輝)	48	Chairman of the Board of Supervisors, Employee Supervisor	December 2008	February 2021	Take charge of the work of the Board of Supervisors and supervision of the Board of Directors and senior management on behalf of the employees
Mr. Wang Enjiu (王恩久)	51	Employee Supervisor	December 2008	February 2021	Supervision of the Board of Directors and senior management on behalf of the employees
Mr. Liu Xiangjun (劉向軍)	44	Employee Supervisor	December 2015	February 2021	Same as above
Mr. Fan Shuguang (范曙光)	56	Non-employee Supervisor	June 2016	February 2021	Supervision of the Board of Directors and senior management
Mr. Gao Pengcheng (高鵬程)	51	Non-employee Supervisor	January 2016	February 2021	Same as above
Mr. Wang Zhi (王志)	49	Non-employee Supervisor	January 2016	February 2021	Same as above
Mr. Zhang Ruibin (張瑞賓)	37	Non-employee Supervisor	January 2016	February 2021	Same as above

Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

Senior Management

Name	Age	Position	Date of appointment as senior management	Expiration of the term of office	Responsibilities
Mr. Liang Xiangmin (梁向民)	54	President	October 2019	February 2021	Responsible for the overall management of the business operations, participate in making material business decisions and developing the business development strategy
Mr. Zhu Weidong (朱衛東)	55	Vice President	February 2011	February 2021	Responsible for the management of business operations of village and township banks
Mr. Li Guoqiang (李國強)	51	Vice President	December 2008	February 2021	Responsible for the business operations and management of branches within the Jiutai region
Mr. Gao Zhonghua (高中華)	55	Vice President	February 2015	February 2021	Responsible for risk management, legal compliance, consumer rights protection and party community work
Mr. Chen Xinzhe (陳新哲)	49	Vice President	July 2019	February 2021	Responsible for the business operations and management of branches outside the Jiutai region and manage certain business departments and offices
Mr. Yuan Chunyu (袁春雨)	48	Executive Director, Secretary to the Board and Joint Company Secretary	December 2012	February 2021	Responsible for the management of the Board's office, participate in making material business decisions and develop the business strategy

Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

II. The Fourth Session of the Board and the Board of Supervisors

The term of office of the Directors of the fourth session of the Board of the Bank commenced on February 5, 2018 and will end on the expiry of the term of the fourth session of the Board.

As at the Latest Practicable Date, the members of the fourth session of the Board include:

- Mr. Gao Bing (executive Director)
- Mr. Liang Xiangmin (executive Director)
- Mr. Yuan Chunyu (executive Director)
- Mr. Cui Qiang (non-executive Director)
- Mr. Wu Shujun (non-executive Director)
- Mr. Zhang Xinyou (non-executive Director)
- Mr. Wang Baocheng (non-executive Director)
- Mr. Zhang Yusheng (non-executive Director)
- Dr. Fu Qiong (independent non-executive Director)
- Mr. Jiang Ning (independent non-executive Director)
- Ms. Zhang Qihua (independent non-executive Director)
- Mr. Chung Wing Yin (independent non-executive Director)
- Mr. Yang Jinguan (independent non-executive Director)

Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

The Fourth Session of the Board of Supervisors

The term of office of the Supervisors of the fourth session of the Board of Supervisors of the Bank commenced on February 5, 2018 and will end on the expiry of the term of the fourth session of the Board of Supervisors.

As at the Latest Practicable Date, the members of the fourth session of the Board of Supervisors include:

- Mr. Luo Hui (employee Supervisor)
- Mr. Wang Enjiu (employee Supervisor)
- Mr. Liu Xiangjun (employee Supervisor)
- Mr. Fan Shuguang (non-employee Supervisor)
- Mr. Gao Pengcheng (non-employee Supervisor)
- Mr. Wang Zhi (non-employee Supervisor)
- Mr. Zhang Ruibin (non-employee Supervisor)

III. Changes in Directors, Supervisors and Senior Management Members Required to be Disclosed under Rule 13.51B(1) of the Hong Kong Listing Rules

(I) Changes in Directors

During the Reporting Period and as at the Latest Practicable Date, there were no changes in the Bank's Directors.

(II) Changes in Supervisors

During the Reporting Period and as at the Latest Practicable Date, there were no changes in the Bank's Supervisors.

(III) Changes in Senior Management Members

As Ms. Song Xiaoping has reached her retirement age, she has ceased to be the vice president of the Bank with effect from March 30, 2020. On March 30, 2020, the Board resolved to vacate the position of Ms. Song Xiaoping as a vice president.

Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

Save as disclosed above, there were no changes in members of the Bank's senior management during the Reporting Period and as of the Latest Practicable Date.

IV. Remuneration Policies for Directors, Supervisors and Senior Management

Under the guidance of the relevant policies of the PRC, the Bank endeavors to improve its performance evaluation system for Directors, Supervisors and senior management members.

The remuneration system for the Directors, Supervisors and senior management members of the Bank adheres to the principle of unifying their responsibilities, authorities and interests, combing incentives and restraints and focusing on both short-term and long-term incentives. The Bank insists on conducting remuneration system reform complementary with the relevant reform and promoting the marketization, monetization and standardization of the income allocation of the Group's senior management.

The Bank offers its executive Directors, employee representative Supervisors and senior management members, who are also the Bank's employees, compensation in the form of salaries, bonuses, social insurances, housing provident fund plans and other benefits. The independent non-executive Directors and external Supervisors receive compensation based on their responsibilities.

The Bank strictly adheres to relevant regulatory provisions when making remuneration payments. The Bank assesses senior management personnel and offers remuneration to them based on the results of the assessment.

V. Positions held in the Shareholder Company by the Directors, Supervisors and Senior Management

Name	Position held with the Bank	Name of the Shareholder company	Position held in the Shareholder company
Mr. Zhang Xinyou	Non-executive Director	Changchun Longde Real Estate Development Co., Ltd. (長春市隆德房地產開發有限公司)	Chairman
Mr. Wang Baocheng	Non-executive Director	Changchun Changqing Pharmaceutical Group Co., Ltd. (長春長慶藥業集團有限公司)	Chairman
Mr. Zhang Yusheng	Non-executive Director	Changchun Huaxing Construction Co., Ltd. (長春華星建築有限責任公司)	Chairman

Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

VI. Other Information Required under Rule 13.51(2) of the Hong Kong Listing Rules

Mr. Zhang Xinyou (張新友) was a director of Nongan County Xinyou Industry Co., Ltd. (農安縣新友實業有限責任公司), a limited liability company incorporated in the PRC on February 2, 2002, which was mainly engaged in the wholesale and retail of hardware parts and dissolved by way of deregistration on December 28, 2006. Mr. Zhang confirmed that there is no wrongful act on his part leading to the dissolution, nor is he aware of any actual or potential claim that has been or will be made against him as a result of the dissolution, that his involvement in the operation of the above company was mainly due to his duties as a director of the company and that no misconduct or misfeasance had been involved in the dissolution of the company, and the company was solvent at the time of dissolution or deregistration.

Mr. Zhang Yusheng (張玉生) was a director of Jilin Huaxing New Construction Materials Co., Ltd. (吉林華星新型建築材料有限責任公司), a limited liability company incorporated in the PRC on April 25, 2006, which was mainly engaged in the production, wholesale and retail of non-burnt bricks and wall panels and dissolved by way of deregistration on September 2, 2015. Mr. Zhang confirmed that there is no wrongful act on his part leading to the dissolution, nor is he aware of any actual or potential claim that has been or will be made against him as a result of the dissolution, that his involvement in the operation of the above company was mainly due to his duties as a director of the company and that no misconduct or misfeasance had been involved in the dissolution of the company, and the company was solvent at the time of dissolution or deregistration.

Dr. Fu Qiong (傅穹) was a supervisor of Chizhou Chijiu Automobile Trade Co., Ltd. (池州市池九汽車貿易有限公司), a limited liability company incorporated in the PRC on March 12, 2013, which was mainly engaged in the sales of automobiles, and dissolved by way of deregistration on August 20, 2013. Dr. Fu confirmed that there is no wrongful act on his part leading to the dissolution, nor is he aware of any actual or potential claim that has been or will be made against him as a result of the dissolution, that his involvement in the operation of the above company was mainly due to his duties as a supervisor of the company and that no misconduct or misfeasance had been involved in the dissolution of the company, and the company was solvent at the time of dissolution or deregistration.

VII. Securities Transactions by Directors, Supervisors and Senior Management

The Bank has adopted, in respect of securities transactions by Directors, Supervisors and senior management members, a code of conduct on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Hong Kong Listing Rules.

Having made specific enquiries to all Directors, Supervisors and senior management members of the Bank, the Bank confirmed that they had complied with the Model Code during the Reporting Period.

Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

VIII. Interests and Short Positions of Directors, Supervisors and Chief Executive in Shares, Underlying Shares and Debentures of the Bank and Its Associated Corporations

As at June 30, 2020, the interests of the Directors, Supervisors and chief executive of the Bank in the Shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code or in accordance with Divisions 7 and 8 of Part XV under the SFO are as follows:

Name	Position in the Bank	Class of Shares	Nature of Interest	Number of Shares	Percentage of Domestic Shares ⁽¹⁾ (%)	Percentage of the total share capital of the Bank ⁽¹⁾ (%)
Gao Bing	Chairman and Executive Director	Domestic Shares	Beneficial owner	315,000(L) ⁽²⁾	0.01	0.01
Yuan Chunyu	Executive Director, Secretary to the Board and Joint Company Secretary	Domestic Shares	Beneficial owner	50,146(L) ⁽²⁾	0.00 ⁽³⁾	0.00 ⁽³⁾
Zhang Yusheng	Non-executive Director	Domestic Shares	Interest in controlled corporation	344,459,136(L) ⁽²⁾	10.17	8.23
Wu Shujun	Non-executive Director	Domestic Shares	Interest in controlled corporation	116,104,055(L) ⁽²⁾	3.43	2.77
Zhang Xinyou	Non-executive Director	Domestic Shares	Interest in controlled corporation	114,168,326(L) ⁽²⁾	3.37	2.73
Wang Baocheng	Non-executive Director	Domestic Shares	Interest in controlled corporation	82,819,800(L) ⁽²⁾	2.45	1.98
Wang Zhi	External Supervisor	Domestic Shares	Beneficial owner	525,000(L) ⁽²⁾	0.02	0.01

Notes:

- (1) As at June 30, 2020, the Bank had a total of 4,184,037,577 Shares in issue, including 3,387,087,577 Domestic Shares and 796,950,000 H Shares.
- (2) L represents long position.
- (3) The percentage is rounded to two decimals.

Save as disclosed above, as at June 30, 2020, none of the Directors, Supervisors and chief executive of the Bank held any interests or short positions in the Shares, underlying shares and debentures of the Bank or its associated corporations as recorded in the register required to be kept by the Bank under Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code or in accordance with Divisions 7 and 8 of Part XV under the SFO.

Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

IX. Employee, Employee Compensation Policy and Employee Training Program

(I) Staff Composition

As at June 30, 2020, the Group had 6,229 employees. The table below sets forth its number of full-time employees by function as of the same date:

	Number of Employees	Percentage (%)
Retail banking	2,926	47
Management	697	11
Finance and accounting	743	12
Corporate banking	893	15
Risk management, internal audit and legal and compliance	190	3
Treasury operations	75	1
Information technology	85	1
Others	620	10
Total	6,229	100

As at June 30, 2020, more than 59% of the Group's employees had a bachelor's degree or higher.

In addition to full-time employees, as of June 30, 2020, the Group also had 130 contract staff from third-party human resources agencies. These contract staff are not the Group's employees. Instead, they have entered into employment contracts with third-party human resources agencies. They generally serve in non-key positions, such as bank tellers and customer service officers. The Bank and the subsidiaries make advance payments to the third-party agencies, which then pay salaries to and make social security contributions for contract staff.

(II) Employee Remuneration

The Group conducts performance evaluations of employees annually to provide feedback on performance. Compensation for full-time employees of the Group typically consists of a base salary and a discretionary bonus. The Group determines employee discretionary bonuses at the end of each year based on employee performance and its results of operations.

Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

The Group's full-time employees participate in various employee benefit plans, such as pension insurance, medical insurance, work related injury insurance, unemployment insurance, maternity insurance, housing funds and corporate annuity funds. In addition, the Group provides supplementary medical insurance to its employees.

According to the relevant regulations, the premiums and welfare benefit contributions borne by the Group are calculated regularly on a certain percentage of the remuneration cost and paid to the relevant labor and social welfare authorities. The Group cannot withdraw or utilize its fund contribution made to the defined contribution plans under any circumstance.

(III) Employee Training Program

The Group focuses on employee career development and provide training programs tailored to employees in different business lines. The Bank has built a specific team of internal trainers. The Bank also collaborates with PRC institutions of higher education to recruit and train employees. For example, the Bank has established a training center to enhance employee professional skills. The Bank emphasizes internal recruiting and employee training. The Bank has launched various initiatives to select and train outstanding management personnel and provide employees with opportunities to enhance professional knowledge and develop leadership skills.

(IV) Labor Union

The Bank and each subsidiary have a labor union established in accordance with PRC laws and regulations. The Bank believes that the Bank and each subsidiary have maintained a good working relationship with its employees. As of the Latest Practicable Date, none of the Bank nor any of the Group's subsidiaries had experienced any labor strikes or other labor disturbances that materially affected the Group's operations or public image.

Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

X. SUBSIDIARIES

Subsidiaries	Places of business	Remarks
Liaoyuan Rural Commercial Bank Limited Liability Company (遼源農村商業銀行有限責任公司)	3257 Renmin Street, Longshan District, Liaoyuan City, Jilin Province, PRC	13 sub-branches
Hanshan Huimin Town Bank Co., Ltd. (含山惠民村鎮銀行有限責任公司)	2 nd Floor, Zone C, Jinxiu Hua Cheng, North Baochanshan Road, Huanfeng Town, Hanshan County, Ma'anshan City, Anhui Province, PRC	5 sub-branches
Shuangcheng Huimin Village Bank Co., Ltd. (雙城惠民村鎮銀行有限責任公司)	Building Complex, Longsheng South District, Fada Road, Shuangcheng City, Heilongjiang Province, PRC	4 sub-branches
Tongcheng Huimin Village Bank Co., Ltd. (通城惠民村鎮銀行有限責任公司)	59 Jiefang East Road, Junshui Town, Tongcheng County, Hubei Province, PRC	2 sub-branches
Gaomi Huimin Village and Township Bank Co., Ltd. (高密惠民村鎮銀行有限責任公司)	919 Liqun Road, Gaomi Town, Weifang City, Shandong Province, PRC	7 sub-branches
Wuchang Huimin Village Bank Co., Ltd. (五常惠民村鎮銀行有限責任公司)	Block 1, Guanye Guojijie District, Yachen Road, Wuchang City, Heilongjiang Province, PRC	3 sub-branches
Yun'an Huimin Village Bank Co., Ltd. (雲安惠民村鎮銀行股份有限公司)	62 Jixiang Road, Yun'an District, Yunfu City, Guangdong Province, PRC	
Lu Jiang Hui Min Town Bank Co., Ltd. (廬江惠民村鎮銀行有限責任公司)	Block 18, Fenghuang City, Jun'er West Road, Lujiang County, Hefei City, Anhui Province, PRC	5 sub-branches
Qingdao Pingdu Huimin Village Bank Co., Ltd. (青島平度惠民村鎮銀行股份有限公司)	27 Hongqi Road, Pingdu City, Qingdao City, Shandong Province, PRC	8 sub-branches
Da'an Huimin Village Bank Co., Ltd. (大安惠民村鎮銀行有限責任公司)	54 Renmin Road, Da'an City, Jilin Province, PRC	5 sub-branches
Changchun Nanguan Hui Min Village Bank Co., Ltd. (長春南關惠民村鎮銀行有限責任公司)	Shop 105-111 of Block 32, Shop 105-106 of Block 33, Haojing Villa, Yatai Street, Nanguan District, Changchun City, Jilin Province, PRC	4 sub-branches
Huimin Village Bank Company Limited of Anci, Langfang (廊坊市安次區惠民村鎮銀行股份有限公司)	39 Guangming West Road, Anci District, Langfang City, Hebei Province, PRC	5 sub-branches
Guangzhou Huangpu Huimin Village and Township Bank Co., Ltd. (廣州黃埔惠民村鎮銀行股份有限公司)	1192 Jiufu Middle Road, Jiulong Town, Huangpu District, Guangzhou City, Guangdong Province, PRC	3 sub-branches

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Subsidiaries	Places of business	Remarks
Heyang Huimin Village Bank Co., Ltd. (合陽惠民村鎮銀行股份有限公司)	North of East Section, Fenghuang West Road, Heyang County, Weinan City, Shaanxi Province, PRC	2 sub-branches
Huadian Huimin Village Bank Co., Ltd. (樺甸惠民村鎮銀行股份有限公司)	316 Huadian Street, Huadian City, Jilin Province, PRC	5 sub-branches
Jilin Fengman Huimin Village Bank Co., Ltd. (吉林豐滿惠民村鎮銀行股份有限公司)	121 Jilin Street, Fengman District, Jilin City, Jilin Province, PRC	8 sub-branches
Jingmen Dongbao Huimin Village Bank Co., Ltd. (荊門東寶惠民村鎮銀行股份有限公司)	82 Xiangshan Street, Dongbao District, Jingmen City, Hubei Province, PRC	3 sub-branches
Qingyuan Qingxin Huimin Village Bank Co., Ltd. (清遠清新惠民村鎮銀行股份有限公司)	102#, 66 Qingxin Street, Taihe Town, Qingxin District, Qingyuan City, Guangdong Province, PRC	1 sub-branch
Wenan Huimin Village Bank Co., Ltd. (文安縣惠民村鎮銀行股份有限公司)	344 Xingwen Road, Wen'an County, Langfang City, Hebei Province, PRC	7 sub-branches
Wuhua Huimin Village Bank Co., Ltd. (五華惠民村鎮銀行股份有限公司)	189 Huaxing North Road, Shuizhai Town, Wuhua County, Meizhou City, Guangdong Province, PRC	4 sub-branches
Qianan Huimin Village Bank Co., Ltd. (乾安惠民村鎮銀行有限責任公司)	Caishui Jiayuan Neighborhood, Yuzhou West Road, Qian'an County, Jilin Province, PRC	5 sub-branches
Changchun Gaoxin Huimin Village Bank Co., Ltd. (長春高新惠民村鎮銀行有限責任公司)	Room 101, Block 16a, Baolai Yaju, 999 Guanggu Street, Gaoxin District, Changchun City, Jilin Province, PRC	5 sub-branches
Baicheng Taobei Huimin Village Bank Co., Ltd. (白城洮北惠民村鎮銀行股份有限公司)	Block 2, Siji Huacheng, 299 Guangming South Street, Taobie District, Baicheng City, Jilin Province, PRC (Shops 4, 5 and 6, District A, Zuanshi Siji Huacheng)	4 sub-branches
Fuyu Huimin Village Bank Co., Ltd. (扶餘惠民村鎮銀行股份有限公司)	222 Yucai South Street, Fuyu City, Jilin Province, PRC	3 sub-branches
Taonan Huimin Village Bank Co., Ltd. (洮南惠民村鎮銀行股份有限公司)	1098 Tuanjie West Road, Taonan City, Jilin Province, PRC	2 sub-branches
Tianjin Binhai Huimin Village Bank Co., Ltd. (天津濱海惠民村鎮銀行股份有限公司)	322-324 East Century Street, Binhai New District, Tianjin City, PRC	13 sub-branches

Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

Subsidiaries	Places of business	Remarks
Jilin Chuanying Huimin Village Bank Co., Ltd. (吉林船營惠民村鎮銀行股份有限公司)	Outlets Nos. 1, 3, 4, 116 Guangze Amethyst City, 8 Huangqi Road, Chuanying District, Jilin City, Jilin Province, PRC	3 sub-branches
Leizhou Huimin Village Bank Co., Ltd. (雷州惠民村鎮銀行股份有限公司)	021 Leihu South Road, Leicheng Town, Leizhou City, Guangdong Province, PRC	1 sub-branch
Songyuan Ningjiang Huimin Village Bank Company Limited (松原寧江惠民村鎮銀行股份有限公司)	2099 Wulan Street, Ningjiang District, Songyuan City, Jilin Province, PRC	10 sub-branches
Anping Huimin Village Bank Co., Ltd. (安平惠民村鎮銀行股份有限公司)	8 Xima Road, Anping County, Hebei Province, PRC	4 sub-branches
Huidong Huimin Village Bank Co., Ltd. (惠東惠民村鎮銀行股份有限公司)	66-71 Jinzuan Street, Zhonghang City, Huaqiao City, Pingshan Town, Huidong County, Huizhou City, Guangdong Province, PRC	4 sub-branches
Lingshui Huimin Village Bank Co., Ltd. (陵水惠民村鎮銀行股份有限公司)	98 Yelin South Street Lingshui County, Hainan Province, PRC	1 sub-branch
Sanya Huimin Village Bank Co., Ltd. (三亞惠民村鎮銀行股份有限公司)	Dongdu Mansion, 1350 Jiefang Si Road, Sanya City, Hainan Province, PRC	1 sub-branch
Qingdao Jimo Huimin Village Bank Co., Ltd. (青島即墨惠民村鎮銀行股份有限公司)	878 Heshan Road, Jimo City, Shandong Province, PRC	3 sub-branches
Jilin Jiuyin Financial Leasing Co., Ltd. (吉林九銀金融租賃股份有限公司)	3333 Xiantai Street, Changchun Economic and Technological Development Zone, Jilin Province, PRC	

Chapter 7 Significant Events

I. Corporate Governance Code

The Bank firmly believes that maintaining good corporate governance with high standards is the key to enhance the Bank's core competitiveness and to develop a modern rural commercial bank. Therefore, the Bank has been committed to a high level corporate governance, and actively follows the best corporate governance practices, domestic and overseas, in order to safeguard the interest of Shareholders and enhance the corporate value.

The Bank has established a modern corporate governance structure in line with the requirements of its Articles of Association, PRC laws and regulations and the Hong Kong Listing Rules. The Board of Directors is accountable to the Shareholders as a whole and is responsible for, among others, determining the Group's business development strategies, business plans and investment proposals, appointing or removing senior management, and deciding matters such as the establishment of internal management structure. The Board of Directors has established committees to perform specified functions, namely the Strategy and Development Committee, the Related-party Transactions Control Committee, the Remuneration Committee, the Nomination Committee, the Risk Management Committee, the Audit Committee, the Consumer Rights Protection Committee and the Three Rurals Financial Services Committee. The Board of Supervisors is accountable to the Shareholders as a whole and has the responsibility and power to supervise the Directors and senior management and oversee the Group's financial activities, risk management and internal control.

The Bank has incorporated the Corporate Governance Code (the "**Corporate Governance Code**") as set out in Appendix 14 to the Hong Kong Listing Rules and the Guidelines on Corporate Governance of Commercial Banks issued by the CBIRC (the "**Guidelines**") into the Bank's governance structure and policies. The Code of Corporate Governance and the Guidelines are well reflected in the Articles of Association and the rule of procedure for the Shareholders' general meeting, meetings of the Board of Directors and the committees under the Board of Directors. The Bank's Shareholders' general meeting, the Board of Directors and the Board of Supervisors perform their respective duties and form good corporate governance structure. The Bank closely monitors its operation to ensure it complies with the relevant requirements under applicable laws, regulations, codes, guidelines and the Bank's internal policies.

During the Reporting Period, the Bank has fully complied with all code provisions contained in the Corporate Governance Code. The Directors are not aware of any information which indicates any non-compliance of the Bank with the code provisions contained in the Corporate Governance Code. The Bank has also strictly complied with the provisions regarding management of inside information required by applicable laws and regulations and the Hong Kong Listing Rules.

The Bank will review its corporate governance and strengthen management constantly to ensure compliance with the Corporate Governance Code and the Guidelines and meet the higher expectations from its Shareholders and potential investors.

Chapter 7 Significant Events

II. Earnings and Dividends

(1) Final dividends for 2019

The profit distribution plan of the Bank for 2019 was considered and approved by the Shareholders at the AGM held on June 18, 2020. The Bank distributed cash dividends of approximately RMB753,126,763.86 in total (tax inclusive) for 2019. Based on the number of Shares on the record date for dividend distribution, the Bank distributed a cash dividend of RMB0.18 (tax inclusive) for each Share. The final dividends payable for 2019 were denominated in Renminbi, and were paid to holders of Domestic Shares in Renminbi and holders of H Shares in Hong Kong dollars. The exchange rate (i.e. RMB0.914278 against HK\$1.00) adopted for dividends payable in Hong Kong dollars was based on the central parity rate of the average exchange rate of Renminbi to Hong Kong dollars as announced by the PBOC on the five working days preceding the date of declaration of the dividend at the AGM on June 18, 2020 (inclusive). Accordingly, the final dividend for 2019 payable for each H Share was HK\$0.196877 (tax inclusive). The Bank has completed the payment of final dividend for 2019 in August 2020.

(2) Interim dividends for 2020

Revenue of the Bank for the six months ended June 30, 2020 and the financial position of the Bank as at the same date are set out in the financial statements in this interim report.

The Board does not recommend any distribution of interim dividends for 2020.

III. Plan of Capital Reserve Capitalization

As resolved by the Board and considered and approved by the Shareholders at the AGM, the first domestic share class meeting of 2020 and the first H share class meeting of 2020 held on June 18, 2020, the Bank issued new Shares by way of capitalization of capital reserve to the holders of Domestic Shares and H Shares whose names appeared on the share register of the Bank at the close of business on Monday, June 29, 2020 on the basis of 5 new Shares for every 100 existing Shares held by the Shareholders (the “**Capitalization Issue**”). Based on the 4,184,037,577 Shares of the Bank in issue as at December 31, 2019, the total number of new Shares issued by way of capitalization of capital reserve is 209,201,878 Shares, including 169,354,378 Shares issued to holders of Domestic Shares and 39,847,500 Shares issued to holders of H Shares. Upon completion of the Capitalization Issue, the total number of Shares in issue of the Bank is 4,393,239,455 Shares, including 3,556,441,955 Domestic Shares and 836,797,500 H Shares. The listing and trading of the new H Shares under the Capitalization Issue has been approved by the Hong Kong Stock Exchange, and the Capitalization Issue has been approved by the CBIRC. The listing and trading of the new H Shares on the Hong Kong Stock Exchange commenced on August 14, 2020.

The Bank has also changed the registered capital and amended the Articles of Association of the Bank to reflect the change in registered capital as a result of the Capitalization Issue.

IV. Amendment to the Articles of Association

The Bank amended the relevant articles of the Articles of Association in relation to its registered capital and capital structure to reflect the changes of registered capital and capital structure of the Bank upon the completion of the Capitalization Issue. Such amendments were approved by the Shareholders at the annual general meeting of 2019 held on June 18, 2020.

The Capitalization Issue was completed on August 14, 2020. The above amendments were approved by the CBIRC Jilin Bureau on August 18, 2020 and became effective from the same day. For details of the amendments, investors may refer to the circular of the Bank dated April 27, 2020 on the website of the Bank (www.jtnsh.com) and the designated website of the Hong Kong Stock Exchange (www.hkexnews.hk).

V. Proposed Private Placement of Domestic Shares and Non-public Issuance of H Shares

Based on the actual need of capital by the Bank, the Bank intended to replenish its core tier-1 capital by way of the issuance of new Shares to support future business development of the Bank, ensure the continuous compliance of the Bank's capital level with the regulatory requirements and better support the real economy. The resolutions in relation to the private placement of Domestic Shares (the **"Private Placement of Domestic Shares"**) and the non-public issuance of H Shares (the **"Non-public Issuance of H Shares"**) of the Bank had been approved by the Board at the Board meeting held on July 12, 2018. The Private Placement of Domestic Shares and the Non-public Issuance of H Shares were conditional upon each other so as to maintain the public float.

(1) Private Placement of Domestic Shares

The Bank intended to issue 200,000,000 to 400,000,000 Domestic Shares to no more than 10 qualified domestic institutional investors. The actual number of Domestic Shares to be issued shall be subject to the approval of the regulatory authorities.

(2) Non-public Issuance of H Shares

The Bank intended to issue no more than 151,800,000 H Shares to no more than 10 investors who were qualified to subscribe for the H Shares of the Bank. The number of H Shares to be issued shall be subject to the approval of the regulatory authorities, market conditions and the actual situation of the Bank.

The resolutions in relation to the Private Placement of Domestic Shares and the Non-public Issuance of H Shares were considered and approved at the second extraordinary general meeting of 2018, the first Domestic Share class meeting of 2018 and the first H Share class meeting of 2018 held on September 5, 2018. For details of the Private Placement of Domestic Shares and the Non-public

Chapter 7 Significant Events

Issuance of H Shares, please refer to the announcement of the Bank dated July 12, 2018 and the circular of the Bank dated August 15, 2018, respectively. As the validity period of the issue plans and relevant authorizations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares expired on September 5, 2019, the Board considered and approved the extension of the validity period of the issue plans and relevant authorizations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares for 12 months at the Board meeting held on August 23, 2019. Resolutions regarding the extension of the validity period of the issue plans and relevant authorizations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares were considered and approved at the first extraordinary general meeting of 2019, the second Domestic Share class meeting of 2019 and the second H Share class meeting of 2019 of the Bank held on October 24, 2019. For details of the Private Placement of Domestic Shares and the Non-public Issuance of H Shares, please refer to the announcements dated July 12, 2018, August 23, 2019 and August 28, 2020 and the circulars dated August 15, 2018 and September 13, 2019 of the Bank, respectively.

As of the date of this interim report, the Bank has not issued any new Domestic Shares or H Shares. The Bank will make timely disclosure on the latest development of the Private Placement of Domestic Shares and the Non-public Issuance of H Shares in accordance with the relevant laws and regulations and the Hong Kong Listing Rules.

VI. Issuance of Bonds

From January 1, 2020 to June 30, 2020, the Bank issued 64 tranches of zero-coupon interbank certificates, with an aggregate face value of RMB6,740.0 million. The interbank certificates have terms ranging from three months to one year and bear effective interest rates between 3.15% and 4.20%.

VII. Purchase, Sale and Redemption of Listed Securities of the Bank

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

VIII. Related Party Transactions

During the Reporting Period, there was no material related party transaction which had adversely affected the operating results and financial condition of the Bank.

IX. Material Litigations and Arbitrations

The Bank and each of its subsidiary banks are involved in legal disputes in the ordinary course of business, which primarily include actions against borrowers for the recovery of loans. As of the Latest Practicable Date, none of the Bank or any of its subsidiary banks was involved in any material pending lawsuits as a defendant.

Chapter 7 Significant Events

X. Penalty against the Bank and the Directors, Supervisors and Senior Management of the Bank

During the Reporting Period, none of the Bank or any of its Directors, Supervisors, or senior management had been subject to any investigation, administrative penalty or criticism by the CBIRC and public condemnation by the Hong Kong Stock Exchange, or any penalty imposed by other regulators which had material impact on the Bank's operation.

XI. Public Float

During the initial public offering of the Bank's H Shares, the Bank has applied to the Hong Kong Stock Exchange to ask the Hong Kong Stock Exchange to exercise its discretion to waive the requirement under Rule 8.08(1)(d) of the Hong Kong Listing Rules, and the Hong Kong Stock Exchange has granted the Bank a waiver from strict compliance with the requirements under Rule 8.08(1)(a) of the Hong Kong Listing Rules. According to the waiver granted by the Hong Kong Stock Exchange, the minimum public float of the Bank will be the highest of:

- (1) 16.9% of the Bank's total issued share capital;
- (2) such percentage of H Shares to be held by the public immediately after the completion of the global offering (assuming the over-allotment option has not been exercised); and
- (3) such percentage of H Shares to be held by the public immediately after the completion of the global offering (assuming the over-allotment option has been exercised).

Immediately after the issue and allotment by the Bank and the sale by the selling Shareholders of the over-allotment Shares due to full exercise of the over-allotment option, the number of H Shares in public hands represents 19.05% of the total issued share capital of the Bank, which satisfies the minimum percentage prescribed in the conditions imposed in the waiver granted by the Hong Kong Stock Exchange from strict compliance with Rule 8.08(1)(a) of the Hong Kong Listing Rules.

Based on the publicly available information and as far as the Directors were aware, as of the Latest Practicable Date, the public float of H Shares of the Bank was 19.05%, which was in compliance with the requirement specified in the waiver granted by the Hong Kong Stock Exchange.

XII. Appointment of External Auditor

As considered and approved by the Shareholders at the AGM held on June 18, 2020, the Bank has re-appointed ShineWing Certified Public Accountants LLP as the domestic external auditor of the Bank for 2020 to provide auditing services in the PRC in accordance with the PRC GAAP, and SHINEWING (HK) CPA Limited as the international external auditor of the Bank for 2020 to provide auditing and review services overseas in accordance with the IFRS.

Chapter 7 Significant Events

The terms of office of the above two external auditors shall commence from the date of approval of the resolution on the engagement of external auditing firms for 2020 by the AGM (i.e. June 18, 2020) and shall expire at the conclusion of the Bank's annual general meeting for 2020.

XIII. Acquisitions and Disposals of Assets and Business of Subsidiaries and Associates/ Corporate Mergers

Save as disclosed in this interim report, during the Reporting Period, the Bank had not conducted other acquisition or disposal of assets/businesses of its subsidiaries or associates/corporate mergers.

XIV. Event after the Reporting Period

On July 23, 2020 and August 13, 2020, the Bank issued 169,354,378 Domestic Shares and 39,847,500 H Shares by way of Capitalization Issue, respectively, representing a total of 209,201,878 ordinary shares, following which the total ordinary shares of the Bank has been increased to 4,393,239,455. For further details, please refer to "III. Plan of Capital Reserve Capitalization" of this chapter.

XV. Review of Interim Report

The financial statements disclosed in this interim report have not been audited. The interim financial statements for the six months ended June 30, 2020 prepared by the Bank under the IFRS issued by the International Accounting Standards Board have been reviewed by SHINEWING (HK) CPA Limited in accordance with the Hong Kong Standard on Review Engagements 2410. This interim report has been reviewed and adopted by the Board and the audit committee under the Board.

XVI. Publication of 2020 Interim Report

The Bank has prepared its 2020 interim report in accordance with the Hong Kong Listing Rules and the IFRS, which is available on the HKEXnews website of Hong Kong Stock Exchange (www.hkexnews.hk) and website of the Bank (www.jtsh.com).

In this interim report, the financial data for the six months ended June 30, 2019 and the six months ended June 30, 2020 have not been audited, while the financial data for the year ended December 31, 2019 have been audited.

Chapter 8 Report on Review of Condensed Consolidated Financial Statements



SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE BOARD OF DIRECTORS OF JILIN JIUTAI RURAL COMMERCIAL BANK CORPORATION LIMITED

吉林九台農村商業銀行股份有限公司

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

Opinion

We have reviewed the condensed consolidated financial statements of Jilin Jiutai Rural Commercial Bank Corporation Limited (the “Bank”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on pages 113 to 201, which comprise the condensed consolidated statement of financial position as at 30 June 2020, and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Chapter 8 Report on Review of Condensed Consolidated Financial Statements (Continued)

Scope of Review

We conducted our review in accordance with International Standards 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 these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

SHINEWING (HK) CPA Limited

Certified Public Accountants

Chui Yiu Cheong

Practising Certificate Number: P07219

Hong Kong

28 August 2020

Chapter 9 Unaudited Interim Financial Statement Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Period Ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Interest income		4,572,775	4,171,188
Interest expenses		(2,476,186)	(2,257,320)
Net interest income	4	2,096,589	1,913,868
Fee and commission income		53,726	102,461
Fee and commission expenses		(16,747)	(13,959)
Net fee and commission income	5	36,979	88,502
Net trading gains	6	96,361	350,785
Dividend income		59,402	64,248
Net gains arising from investment securities	7	35,215	7,748
Net exchange gains		4,103	3,444
Other operating income (expense), net	8	11,000	(1,587)
Operating income		2,339,649	2,427,008
Operating expenses	9	(1,141,479)	(1,156,539)
Impairment losses on assets	10	(654,963)	(678,876)
Operating profit		543,207	591,593
Share of (losses) profits of associates	22	(2,736)	18,112
Profit before tax		540,471	609,705
Income tax expense	11	(125,460)	(110,291)
Profit for the period		415,011	499,414
Earnings per share			(Restated)
— Basic and diluted (RMB cents)	12	7.82	10.35

Chapter 9 Unaudited Interim Financial Statement

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the Period Ended 30 June 2020

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Profit for the period	415,011	499,414
Other comprehensive income (expense) for the period:		
Items that may be reclassified subsequently to profit or loss:		
– Financial assets at fair value through other comprehensive income		
– Fair value gain on debt investments at fair value through other comprehensive income	13,860	27,215
– Reclassified to the profit or loss upon disposal	(2,597)	(2,651)
– Changes in allowance for expected credit loss	298	2,665
– Income tax relating to item that may be reclassified subsequently	(2,890)	(6,168)
– Share of other comprehensive (expense) income of associates	(1,361)	667
	7,310	21,728
Items that will not be reclassified subsequently to profit or loss:		
– Financial assets at fair value through other comprehensive income		
– Fair value gain on investments in equity investments	8,729	–
	16,039	21,728
Total comprehensive income for the period	431,050	521,142
Profit for the period attributable to:		
– Owners of the Bank	343,398	454,684
– Non-controlling interests	71,613	44,730
	415,011	499,414

Chapter 9 Unaudited Interim Financial Statement Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the Period Ended 30 June 2020

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Total comprehensive income for the period attributable to:		
– Owners of the Bank	362,093	476,378
– Non-controlling interests	68,957	44,764
	431,050	521,142

Chapter 9 Unaudited Interim Financial Statement Condensed Consolidated Statement of Financial Position

At 30 June 2020

		At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
	Notes		
Assets			
Cash and deposits with the central bank	13	21,120,079	23,626,361
Deposits with banks and other financial institutions	14	7,820,427	6,193,346
Placements with banks and other financial institutions	15	2,048,072	1,814,046
Financial assets held under resale agreements	16	326,000	99,960
Financial assets at fair value through profit or loss	17	6,605,843	9,538,413
Interests receivables	18	1,741,183	939,845
Loans and advances to customers	19	107,125,816	93,394,198
Financial assets at fair value through other comprehensive income	20	5,784,984	6,670,888
Financial assets measured at amortised costs	21	19,094,264	23,008,859
Interests in associates	22	1,560,341	1,588,632
Property and equipment	23	3,906,612	3,986,902
Right-of-use assets	24	725,160	791,493
Goodwill		401,335	401,335
Deferred tax assets	25	659,055	561,496
Other assets	26	805,859	659,770
Total assets		179,725,030	173,275,544

Chapter 9 Unaudited Interim Financial Statement

Condensed Consolidated Statement of Financial Position

(Continued)

At 30 June 2020

	Notes	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Liabilities and equity			
Liabilities			
Borrowings from the central bank	28	1,816,425	3,345,160
Deposits from banks and other financial institutions	29	9,282,502	6,277,616
Placements from banks and other financial institutions	30	6,732,496	4,379,496
Financial assets sold under repurchase agreements	31	1,115,200	2,610,800
Deposits from customers	32	129,738,400	122,840,400
Accrued staff costs	33	70,573	199,350
Taxes payable		50,122	180,063
Interests payable	34	2,554,749	2,204,889
Debts securities issued	35	10,306,225	14,220,057
Lease liabilities	24	655,045	711,903
Other liabilities	36	2,121,880	645,634
Total liabilities		164,443,617	157,615,368
Equity			
Share capital	37	4,184,037	4,184,037
Capital reserve	38	5,149,044	5,148,616
Investment revaluation reserve		30,733	12,038
Surplus reserve	39	814,076	814,076
General reserve	39	1,777,674	1,777,674
Retained earnings		993,783	1,403,512
Total equity attributable to owners of the Bank		12,949,347	13,339,953
Non-controlling interests		2,332,066	2,320,223
Total equity		15,281,413	15,660,176
Total liabilities and equity		179,725,030	173,275,544

The condensed consolidated financial statements on pages 113 to 201 were approved and authorised for issue by the board of directors of the Bank on 28 August 2020 and are signed on its behalf by:

Mr. GAO Bing
Director

Mr. YUAN Chunyu
Director

Chapter 9 Unaudited Interim Financial Statement Condensed Consolidated Statement of Changes in Equity

For the Period Ended 30 June 2020

	Attributable to owners of the Bank								
	Share Capital RMB'000	Capital reserve RMB'000	Investment				Retained earnings RMB'000	Non- controlling interests RMB'000	Total RMB'000
			revaluation reserve RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Sub-total RMB'000			
At 1 January 2020 (Audited)	4,184,037	5,148,616	12,038	814,076	1,777,674	1,403,512	13,339,953	2,320,223	15,660,176
Profit for the period	—	—	—	—	—	343,398	343,398	71,613	415,011
Other comprehensive income for the period	—	—	18,695	—	—	—	18,695	(2,656)	16,039
Total comprehensive income for the period	—	—	18,695	—	—	343,398	362,093	68,957	431,050
Changes in ownership in a subsidiary without changes in control	—	428	—	—	—	—	428	9,925	10,353
Appropriation of profits									
— Dividends recognised as distribution (Note 40)	—	—	—	—	—	(753,127)	(753,127)	—	(753,127)
— Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(67,039)	(67,039)
At 30 June 2020 (Unaudited)	4,184,037	5,149,044	30,733	814,076	1,777,674	993,783	12,949,347	2,332,066	15,281,413

Chapter 9 Unaudited Interim Financial Statement Condensed Consolidated Statement of Changes in Equity (Continued)

For the Period Ended 30 June 2020

	Attributable to owners of the Bank								Total RMB'000
	Share Capital RMB'000	Capital reserve RMB'000	Investment			Retained earnings RMB'000	Sub-total RMB'000	Non- controlling interests RMB'000	
			revaluation reserve RMB'000	Surplus reserve RMB'000	General reserve RMB'000				
At 1 January 2019 (Audited)	3,984,797	5,331,249	(30,292)	724,671	1,571,192	1,374,517	12,956,134	2,151,504	15,107,638
Profit for the period	—	—	—	—	—	454,684	454,684	44,730	499,414
Other comprehensive income for the period	—	—	21,694	—	—	—	21,694	34	21,728
Total comprehensive income for the period	—	—	21,694	—	—	454,684	476,378	44,764	521,142
Changes in ownership in a subsidiary without changes in control	—	7,242	—	—	—	—	7,242	26,543	33,785
Appropriation of profits									
— Dividends recognised as distribution (Note 40)	—	—	—	—	—	(717,264)	(717,264)	—	(717,264)
— Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(48,335)	(48,335)
At 30 June 2019 (Unaudited)	3,984,797	5,338,491	(8,598)	724,671	1,571,192	1,111,937	12,722,490	2,174,476	14,896,966

Chapter 9 Unaudited Interim Financial Statement Condensed Consolidated Statement of Cash Flows

For the Period Ended 30 June 2020

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
OPERATING ACTIVITIES		
Profit before tax	540,471	609,705
Adjustments for:		
Depreciation of property and equipment	151,900	159,632
Depreciation of right-of-use assets	97,873	91,418
Amortisation of long-term deferred expenses	15,659	12,974
Impairment losses on assets	654,963	678,876
Interest income from impaired loans and advances to customers and impaired financial asset measured at amortised cost	147,675	168,372
Interest expense on debts securities issued	253,583	438,536
Dividend income	(59,402)	(64,248)
Gains on disposal of property and equipment	(2,391)	(350)
Gain on early termination of lease agreements	(1,263)	—
Net unrealised trading losses	63,708	35,624
Net gains arising from investment securities	(35,215)	(7,748)
Interest expenses on lease liabilities	15,531	17,830
Government grants	(17,200)	(7,757)
Interest income from financial investments	(687,191)	(788,625)
Share of losses (profits) of associates	2,736	(18,112)
	1,141,437	1,326,127
Changes in operating assets		
Net decrease (increase) in deposits with the central bank	1,091,432	(1,188,583)
Net decrease in deposits and placements with the banks and other financial institutions	1,799,999	469,756
Net decrease in financial assets at fair value through profit or loss	2,868,862	4,063,824
Net increase in loans and advances to customers	(14,274,116)	(9,820,748)
Net increase in interests receivables	(840,255)	(228,641)
Net increase in other assets	(163,387)	(104,197)
	(9,517,465)	(6,808,589)
Changes in operating liabilities		
Net decrease in borrowing from central bank	(1,528,735)	(1,000,120)
Net increase (decrease) in deposits from banks and other financial institutions	3,004,886	(1,369,967)
Net increase (decrease) in placements from banks and other financial institutions	2,353,000	(201,710)
Net decrease in financial assets sold under repurchase agreements	(1,495,600)	(3,472,520)
Net increase in deposits from customers	6,898,000	2,852,836
Net decrease in accrued staff costs	(128,777)	(97,605)
Net increase in interests payable	331,552	113,670
Net increase in other liabilities	723,000	97,352
	10,157,326	(3,078,064)

Chapter 9 Unaudited Interim Financial Statement Condensed Consolidated Statement of Cash Flows (Continued)

For the Period Ended 30 June 2020

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Cash from (used in) operations	1,781,298	(8,560,526)
Income tax paid	(355,850)	(213,065)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	1,425,448	(8,773,591)
INVESTING ACTIVITIES		
Payments on acquisition of financial investments	(10,219,427)	(5,354,661)
Payments on acquisition of property and equipment	(76,412)	(177,548)
Proceeds from disposal of financial investments	14,934,685	7,129,727
Interest income received from financial investments	607,544	514,132
Dividend income received	59,402	60,669
Dividend received from associates	24,194	29,452
Proceeds from disposal of property and equipment	7,193	11,830
Proceeds from disposal of land use right	—	18,030
NET CASH FROM INVESTING ACTIVITIES	5,337,179	2,231,631
FINANCING ACTIVITIES		
Net proceeds from issue of new debt securities	6,520,775	5,942,490
Proceeds from disposal of interests in subsidiaries without loss in control	10,353	33,785
Government grants received	17,200	7,757
Repayment of debt securities issued	(10,620,000)	(5,260,000)
Repayment of lease liabilities	(87,135)	(77,160)
Dividends paid to non-controlling interests	(66,919)	(48,185)
Interest paid on debts securities issued	(49,882)	(49,878)
Interest paid on lease liabilities	(15,531)	(17,830)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(4,291,139)	530,979
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,471,488	(6,010,981)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	16,820,070	16,095,980
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (Note 44)	19,291,558	10,084,999
Interest received	3,807,084	4,029,743
Interest paid (excluding interest expense on debts securities issued and lease liabilities)	(1,875,520)	(1,687,284)

Chapter 9 Unaudited Interim Financial Statement Notes to the Condensed Consolidated Financial Statements

For the Period Ended 30 June 2020

1. GENERAL

The Bank, formerly known as Jiutai Rural Credit Cooperative Union, is a joint stock commercial bank established on 16 December 2008 with approval of the China Banking Regulatory Commission (the “CBRC”) (YinFu 2008 No. 320) on 15 December 2008.

The Bank obtained its finance permit No. B1001H222010001 from the CBRC Jilin Bureau. The Bank obtained its business license (Unified Social Credit Code: 912200001243547911) from Jilin Administration of Industry and Commerce. The legal representative is Gao Bing and the address of the registered office is No. 504 Xinhua Main Street, Jiutai District, Changchun, the People’s Republic of China (the “PRC”).

As at 30 June 2020, the Bank has established 3 branches and 78 sub-branches. The Bank has 35 subsidiaries. The principal activities of the Bank and its subsidiaries (collectively referred to as the “Group”) are the provision of corporate and retail deposits, loans and advances, payment and settlement services, as well as other banking services as approved by the China Banking and Insurance Regulatory Commission. The Group operates in mainland China.

On 12 January 2017, the Bank’s H shares were listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (Stock code: 6122).

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 June 2020 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange, and with International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”), issued by the International Accounting Standards Board (“IASB”).

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

Chapter 9 Unaudited Interim Financial Statement

Notes to the Condensed Consolidated Financial Statements

(Continued)

For the Period Ended 30 June 2020

2. BASIS OF PREPARATION (Continued)

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

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new IFRSs, the accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019.

In the current interim period, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in IFRSs and the following amendments to IFRSs issued by the IASB which are effective for the Group’s financial year beginning 1 January 2020:

Amendments to IFRS 3	Definition of Business
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in IFRS and the amendments to IFRSs in the current interim period has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Chapter 9 Unaudited Interim Financial Statement

Notes to the Condensed Consolidated Financial Statements

(Continued)

For the Period Ended 30 June 2020

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

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.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020. These amendments had no impact on the condensed consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39, Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the condensed consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8, Definition of Material

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the condensed consolidated financial statements of, nor is there expected to be any future impact to the Group.

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For the Period Ended 30 June 2020

4. NET INTEREST INCOME

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Interest income arising from		
– Deposits with the central bank	92,908	96,360
– Deposits with banks and other financial institutions	82,315	237,594
– Placements with banks and other financial institutions	45,697	39,127
– Financial assets at fair value through other comprehensive income (“FVTOCI”)	146,520	112,145
– Financial assets measured at amortised costs	540,671	676,480
– Loans and advances to customers:		
– Corporate loans and advances	2,694,723	2,152,343
– Finance lease loans	62,543	63,028
– Personal loans and advances	792,654	748,537
– Discounted bills	21,410	4,698
– Financial assets held under resale agreements	93,334	40,876
	4,572,775	4,171,188
Less: Interest expenses arising from		
– Borrowings from the central bank	(18,887)	(14,254)
– Deposits from banks and other financial institutions	(200,936)	(98,587)
– Placements from banks and other financial institutions	(125,812)	(10,020)
– Deposits from customers:		
Corporate customers	(430,613)	(445,706)
Individual customers	(1,388,384)	(1,113,813)
– Financial assets sold under repurchase agreements	(42,440)	(118,574)
– Debts securities issued	(253,583)	(438,536)
– Lease liabilities	(15,531)	(17,830)
	(2,476,186)	(2,257,320)
	2,096,589	1,913,868

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5. NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Fee and commission income		
– Advisory fees	14,569	22,104
– Settlement and clearing fees	11,911	8,777
– Wealth management service fees	799	572
– Agency service fees	4,643	7,957
– Syndicated loan service fees	16,492	46,919
– Bank card service fees	1,942	1,935
– Others	3,370	14,197
	53,726	102,461
Fee and commission expenses		
– Settlement and clearing fees	(12,640)	(11,104)
– Others	(4,107)	(2,855)
	(16,747)	(13,959)
	36,979	88,502

6. NET TRADING GAINS

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Financial assets at fair value through profit or loss (“FVTPL”)		
– Unlisted equity investments	(30,953)	–
– Debt securities	(56,008)	(35,585)
Investment income from financial assets at FVTPL (Note)	183,322	386,370
	96,361	350,785

Note: The investment income from financial assets at FVTPL includes interest income from financial assets at FVTPL of approximately RMB183,322,000 (2019: approximately RMB386,370,000) for the period ended 30 June 2020.

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For the Period Ended 30 June 2020

7. NET GAINS ARISING FROM INVESTMENT SECURITIES

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Net gains on disposal of financial assets measured at amortised cost	8,492	3,672
Net gains on disposal of financial assets at FVTOCI	24,126	1,425
Net revaluation gains reclassified from other comprehensive income on disposal	2,597	2,651
	35,215	7,748

8. OTHER OPERATING INCOME (EXPENSES), NET

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Government grants (Note)	17,200	7,757
Gains on disposal of property and equipment	2,391	350
Gain on early termination of lease agreement	1,263	—
Others operating expenses	(9,854)	(9,694)
	11,000	(1,587)

Note: Government grants recognised as other income are awarded to the Group by the PRC government as incentives primarily to encourage the development of the Group and the contribution to the local economic development. The government grants are one-off with no specific condition attached.

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For the Period Ended 30 June 2020

9. OPERATING EXPENSES

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Staff costs (including directors' and supervisors' emoluments)		
– Salaries and bonuses	469,871	437,923
– Staff welfares	46,457	37,830
– Social insurance	100,055	140,145
– Housing allowances	47,450	42,694
– Labour union and staff education expenses	8,901	9,582
	672,734	668,174
Premises and equipment expenses		
– Depreciation of property and equipment	151,900	159,632
– Amortisation of long-term deferred expenses	15,659	12,974
– Rental and property management expenses	22,623	29,375
– Depreciation of right-of-use assets	97,873	91,418
	288,055	293,399
Other tax and surcharges	27,115	26,592
Other general and administrative expenses (Note)	153,575	168,374
	1,141,479	1,156,539

Note: Auditor's remuneration for the period ended 30 June 2020 was RMB1,928,000 (2019: RMB1,928,000).

Chapter 9 Unaudited Interim Financial Statement Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2020

10. IMPAIRMENT LOSSES ON ASSETS

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Loans and advances to customers	513,387	455,906
Financial assets measured at amortised costs	140,448	222,935
Financial assets at FVTOCI	298	2,665
Placements with banks and other financial institutions	(26)	111
Other receivables and repossessed assets	1,639	(1,385)
Deposits with bank and other financial institutions	(782)	(1,353)
Credit commitments and financial guarantees	(1)	(3)
	654,963	678,876

11. INCOME TAX EXPENSE

(a) Income tax:

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Current tax:		
– Mainland China Enterprise Income Tax	213,744	207,614
Under provision in prior period:		
– Mainland China Enterprise Income Tax	12,165	907
Deferred taxation (Note 25)		
– Current year	(100,449)	(98,230)
	125,460	110,291

Under the Law of the Mainland China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the Mainland China companies is 25%.

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For the Period Ended 30 June 2020

11. INCOME TAX EXPENSE (Continued)

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

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Profit before tax	540,471	609,705
Tax at domestic income tax rate of 25%	135,117	152,426
Tax effect of share of profit of associates	684	(4,528)
Tax effect of expenses not deductible for tax purpose (Note i)	5,570	2,995
Tax effect of income that are not taxable for tax purpose (Note ii)	(28,076)	(41,509)
Under provision in respect of prior years	12,165	907
Income tax expense	125,460	110,291

Notes:

- (i) Expenses not deductible for tax purpose consists of a portion of expenditure, such as entertainment expense and donations, which exceed the tax deduction limits in accordance with Mainland China tax regulation.
- (ii) Income not taxable for tax purpose consists of interest income from the Mainland China government bonds and income from equity investment between qualified resident enterprises such as dividends and bonuses, which are exempted from income tax under the Mainland China tax regulation.

Details of the deferred taxation are set out in Note 25.

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(Continued)

For the Period Ended 30 June 2020

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Bank is based on the following data:

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited and restated) RMB'000
Profit for the period attributable to owners of the Bank	343,398	454,684
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000)	4,393,239	4,393,239

The weighted average number of ordinary shares in issue during the period ended 30 June 2020 and 2019 including 209,201,878 ordinary shares in issue as if such shares were issued during the period ended 30 June 2020 and 2019 after taking into account the capitalisation issue as stated in note 37 as if the capitalisation issue had been effective on 1 January 2019.

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the period ended 30 June 2020 and 2019.

13. CASH AND DEPOSITS WITH THE CENTRAL BANK

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Cash on hand	697,854	698,776
Deposits with the central bank		
— Statutory deposit reserves (Note a)	9,717,501	10,875,726
— Surplus deposit reserves (Note b)	10,497,370	11,911,299
— Fiscal deposits	207,354	140,560
	20,422,225	22,927,585
	21,120,079	23,626,361

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For the Period Ended 30 June 2020

13. CASH AND DEPOSITS WITH THE CENTRAL BANK (Continued)

Notes:

- (a) The Group places statutory deposit reserves with the PBOC in accordance with relevant regulations. At 30 June 2020 and 31 December 2019, the statutory deposit reserve ratios applicable to the Bank were as follows:

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Reserve ratio for RMB deposits	8.5%	10.5%
Reserve ratio for foreign currency deposits	5.0%	5.0%

The statutory deposit reserves are restricted balances with central bank and are not available for the Bank's daily business. The subsidiaries of the Bank are required to place statutory RMB deposits reserve at rates determined by the PBOC.

- (b) The surplus deposit reserves are maintained with the PBOC for the purpose of cash settlement and other kinds of unrestricted deposits.

14. DEPOSITS WITH BANK AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Deposits in Mainland China		
– Banks	7,807,860	6,174,306
– Other financial institutions	1,596	1,777
	7,809,456	6,176,083
Deposits outside Mainland China		
– Banks	11,879	18,953
	7,821,335	6,195,036
Less: provision for impairment losses (Note)	(908)	(1,690)
	7,820,427	6,193,346

Note:

As at 30 June 2020 and 31 December 2019, the Group classifies all deposit with bank and other financial institutions in Stage 1, and measures the loss allowance equal to 12-month ECL.

Chapter 9 Unaudited Interim Financial Statement Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2020

14. DEPOSITS WITH BANK AND OTHER FINANCIAL INSTITUTIONS (Continued)

Movements of provision for impairment losses

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
At 1 January	1,690	7,356
Impairment losses (reversed) recognised	(782)	(5,666)
At 30 June/31 December	908	1,690

15. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Placements in Mainland China		
— Banks	629,000	315,000
— Other financial institutions	1,420,000	1,500,000
	2,049,000	1,815,000
Less: provision for impairment losses (Note)	(928)	(954)
	2,048,072	1,814,046

Note:

At 30 June 2020 and 31 December 2019, the Group classifies all placements with banks and other financial institutions in Stage 1, and measures the loss allowance equal to 12-month ECL.

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15. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS (Continued)

Movements of provision for impairment losses

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
At 1 January	954	2,056
Impairment losses recognised	(26)	(1,102)
At 30 June/31 December	928	954

16. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by type and location of counterparty

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
In Mainland China		
– Banks	216,000	99,960
– Other financial institutions	110,000	–
	326,000	99,960

(b) Analysed by type of security held

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Debt securities		
– Banks and other financial institutions	306,000	–
– Government	20,000	99,960
	326,000	99,960

At 30 June 2020, the Group classifies all financial assets held under resale agreements in Stage 1, and measures the loss allowance equal to 12-month ECL.

Chapter 9 Unaudited Interim Financial Statement Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2020

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Unlisted equity investments measured at FVTPL	1,174,701	1,205,654
Other debt instruments (Note)	5,431,142	8,332,759
	6,605,843	9,538,413

Note:

Other debt instruments

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Asset management plans	5,431,142	8,332,759

18. INTERESTS RECEIVABLES

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Interests receivables arising from:		
– Investments	762,074	580,988
– Loans and advances to customers	938,082	307,459
– Financial assets held under resale agreements	131	8
– Deposits and placements with banks and other financial institutions	40,896	51,390
	1,741,183	939,845

As at 30 June 2020 and 31 December 2019, the Group measures the loss allowance equal to 12-month ECL or lifetime ECL.

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19. LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Gross loans and advances to customers		
Corporate loans and advances		
– Loans	85,017,582	71,018,305
– Finance lease loans	1,994,650	2,251,837
	87,012,232	73,270,142
Personal loans and advances		
– Personal business loans	16,803,990	16,700,117
– Personal consumption loans	2,760,138	2,771,082
– Credit card overdrafts	23,153	24,734
– Residential and commercial mortgage loans	3,722,572	3,337,886
	23,309,853	22,833,819
Discounted bills	2,397	–
	110,324,482	96,103,961
Less: Provision for impairment losses		
– Individually assessed	(924,030)	(800,960)
– Collectively assessed	(2,274,636)	(1,908,803)
	(3,198,666)	(2,709,763)
	107,125,816	93,394,198

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Notes to the Condensed Consolidated Financial Statements

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19. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analysed by industry sector

	At 30 June 2020		
	Amount (Unaudited) RMB'000	Percentage (Unaudited)	Loans and advances secured by collaterals (Unaudited) RMB'000
Gross loans and advances to customers			
Corporate loans and advances			
– Wholesale and retail	18,390,316	16.67%	4,860,204
– Manufacturing	15,933,492	14.44%	6,427,353
– Leasing and business services	12,929,355	11.71%	5,198,002
– Construction	9,228,383	8.36%	3,343,683
– Agriculture, forestry, animal husbandry and fishery	6,504,589	5.90%	1,547,739
– Real estate	4,675,765	4.24%	2,604,575
– Scientific research, technical services and geological prospecting	4,420,166	4.01%	684,273
– Transportation, storage and postal services	4,077,631	3.70%	808,858
– Information transmission, computer services and software	2,049,908	1.86%	903,668
– Electricity, gas and water production and supply	2,010,370	1.83%	261,138
– Education	1,999,038	1.82%	567,297
– Water, environment and public facility management	1,470,115	1.33%	249,180
– Accommodation and catering	1,126,996	1.02%	694,457
– Health and social services	949,354	0.86%	78,175
– Resident and other services	492,990	0.44%	164,908
– Cultural, sports and entertainment	457,645	0.41%	237,121
– Public administration, social security and social organisations	151,305	0.14%	111,000
– Mining	99,924	0.09%	20,800
– Finance	44,890	0.04%	4,900
	87,012,232	78.87%	28,767,331
Personal loans and advances	23,309,853	21.13%	13,445,688
Discounted bill	2,397	0.00%	2,397
	110,324,482	100.00%	42,215,416
Less: Provision for impairment losses			
– Individually assessed	(924,030)		
– Collectively assessed	(2,274,636)		
	(3,198,666)		
	107,125,816		

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19. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analysed by industry sector (Continued)

	At 31 December 2019		
	Amounts (Audited) RMB'000	Percentages (Audited)	Loans and advances secured by collaterals (Audited) RMB'000
Gross loans and advances to customers			
Corporate loans and advances			
– Wholesale and retail	16,974,228	17.66%	5,951,261
– Manufacturing	13,696,639	14.25%	5,396,840
– Leasing and business services	12,293,450	12.79%	4,803,660
– Agriculture, forestry, animal husbandry and fishery	6,306,661	6.56%	1,841,179
– Construction	6,177,663	6.43%	1,948,146
– Transportation, storage and postal services	3,731,868	3.88%	364,354
– Real estate	3,413,495	3.55%	1,679,015
– Scientific research, technical services and geological prospecting	2,637,661	2.74%	905,049
– Electricity, gas and water production and supply	1,816,665	1.89%	225,200
– Education	1,776,163	1.85%	560,420
– Information transmission, computer services and software	1,054,018	1.10%	218,938
– Health and social services	935,788	0.97%	95,508
– Accommodation and catering	900,185	0.94%	595,825
– Cultural, sports and entertainment	473,722	0.49%	191,349
– Resident and other services	415,019	0.43%	142,251
– Water, environment and public facility management	402,124	0.42%	235,450
– Public administration, social security and social organisation	162,960	0.17%	110,000
– Mining	91,944	0.10%	10,700
– Finance	9,889	0.02%	4,901
	73,270,142	76.24%	25,280,046
Personal loans and advances	22,833,819	23.76%	13,265,826
	96,103,961	100.00%	38,545,872
Less: Provision for impairment losses			
– Individually assessed	(800,960)		
– Collectively assessed	(1,908,803)		
	(2,709,763)		
	93,394,198		

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For the Period Ended 30 June 2020

19. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analysed by industry sector (Continued)

As at 30 June 2020 and 31 December 2019, detailed information of the impaired loans and advances to customers as well as the corresponding provision for impairment losses in respect of each industry sector which constitutes 10% or more of gross loans and advances to customers are as follows:

	At 30 June 2020					
	Gross impaired loans and advances (Unaudited) RMB'000	ECL			Impairment charged during the period (Unaudited) RMB'000	Written-off during the period (Unaudited) RMB'000
		Stage 1	Stage 2	Stage 3		
		(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000		
– Wholesale and retail	310,733	342,218	30,387	121,145	68,010	—
– Manufacturing	536,335	355,443	43,758	270,787	51,114	—
– Leasing and business services	93,981	176,328	7,790	42,904	24,020	—

	At 31 December 2019					
	Gross impaired loans and advances (Audited) RMB'000	ECL			Impairment (reversed) charged during the year (Audited) RMB'000	Written-off during the year (Audited) RMB'000
		Stage 1	Stage 2	Stage 3		
		(Audited) RMB'000	(Audited) RMB'000	(Audited) RMB'000		
– Wholesale and retail	179,622	305,383	48,600	71,757	(8,431)	—
– Manufacturing	533,653	305,272	59,573	254,029	5,294	(1,500)
– Leasing and business services	82,476	168,598	4,591	29,813	146,824	—

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19. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Analysed by type of collateral

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Gross loans and advances to customers		
Unsecured loans	3,448,564	3,396,521
Guaranteed loans	53,110,081	43,901,776
Collateralised loans	42,215,416	38,545,872
Pledged loans	11,550,421	10,259,792
	110,324,482	96,103,961
Less: Provision for impairment losses		
– Individually assessed	(924,030)	(800,960)
– Collectively assessed	(2,274,636)	(1,908,803)
	(3,198,666)	(2,709,763)
	107,125,816	93,394,198

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19. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(d) Overdue loans analysed by overdue period

	At 30 June 2020				
	Overdue within three months (inclusive) (Unaudited) RMB'000	Overdue more than three months to one year (inclusive) (Unaudited) RMB'000	Overdue more than one year to three years (inclusive) (Unaudited) RMB'000	Overdue more than three years (Unaudited) RMB'000	Total (Unaudited) RMB'000
Unsecured loans	10,499	2,878	1,889	4,638	19,904
Guaranteed loans	571,943	209,566	248,404	213,023	1,242,936
Collateralised loans	901,817	583,305	528,157	549,818	2,563,097
Pledged loans	19,601	10,364	6,299	58,501	94,765
	1,503,860	806,113	784,749	825,980	3,920,702
As a percentage of gross loans and advances to customers	1.36%	0.73%	0.71%	0.75%	3.55%

	At 31 December 2019				
	Overdue within three months (inclusive) (Audited) RMB'000	Overdue more than three months to one year (inclusive) (Audited) RMB'000	Overdue more than one year to three years (inclusive) (Audited) RMB'000	Overdue more than three years (Audited) RMB'000	Total (Audited) RMB'000
Unsecured loans	6,968	6,973	1,290	4,929	20,160
Guaranteed loans	1,007,622	230,443	95,871	169,234	1,503,170
Collateralised loans	477,486	343,564	435,902	441,365	1,698,317
Pledged loans	22,610	5,759	5,565	58,261	92,195
	1,514,686	586,739	538,628	673,789	3,313,842
As a percentage of gross loans and advances to customers	1.58%	0.61%	0.56%	0.70%	3.45%

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

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For the Period Ended 30 June 2020

19. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(e) Loans and advances and provision for impairment losses

	At 30 June 2020			
	Stage 1	Stage 2	Stage 3	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Gross loans and advances to customers	105,123,186	2,645,246	2,556,050	110,324,482
Less: Provision for impairment losses	(1,764,970)	(260,373)	(1,173,323)	(3,198,666)
	103,358,216	2,384,873	1,382,727	107,125,816

	At 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
	(Audited)	(Audited)	(Audited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000
Gross loans and advances to customers	91,884,629	2,315,007	1,904,325	96,103,961
Less: Provision for impairment losses	(1,478,337)	(278,402)	(953,024)	(2,709,763)
	90,406,292	2,036,605	951,301	93,394,198

The Group conducts internal stratified management of asset risk characteristics according to the quality status of assets. Financial assets included in the expected credit losses are further classified into “Normal”, “Special mention”, “Substandard”, “Doubtful” and “Loss” within each stage according to internal rating scales and overdue days, the results of this layered management are used by the Bank for internal credit risk management purposes.

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19. LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

As at 30 June 2020 and 31 December 2019, an analysis of the gross amount of loans receivables with the grading of the loan is as follows:

	At 30 June 2020			
	Stage 1	Stage 2	Stage 3	Total
	12m	Lifetime	Lifetime	
	ECL	ECL	ECL	
RMB'000	RMB'000	RMB'000	RMB'000	
Normal	105,104,186	36,603	—	105,140,789
Special mention	19,000	2,608,643	512,786	3,140,429
Substandard	—	—	542,718	542,718
Doubtful	—	—	1,459,996	1,459,996
Loss	—	—	40,550	40,550
Gross carrying amount	105,123,186	2,645,246	2,556,050	110,324,482
Less: allowance for impairment losses	(1,764,970)	(260,373)	(1,173,323)	(3,198,666)
Net carrying amount	103,358,216	2,384,873	1,382,727	107,125,816

	At 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
	12m	Lifetime	Lifetime	
	ECL	ECL	ECL	
RMB'000	RMB'000	RMB'000	RMB'000	
Normal	91,884,629	1,017,500	—	92,902,129
Special mention	—	1,297,507	287,348	1,584,855
Substandard	—	—	520,996	520,996
Doubtful	—	—	1,067,058	1,067,058
Loss	—	—	28,923	28,923
Gross carrying amount	91,884,629	2,315,007	1,904,325	96,103,961
Less: allowance for impairment losses	(1,478,337)	(278,402)	(953,024)	(2,709,763)
Net carrying amount	90,406,292	2,036,605	951,301	93,394,198

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19. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(f) Movements of provision for impairment losses

	As at 30 June 2020			
	Stage 1	Stage 2	Stage 3	Total
	12m	Lifetime	Lifetime	
	ECL	ECL	ECL	
(Unaudited)	(Unaudited)	(Unaudited)		
	RMB'000	RMB'000	RMB'000	(Unaudited) RMB'000
Loss allowance at 1 January 2020	1,478,337	278,402	953,024	2,709,763
Changes in the loss allowance				
— Transfer to stage 1	97,374	(93,256)	(4,118)	—
— Transfer to stage 2	(38,038)	41,003	(2,965)	—
— Transfer to stage 3	(5,983)	(41,137)	47,120	—
— Charge to profit or loss, net	233,280	75,361	204,746	513,387
— Recoveries of loans and advances previously written off as uncollectible	—	—	4,977	4,977
— Interest income on impaired loans and advances to customers	—	—	(29,111)	(29,111)
— Amounts written off as uncollectible	—	—	(350)	(350)
Loss allowance at 30 June 2020	1,764,970	260,373	1,173,323	3,198,666

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For the Period Ended 30 June 2020

19. LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	As at 31 December 2019			Total RMB'000
	Stage 1	Stage 2	Stage 3	
	12m	Lifetime	Lifetime	
	ECL	ECL	ECL	
	RMB'000	RMB'000	RMB'000	RMB'000
Loss allowance at 1 January 2019	1,080,762	219,925	872,435	2,173,122
Changes in the loss allowance				
– Transfer to stage 1	45,541	(25,206)	(20,335)	—
– Transfer to stage 2	(13,486)	26,061	(12,575)	—
– Transfer to stage 3	(9,845)	(42,248)	52,093	—
– Charge to profit or loss, net	375,365	99,870	127,315	602,550
– Recoveries of loans and advances previously written off as uncollectible	—	—	7,963	7,963
– Interest income on impaired loans and advances to customers	—	—	(49,365)	(49,365)
– Amounts written off as uncollectible	—	—	(24,507)	(24,507)
Loss allowance at 31 December 2019	1,478,337	278,402	953,024	2,709,763

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Notes to the Condensed Consolidated Financial Statements

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For the Period Ended 30 June 2020

19. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(g) Analysed by geographical sector

	At 30 June 2020		
	Gross loan balance (Unaudited) RMB'000	Percentage (Unaudited)	Loan and advances secured by collaterals (Unaudited) RMB'000
Jilin Region	94,971,386	86.08%	33,545,041
Mainland China excluding Jilin Region	15,353,096	13.92%	8,670,375
	110,324,482	100.00%	42,215,416

	At 31 December 2019		
	Gross loan balance (Audited) RMB'000	Percentage (Audited)	Loan and advances secured by collaterals (Audited) RMB'000
Jilin Region	73,148,404	76.11%	27,645,195
Mainland China excluding Jilin Region	22,955,557	23.89%	10,900,677
	96,103,961	100.00%	38,545,872

Chapter 9 Unaudited Interim Financial Statement Notes to the Condensed Consolidated Financial Statements (Continued)

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19. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(h) Finance lease receivables

The Group entered into finance leasing arrangements as a lessor for certain equipment to its retailers. The average term of finance leases entered into is 3.49 years. Generally, these lease contracts do not include extension or early termination options.

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Amounts receivable under finance leases:		
Within one year	1,091,804	884,835
After one year but within two years	723,416	655,413
After two years but within three years	241,886	600,847
After three years but within four years	122,468	234,358
After four years but within five years	—	124,209
Undiscounted lease payments and gross investment in leases	2,179,574	2,499,662
Less: Unearned finance income	(184,924)	(247,825)
Present value of minimum finance lease receivables	1,994,650	2,251,837
Less: Provision for impairment losses	(42,106)	(34,491)
	1,952,544	2,217,346

The following table presents the amounts included in profit or loss.

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Finance income on the net investment in finance leases	62,543	63,028

The Group's finance lease arrangements do not include variable payments.

As at 30 June 2020 and 31 December 2019, the Group measures the loss allowance equal to 12-month ECL or lifetime ECL.

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For the Period Ended 30 June 2020

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Debt securities issued by the following institutions in Mainland China		
– Government	1,499,169	1,967,780
– Banks and other financial institutions	2,046,745	728,636
– Corporations	447,927	684,393
– Interbank deposits	1,292,828	2,803,021
	5,286,669	6,183,830
Asset management plans	344,301	341,773
Unlisted equity investments measured at FVTOCI	154,014	145,285
	498,315	487,058
	5,784,984	6,670,888
Analysed as:		
Listed outside Hong Kong	5,286,669	6,183,830
Unlisted outside Hong Kong	498,315	487,058
	5,784,984	6,670,888

The Group made an irrevocable election to present changes in the fair value of certain of its equity investments in OCI.

Debt securities included in FVTOCI are traded on the China Interbank Bond Market and are included in “Listed outside Hong Kong”.

At 30 June 2020 and 31 December 2019, parts of financial assets at FVTOCI were pledged as security for repurchase agreement (Note 27(a)).

Chapter 9 Unaudited Interim Financial Statement Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2020

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

Provision for impairment losses for debt instruments at FVTOCI:

	At 30 June 2020 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
	12m	Lifetime	Lifetime	
	ECL	ECL	ECL	
RMB'000	RMB'000	RMB'000	RMB'000	
Gross debt instruments at FVTOCI	5,630,820	—	150	5,630,970
Less: Provision for impairment losses	(6,258)	—	(150)	(6,408)
	5,624,562	—	—	5,624,562

	At 31 December 2019 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
	12m	Lifetime	Lifetime	
	ECL	ECL	ECL	
RMB'000	RMB'000	RMB'000	RMB'000	
Gross debt instruments at FVTOCI	6,440,748	—	84,855	6,525,603
Less: Provision for impairment losses	(5,960)	—	(150)	(6,110)
	6,434,788	—	84,705	6,519,493

The movements in the impairment allowance (included in investment revaluation reserve) for the debt instruments at FVTOCI during the year are as follows:

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
At 1 January	6,110	1,160
Provision for the year	298	4,950
At 30 June/31 December	6,408	6,110

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For the Period Ended 30 June 2020

21. FINANCIAL ASSETS MEASURED AT AMORTISED COST

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Debt securities issued by the following institutions in Mainland China		
— Government	3,196,865	5,579,410
— Banks and other financial institutions	348,813	531,695
	3,545,678	6,111,105
Trust plans	9,150,753	10,419,566
Asset management plans	6,657,973	6,635,538
Investment funds	640,000	720,906
	16,448,726	17,776,010
	19,994,404	23,887,115
Less: Provision for impairment losses	(900,140)	(878,256)
	19,094,264	23,008,859
Analysed as:		
Listed outside Hong Kong	3,545,132	6,110,632
Unlisted outside Hong Kong	15,549,132	16,898,227
	19,094,264	23,008,859

Chapter 9 Unaudited Interim Financial Statement Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2020

21. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Continued)

(a) Provision for impairment losses:

	At 30 June 2020 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
	12m	Lifetime	Lifetime	
	ECL	ECL	ECL	
RMB'000	RMB'000	RMB'000	RMB'000	
Gross financial assets measured at amortised costs	10,386,408	982,392	8,625,604	19,994,404
Less: Provision for impairment losses	(31,016)	(28,609)	(840,515)	(900,140)
	10,355,392	953,783	7,785,089	19,094,264

	At 31 December 2019 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
	12m	Lifetime	Lifetime	
	ECL	ECL	ECL	
RMB'000	RMB'000	RMB'000	RMB'000	
Gross financial assets measured at amortised costs	13,628,204	3,364,277	6,894,634	23,887,115
Less: Provision for impairment losses	(30,923)	(35,856)	(811,477)	(878,256)
	13,597,281	3,328,421	6,083,157	23,008,859

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Notes to the Condensed Consolidated Financial Statements

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For the Period Ended 30 June 2020

21. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Continued)

(b) Movements of allowance for impairment losses

	As at 30 June 2020			
	Stage 1 12m ECL (Unaudited) RMB'000	Stage 2 Lifetime ECL (Unaudited) RMB'000	Stage 3 Lifetime ECL (Unaudited) RMB'000	Total (Unaudited) RMB'000
Loss allowance at 1 January 2020	30,923	35,856	811,477	878,256
Changes in the loss allowance				
— Transfer to stage 1	—	—	—	—
— Transfer to stage 2	—	—	—	—
— Transfer to stage 3	(1,289)	(19,411)	20,700	—
— (Reverse) charge to profit or loss, net	1,382	12,164	126,902	140,448
— Interest income on impaired financial asset measured at amortised cost	—	—	(118,564)	(118,564)
Loss allowance at 30 June 2020	31,016	28,609	840,515	900,140

Chapter 9 Unaudited Interim Financial Statement Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2020

21. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Continued)

(b) Movements of allowance for impairment losses (Continued)

	As at 31 December 2019			Total RMB'000
	Stage 1	Stage 2	Stage 3	
	12m	Lifetime	Lifetime	
	ECL	ECL	ECL	
	RMB'000	RMB'000	RMB'000	
Loss allowance at 1 January 2019	81,066	22,498	533,193	636,757
Changes in the loss allowance				
– Transfer to stage 1	4,937	(4,937)	–	–
– Transfer to stage 2	(12,223)	12,223	–	–
– Transfer to stage 3	(13,169)	(12,685)	25,854	–
– Charge (reverse) to profit or loss, net	(29,688)	18,757	481,190	470,259
– Interest income on impaired financial asset measured at amortised cost	–	–	(228,760)	(228,760)
Loss allowance at 31 December 2019	30,923	35,856	811,477	878,256

Notes:

- (a) The Group had an objective to hold these investments in order to collect contractual cash flows and had measured them at their amortised cost.
- (b) All debt securities are traded on the China Interbank Bond Market and are included in "Listed outside Hong Kong".
- (c) At 31 December 2019, parts of financial assets at amortised cost were pledged as security for repurchase agreement (Note 27(a)).

22. INTERESTS IN ASSOCIATES

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Costs of investments in associates, unlisted	1,483,133	1,483,133
Share of post-acquisition profits and other comprehensive income, net off dividends received	77,208	105,499
	1,560,341	1,588,632

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22. INTERESTS IN ASSOCIATES (Continued)

As at 30 June 2020 and 31 December 2019, the Group had interests in the following associates:

Name of the bank	Form of entity	Country of incorporation/ operation	Class of shares held	Proportion of ownerships interests or participating shares held by the Group		Proportion of voting power held		Principal activity
				30 June 2020	31 December 2019	30 June 2020	31 December 2019	
				(Unaudited)	(Audited)	(Unaudited)	(Audited)	
Jilin Gongzhuling Rural Commercial Bank Co., Ltd.* (“吉林公主嶺農村商業銀行股份有限公司”) ⁽¹⁾	Incorporated	PRC	Ordinary	30%	30%	30%	30%	Corporate and retail bank
Changbai Mountain Rural Commercial Bank Co., Ltd. (“長白山農村商業銀行股份有限公司”) ⁽¹⁾	Incorporated	PRC	Ordinary	38.8%	38.8%	38.8%	38.8%	Corporate and retail bank
Jilin Chuncheng Rural Commercial Bank Co., Ltd.* (“吉林春城農村商業銀行股份有限公司”) ⁽¹⁾	Incorporated	PRC	Ordinary	30%	30%	30%	30%	Corporate and retail bank
Haikou United Rural Commercial Bank Co., Ltd.* (“海口聯合農村商業銀行股份有限公司”) ⁽¹⁾	Incorporated	PRC	Ordinary	20%	20%	24%	24%	Corporate and retail bank

(1) These associates are directly held by the Bank.

* The English translation is for identification only.

Chapter 9 Unaudited Interim Financial Statement Notes to the Condensed Consolidated Financial Statements (Continued)

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22. INTERESTS IN ASSOCIATES (Continued)

The financial information and carrying amount, in aggregate, of the Group's interests in the associates that are not individually material and are accounted for using the equity method are set out below:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
The Group's share of (losses) profit for the period/year	(2,736)	67,564
The Group's share of other comprehensive expense for the period/year	(1,361)	(1,793)
	(4,097)	65,771

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Carrying amount of the Group's interests in these associates	1,560,341	1,588,632

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23. PROPERTY AND EQUIPMENT

	Premises RMB'000	Leasehold improvement RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost						
At 1 January 2019	3,496,919	600,446	675,002	251,090	10,325	5,033,782
Additions	36,077	23,105	161,354	127,686	1,867	350,089
Transfers in/(out) of construction in progress	81,473	—	1,167	(82,640)	—	—
Disposals	(63,068)	(2,335)	(11,947)	—	(1,465)	(78,815)
At 31 December 2019 and 1 January 2020	3,551,401	621,216	825,576	296,136	10,727	5,305,056
Additions	—	51	8,680	63,119	4,562	76,412
Disposals	(306)	—	(662)	—	(5,994)	(6,962)
At 30 June 2020 (Unaudited)	3,551,095	621,267	833,594	359,255	9,295	5,374,506
Accumulated depreciation and impairment						
At 1 January 2019	321,012	306,355	388,915	—	8,088	1,024,370
Provided for the year	146,739	62,347	107,333	—	607	317,026
Eliminated on disposals	(10,517)	(177)	(11,125)	—	(1,423)	(23,242)
At 31 December 2019 and 1 January 2020	457,234	368,525	485,123	—	7,272	1,318,154
Provided for the period	73,481	31,197	46,806	—	416	151,900
Eliminated on disposals	(254)	—	(338)	—	(1,568)	(2,160)
At 30 June 2020 (Unaudited)	530,461	399,722	531,591	—	6,120	1,467,894
Net book value						
At 30 June 2020 (Unaudited)	3,020,634	221,545	302,003	359,255	3,175	3,906,612
At 31 December 2019 (Audited)	3,094,167	252,691	340,453	296,136	3,455	3,986,902

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23. PROPERTY AND EQUIPMENT (Continued)

At 30 June 2020, the net book values of premises of which title deeds were not yet finalised by the Group were approximately RMB2,202,036,000 (31 December 2019: approximately RMB2,336,150,000). Among them, the net book values of premises that the Group has obtained housing property title certificates issued by the authorities but no land use right certificates were approximately RMB486,613,000 (31 December 2019: approximately RMB539,546,000).

According to the opinions of the Group's external legal counsels, the Group is the legal owner of the aforementioned premises and entitled to occupy, use, transfer, pledge and dispose of these premises.

At 30 June 2020 and 31 December 2019, the net book values of premises are analysed by the remaining terms of the leases as follows:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Held in Mainland China		
– Long term leases (over 50 years)	75,761	75,809
– Medium term leases (10–50 years)	2,919,952	2,992,546
– Short term leases (less than 10 years)	24,921	25,812
	3,020,634	3,094,167

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24. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Right-of-use assets

	Premises RMB'000	Motor Vehicles RMB'000	Land use rights (Note) RMB'000	Total RMB'000
Cost				
At 1 January 2019	—	—	—	—
Adoption of IFRS 16	934,503	5,364	29,370	969,237
Additions	53,439	5,688	—	59,127
Disposals	—	—	(20,950)	(20,950)
Early termination of lease	(35,072)	—	—	(35,072)
At 1 January 2020	952,870	11,052	8,420	972,342
Additions	66,402	1,656	—	68,058
Disposals	—	—	(17)	(17)
Early termination of lease	(46,568)	(600)	—	(47,168)
At 30 June 2020 (Unaudited)	972,704	12,108	8,403	993,215
Accumulated depreciation				
At 1 January 2019	—	—	—	—
Adoption of IFRS 16	—	—	3,587	3,587
Provided for the period	180,875	4,327	461	185,663
Elimination on disposals	—	—	(2,920)	(2,920)
Elimination on early termination of lease	(5,481)	—	—	(5,481)
At 1 January 2020	175,394	4,327	1,128	180,849
Provided for the period	95,215	2,497	161	97,873
Eliminated on disposals	—	—	(2)	(2)
Elimination on early termination of lease	(10,241)	(424)	—	(10,665)
At 30 June 2020 (Unaudited)	260,368	6,400	1,287	268,055
Carrying amounts				
At 30 June 2020 (Unaudited)	712,336	5,708	7,116	725,160
At 31 December 2019 (Audited)	777,476	6,725	7,292	791,493

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For the Period Ended 30 June 2020

24. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

(i) Right-of-use assets (Continued)

Note:

As at 30 June 2020, right-of-use assets of approximately RMB7,116,000 (31 December 2019: approximately RMB7,292,000) represents land use rights located in the PRC. As at 30 June 2020, the Group is still in a process of obtaining the land certificate with the carrying amount of approximately RMB898,000 (31 December 2019: approximately RMB972,000). In the opinion of the directors, based on the advice from the Group's external legal adviser, the absence of the land certificate does not impair its carrying value to the Group.

The Group has lease arrangements for premises and motor vehicles. The lease terms are generally ranged from two to twenty years. The land is located in PRC with lease term ranged from ten to fifty years.

Additions to the right-of-use assets for the period ended 30 June 2020 amounted to approximately RMB68,058,000, due to new leases of premises and motor vehicles.

Additions to the right-of-use assets for the year ended 31 December 2019 amounted to approximately RMB59,127,000, due to new leases of premises and motor vehicles.

(ii) Lease liabilities

Amounts payable under lease liabilities

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Within one year	176,163	212,000
After one year but within two years	146,631	151,174
After two year but within five years	260,197	278,970
After five years	72,054	69,759
	655,045	711,903

During the period ended 30 June 2020, the Group entered into a number of new lease agreements in respect of renting properties and motor vehicles and recognised lease liability of approximately RMB68,058,000.

During the year ended 31 December 2019, the Group entered into a number of new lease agreements in respect of renting properties and motor vehicles and recognised lease liability of approximately RMB59,127,000.

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24. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

(iii) Amounts recognised in profit and loss

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Depreciation expense on right-of-use assets	97,873	91,418
Interest expense on lease liabilities	15,531	17,830
Expense relating to short-term leases	12,242	5,909

(iv) Others

As at 30 June 2020 and 31 December 2019, the Group is not committed for lease agreements not yet commenced.

During the period ended 30 June 2020, the total cash outflow for leases amount to approximately RMB99,337,000 (30 June 2019: approximately RMB83,069,000).

25. DEFERRED TAXATION

The following is an analysis of the deferred tax balances for financial reporting purposes:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Deferred tax assets	815,803	725,916
Deferred tax liabilities	(156,748)	(164,420)
	659,055	561,496

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25. DEFERRED TAXATION (Continued)

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current period and prior year:

	Provision for impairment losses on assets RMB'000 Note (i)	Change in fair value of financial asset at FVTOCI RMB'000 Note (ii)	Net losses/(gains) from fair value changes of financial asset at FVTPL RMB'000 Note (ii)	Tax losses RMB'000 Note (iii)	Others RMB'000	Net balance of deferred tax assets RMB'000
At 1 January 2019	509,005	11,837	(176,498)	56,772	4,510	405,626
Credit/(charge) to profit or loss	148,262	2,380	12,078	5,518	3,072	171,310
Credit to other comprehensive income	—	(15,440)	—	—	—	(15,440)
At 31 December 2019 and 1 January 2020	657,267	(1,223)	(164,420)	62,290	7,582	561,496
Credit/(charge) to profit or loss	97,187	73	15,927	(12,191)	(547)	100,449
Credit to other comprehensive income	—	(2,890)	—	—	—	(2,890)
At 30 June 2020 (Unaudited)	754,454	(4,040)	(148,493)	50,099	7,035	659,055

Notes:

- (i) The Group made provision for impairment losses on loans and advances to customers and other financial assets. The provision for impairment losses was determined based on the expected recoverable amount of the relevant assets at the end of each of the reporting period. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of each of the reporting period, together with write-offs which fulfill specific criteria as set out in the Mainland China tax rules and are approved by the tax authorities.
- (ii) Net gains or losses on fair value changes of financial instruments are subject to tax when realised.
- (iii) At 30 June 2020, the Group has unused tax losses of approximately RMB200,396,000 (31 December 2019: approximately RMB249,162,000), available for offset against future profits. A deferred tax asset has been recognised in respect of such losses. Such tax losses can be carried forward for five years from the year in which the respective loss arose.

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26. OTHER ASSETS

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Other receivables and prepayments (Note (i))	265,602	106,576
Repossessed assets (Note (ii))	385,942	338,197
Long-term deferred expenses (Note (iii))	139,102	151,960
Other	15,213	63,037
	805,859	659,770

Notes:

(i)

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Other receivables and prepayments	290,668	130,003
Less: Provision for impairment losses	(25,066)	(23,427)
	265,602	106,576

As at 30 June 2020, the Group has other receivables in gross amount of approximately RMB203,172,000 (2019: approximately RMB106,943,000), and measures the loss allowance comprised of 12-month ECL and lifetime ECL amounting to approximately RMB25,066,000 (2019: RMB23,427,000).

Movements of allowance for impairment losses

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
At 1 January	23,427	12,268
Impairment losses recognised	1,639	12,662
Impairment losses reversed	—	(189)
Amounts written off as uncollectible	—	(1,314)
At 30 June/31 December	25,066	23,427

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26. OTHER ASSETS (Continued)

Notes: (Continued)

(ii)

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Repossessed assets	405,382	357,637
Less: Provision for impairment losses	(19,440)	(19,440)
	385,942	338,197

Movements of allowance for impairment losses

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
At 1 January	19,440	14,892
Impairment losses recognised	—	4,622
Amounts written off as uncollectible	—	(74)
At 30 June/31 December	19,440	19,440

(iii) As at 30 June 2020, long-term deferred expenses represent prepayments for services with average contract terms ranging from one year to five years and amortise at straight line basis over the contract period in 2020. Amortisation of long-term deferred expenses for the period ended 30 June 2020 was approximately RMB15,659,000.

As at 31 December 2019, long-term deferred expenses represent prepayments for services with average contract terms ranging from one year to five years and amortise at straight line basis over the contract period in 2019. Amortisation of long-term deferred expenses for the year ended 31 December 2019 was approximately RMB12,973,000.

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27. PLEDGED ASSETS

(a) Assets pledged as collaterals

Financial assets pledged by the Group as collaterals for liabilities or contingent liabilities mainly include financial assets held under resale agreement and debt securities, which are for repurchase agreements. The carrying amounts of the financial assets pledged as collaterals as at 30 June 2020 is approximately RMB1,141,487,000 (31 December 2019: approximately RMB 2,904,773,000).

(b) Received pledged assets

The Group and the Bank conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions.

28. BORROWINGS FROM THE CENTRAL BANK

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Borrowings	1,816,425	3,345,160

29. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Deposits in Mainland China		
— Banks	9,282,502	6,277,616

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30. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Placements in Mainland China — Banks	6,732,496	4,379,496

31. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by type and location of counterparty

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
In Mainland China — Banks	1,115,200	2,610,800
	1,115,200	2,610,800

(b) Analysed by collateral

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Debt securities	1,115,200	2,610,800

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32. DEPOSITS FROM CUSTOMERS

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Demand deposits		
– Corporate customers	26,838,379	28,671,038
– Individual customers	20,734,666	21,044,132
	47,573,045	49,715,170
Time deposits		
– Corporate customers	7,889,559	9,449,133
– Individual customers	71,227,473	60,484,129
	79,117,032	69,933,262
Pledged deposits		
– Acceptances	643,936	772,821
– Guarantees and letters of guarantees	1,723,112	1,586,772
	2,367,048	2,359,593
Others	681,275	832,375
	129,738,400	122,840,400

33. ACCRUED STAFF COSTS

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Salary and bonus payable	61,305	191,744
Social pension schemes payable	4,975	258
Other social insurances payable	2,178	1,693
Other staff welfare payable	2,115	5,655
	70,573	199,350

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34. INTERESTS PAYABLE

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Deposits from customers	2,185,331	2,023,005
Deposits and placements from banks and other financial institutions	306,075	133,872
Debts securities issued	62,184	43,876
Others	1,159	4,136
	2,554,749	2,204,889

35. DEBTS SECURITIES ISSUED

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Fixed rate subordinated debts/tier-two capital bonds issued (Note (i))	2,396,401	2,395,997
Interbank deposits (Note (ii))	7,909,824	11,824,060
	10,306,225	14,220,057

Notes:

- (i) Fixed rate subordinated debts/tier-two capital bonds issued
- (a) Fixed rate subordinated debts at a face value of RMB700,000,000 with a term of ten years were issued on 31 December 2012. The coupon rate is 7.00%. The effective interest rate per annum on the Group's fixed rate subordinated debts issued is 7.06%. As at 30 June 2020, the outstanding balance of this fixed rate subordinated debts issued is approximately RMB699,250,000 (31 December 2019: approximately RMB699,100,000).
- (b) Fixed rate tier-two capital bonds at a face value of RMB800,000,000 with a term of ten years were issued on 13 April 2015. The coupon rate is 6.30%. The effective interest rate per annum on the Group's tier-two capital bonds issued is 6.35%. As at 30 June 2020, the outstanding balance of this fixed rate tier-two capital bonds issued is approximately RMB798,852,000 (31 December 2019: approximately RMB798,733,000).
- (c) Fixed rate tier-two capital bonds at a face value of RMB900,000,000 with a term of ten years were issued on 20 October 2016. The coupon rate is 4.20%. The Group has an option to redeem the debts on 20 October 2021 at the nominal amount. The effective interest rate per annum on the Group's tier-two capital bonds issued is 4.24%. As at 30 June 2020, the outstanding balance of this fixed rate tier-two capital bonds issued is approximately RMB898,299,000 (31 December 2019: approximately RMB898,164,000).
- (ii) Interbank deposits
- (a) For the period ended 30 June 2020, the Bank issued a number of zero coupon interbank deposits with total nominal amount of RMB6,740,000,000 and duration between 3 months to 1 year. As at 30 June 2020, the outstanding balance of interbank deposits issued is approximately RMB6,076,503,000. The ranges of effective interest rates per annum on the Group's interbank deposits issued are 3.15% to 4.20%.
- (b) For the year ended 31 December 2019, the Bank issued a number of zero coupon interbank deposits with total nominal amount of RMB13,040,000,000 and duration between 1 month to 1 year. As at 30 June 2020, the outstanding balance of interbank deposits issued is approximately RMB1,833,321,000 (31 December 2019: approximately RMB11,824,060,000). The ranges of effective interest rates per annum on the Group's interbank deposits issued are 3.15% to 4.30%.

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36. OTHER LIABILITIES

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Other payable and accrued expenses	981,786	355,682
Clearance of inter-bank accounts	254,864	204,554
Other taxes payables	14,778	25,088
Agency business liabilities	78,439	11,225
Dividend payable	753,253	6
Deposits under finance lease arrangement and unearned revenue (Notes (a))	38,540	48,853
Provision for credit commitments and financial guarantees (Notes (b))	220	226
	2,121,880	645,634

Notes:

- (a) Deposits under finance lease arrangement and unearned revenue mainly represents finance leases deposits payable and deferred income received under finance leases for which the income will be amortised over the leasing periods.
- (b) As at 30 June 2020 and 31 December 2019, the Group classifies all provision for credit commitments and financial guarantees in Stage 1, and measures the loss allowance equal to 12-month ECL.

37. SHARE CAPITAL

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

Share capital as at the end of the reporting period is as follows:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Registered, issued and fully paid ordinary shares of RMB1 each:		
— Ordinary shares	4,184,037	4,184,037
At the beginning and the end of the period/year	4,184,037	3,984,797
Share increase by converting capital reserve into new shares (Note)	—	199,240
At end of the year	4,184,037	4,184,037

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37. SHARE CAPITAL (Continued)

Note:

At 16 August 2019, the Bank issued 199,239,885 ordinary shares with a par value RMB1 at issue price by way of capitalisation of capital reserve of the Bank on the basis of five new shares for every one hundred existing shares. The new shares rank pari passu with the existing shares in all respects.

On 14 August 2020, the Bank issued 209,201,878 ordinary shares with a par value of RMB1 per share by way of capitalisation issue of capital reserve of the Bank on the basis of five new shares for every one hundred existing shares. Total ordinary shares are increased to 4,393,239,455.

As at the end of reporting period, the Bank's issued shares (in thousands of shares) is as follows:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Domestic shareholders	3,387,087	3,387,087
H shareholders	796,950	796,950
At end of the period/year	4,184,037	4,184,037

38. CAPITAL RESERVE

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Share premium	4,852,049	4,852,049
Changes in ownership in subsidiaries without changes in control	296,995	296,567
	5,149,044	5,148,616

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39. SURPLUS RESERVE AND GENERAL RESERVE

(a) Surplus reserve

The surplus reserve at the end of each of the reporting period represented statutory surplus reserve fund and other surplus reserve. The statutory surplus reserve fund as at 30 June 2020 is approximately RMB797,417,000 (31 December 2019: approximately RMB797,417,000), while other surplus reserve is approximately RMB16,659,000 as at 30 June 2020 (31 December 2019: approximately RMB16,659,000). The Bank and its subsidiaries are required to appropriate 10% of its net profit, after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

(b) General reserve

With effect from 1 July 2012, pursuant to the "Administrative Measures on Accrual of Provisions by Financial Institutions" issued by the MOF in March 2012, the Group is required, in principle, to set aside a general reserve not lower than 1.5% of the balance of its gross risk-bearing assets at each year end.

40. DIVIDENDS

	30 June 2020 (Unaudited) RMB'000	30 June 2019 (Unaudited) RMB'000
2019 final dividend (Note a)	753,127	—
2018 final dividend (Note b)	—	717,264

Notes:

- (a) Pursuant to the resolution of the shareholders meeting of 2019 on 18 June 2020, the Bank distributed cash dividends of RMB0.18 per share (tax included) based on 4,184,037,577 shares held amounting to approximately RMB753,127,000 during the period ended 30 June 2020.
- (b) Pursuant to the resolution of the shareholders meeting of 2018 on 20 June 2019, the Bank distributed cash dividends of RMB0.18 per share (tax included) based on 3,984,797,692 shares held amounting to approximately RMB717,264,000 during the period ended 30 June 2019.
- (c) No interim dividend was paid, declared or proposed during the period ended 30 June 2020 (2019: nil).

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41. STRUCTURED ENTITIES

(a) Consolidated structured entities

The condensed consolidated structured entities of the Group mainly include principal-guaranteed wealth management products sponsored by the Bank. As at 30 June 2020 and 31 December 2019, the amount of assets held by the principal-guaranteed wealth management products sponsored by the Bank amounted to approximately RMB4,967,058,000 and approximately RMB7,879,594,000 respectively.

(b) Unconsolidated structured entities

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

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include trust plans, asset management plans and wealth management products issued by other financial institutions.

The following table set out an analysis of the gross carrying amounts of interests held by the Group as at 30 June 2020 and 31 December 2019:

	30 June 2020			
	Financial assets			
	Financial assets at FVTOCI	measured at amortised cost	Carrying amount	Maximum exposure
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Trust plans	—	9,150,753	9,150,753	9,150,753
Asset management plans	344,301	6,657,973	7,002,274	7,002,274
Investment funds	—	640,000	640,000	640,000
	344,301	16,448,726	16,793,027	16,793,027

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41. STRUCTURED ENTITIES (Continued)

(b) Unconsolidated structured entities (Continued)

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

	31 December 2019			
	Financial assets at FVTOCI RMB'000	Financial assets measured at amortised cost RMB'000	Carrying amount RMB'000	Maximum exposure RMB'000
Trust plans	—	10,419,566	10,419,566	10,419,566
Asset management plans	341,774	6,635,538	6,977,312	6,977,312
Investment funds	—	720,906	720,906	720,906
	341,774	17,776,010	18,117,784	18,117,784

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

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Group includes investments in units issued by these structured entities and fees charged by providing management services. As at 30 June 2020 and 31 December 2019, the carrying amounts of the investments in the units issued by these structured entities and management fee receivables being recognised are not material in the statement of financial positions.

As at 30 June 2020, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, are RMB4,081,760,000 (31 December 2019: approximately RMB3,828,730,000).

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41. STRUCTURED ENTITIES (Continued)

(b) Unconsolidated structured entities (Continued)

(iii) Unconsolidated structured entities sponsored by the Group during the period which the Group does not have an interest in as at 30 June 2020 and 31 December 2019:

During the period ended 30 June 2020, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January, but matured before 30 June 2020 amounted to approximately RMB518,510,000 (during the year ended 31 December 2019: approximately RMB3,722,410,000).

42. 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.

Since 1 January 2013, the Group started computing its capital adequacy ratios in accordance with "Administrative Measures for the Capital of Commercial Banks (Provisional)" and other relevant regulations promulgated by the CBIRC.

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42. CAPITAL MANAGEMENT (Continued)

The CBIRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2019 in accordance with “Administrative Measures for the Capital of Commercial Banks (Provisional)”. For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively.

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

The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group’s statutory financial statements prepared in accordance with the generally accepted accounting principles in the PRC. During the period/year ended 30 June 2020 and 31 December 2019, the Group has complied with all its externally imposed capital requirements.

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42. CAPITAL MANAGEMENT (Continued)

The Group's capital adequacy ratios as at 30 June 2020 and 31 December 2019 calculated in accordance with "Administrative Measures for the Capital of Commercial Banks (Provisional)" and relevant requirements promulgated by the CBIRC are as follows:

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Total core tier-one capital		
Share capital	4,184,037	4,184,037
Qualifying portion of capital reserve	5,149,044	5,148,616
Investment revaluation reserve	30,733	12,038
Surplus reserve	814,076	814,076
General reserve	1,777,674	1,777,674
Retained earnings	993,783	1,403,512
Qualifying portions of non-controlling interests	1,143,624	1,115,665
Core tier-one capital deductions (Note)	(878,292)	(905,514)
Net core tier-one capital	13,214,679	13,550,104
Eligible portion of non-controlling interests	149,893	146,885
Net tier-one capital	13,364,572	13,696,989
Tier-two capital		
Qualifying portion of tier-two capital instruments issued	1,840,000	1,910,000
Surplus provision for loan impairment	1,155,402	1,092,787
Eligible portion of non-controlling interests	303,529	297,012
Net capital base	16,663,503	16,996,788
Total risk weighted assets	151,618,731	141,841,465
Core tier-one capital adequacy ratio	8.72%	9.55%
Tier-one capital adequacy ratio	8.81%	9.66%
Capital adequacy ratio	10.99%	11.98%

Note:

Core tier-one capital deductions primarily include other intangible assets excluding land use rights, goodwill, deferred tax assets recognised for tax losses and other regulatory deductions.

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43. FINANCIAL RISK MANAGEMENT

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

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

Details of the financial instruments are disclosed in respective notes to the condensed consolidated financial statements. The risks associated with these financial instruments include credit risk, liquidity risk and market risk (i.e. interest rate risk and exchange rate risk). 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 31 December 2019, except that credit risk management has been changed due to the adoption of IFRS 9. Key changes are summarised below:

Credit risk

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

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

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43. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

The five category classifications in which the Group classifies its loans and advances to customers and financial assets at amortised cost are set out below:

Category	Description	Basis for recognising ECL
Normal	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.	12-month ECL
		Lifetime ECL — not credit impaired (Only if more than 30 days pass due)
Special mention	Borrowers are able to repay their loans currently, although repayment may be adversely affected by specific factors.	Lifetime ECL — credit impaired (Only if more than 90 days pass due and repayment may be adversely affected by specific factors)
		Lifetime ECL — not credit impaired
Substandard	Borrowers' ability to repay their loans is in question and they cannot rely entirely on normal operational revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.	Lifetime ECL — credit impaired (Only if more than 90 days pass due and repayment may be adversely affected by specific factors)
		Lifetime ECL — credit impaired
Doubtful	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.	Lifetime ECL — credit impaired
Loss	Only a small portion or none of the principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.	Lifetime ECL — credit impaired

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43. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

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

Loan and advance to customers

The Group has applied the general approach in IFRS 9 to measure ECL. The Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

Financial assets at FVTOCI

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

Chapter 9 Unaudited Interim Financial Statement Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2020

43. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Financial asset measured at amortised cost

The Group has applied the general approach in IFRS 9 to measure ECL. The Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

Placements with banks and other financial institutions

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

Deposits with banks and other financial institutions

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

Financial assets held under resale agreements

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

Credit commitments and financial guarantees

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

Other receivables

The Group has applied the general approach in IFRS 9 to measure ECL. The Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

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Notes to the Condensed Consolidated Financial Statements

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For the Period Ended 30 June 2020

44. CASH AND CASH EQUIVALENTS

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

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Unaudited) RMB'000
Cash on hand	697,854	698,775
Deposits with the central bank	10,497,370	11,911,299
Deposits with banks and other financial institutions	7,031,334	3,793,036
Placements with banks and other financial institutions	739,000	317,000
Financial assets held under resale agreements	326,000	99,960
Total	19,291,558	16,820,070

45. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS

(a) Related parties of the Group

(i) Major shareholders

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

Shareholding in the Bank:

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Jilin Province Trust Co., Ltd. ("吉林省信託有限責任公司")	9.61%	9.61%
Changchun Huaxing Construction Co., Ltd. ("長春華星建築有限責任公司")	8.23%	8.23%

Chapter 9 Unaudited Interim Financial Statement Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2020

45. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

(a) Related parties of the Group (Continued)

(ii) Other related parties

Other related parties can be individuals or enterprises, which include members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 45(a)(i) or their controlling shareholders. 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.

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

During the period, the Group had the following material balances and entered into the following material transactions with related parties other than key management personnel 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.

(i) Transactions between the Bank and subsidiaries

The subsidiaries of the Bank are its related parties. The transactions between the Bank and its subsidiaries and among the subsidiaries are eliminated on consolidation and therefore are not disclosed in this note.

(ii) Transactions between the Group and associates

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Transactions during the period		
Interest income	18,804	89,878
Interest expense	31,643	9,863
Rental income	3,400	3,400

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For the Period Ended 30 June 2020

45. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

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

(ii) Transactions between the Group and associates (Continued)

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Balances at end of the period/year		
Deposits with banks and other financial institutions	2,177,116	2,354,758
Interest receivable	3,769	7,813
Deposits from banks and other financial institutions	1,058,678	1,076,281
Placements from banks and other financial institutions	100,000	300,000
Financial assets sold under repurchase agreements	100,000	—
Interests payables	23,074	18,801

(iii) Transactions between the Group and major shareholders

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Transactions during the period		
Interest income	20,662	17,820
Interest expense	49	399

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Balances at end of the period/year		
Placements with banks and other financial institutions	140,000	140,000
Loans and advances to customers	254,000	445,540
Interests receivable	3,131	2,090
Deposits from customers	33,513	46,258
Interests payable	3	4

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For the Period Ended 30 June 2020

45. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

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

(iv) Transactions between the Group and other related parties

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Transactions during the period		
Interest income	47,166	21,092
Interest expense	1,257	24,063

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
	Balances at end of the period/year	
Loans and advances to customers	1,615,900	898,000
Interests receivable	14,371	3,471
Deposits from customers	991,584	896,166
Interests payable	1,226	979

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Notes to the Condensed Consolidated Financial Statements

(Continued)

For the Period Ended 30 June 2020

45. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

(c) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, board of directors, the supervisory board and executive officers.

(i) Transactions between the Group and key management personnel

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Transactions during the period		
Interest income	112	71
Interest expense	73	23
Rental expense	421	696

	At 30 June	At 31 December
	2020 (Unaudited) RMB'000	2019 (Audited) RMB'000
Balances at end of the period/year		
Loans and advances to customers	4,572	5,222
Interest receivable	—	24
Deposits from customers	5,816	6,268
Interests payable	1	1

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For the Period Ended 30 June 2020

45. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

(c) Key management personnel (Continued)

(ii) Key management personnel compensation

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

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Short-term staff benefits	3,154	3,072
Retirement benefits		
– Basic social pension insurance	728	1,038
	3,882	4,110

(d) Loans and advances to directors, supervisors and officers

Loans and advances to directors, supervisors and officers of the Group disclosed pursuant to section 383 to the Hong Kong Companies Ordinance (Cap. 622) are as follows:

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
	Loans and advances to directors, supervisors and officers	4,572

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Notes to the Condensed Consolidated Financial Statements

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For the Period Ended 30 June 2020

46. SEGMENT REPORTING

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

Corporate banking

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

Retail banking

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

Treasury operations

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

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Notes to the Condensed Consolidated Financial Statements

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For the Period Ended 30 June 2020

46. SEGMENT REPORTING (Continued)

Others

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

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

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

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

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Notes to the Condensed Consolidated Financial Statements

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For the Period Ended 30 June 2020

46. SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities

	Period ended 30 June 2020				
	Corporate banking	Retail banking	Treasury operations	Others	Total
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Operating income					
External net interest income/(expense)	2,301,062	(612,165)	408,710	(1,018)	2,096,589
Internal net interest (expense)/income	(952,144)	1,559,393	(607,249)	—	—
Net interest income/(expense)	1,348,918	947,228	(198,539)	(1,018)	2,096,589
Net fee and commission income	31,245	4,935	799	—	36,979
Net trading gains	—	—	96,361	—	96,361
Dividend income	—	—	—	59,402	59,402
Net gains arising from investment securities	—	—	35,215	—	35,215
Net exchange gains	—	—	—	4,103	4,103
Other operating income, net	—	—	—	11,000	11,000
Operating income	1,380,163	952,163	(66,164)	73,487	2,339,649
Operating expenses	(585,754)	(506,555)	(23,484)	(25,686)	(1,141,479)
Impairment losses on assets	(360,682)	(152,704)	(139,938)	(1,639)	(654,963)
Operating profit/(loss)	433,727	292,904	(229,586)	46,162	543,207
Share of losses of associates	—	—	—	(2,736)	(2,736)
Profit/(loss) before tax	433,727	292,904	(229,586)	43,426	540,471
Other segment information					
— Depreciation and amortisation	142,195	113,402	4,541	5,294	265,432
— Capital expenditure	33,938	39,376	1,146	1,952	76,412

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Notes to the Condensed Consolidated Financial Statements

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For the Period Ended 30 June 2020

46. SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities (Continued)

	As at 30 June 2020				
	Corporate banking	Retail banking	Treasury operations	Others	Total
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Segment assets	89,134,790	24,432,791	61,708,133	3,790,261	179,065,975
Deferred tax assets	—	—	—	659,055	659,055
Total assets	89,134,790	24,432,791	61,708,133	4,449,316	179,725,030
Segment liabilities	(41,157,963)	(93,933,187)	(27,726,485)	(872,729)	(163,690,364)
Dividend payable	—	—	—	(753,253)	(753,253)
Total liabilities	(41,157,963)	(93,933,187)	(27,726,485)	(1,625,982)	(164,443,617)

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Notes to the Condensed Consolidated Financial Statements

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For the Period Ended 30 June 2020

46. SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities (Continued)

	Period ended 30 June 2019				
	Corporate	Retail	Treasury	Others	Total
	banking (Unaudited) RMB'000	banking (Unaudited) RMB'000	operations (Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Operating income					
External net interest income/(expense)	1,830,607	(436,756)	520,904	(887)	1,913,868
Internal net interest (expense)/income	(400,577)	1,155,184	(754,607)	—	—
Net interest income/(expense)	1,430,030	718,428	(233,703)	(887)	1,913,868
Net fee and commission income	82,799	5,121	582	—	88,502
Net trading gains	—	—	350,785	—	350,785
Dividend income	—	—	—	64,248	64,248
Net gains arising from investment securities	—	—	7,748	—	7,748
Net exchange gains	—	—	—	3,444	3,444
Other operating expense, net	—	—	—	(1,587)	(1,587)
Operating income	1,512,829	723,549	125,412	65,218	2,427,008
Operating expenses	(677,631)	(394,057)	(59,319)	(25,532)	(1,156,539)
Impairment losses on assets	(277,649)	(178,254)	(224,358)	1,385	(678,876)
Operating profit/(loss)	557,549	151,238	(158,265)	41,071	591,593
Share of profits of associates	—	—	—	18,112	18,112
Profit/(loss) before tax	557,549	151,238	(158,265)	59,183	609,705
Other segment information					
— Depreciation and amortisation	159,707	87,492	11,383	5,442	264,024
— Capital expenditure	104,281	49,173	13,509	10,585	177,548

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Notes to the Condensed Consolidated Financial Statements

(Continued)

For the Period Ended 30 June 2020

46. SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities (Continued)

	At 31 December 2019				
	Corporate banking (Audited) RMB'000	Retail banking (Audited) RMB'000	Treasury operations (Audited) RMB'000	Others (Audited) RMB'000	Total (Audited) RMB'000
Segment assets	77,328,456	22,397,043	69,320,207	3,668,342	172,714,048
Deferred tax assets	—	—	—	561,496	561,496
Total assets	77,328,456	22,397,043	69,320,207	4,229,838	173,275,544
Segment liabilities	(44,858,626)	(83,254,296)	(29,221,403)	(281,037)	(157,615,362)
Dividend payable	—	—	—	(6)	(6)
Total liabilities	(44,858,626)	(83,254,296)	(29,221,403)	(281,043)	(157,615,368)

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Notes to the Condensed Consolidated Financial Statements

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For the Period Ended 30 June 2020

46. SEGMENT REPORTING (Continued)

(b) Geographical information

The Group operates principally in Mainland China.

Non-current assets include property and equipments, right-of-use assets, long-term deferred expenses and land use rights. In presenting of geographical information, non-current assets are allocated based on geographical location of the underlying assets. Operating income is allocated based on the locations of the subsidiaries which generate income. Geographical areas, as defined for management reporting purposes, are as follows:

- “Jilin Region” refers to the head quarter of the Bank and the 13 (31 December 2019: 13) subsidiaries of the Group.
- “Mainland China excluding Jilin Region” refers to the following areas serviced by the Bank and its subsidiaries: Anhui Province, Hebei Province, Hubei Province, Guangdong Province, Hainan Province, Heilongjiang Province, Shaanxi Province, Shandong Province and Tianjin City.

	Operating Income	
	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Jilin Region	2,023,840	2,082,546
Mainland China excluding Jilin Region	315,809	344,462
	2,339,649	2,427,008

	Non-current asset	
	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
	Jilin Region	4,136,360
Mainland China excluding Jilin Region	634,514	629,313
	4,770,874	4,930,355

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For the Period Ended 30 June 2020

47. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Methods and assumptions for measurement of fair value

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

(i) Debt securities

Fair values of debt securities investments are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of policy models or discounted cash flows.

(ii) Receivables and other non-derivative financial assets

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

(iii) Unlisted equity investments

The fair value of the unlisted equity investment has been estimated by using the market approach, using ratio of price to book value ("PB ratio") of certain listed companies in the same industry, in arriving at an indicated value of the unlisted equity interest. The valuation takes account of a discount for lack of marketability on this investment.

(iv) Trust plans, asset management plan and other investments

The fair value of the trust plans, asset management plan and other investments are based on the net assets values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.

(v) Debt securities issued and other non-derivative financial liabilities

Fair values of debt securities issued are based on the present value of estimated future cash flows at the end of the reporting period. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the reporting period.

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For the Period Ended 30 June 2020

47. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Fair value measurement

(i) Financial assets

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

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

Loans and advances to customers are mostly priced at floating rates close to the PBOC rates. Accordingly, the carrying amounts approximate the fair values.

Financial assets at FVTPL and financial assets at FVTOCI are stated at fair value.

(ii) Financial liabilities

The Group's financial liabilities mainly include deposits from banks and other financial institutions, financial assets sold under repurchase agreements, placement with other financial institutions, deposits from customers and debts securities issued.

Chapter 9 Unaudited Interim Financial Statement Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2020

47. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy

The following table presents the carrying value of financial instruments measured at fair value in the condensed consolidated statements of financial position across the three levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. These three types of inputs have created the following fair value hierarchy:

Level 1:	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2:	Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3:	Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

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

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47. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

	At 30 June 2020			
	Level 1	Level 2	Level 3	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Financial assets at FVTPL (Note 17)				
– Other debt instruments	–	5,431,142	–	5,431,142
– Unlisted equity investments measured at FVTPL	–	147,015	1,027,686	1,174,701
Financial assets at FVTOCI (Note 20)				
– Debt securities	–	5,286,669	–	5,286,669
– Asset management plans	–	344,301	–	344,301
– Unlisted equity investments measured at FVTOCI	–	–	154,014	154,014
	–	11,209,127	1,181,700	12,390,827

	At 31 December 2019			
	Level 1	Level 2	Level 3	Total
	(Audited)	(Audited)	(Audited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Financial assets at FVTPL (Note 17)				
– Other debt instruments	–	8,332,759	–	8,332,759
– Unlisted equity investments measured at FVTPL	–	147,015	1,058,639	1,205,654
Financial assets at FVTOCI (Note 20)				
– Debt securities	–	6,183,830	–	6,183,830
– Asset management plans	–	341,773	–	341,773
– Unlisted equity investments measured at FVTOCI	–	–	145,285	145,285
	–	15,005,377	1,203,924	16,209,301

During the period ended 30 June 2020 and year ended 31 December 2019, there were no significant transfers among each level.

- (i) The Group uses valuation techniques to determine the fair value of financial instruments when open quotation in active markets is not available. The main parameters used in valuation techniques for financial instruments held by the Group include bond prices, interest rates, foreign exchange rates, equity and stocks prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are basically observable and obtainable from open market.

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47. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

- (ii) The valuation techniques and input used in the fair value measurements of financial instruments as set out below:

Financial assets	Fair value as at,		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of key inputs and significant unobservable inputs to fair value
	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000				
Financial assets at FVTPL						
Debt instruments	5,431,142	8,332,759	Level 2	Based on valuation results provided by China Central Depository & Clearing Co., determined by using discounted cash flow model	N/A	N/A
Unlisted equity investments measured at FVTPL	1,027,686	1,058,639	Level 3	Market approach adopted. The value is based on price-to-book ratio ("PB ratio"), adjusted by discount for lack of marketability ("DLOM").	The PB ratio is 1.40. (31 December 2019: 1.34) The DLOM is 10%. (31 December 2019: 10%)	The higher the PB ratio, the higher the fair value. The higher the DLOM, the lower the fair value. (Note (i))
	147,015	147,015	Level 2	Based on recent transaction price.	N/A	N/A
Financial assets at FVTOCI						
Debt securities – listed	5,286,669	6,183,830	Level 2	Based on valuation results provided by China Central Depository & Clearing Co., determined by using discounted cash flow model	N/A	N/A
Asset management plans	344,301	341,773	Level 2	Based on the net asset values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses	N/A	N/A
Unlisted equity investments measured at FVTOCI	154,014	145,285	Level 3	Market approach adopted. The value is based on PB ratio, adjusted by DLOM.	The PB ratio is 1.40. (31 December 2019: 1.34) The DLOM is 10%. (31 December 2019: 10%)	The higher the PB ratio, the higher the fair value. The higher the DLOM, the lower the fair value. (Note (ii))

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47. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

- (ii) The valuation techniques and input used in the fair value measurements of financial instruments as set out below: (Continued)

Notes:

- (i) A 5% increase in PB ratios used in isolation would result in an increase in fair value measurement of unlisted equity investments at FVTPL by approximately RMB51,384,000 (31 December 2019: approximately RMB52,932,000) and vice versa.

A 5% increase in DLOM used in isolation would result in a decrease in fair value measurement of unlisted equity investments at FVTPL by approximately RMB5,709,000 (31 December 2019: approximately RMB5,881,000) and vice versa.

- (ii) A 5% increase in PB ratios used in isolation would result in an increase in fair value measurement of unlisted equity investments at FVTOCI by approximately RMB7,701,000 (31 December 2019: approximately RMB7,264,000) and vice versa.

A 5% increase in DLOM used in isolation would result in a decrease in fair value measurement of unlisted equity investments at FVTOCI by approximately RMB856,000 (31 December 2019: approximately RMB807,000) and vice versa.

Reconciliation of Level 3 fair value measurements of financial assets:

	Unlisted equity investment		
	Financial assets at FVTPL RMB'000	Financial assets at FVTOCI RMB'000	Total RMB'000
At 31 December 2019	1,058,639	145,285	1,203,924
Changes in fair value recognised in profit or loss	(30,953)	—	(30,953)
Changes in fair value recognised in OCI	—	8,729	8,729
At 30 June 2020	1,027,686	154,014	1,181,700

The above total changes in fair value for the period ended 30 June 2020 of approximately RMB30,953,000 and RMB8,729,000 are included in net trading gains and investment revaluation reserve respectively.

Chapter 9 Unaudited Interim Financial Statement Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2020

47. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

- (ii) The valuation techniques and input used in the fair value measurements of financial instruments as set out below: (Continued)

Notes: (Continued)

Reconciliation of Level 3 fair value measurements of financial assets: (Continued)

	Unlisted equity investment		Total RMB'000
	Financial assets at FVTPL RMB'000	Financial assets at FVTOCI RMB'000	
At 31 December 2018	1,017,382	144,617	1,161,999
Changes in fair value recognised in profit or loss	41,257	—	41,257
Changes in fair value recognised in OCI	—	668	668
At 31 December 2019	1,058,639	145,285	1,203,924

The above total changes in fair value for the year ended 31 December 2019 of approximately RMB41,257,000 and RMB668,000 are included in net trading gains and investment revaluation reserve respectively.

48. ENTRUSTED LENDING BUSINESS

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

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Entrusted loans	8,503,422	8,188,269
Entrusted funds	8,503,422	8,188,269

Chapter 9 Unaudited Interim Financial Statement

Notes to the Condensed Consolidated Financial Statements

(Continued)

For the Period Ended 30 June 2020

49. COMMITMENTS

(a) Credit commitments

The Group's credit commitments take the form of acceptances, letters of guarantees, letters of credit and unused credit card commitments.

Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers. The Group provides letters of guarantees and letters of credit to guarantee the performance of customers to third parties. The amounts disclosed in respect of unused credit card commitments are under the assumption that the amounts will be fully advanced.

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Acceptances	1,461,432	1,703,108
Letters of guarantees	2,306,969	2,340,390
Letters of credit	12,944	12,169
Unused credit card commitments	160,148	158,583
	3,941,493	4,214,250

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

(b) Capital commitments

At 30 June 2020 and 31 December 2019, the Group's authorised capital commitments are as follows:

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Purchase of property and equipment — Contracted for but not provided	26,890	25,090

Chapter 9 Unaudited Interim Financial Statement

Notes to the Condensed Consolidated Financial Statements

(Continued)

For the Period Ended 30 June 2020

50. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	1 January 2020 (Audited) RMB'000	Financing cash flows (Unaudited) RMB'000	Non-cash change				30 June 2020 (Unaudited) RMB'000
			Finance cost incurred (Unaudited) RMB'000	Dividend declared (Unaudited) RMB'000	New lease arrangement entered (Unaudited) RMB'000	Early termination of lease (Unaudited) RMB'000	
Liabilities							
Debt securities issued (Note 35)	14,220,057	(4,099,225)	185,393	—	—	—	10,306,225
Interests payable arising from debt securities issued (Note 34)	43,876	(49,882)	68,190	—	—	—	62,184
Dividend payable (Note 36)	6	(66,919)	—	820,166	—	—	753,253
Lease liabilities (Note 24)	711,903	(102,666)	15,531	—	68,058	(37,781)	655,045
	14,975,842	(4,318,692)	269,114	820,166	68,058	(37,781)	11,776,707

	1 January 2019 (Audited) RMB'000	Financing cash flows (Unaudited) RMB'000	Non-cash change				30 June 2019 (Unaudited) RMB'000
			Finance cost incurred (Unaudited) RMB'000	Dividend declared (Unaudited) RMB'000	New lease arrangement entered (Unaudited) RMB'000		
Liabilities							
Debt securities issued (Note 35)	20,552,182	682,490	370,875	—	—	—	21,605,547
Interests payable arising from debt securities issued (Note 34)	43,876	(49,878)	67,661	—	—	—	61,659
Dividend payable (Note 36)	6	(48,185)	—	765,599	—	—	717,420
Lease liabilities (Note 24)	846,999	(94,990)	17,830	—	17,414	—	787,253
	21,443,063	489,437	456,366	765,599	17,414	—	23,171,879

Chapter 10 Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

The information set out below does not form part of the consolidated financial statements, and is included herein for information purpose only.

1. Leverage ratio (%)

	At June 30, 2020	At December 31, 2019
Leverage Ratio	7.34%	7.77%

Pursuant to the Leverage Ratio Management of Commercial Banks issued by the CBIRC and was effective since April 1, 2015, a minimum leverage ratio 4% is required.

The above leverage ratio is calculated in accordance with the formula promulgated by the CBIRC and based on the financial information prepared in accordance with PRC GAAP.

2. Currency concentrations

	At June 30, 2020		Total
	USD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	27,714	2,052	29,766
Spot liabilities	(582)	(3,722)	(4,304)
Net position	27,132	(1,670)	25,462

	At December 31, 2019		Total
	USD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	26,244	1,732	27,976
Spot liabilities	(16,880)	(205)	(17,085)
Net position	9,364	1,527	10,891

The above information is computed in accordance with the provisions of the CBIRC. The Group has no structural position as at the end of each Reporting Period.

Chapter 10 Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

3. International claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as international claims.

International claims include loans and advances to customers, balances with the central bank, deposit and placement with banks and other financial institutions.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

	At June 30, 2020	At December 31, 2019
Deposit with banks		
Asia Pacific excluding Mainland China	5,895	6,229

4. Loans and advances overdue for more than 90 days by geographical segments

	At June 30, 2020	At December 31, 2019
Jilin Region	2,050,270	1,529,890
Mainland China excluding Jilin Region	366,572	269,266
Total	2,416,842	1,799,156

Chapter 10 Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

5. Gross amount of loans and advances overdue for more than 90 days

	At June 30, 2020	At December 31, 2019
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
— Between three months and six months (inclusive)	228,409	211,917
— Between six months and one year (inclusive)	577,704	374,822
— Between one year and three years	784,749	538,628
— Over three years	825,980	673,789
Total	2,416,842	1,799,156
As a percentage of total gross loans and advances		
— Between three months and six months (inclusive)	0.21%	0.22%
— Between six months and one year (inclusive)	0.52%	0.39%
— Between one year and three years	0.71%	0.56%
— Over three years	0.75%	0.70%
Total	2.19%	1.87%

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

6. Non-bank mainland China exposure

The Bank is a commercial bank incorporated in mainland China with its banking business conducted in mainland China. At June 30, 2020 and December 31, 2019, substantial amounts of the Bank's exposures arose from business with mainland China entities or individuals.



吉林九台農村商業銀行股份有限公司
JILIN JIUTAI RURAL COMMERCIAL BANK CORPORATION LIMITED