2020 中期報告
INTERIM REPORT

錦州銀行股份有限公司
Bank of Jinzhou Co., Ltd.*

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

Stock Code: 0416　　Stock Code of Preference Shares: 4615

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

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Definitions

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

"Articles of Association"	the articles of association of the Bank, as amended from time to time
"Bank", "Bank of Jinzhou" or "Group"	Bank of Jinzhou Co., Ltd. (錦州銀行股份有限公司), a joint stock company incorporated in the PRC on 22 January 1997 with limited liability in accordance with PRC laws and, unless the context requires otherwise, its subsidiaries, branches, sub-branches and special institutions
"Board" or "Board of Directors"	the board of Directors
"Board of Supervisors"	the board of Supervisors
"CBIRC"	China Banking and Insurance Regulatory Commission, which was formed after duty restructuring of China Banking Regulatory Commission (the" **CBRC**") and China Insurance Regulatory Commission
"Former CBRC Liaoning Regulatory Bureau"	the former China Banking Regulatory Commission Liaoning Regulatory Bureau (中國銀行業監督管理委員會遼寧監管局), now renamed as China Banking and Insurance Regulatory Commission Liaoning Regulatory Bureau (中國銀行保險監督管理委員會遼寧監管局)
"CSRC"	China Securities Regulatory Commission
"Director(s)"	the director(s) of the Bank
"Domestic Share(s)"	the ordinary share(s) in the share capital of the Bank with a nominal value of RMB1.00 each, which is/are subscribed for or credited as paid up in Renminbi by PRC nationals and/or PRC corporate entities
"H Share(s)"	the ordinary share(s) in the share capital of the Bank with a nominal value of RMB1.00 each, which is/are subscribed for and traded in HK dollars and listed on the Main Board of the Hong Kong Stock Exchange
"HK$" or "HK dollars"	the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented, or otherwise modified from time to time

"Offshore Preference Share(s)"	non-cumulative perpetual offshore preference shares for the amount of US$1,496,000,000 with a dividend rate of 5.50% issued by the Bank on 27 October 2017 and listed on the Hong Kong Stock Exchange (stock code: 4615)
"PBOC"	the People's Bank of China
"PRC" or "China"	the People's Republic of China, for the purposes of this interim report only, excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
"Reporting Period"	the six-month period ended 30 June 2020
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented, or otherwise modified from time to time
"Shareholder(s)"	the holder(s) of the share(s) of the Bank
"Share(s)" or "Ordinary Share(s)"	the Domestic Share(s) and the H Share(s), excluding the Offshore Preference Share(s)
"Supervisor(s)"	the supervisor(s) of the Bank
"US$" or "US dollars"	the lawful currency of the United States of America

Chapter 1 Company Profile

I. Basic Information about the Company

Legal Chinese Name and Abbreviation	:	錦州銀行股份有限公司 (abbreviated as "錦州銀行")
Legal English Name and Abbreviation	:	BANK OF JINZHOU CO., LTD. (abbreviated as "BANK OF JINZHOU")
Legal Representative	:	Wei Xuekun
Authorised Representatives	:	Wei Xuekun, Guo Wenfeng
Secretary to the Board	:	Yu Jun (whose qualification is subject to the approval of the regulatory authorities)
Joint Company Secretaries	:	Yu Jun, Leung Wing Han Sharon
Registered and Office Address	:	No. 68 Keji Road, Jinzhou City, Liaoning Province, the PRC
Telephone	:	+86-416-3220002
Fax	:	+86-416-3220003
Postal Code	:	121013
Company Website	:	www.jinzhoubank.com
Email Address	:	webmaster@jinzhoubank.com
Customer Service Hotline	:	+86-400-66-96178
Principal Place of Business in Hong Kong	:	40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong
Accounting Firm	:	Crowe (HK) CPA Limited
The PRC Legal Advisor	:	King & Wood Mallesons
Hong Kong Legal Advisor	:	Luk & Partners in Association with Morgan, Lewis & Bockius

Custodian of Domestic Shares	:	China Securities Depository and Clearing Corporation Limited
H Share Registrar	:	Computershare Hong Kong Investor Services Limited
Listing Place of Stock, Stock Name and Stock Code	:	H Shares: Hong Kong Stock Exchange; BANKOFJINZHOU; 0416 Offshore Preference Shares: Hong Kong Stock Exchange; BOJZ 17USDPREF; 4615
Uniform Social Credit Code of Corporation	:	912107002426682145
Finance License No. of Institution	:	B0127H221070001
Website of the Hong Kong Stock Exchange where this interim report is published	:	www.hkexnews.hk
Place where the interim report is maintained	:	Office of the Board

II. Company Profile

Bank of Jinzhou was incorporated, with approval of the People's Bank of China, on 22 January 1997, headquartered in Jinzhou City, Liaoning Province, the PRC. There are 15 branches established in Beijing, Tianjin, Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin, Liaoyang, Huludao, Benxi, Yingkou and Jinzhou in China and 7 village and township banks were promoted and established, namely Jinzhou Taihe Jinyin Village and Township Bank Co., Ltd. (錦州太和錦銀村鎮銀行股份有限公司), Liaoning Yixian Jinyin Village and Township Bank Co., Ltd. (遼寧義縣錦銀村鎮銀行股份有限公司), Liaoning Beizhen Jinyin Village and Township Bank Co., Ltd. (遼寧北鎮錦銀村鎮銀行股份有限公司), Liaoning Heishan Jinyin Village and Township Bank Co., Ltd. (遼寧黑山錦銀村鎮銀行股份有限公司), Liaoning Kazuo Jinyin Village and Township Bank Co., Ltd. (遼寧喀左錦銀村鎮銀行股份有限公司), Liaoning Linghai Jinyin Village and Township Bank Co., Ltd. (遼寧凌海錦銀村鎮銀行股份有限公司) and Liaoning Huanren Jinyin Village and Township Bank (遼寧桓仁錦銀村鎮銀行股份有限公司); meanwhile, Bank of Jinzhou promoted and established Bank of Jinzhou Financial Leasing Co., Ltd. (錦銀金融租賃有限責任公司). As at the end of the Reporting Period, the Bank had 244 branches in aggregate.

As at the end of the Reporting Period, the Bank had total assets of RMB821.266 billion, total balance of loans and advances released of RMB411.944 billion and total deposits of RMB413.978 billion.

The Bank was listed on the Main Board of the Hong Kong Stock Exchange on 7 December 2015 with the stock code of 0416. On 27 October 2017, the Bank successfully issued US$1.496 billion of Offshore Preference Shares which were listed on the Hong Kong Stock Exchange with the stock code of 4615.

Chapter 2 Financial Highlights

I. Financial Data

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June 2020	2019	Interim period of 2020 vs Interim period of 2019	For the year ended 31 December 2019
Operating Results			**Rate of change (%)**	
Interest income	**20,940,446**	26,190,636	(20.0)	47,820,476
Interest expense	**(14,887,830)**	(14,347,280)	3.8	(28,475,443)
Net interest income	**6,052,616**	11,843,356	(48.9)	19,345,033
Net fee and commission income	**92,809**	152,823	(39.3)	231,714
Net trading gains	**288,751**	1,469,666	(80.4)	3,372,617
Dividend income	**–**	1,200	(100.0)	1,200
Net (losses)/gains arising from investment securities	**(153)**	77,623	(100.2)	240,556
Net foreign exchange gains/(losses)	**1,790**	(5,266)	(134.0)	(42,008)
Other net operating income	**8,655**	7,786	11.2	20,587
Operating income	**6,444,468**	13,547,188	(52.4)	23,169,699
Operating expenses	**(1,511,117)**	(1,823,905)	(17.1)	(3,761,683)
Operating profit before impairment	**4,933,351**	11,723,283	(57.9)	19,408,016
Impairment losses on assets	**(4,428,740)**	(12,774,275)	(65.3)	(20,846,120)
Profit/(loss) before tax	**504,611**	(1,050,992)	(148.0)	(1,438,104)
Income tax (expense)/credit	**(91,349)**	182,619	(150.0)	327,858
Net profit/(loss)	**413,262**	(868,373)	(147.6)	(1,110,246)
Net profit/(loss) attributable to equity shareholders of the parent company	**406,644**	(998,600)	(140.7)	(958,545)
Calculated on a per share basis (RMB)			**Change**	
Basic and diluted earnings/(losses) per share	**0.05**	(0.13)	0.18	(0.12)

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2020	As at 31 December 2019	30 June 2020 vs 31 December 2019	As at 30 June 2019
Major Indicators of Assets/Liabilities			**Rate of change (%)**	
Total assets	**821,265,555**	836,694,191	(1.8)	825,457,531
Of which: net loans and advances to customers	**407,329,790**	452,695,511	(10.0)	398,224,318
Total liabilities	**761,339,447**	777,188,742	(2.0)	765,749,861
Of which: deposits from customers	**413,977,645**	407,112,779	1.7	447,867,324
Share capital	**7,781,616**	7,781,616	0.0	7,781,616
Total equity attributable to equity shareholders of the parent company	**56,085,459**	55,671,418	0.7	55,591,711
Total equity	**59,926,108**	59,505,449	0.7	59,707,670

II. Financial Indicators

	For the six-month period ended 30 June 2020	2019	Interim period of 2020 vs interim period of 2019	For the year ended 31 December 2019
Profitability Indicators (%)			**Change**	
Return on average total assets [(1)]	**0.10***	(0.21)*	0.31	(0.13)
Return on average equity [(2)]	**1.77***	(4.31)*	6.08	(2.07)
Net interest spread [(3)]	**1.33***	2.76*	(1.43)	2.29
Net interest margin [(4)]	**1.59***	2.93*	(1.34)	2.48
Net fee and commission income to operating income ratio	**1.44**	1.13	0.31	1.00
Cost-to-income ratio [(5)]	**20.96**	12.40	8.56	15.02

	As at 30 June 2020	As at 31 December 2019	30 June 2020 vs 31 December 2019	As at 30 June 2019
Assets Quality Indicators (%)			**Change**	
Non-performing loan ratio [(6)]	**1.94**	7.70	(5.76)	6.88
Provision coverage ratio [(7)]	**243.73**	115.01	128.72	105.75
Provision to loans ratio [(8)]	**4.73**	8.86	(4.13)	7.27
Capital Adequacy Indicators (%)			**Change**	
Core tier-one capital adequacy ratio [(9)]	**5.50**	5.15	0.35	5.14
Tier-one capital adequacy ratio [(10)]	**6.94**	6.47	0.47	6.41
Capital adequacy ratio	**9.06**	8.09	0.97	7.47
Total equity to total assets	**7.30**	7.11	0.19	7.23

Notes: * indicates annualised ratios

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

(2) Represents the Bank's net profit attributable to the parent company for the period/year as a percentage of the average balance of net assets attributable to shareholders of ordinary shares of the parent company at the beginning and 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, which are calculated based on the daily average of the interest-earning assets.

(5) Cost-to-income ratio = operating expenses (excluding tax and surcharges)/operating income.

(6) Non-performing loan ratio = total non-performing loans/total loans and advances to customers.

(7) Provision coverage ratio = provision for impairment losses on loans/total non-performing loans.

(8) Provision to loans ratio = provision for impairment losses on loans/total loans and advances to customers.

(9) Core tier-one capital adequacy ratio = (core tier-one capital – corresponding capital deductions)/risk-weighted assets.

(10) Tier-one capital adequacy ratio = (tier-one capital – corresponding capital deductions)/risk-weighted assets.

Chapter 3 Management Discussion and Analysis

I. Business and Financial Review

In the context of the global pandemic of the COVID-19, the global economy continued to further sink into recession, international trade and investment had shrunk sharply, the international financial market was violently turbulent, international exchanges were restricted, economic globalization was seeing a countercurrent, and various contradictions and problems have become increasingly apparent. Unstable factors and uncertainties had increased obviously. The domestic economy was undergoing profound changes, and it is in a critical period of transforming development mode, optimizing economic structure, and creating new growth momentum, facing difficulties and challenges brought about by the interweaving of structural, institutional and cyclical issues. In addition, due to the impact of the COVID-19 epidemic, economic downside risks have increased, and the real economy encountered some difficulties, especially for those industries and enterprises which are heavily affected by the epidemic and are facing tremendous pressure. The top priority for the development in the financial industry is to closely follow our national strategy, improve its ability to serve the real economy, reduce the financing cost of the real economy, enhance the efficiency of financial resource allocation and strengthen financial risk prevention and control.

During the Reporting Period, after the introduction of strategic investors and reform and reorganization, the Bank reshaped its development positioning, and insisted on serving the real economy, clearly stayed true to the positioning of "serving the local economy, serving small and micro businesses, and serving urban and rural residents" as a city commercial bank. The Bank actively implemented the requirements of the Party committees and Governments, the PBOC, and the CBRIC to support the resumption of operation and production of enterprises, further strengthened financial support to small and micro enterprises to overcome difficulties, and improved finance service quality and efficiency, which reflected the responsibility of the Bank as a financial institution. The Bank solidly followed the direction of transformation and development, continued to improve its business operations, gradually improved the effectiveness of its internal management, strengthened risk prevention and product system innovation. The Bank also implemented institutional reforms and reshaped organizational structures, and actively promoted corporate governance and strategic transformation. The Bank established an efficient operation mechanism that the Party committee and "the general meeting, the Board, the Board of Supervisors and senior management" perform their duties by law and cooperate closely. The operation ability of "the general meeting, the Board, the Board of Supervisors and senior management" was enhanced, and the corporate governance standard was further improved. The Bank launched the additional capital contribution scheme to enhance its capital strength, and implemented the asset restructuring program to lay the foundation for long-term stability, so as to provide targeted solutions to the problems affecting and restricting its development.

As at the end of the Reporting Period, the total assets of the Bank amounted to RMB821,266 million, representing a decrease of 1.8% as compared to that as at 31 December 2019; the net loans and advances to customers amounted to RMB407,330 million, representing a decrease of 10.0% as compared to that as at 31 December 2019; the non-performing loan ratio was 1.94%, representing a decrease of 5.76 percentage points as compared to that as at 31 December 2019; the deposits from customers balance of the Bank amounted to RMB413,978 million, representing an increase of 1.7% as compared to that as at 31 December 2019. During the Reporting Period, the operating income of the Bank amounted to RMB6,444 million, and the net profit amounted to RMB413 million.

As at the end of the Reporting Period, the Bank's capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio amounted to 9.06%, 6.94% and 5.50%, respectively.

(I) Analysis of the income statement

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June 2020	2019	Change in amount	Rate of change (%)
Interest income	**20,940,446**	26,190,636	(5,250,190)	(20.0)
Interest expense	**(14,887,830)**	(14,347,280)	(540,550)	3.8
Net interest income	**6,052,616**	11,843,356	(5,790,740)	(48.9)
Net fee and commission income	**92,809**	152,823	(60,014)	(39.3)
Net trading gains	**288,751**	1,469,666	(1,180,915)	(80.4)
Dividend income	**–**	1,200	(1,200)	(100.0)
Net (losses)/gains arising from investment securities	**(153)**	77,623	(77,776)	(100.2)
Net foreign exchange gains/(losses)	**1,790**	(5,266)	7,056	(134.0)
Other net operating income	**8,655**	7,786	869	11.2
Operating income	**6,444,468**	13,547,188	(7,102,720)	(52.4)
Operating expenses	**(1,511,117)**	(1,823,905)	312,788	(17.1)
Impairment losses on assets	**(4,428,740)**	(12,774,275)	8,345,535	(65.3)
Profit/(loss) before tax	**504,611**	(1,050,992)	1,555,603	(148.0)
Income tax (expense)/credit	**(91,349)**	182,619	(273,968)	(150.0)
Net profit/(loss)	**413,262**	(868,373)	1,281,635	(147.6)

During the Reporting Period, the Bank's profit before tax was RMB505 million and the net profit was RMB413 million. Net interest income was RMB6,053 million, representing a decrease of RMB5,791 million or 48.9% as compared to that for the six-month period ended 30 June 2019, mainly because the interest income for the assets to be disposed of was no longer recognised by the Bank as agreed in the Framework Disposal Agreement during the Reporting Period.

1. Net interest income

Net interest income accounted for the largest portion of the Bank's operating income, representing 93.9% and 87.4% of operating income in the Reporting Period and for the six-month period ended 30 June 2019, respectively. The following table sets forth, for the periods indicated, the interest income, interest expense and net interest income of the Bank:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June 2020	2019	Change in amount	Rate of change (%)
Interest income	**20,940,446**	26,190,636	(5,250,190)	(20.0)
Interest expense	**(14,887,830)**	(14,347,280)	(540,550)	3.8
Net interest income	**6,052,616**	11,843,356	(5,790,740)	(48.9)

The following table sets forth, for the periods indicated, the average balance of interest-earning assets and interest-bearing liabilities, the related interest income or expense and average yield on interest-earning assets or average cost on interest-bearing liabilities of the Bank:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June 2020 Average balance	Interest income/ expense	Average yield/cost (%)	For the six-month period ended 30 June 2019 Average balance	Interest income/ expense	Average yield/cost (%)
Interest-earning Assets						
Loans and advances to customers	**474,015,179**	**14,396,550**	**6.07**	388,815,968	14,161,531	7.28
Investment securities and other financial assets	**203,396,122**	**5,716,821**	**5.62**	325,352,662	10,858,811	6.68
Deposits with the central bank	**44,991,723**	**343,332**	**1.53**	57,062,668	438,050	1.54
Deposits with banks and other financial institutions	**15,839,763**	**94,269**	**1.19**	15,940,725	189,010	2.37
Placements with banks and other financial institutions	**7,625,603**	**84,826**	**2.22**	6,295,280	125,441	3.99
Financial assets held under resale agreements	**10,649,097**	**103,721**	**1.95**	5,896,058	71,865	2.44
Finance lease receivables	**5,755,530**	**200,927**	**6.98**	8,893,397	345,928	7.78
Total interest-earning assets	**762,273,017**	**20,940,446**	**5.49**	808,256,758	26,190,636	6.48

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June 2020 Average balance	Interest income/ expense	Average yield/cost (%)	For the six-month period ended 30 June 2019 Average balance	Interest income/ expense	Average yield/cost (%)
Interest-bearing Liabilities						
Deposits from customers	**383,606,118**	**7,354,964**	**3.83**	445,119,132	8,100,284	3.64
Deposits from banks and other financial institutions	**179,321,958**	**4,345,144**	**4.85**	151,055,099	3,454,271	4.57
Placements from banks and other financial institutions	**13,178,271**	**218,172**	**3.31**	39,807,289	546,445	2.75
Financial assets sold under repurchase agreements	**8,385,338**	**111,519**	**2.66**	41,601,991	566,159	2.72
Debt securities payable	**130,621,846**	**2,835,650**	**4.34**	89,804,933	1,624,785	3.62
Borrowing from the central bank	**630,535**	**22,381**	**7.10**	2,937,000	46,734	3.18
Lease liability	**–**	**–**	**–**	397,321	8,602	4.33
Total interest-bearing liabilities	**715,744,066**	**14,887,830**	**4.16**	770,722,765	14,347,280	3.72
Net interest income		**6,052,616**			11,843,356	
Net interest spread(1)			**1.33**			2.76
Net interest margin(2)			**1.59**			2.93

Notes:

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

(2) Calculated by dividing net interest income by the average interest-earning assets (based on the daily average of the interest-earning assets).

The following table sets forth, for the periods indicated, the changes in the Bank's interest income and interest expense attributable to changes in volume and interest rate. Changes in volume are measured by changes in the average balances of interest-earning assets and interest-bearing liabilities and changes in interest rate are measured by the average interest rate of the interest-earning assets and interest-bearing liabilities. Effect caused by changes of both volume and interest rate has been allocated to changes in net interest income.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June 2020 vs 2019		
	Volume (1)	Interest rate (2)	Net increase/ (decrease) (3)
Interest-earning Assets			
Loans and advances to customers	3,103,142	(2,868,123)	235,019
Investment securities and other financial assets	(4,070,362)	(1,071,628)	(5,141,990)
Deposits with the central bank	(92,664)	(2,054)	(94,718)
Deposits with banks and other financial institutions	(1,197)	(93,544)	(94,741)
Placements with banks and other financial institutions	26,508	(67,123)	(40,615)
Financial assets held under resale agreements	57,933	(26,077)	31,856
Finance lease receivables	(122,054)	(22,947)	(145,001)
Changes in interest income	(1,098,694)	(4,151,496)	(5,250,190)
Interest-bearing Liabilities			
Deposits from customers	(1,119,415)	374,095	(745,320)
Deposits from banks and other financial institutions	646,396	244,477	890,873
Placements from banks and other financial institutions	(365,543)	37,270	(328,273)
Financial assets sold under repurchase agreements	(452,043)	(2,597)	(454,640)
Debt securities payable	738,475	472,390	1,210,865
Borrowing from the central bank	(36,701)	12,348	(24,353)
Lease liability	(8,602)	–	(8,602)
Changes in interest expense	(597,433)	1,137,983	540,550
Changes in net interest income	(501,261)	(5,289,479)	(5,790,740)

Notes:

(1) Represents the average balance for the period minus the average balance for the previous period, multiplied by the average yield/cost for such previous 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 period.

(3) Represents interest income or expense for the period minus interest income or expense for the previous period.

2. Interest income

The following table sets forth, for the periods indicated, the breakdown of the Bank's interest income:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June 2020 Amount	2020 % of total	2019 Amount	2019 % of total
Loans and advances to customers				
Corporate loans	**14,127,848**	**67.5**	13,714,872	52.4
Personal loans	**241,629**	**1.2**	362,429	1.4
Discounted bills	**27,073**	**0.1**	84,230	0.3
Subtotal	**14,396,550**	**68.8**	14,161,531	54.1
Investment securities and other financial assets	**5,716,821**	**27.3**	10,858,811	41.5
Deposits with the central bank	**343,332**	**1.6**	438,050	1.7
Deposits with banks and other financial institutions	**94,269**	**0.5**	189,010	0.7
Financial assets held under resale agreements	**103,721**	**0.5**	71,865	0.3
Placements with banks and other financial institutions	**84,826**	**0.4**	125,441	0.5
Finance lease receivables	**200,927**	**0.9**	345,928	1.2
Total	**20,940,446**	**100.0**	26,190,636	100.0

The Bank's interest income decreased by 20.0% to RMB20,940,446 thousand in the Reporting Period from RMB26,190,636 thousand for the six-month period ended 30 June 2019, mainly because the interest income for the assets to be disposed of was no longer recognised by the Bank as agreed in the Framework Disposal Agreement during the Reporting Period.

(1) Interest income from loans and advances to customers

Interest income from loans and advances to customers was a large component of the Bank's interest income, representing 68.8% and 54.1% of the Bank's interest income in the Reporting Period and for the six-month period ended 30 June 2019, respectively. The following table sets forth, for the periods indicated, the average balance, interest income and average yield for loans and advances to customers:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June					
	2020			2019		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	461,744,035	14,127,848	6.12	373,529,004	13,714,872	7.34
Personal loans	9,977,348	241,629	4.84	11,815,021	362,429	6.14
Discounted bills	2,293,796	27,073	2.36	3,471,943	84,230	4.85
Total	474,015,179	14,396,550	6.07	388,815,968	14,161,531	7.28

Interest income from loans and advances to customers increased by 1.7% from RMB14,161,531 thousand for the six-month period ended 30 June 2019 to RMB14,396,550 thousand for the Reporting Period, primarily due to the increase in interest income from the increased average balance of loans and advances to customers, partially offset by the decrease in interest income resulted from the decreased average yield. The average balance of loans and advances to customers increased by 21.9% from RMB388,815,968 thousand for the six-month period ended 30 June 2019 to RMB474,015,179 thousand during the Reporting Period, primarily because (i) the Bank reclassified the business type of part of beneficiary rights transfer plan measured at amortised cost to loans; and (ii) the Bank moderately increased its loan scale based on the development needs of the real economy and its own business development plan. The average yield decreased from 7.28% for the six-month period ended 30 June 2019 to 6.07% during the Reporting Period, primarily because (i) interest income for loans and advances to customers to be disposed of was no longer recognised by the Bank as agreed in the Framework Disposal Agreement during the Reporting Period; and (ii) the Bank recognised the loans and advances to customers to be disposed of as assets held for sale as at the end of the Reporting Period, which had minimal impact on the average balance of loans and advances to customers.

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

Interest income from investment securities and other financial assets decreased by 47.4% to RMB5,716,821 thousand in the Reporting Period from RMB10,858,811 thousand for the six-month period ended 30 June 2019, primarily due to the decrease in the average balance of investment securities and other financial assets and decline in average yield. The average balance of investment securities and other financial assets decreased by 37.5% from RMB325,352,662 thousand for the six-month period ended 30 June 2019 to RMB203,396,122 thousand during the Reporting Period, mainly due to the Bank's reclassification of the business type of part of beneficiary rights transfer plan measured at amortised cost to loans. The average yield decreased from 6.68% for the six-month period ended 30 June 2019 to 5.62% during the Reporting Period, primarily because (i) the interest income for beneficiary right transfer plan at amortised cost to be disposed of was no longer recognised by the Bank as agreed in the Framework Disposal Agreement during the Reporting Period; and (ii) the Bank determined beneficiary right transfer plan at amortised cost to be disposed of as assets held for sale after obtaining the confirmed purchase commitment near the end of the Reporting Period, which had minimal impact on the average balance of investments in securities and other financial assets.

(3) Interest income from deposits with the central bank

Interest income from deposits with the central bank decreased by 21.6% to RMB343,332 thousand in the Reporting Period from RMB438,050 thousand for the six-month period ended 30 June 2019, mainly due to the decrease of average balance of deposits with the central bank.

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

Interest income from deposits with banks and other financial institutions decreased by 50.1% to RMB94,269 thousand in the Reporting Period from RMB189,010 thousand for the six-month period ended 30 June 2019, primarily due to the decrease in average yield of deposits with banks and other financial institutions of the Bank. The average yield decreased from 2.37% for the six-month period ended 30 June 2019 to 1.19% during the Reporting Period, mainly due to the increase in the business scale of current deposits with interbank with lower yield during the Reporting Period in order to balance liquidity risks and returns.

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

Interest income from placements with banks and other financial institutions decreased by 32.4% to RMB84,826 thousand in the Reporting Period from RMB125,441 thousand for the six-month period ended 30 June 2019, primarily due to the decrease in the average yield of placements with banks and other financial institutions. The average balance of placements with banks and other financial institutions increased by 21.1% to RMB7,625,603 thousand in the Reporting Period from RMB6,295,280 thousand for the six-month period ended 30 June 2019. The average yield of placements with banks and other financial institutions decrease to 2.22% in the Reporting Period from 3.99% for the six-month period ended 30 June 2019.

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

Interest income from financial assets held under resale agreements increased by 44.3% to RMB103,721 thousand in the Reporting Period from RMB71,865 thousand for the six-month period ended 30 June 2019, primarily due to the increase in interest income resulted from the increase in the average balance of financial assets held under resale agreements, partially offset by the decrease in interest income as a result of the decrease in the average yield. The average balance of financial assets held under resale agreements increased by 80.6% to RMB10,649,097 thousand in the Reporting Period from RMB5,896,058 thousand for the six-month period ended 30 June 2019, primarily due to the Bank's increment in scale of investment in financial assets held under resale agreements for balanced gains and liquidity management. The average yield decreased from 2.44% for the six-month period ended 30 June 2019 to 1.95% in the Reporting Period, mainly due to the drop in interest rates of the interbank capital market.

(7) Interest income from finance lease receivables

Interest income from finance lease receivables decreased by 41.9% to RMB200,927 thousand for the Reporting Period from RMB345,928 thousand for the six-month period ended 30 June 2019, mainly attributable to the decrease in the average balance and average yield of financial lease receivables.

3. Interest expense

The following table sets forth, for the periods indicated, the principal components of the Bank's interest expense:

	For the six-month period ended 30 June			
	2020		2019	
(Expressed in thousands of Renminbi, unless otherwise stated)	**Amount**	**% of total**	Amount	% of total
Deposits from customers	**7,354,964**	**49.4**	8,100,284	56.5
Deposits from banks and other financial institutions	**4,345,144**	**29.2**	3,454,271	24.1
Placements from banks and other financial institutions	**218,172**	**1.5**	546,445	3.8
Financial assets sold under repurchase agreements	**111,519**	**0.7**	566,159	4.0
Debt securities payable	**2,835,650**	**19.0**	1,624,785	11.3
Borrowing from the central bank	**22,381**	**0.2**	46,734	0.3
Lease liability	**–**	**–**	8,602	0.0
Total	**14,887,830**	**100.0**	14,347,280	100.0

(1) *Interest expense on deposits from customers*

The following table sets forth the average balance, interest expense and average cost for each component of the Bank's deposits from customers:

	For the six-month period ended 30 June					
	2020			2019		
(Expressed in thousands of Renminbi, unless otherwise stated)	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time	**61,081,762**	**890,900**	**2.92**	146,927,739	1,807,763	2.46
Demand	**36,979,952**	**220,815**	**1.19**	40,678,040	948,000	4.66
Subtotal	**98,061,714**	**1,111,715**	**2.27**	187,605,779	2,755,763	2.94
Personal deposits						
Time	**260,270,960**	**5,933,221**	**4.56**	234,666,261	5,088,522	4.34
Demand	**25,273,444**	**310,028**	**2.45**	22,847,092	255,999	2.24
Subtotal	**285,544,404**	**6,243,249**	**4.37**	257,513,353	5,344,521	4.15
Total deposits from customers	**383,606,118**	**7,354,964**	**3.83**	445,119,132	8,100,284	3.64

Interest expense on deposits from customers decreased by 9.2% to RMB7,354,964 thousand in the Reporting Period from RMB8,100,284 thousand for the six-month period ended 30 June 2019, primarily due to the decrease in the average balance of the Bank's deposits from customers.

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

Interest expense on deposits from banks and other financial institutions increased by 25.8% to RMB4,345,144 thousand in the Reporting Period from RMB3,454,271 thousand for the six-month period ended 30 June 2019, primarily due to the increase in interest expense resulted from the increase in the average balance and average cost of deposits from banks and other financial institutions.

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

Interest expense on placements from banks and other financial institutions decreased by 60.1% to RMB218,172 thousand in the Reporting Period from RMB546,445 thousand for the six-month period ended 30 June 2019, primarily due to the decrease in interest expenses as a result of the decrease in the average balance of placements from banks and other financial institutions, partially offset by the increase in interest expenses as a result of the increase in the average interest costs. The average balance of placements from banks and other financial institutions decreased by 66.9% to RMB13,178,271 thousand in the Reporting Period from RMB39,807,289 thousand for the six-month period ended 30 June 2019, mainly because the Bank reduced the transaction volume of foreign currency placements from banks and other institutions. The average interest payment rate of placements from banks and other institutions increased from 2.75% for the six-month period ended 30 June 2019 to 3.31% in the Reporting Period, which was primarily due to the increase in RMB placements from bank and other institutions with higher interest payment rates.

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

Interest expense on financial assets sold under repurchase agreements decreased by 80.3% to RMB111,519 thousand in the Reporting Period from RMB566,159 thousand for the six-month period ended 30 June 2019, primarily due to the decrease in the average balance and average cost. The average balance of financial assets sold under repurchase agreements decreased by 79.8% to RMB8,385,338 thousand in the Reporting Period from RMB41,601,991 thousand for the six-month period ended 30 June 2019, mainly because the Bank decreased the scale of financial assets sold under repurchase agreements due to the need for balancing liquidity and gains management. The average cost of financial assets sold under repurchase agreements decreased from 2.72% for the six-month period ended 30 June 2019 to 2.66% in the Reporting Period, primarily due to the decrease in the average interest rate in the capital market in the Reporting Period.

(5) Interest expense on debt securities payable

During the Reporting Period, the Bank's interest expense on debt securities payable increased by RMB1,210,865 thousand or 74.5% to RMB2,835,650 thousand from that for the six-month period ended 30 June 2019, primarily due to the increase in the Bank's average balance and average cost of debt securities payable. The average balance of debt securities payable increased by 45.5% to RMB130,621,846 thousand in the Reporting Period from RMB89,804,933 thousand for the six-month period ended 30 June 2019, mainly because the Bank increased issuance of interbank certificates of deposit; the average cost increased to 4.34% in the Reporting Period from 3.62% for the six-month period ended 30 June 2019.

(6) Interest expense on borrowing from the central bank

During the Reporting Period, interest expense on borrowing from the central bank of the Bank decreased by 52.1% from RMB46,734 thousand for the six-month period ended 30 June 2019 to RMB22,381 thousand in the Reporting Period, mainly attributable to the decrease in the average balance of borrowing from the central bank of the Bank. The average balance of borrowing from the central bank decreased by 78.5% to RMB630,535 thousand in the Reporting Period from RMB2,937,000 thousand for the six-month period ended 30 June 2019, mainly due to the Bank's repayment of borrowing from central bank.

4. 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 on total interest-bearing liabilities. Net interest margin is the ratio of net interest income to the average balance of interest-earning assets.

The net interest spread decreased to 1.33% in the Reporting Period as compared to 2.76% for the six-month period ended 30 June 2019 and the net interest margin decreased to 1.59% in the Reporting Period as compared to 2.93% for the six-month period ended 30 June 2019, primarily due to the decrease of average yield of the Bank's interest-earning assets and the increase of average cost of interest-bearing liabilities.

5. **Non-interest income**

(1) Net fee and commission income

	For the six-month period ended 30 June			
(Expressed in thousands of Renminbi, unless otherwise stated)	**2020**	2019	Change in amount	Rate of change (%)
Fee and commission income				
Agency services fees	**11,511**	42,163	(30,652)	(72.7)
Settlement and clearing fees	**28,679**	76,120	(47,441)	(62.3)
Wealth management service fees	**63,757**	86,384	(22,627)	(26.2)
Underwriting and advisory fees	**2,387**	40,434	(38,047)	(94.1)
Bank card service fees	**6,783**	5,946	837	14.1
Others	**5,374**	23,580	(18,206)	(77.2)
Subtotal	**118,491**	274,627	(156,136)	(56.9)
Fee and commission expense				
Settlement and clearing fees	**11,736**	21,420	(9,684)	(45.2)
Others	**13,946**	100,384	(86,438)	(86.1)
Subtotal	**25,682**	121,804	(96,122)	(78.9)
Net fee and commission income	**92,809**	152,823	(60,014)	(39.3)

The Bank's fee and commission income decreased by 56.9% to RMB118,491 thousand in the Reporting Period as compared to RMB274,627 thousand for the six-month period ended 30 June 2019, mainly attributable to the decrease in settlement and clearing fees, underwriting and advisory fees of the Bank. Settlement and clearing fees decreased by 62.3% to RMB28,679 thousand in the Reporting Period from RMB76,120 thousand for the six-month period ended 30 June 2019, mainly because the Bank reduced business of letters of credit and acceptance bills, resulting in decrease of fee income of corporate settlement business. Underwriting and advisory fees decreased by 94.1% to RMB2,387 thousand in the Reporting Period from RMB40,434 for the six-month period ended 30 June 2019, which was mainly due to the decrease in underwriting fee of debt securities..

Fee and commission expense consists primarily of expenses paid to third parties in connection with the Bank's settlement and clearance, trade financing, bank card, agency and consultancy businesses. The Bank's fee and commission expense decreased by 78.9% to RMB25,682 thousand in the Reporting Period as compared to RMB121,804 thousand for the six-month period ended 30 June 2019.

(2) Net trading gains

Net trading gains primarily comprises of net income from financial assets and liabilities at fair value through profit or loss. During the Reporting Period, the Bank incurred a net trading gain of RMB288,751 thousand, representing a decrease of 80.4% as compared to RMB1,469,666 thousand for the six-month period ended 30 June 2019, primarily due to the decrease in the size of the Bank's investment business at fair value through profit or loss.

(3) Net (losses)/gains from investment securities

During the Reporting Period, net loss from investment securities was RMB153 thousand as compared with net gains from investment securities of RMB77,623 thousand for the six-month period ended 30 June 2019. During the Reporting Period, the net loss from investment securities was mainly due to the loss on the Bank's disposal of investment securities during the Reporting Period.

(4) Net foreign exchange gains/(losses)

During the Reporting Period, net exchange gains were RMB1,790 thousand as compared with net exchange loss of RMB5,266 thousand for the six-month period ended 30 June 2019. During the Reporting Period, net exchange gains were mainly due to changes in exchange rates.

(5) Other net operating income

Other net operating income increased by 11.2% to RMB8,655 thousand in the Reporting Period from RMB7,786 thousand for the six-month period ended 30 June 2019, mainly due to the increase in gains from asset disposal.

6. Operating expenses

During the Reporting Period, the Bank's operating expenses was RMB1,511,117 thousand, representing a decrease of RMB312,788 thousand or 17.1% as compared with that for the six-month period ended 30 June 2019.

	For the six-month period ended 30 June			
(Expressed in thousands of Renminbi, unless otherwise stated)	**2020**	2019	Change in amount	Rate of change (%)
Staff costs	**741,656**	977,879	(236,223)	(24.2)
General and administrative expenses	**320,816**	378,357	(57,541)	(15.2)
Depreciation and amortisation	**288,063**	274,576	13,487	4.9
Tax and surcharges	**160,297**	144,416	15,881	11.0
Others	**285**	48,677	(48,392)	(99.4)
Total operating expenses	**1,511,117**	1,823,905	(312,788)	(17.1)

(1) Staff costs

The following table sets forth, for the periods indicated, the principal components of the Bank's staff costs:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June			
	2020	2019	Change in amount	Rate of change (%)
Salaries and bonuses	**579,544**	730,030	(150,486)	(20.6)
Social insurance	**59,654**	142,776	(83,122)	(58.2)
Housing allowances	**57,856**	51,280	6,576	12.8
Union funds and education funds	**23,083**	28,711	(5,628)	(19.6)
Staff welfares	**17,609**	22,548	(4,939)	(21.9)
Supplementary retirement benefit	**1,312**	1,212	100	8.3
Other long-term staff welfare	**2,598**	1,322	1,276	96.5
Total staff costs	**741,656**	977,879	(236,223)	(24.2)

During the Reporting Period, the Bank's total staff costs was RMB741,656 thousand, representing a decrease of RMB236,223 thousand or 24.2% as compared with that for the six-month period ended 30 June 2019, primarily due to a decrease in labor costs as a result of the remuneration decrease of employees and number of staff of the Bank.

(2) General and administrative expenses

General and administrative expenses decreased by 15.2% to RMB320,816 thousand in the Reporting Period as compared to RMB378,357 thousand for the six-month period ended 30 June 2019, mainly because the Bank strengthened its cost control.

(3) Depreciation and amortisation

Depreciation and amortisation increased by 4.9% to RMB288,063 thousand in the Reporting Period as compared to RMB274,576 thousand for the six-month period ended 30 June 2019, primarily due to the increase in asset depreciation and amortisation expenses as a result of an increase in the Bank's capital expenditure.

(4) Tax and surcharges

The Bank's tax and surcharges increased by 11.0% to RMB160,297 thousand in the Reporting Period as compared to RMB144,416 thousand for the six-month period ended 30 June 2019, primarily attributable to the increase in value-added tax payable.

(5) Others

Other operating expense decreased by 99.4% to RMB285 thousand in the Reporting Period from RMB48,677 thousand for the six-month period ended 30 June 2019.

7. Impairment losses on assets

The following table sets forth, for the periods indicated, the principal components of the Bank's impairment losses on assets:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June **2020**	2019
Loans and advances to customers		
– expected credit loss ("**ECL**") over the next 12 months	**167,777**	773,081
– lifetime ECL - not credit-impaired loans	**1,821,738**	3,327,750
– lifetime ECL - credit-impaired loans	**1,517,191**	4,465,924
Subtotal	**3,506,706**	8,566,755
Deposits and placements with banks and other financial institutions	**(1,204)**	109,087
Financial assets at fair value through other comprehensive income	**9,288**	(6,452)
Financial assets measured at amortised cost	**1,070,517**	4,238,766
Finance lease receivables	**38,660**	(74,643)
Credit commitments	**(195,087)**	(128,586)
Others	**(140)**	69,348
Total	**4,428,740**	12,774,275

Impairment losses on assets decreased by 65.3% to RMB4,428,740 thousand in the Reporting Period from RMB12,774,275 thousand for the six-month period ended 30 June 2019, mainly because that (i) the Bank recognised loans and advances to customers to be disposed of and financial assets measured at amortised cost as assets held for sale, which improved the quality of its credit assets, resulting in a decrease in provision for impairment losses of assets made during the Reporting Period; and (ii) the scale of credit commitments decreased, which increased the reversal of impairment losses for credit commitment as compared with that for the six-month period ended 30 June 2019.

8. Income tax (expenses)/credit

During the Reporting Period, the Bank's income tax expense was RMB91,349 thousand, and income tax credit for the six-month period ended 30 June 2019 was RMB182,619 thousand. During the Reporting Period, the Bank's actual tax rate was 18.10%, representing an increase of 0.73 percentage points as compared with that for the six-month period ended 30 June 2019.

(II) Analysis of the statement of financial position

1. Assets

As at the end of the Reporting Period and as at 31 December 2019, the total assets of the Bank were RMB821,265,555 thousand and RMB836,694,191 thousand, respectively. As at the end of Reporting Period, the principal components of the Bank's assets were (i) loans and advances to customers; (ii) investment securities and other financial assets; and (iii) assets held for sale, accounting for 49.6%, 21.1% and 14.6%, respectively, of the Bank's total assets as at the end of the Reporting Period. The table below sets forth balances of the principal components of the Bank's total assets as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2020		As at 31 December 2019	
	Amount	**% of total**	Amount	% of total
Assets				
Total loans and advances to customers	**411,944,221**	**50.2**	489,116,947	58.5
Interests receivable on loans and advances to customers	**14,884,338**	**1.8**	6,916,601	0.8
Provision for impairment losses on loans and advances to customers	**(19,498,769)**	**(2.4)**	(43,338,037)	(5.2)
Net loans and advances to customers	**407,329,790**	**49.6**	452,695,511	54.1
Net investment securities and other financial assets, net [1]	**172,962,138**	**21.1**	232,866,405	27.8
Cash and deposits with the central bank	**45,970,983**	**5.6**	105,176,537	12.6
Deposits with banks and other financial institutions	**27,012,030**	**3.3**	8,301,592	1.0
Financial assets held under resale agreements	**13,521,683**	**1.6**	–	–
Placements with banks and other financial institutions	**5,682,521**	**0.7**	5,643,864	0.6
Finance lease receivables	**4,182,628**	**0.5**	6,408,314	0.8
Assets held for sale	**120,000,000**	**14.6**	–	–
Other assets[2]	**24,603,782**	**3.0**	25,601,968	3.1
Total assets	**821,265,555**	**100.0**	836,694,191	100.0

Notes:

(1) Include the financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost.

(2) Include property and equipment, deferred tax assets, positive fair value of derivatives and others.

The Bank's total assets decreased by 1.8% from RMB836,694,191 thousand as at 31 December 2019 to RMB821,265,555 thousand as at the end of the Reporting Period.

(1) Loans and advances to customers

As at the end of the Reporting Period, the Bank's total loans and advances to customers was RMB411,944,221 thousand, representing a decrease of 15.8% as compared to that as at 31 December 2019. Total loans and total advances to customers accounted for 50.2% of the Bank's total assets, representing a decrease of 8.3 percentage points as compared to that as at 31 December 2019.

(Expressed in thousands of Renminbi, unless otherwise stated)	**As at 30 June 2020**		As at 31 December 2019	
	Amount	**% of total**	Amount	% of total
Corporate loans	**390,697,628**	**94.9**	478,058,240	97.7
Personal loans	**10,070,833**	**2.4**	10,832,280	2.2
Discounted bills	**11,175,760**	**2.7**	226,427	0.1
Total loans and advances to customers	**411,944,221**	**100.0**	489,116,947	100.0

The Bank's total loans and advances to customers primarily comprises of corporate loans, personal loans and discounted bills. Corporate loans is the largest component of the Bank's loan portfolio. As at the end of the Reporting Period and as at 31 December 2019, the Bank's corporate loans amounted to RMB390,697,628 thousand and RMB478,058,240 thousand, respectively, accounting for 94.9% and 97.7% of the Bank's total loans and advances to customers, respectively.

The Bank's corporate loans decreased by 18.3% from RMB478,058,240 thousand as at 31 December 2019 to RMB390,697,628 thousand as at the end of the Reporting Period, primarily because the Bank recognised its loans and advances to customers to be disposed of as the assets held for sale.

The Bank's personal loans mainly comprises of personal business loans, residential and commercial mortgage loans, personal consumption loans, credit card overdrafts and other personal loans. As at the end of the Reporting Period, the balance of personal loans amounted to RMB10,070,833 thousand, representing a decrease of RMB761,447 thousand or 7.0% as compared to that as at 31 December 2019, accounting for 2.4% of the Bank's total loans and advances to customers.

A. Loans by collateral

As at the end of the Reporting Period and as at 31 December 2019, collateralised loans, pledged loans or guaranteed loans represented, in aggregate, 91.8% and 96.5%, respectively, of the Bank's total loans and advances to customers. If a loan is secured by more than one form of security interest, the entire amount of such loan will be allocated to the category representing the primary form of security interest. The table below sets forth the distribution of the Bank's loans and advances to customers by the type of collateral as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
Unsecured loans	**33,639,723**	**8.2**	17,138,867	3.5
Guaranteed loans	**195,885,345**	**47.5**	260,445,235	53.2
Collateralised loans	**109,509,864**	**26.6**	147,589,293	30.2
Pledged loans	**72,909,289**	**17.7**	63,943,552	13.1
Total loans and advances to customers	**411,944,221**	**100.0**	489,116,947	100.0

As at the end of the Reporting Period, the balance of the Bank's loans secured by mortgages and pledges amounted to RMB182,419,153 thousand, representing a decrease of RMB29,113,692 thousand or 13.8% as compared to that as at 31 December 2019, and accounting for 44.3% of the Bank's total loans and advances to customers. The balance of unsecured and guaranteed loans was RMB229,525,068 thousand, representing a decrease of RMB48,059,034 thousand, representing a decrease of 17.3% as compared to that as at 31 December 2019, and accounting for 55.7% of the Bank's total loans and advances to customers.

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

(i) Changes of provision for impairment losses on loans and advances to customers measured at amortised cost for the Reporting Period are as follows:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June 2020 ECL over the next 12 months	Lifetime ECL- not credit-impaired loans	Lifetime ECL- credit-impaired loans	Total
As at 1 January 2020	(12,151,110)	(4,314,052)	(26,872,875)	(43,338,037)
Transferred				
– to ECL over the next 12 months	(578,518)	260,923	317,595	–
– to lifetime ECL - not credit-impaired loans	275,615	(308,225)	32,610	–
– to lifetime ECL - credit-impaired loans	97,858	211,868	(309,726)	–
Net charge for the period	(167,777)	(1,821,738)	(1,517,191)	(3,506,706)
Write-offs for the period	–	–	567,625	567,625
Transferred to assets held for sale	432,676	3,485,367	22,860,306	26,778,349
As at 30 June 2020	(12,091,256)	(2,485,857)	(4,921,656)	(19,498,769)

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year 31 December 2019 ECL over the next 12 months	Lifetime ECL-not credit-impaired loans	Lifetime ECL-credit-impaired loans	Total
As at 1 January 2019	(5,671,427)	(6,284,804)	(10,935,844)	(22,892,075)
Transferred				
– to ECL over the next 12 months	(4,182,527)	3,342,190	840,337	–
– to lifetime ECL - not credit-impaired loans	113,521	(3,826,601)	3,713,080	–
– to lifetime ECL - credit-impaired loans	345,649	1,186,374	(1,532,023)	–
Net (charge)/release for the year	(2,756,326)	1,268,789	(19,694,520)	(21,182,057)
Write-offs for the period	–	–	736,095	736,095
As at 31 December 2019	(12,151,110)	(4,314,052)	(26,872,875)	(43,338,037)

(ii) Changes of provision for impairment losses on loans and advances to customers at fair value through other comprehensive income for the Reporting Period are as follows:

(Expressed in thousands of Renminbi, unless otherwise stated)	**For the six-month period 30 June 2020** **ECL over the next 12 months**	**Lifetime ECL-not credit-impaired loans**	**Lifetime ECL-credit-impaired loans**	**Total**
As at 1 January 2020	**(5,134)**	**–**	**–**	**(5,134)**
Net charge for the period	**–**	**–**	**–**	**–**
As at 30 June 2020	**(5,134)**	**–**	**–**	**(5,134)**

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year 31 December 2019 ECL over the next 12 months	Lifetime ECL-not credit-impaired loans	Lifetime ECL-credit-impaired loans	Total
As at 1 January 2019	(11,586)	–	–	(11,586)
Net release for the year	6,452	–	–	6,452
As at 31 December 2019	(5,134)	–	–	(5,134)

Provision for impairment losses on loans decreased by 55.0% from RMB43,343,171 thousand as at 31 December 2019 to RMB19,503,903 thousand as at the end of the Reporting Period, primarily because the Bank transferred provision for impairment on loans and advances to customers to be disposed to assets held for sale.

(2) Investment securities and other financial assets

Investment securities and other financial assets consist of debt investments, equity investments, investments using funds of wealth management products and financial assets measured at amortised cost. As at the end of the Reporting Period and as at 31 December 2019, the Bank had net investment securities and other financial assets of RMB172,962,138 thousand and RMB232,866,405 thousand, accounting for 21.1% and 27.8% of the Bank's total assets, respectively.

The following table sets out the composition of investment securities and other financial assets (interests receivable not included) as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2020 Amount	As at 30 June 2020 % of total	As at 31 December 2019 Amount	As at 31 December 2019 % of total
Debt investments	**44,488,067**	**27.3**	65,047,599	28.4
Financial assets at fair value through profit or loss	27,539,719	16.9	48,869,919	21.3
Financial assets at fair value through other comprehensive income	11,443,086	7.0	11,196,501	4.9
Financial assets at amortised cost	5,517,864	3.4	4,993,287	2.2
Provision for impairment losses on debt investments	(12,602)	0.0	(12,108)	0.0
Equity investments	**1,347,033**	**0.8**	1,231,496	0.5
Financial assets at fair value through other comprehensive income	1,347,033	0.8	1,231,496	0.5
Wealth management products investments	**3,765,446**	**2.3**	6,287,252	2.7
Financial assets at amortised cost (other than debt investments)	**113,746,571**	**69.6**	156,778,573	68.4
Beneficial interest transfer plans	120,814,393	73.9	165,999,362	72.4
Provision for impairment losses on financial assets at amortised cost (other than debt investments)	(7,067,822)	(4.3)	(9,220,789)	(4.0)
Net investments	**163,347,117**	**100.0**	229,344,920	100.0

As at the end of the Reporting Period, the Bank's net investment securities and other financial assets (interests receivable not included) amounted to RMB163,347,117 thousand, representing a decrease of 28.8% from RMB229,344,920 thousand as at 31 December 2019, which was mainly attributable to (i) the Bank's recognition of investment securities and other financial assets to be disposed of to assets held for sale; and (ii) a decrease in the size of debt investments and wealth management products at fair value through profit or loss.

2. Liabilities

As at the end of the Reporting Period and as at 31 December 2019, the Bank's total liabilities amounted to RMB761,339,447 thousand and RMB777,188,742 thousand, respectively. The Bank's liabilities mainly comprise of (i) deposits from customers; (ii) deposits from banks and other financial institutions; and (iii) debt securities payable, accounting for 54.3%, 22.5% and 17.1%, respectively of the Bank's total liabilities as at the end of the Reporting Period.

The following table sets forth the compositions of the Bank's total liabilities as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2020		As at 31 December 2019	
	Amount	**% of total**	Amount	% of total
Borrowing from the central bank	**102,180**	**0.0**	33,079,647	4.2
Deposits from customers	**413,977,645**	**54.3**	407,112,779	52.4
Deposits from banks and other financial institutions	**171,759,383**	**22.5**	178,117,754	22.9
Financial assets sold under repurchase agreements	**19,602,805**	**2.6**	10,106,602	1.3
Debt securities payable	**129,938,048**	**17.1**	110,108,837	14.2
Placements from banks and other financial institutions	**17,901,218**	**2.4**	27,731,363	3.6
Financial liabilities at fair value through profit or loss	**3,773,853**	**0.5**	6,282,210	0.8
Other liabilities(1)	**4,284,315**	**0.6**	4,649,550	0.6
Total	**761,339,447**	**100.0**	777,188,742	100.0

Note:

(1) Include negative fair value of derivatives, accrued staff costs, taxes payable, lease liabilities and others.

(1) Deposits from customers

The Bank provides demand and time deposit products for corporate and personal customers. The table below sets forth deposits from customers and product types as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	**As at 30 June 2020**		As at 31 December 2019	
	Amount	**% of total**	Amount	% of total
Corporate deposits				
Demand deposits	**51,164,233**	**12.7**	44,619,637	11.3
Time deposits	**51,342,737**	**12.7**	74,517,612	18.8
Subtotal	**102,506,970**	**25.4**	119,137,249	30.1
Personal deposits				
Demand deposits	**26,627,732**	**6.6**	24,407,499	6.2
Time deposits	**275,200,455**	**68.0**	252,765,638	63.7
Subtotal	**301,828,187**	**74.6**	277,173,137	69.9
Total	**404,335,157**	**100.0**	396,310,386	100.0

As at the end of the Reporting Period, the Bank's total deposits from customers (excluding interests payable) amounted to RMB404,335,157 thousand, representing an increase of RMB8,024,771 thousand or 2.0% as compared to that as at 31 December 2019. Deposits from customers (excluding interests payable) account for 53.1% of the total liabilities, representing an increase of 2.1 percentage points as compared to that as at 31 December 2019.

(2) Deposits from banks and other financial institutions

The counterparties of the Bank's deposits from the banks and other financial institutions mainly included domestic banks and other financial institutions. The following table sets out the composition of the counterparties of the Bank's deposits from the banks and other financial institutions as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	**As at 30 June 2020**		As at 31 December 2019	
	Amount	**% of total**	Amount	% of total
Deposits in Mainland China				
– Banks	**22,987,402**	**13.5**	50,154,053	28.4
– Other financial institutions	**147,457,270**	**86.5**	126,524,695	71.6
Total	**170,444,672**	**100.0**	176,678,748	100.0

As at the end of the Reporting Period, the Bank's total deposits from the banks and other financial institutions (excluding interest payable) amounted to RMB170,444,672 thousand, decreased by RMB6,234,076 thousand or 3.5% from 31 December 2019.

(3) Debt securities payable

Upon the approval of the CBRC and the PBOC, the Bank issued the tier-two capital bonds with write-down terms in an aggregate principal amount of RMB2,500 million on 26 December 2016. The bonds have a term of ten years and fixed coupon rate of 4.30% per annum. The Bank has an option to redeem such bonds wholly or partially at the nominal amount on 27 December 2021 upon the approval of relevant regulatory authorities.

Upon the approval of the CBRC and the PBOC, the Bank issued the tier-two capital bonds with write-down terms in an aggregate principal amount of RMB4,000 million on 26 March 2018. The bonds have a term of ten years and fixed coupon rate of 4.90% per annum. The Bank has an option to redeem such bonds wholly or partially at the nominal amount on 28 March 2023 upon the approval of relevant regulatory authorities.

As at the end of the Reporting Period and as at 31 December 2019, the Bank issued 114 and 120 tranches of RMB negotiable certificates of deposit which were not matured, the balance of which were RMB123,335 million and RMB103,454 million, respectively.

3. Shareholders' equity

The following table sets forth the composition of Shareholders' equity as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	**As at 30 June 2020**		As at 31 December 2019	
	Amount	**% of total**	Amount	% of total
Share capital	**7,781,616**	**13.0**	7,781,616	13.1
Other equity instruments				
including: offshore preference shares	**9,897,363**	**16.5**	9,897,363	16.6
Capital reserve	**20,590,718**	**34.4**	20,583,321	34.6
Surplus reserve	**2,994,679**	**5.0**	2,994,679	5.0
General reserve	**11,800,217**	**19.7**	11,800,217	19.8
Retained earnings	**3,020,866**	**5.0**	2,614,222	4.4
Non-controlling interests	**3,840,649**	**6.4**	3,834,031	6.5
Total equity	**59,926,108**	**100.0**	59,505,449	100.0

(III) Loan quality analysis

1. Breakdown of loans by the five-category classification

For the Bank, the non-performing loans are classified into loans and advances to customers of substandard, doubtful and loss. As at the end of the Reporting Period, the non-performing loans recorded by the Bank amounted to RMB8,002,174 thousand. The Bank's total provision for impairment losses on loans to customers measured at amortised cost and at fair value though other comprehensive income was RMB19,503,903 thousand. The following table sets forth the distribution of the Bank's loans and advances to customers by the five-category loan classification as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2020		As at 31 December 2019	
	Amount	**% of total**	Amount	% of total
Normal	**379,731,580**	**92.2**	376,304,315	76.9
Special-mention	**24,210,467**	**5.9**	75,127,596	15.4
Substandard	**6,602,475**	**1.6**	28,725,027	5.8
Doubtful	**1,313,057**	**0.3**	8,171,797	1.7
Loss	**86,642**	**0.0**	788,212	0.2
Total loans and advances to customers	**411,944,221**	**100.0**	489,116,947	100.0
Non-performing loans	**8,002,174**	**1.94**	37,685,036	7.70

As at the end of the Reporting Period and as at 31 December 2019, the non-performing loan ratios of the Bank were 1.94% and 7.70%, respectively. The Bank's non-performing loan ratio as at the end of the Reporting Period was 5.76 percentage points lower as compared to that as at 31 December 2019, primarily because non-performing loans of the Bank decreased after it recognised its loans and advances to customers to be disposed of as assets held for sale.

2. Concentration of loans

(1) Concentration by industry of corporate loans

Corporate loans consist of loans and advances to customers in various industries. The table below sets forth the breakdown of loans by industry as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2020				As at 31 December 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 trade	**175,582,491**	**42.5**	**1,865,553**	**1.06**	227,296,037	46.6	9,308,652	4.10
Manufacturing	**94,240,522**	**22.9**	**570,125**	**0.60**	97,315,189	19.9	8,821,596	9.06
Leasing and commercial services	**33,673,301**	**8.2**	**25,620**	**0.08**	43,653,896	8.9	4,704,812	10.78
Real estate	**29,493,980**	**7.2**	**2,613,113**	**8.86**	35,035,141	7.2	5,733,428	16.36
Education	**6,907,977**	**1.7**	**–**	**–**	7,197,553	1.5	4,160	0.06
Transportation, storage and postal services	**5,874,184**	**1.4**	**21,751**	**0.37**	10,793,156	2.2	2,642,941	24.49
Electricity, gas and water production and supply	**4,247,257**	**1.0**	**–**	**–**	6,600,856	1.3	668,710	10.13
Public management and social organisation	**4,020,320**	**1.0**	**–**	**–**	4,146,060	0.8	–	–
Science research and technological services	**3,573,215**	**0.9**	**–**	**–**	7,298,272	1.5	–	–
Construction	**3,226,003**	**0.8**	**30,856**	**0.96**	4,541,158	0.9	457,542	10.08
Water, environment and public utility management	**3,144,530**	**0.8**	**3,000**	**0.10**	3,602,950	0.7	428,000	11.88
Mining	**1,944,789**	**0.5**	**–**	**–**	5,139,382	1.1	1,387,501	27.00
Agriculture, forestry, animal husbandry and fishery	**897,608**	**0.2**	**193,947**	**21.61**	1,166,923	0.2	366,780	31.43
Others	**23,871,451**	**5.8**	**351,430**	**1.47**	24,271,667	5.0	736,825	3.04
Discounted bills	**11,175,760**	**2.7**	**–**	**–**	226,427	0.0	–	–
Personal loans	**10,070,833**	**2.4**	**2,326,779**	**23.10**	10,832,280	2.2	2,424,089	22.38
Total	**411,944,221**	**100.0**	**8,002,174**	**1.94**	489,116,947	100.0	37,685,036	7.70

As at the end of the Reporting Period, corporate loans offered to customers in the industries of (i) wholesale and retail trade; (ii) manufacturing; (iii) leasing and commercial services; and (iv) real estate represented the largest components of the Bank's corporate loans. As at the end of the Reporting Period and as at 31 December 2019, the balance of loans provided to the corporate customers in the aforesaid four industries was RMB332,990,294 thousand and RMB403,300,263 thousand, respectively, accounting for 85.3% and 84.3% of the total corporate loans and advances granted by the Bank, respectively.

(2) Borrower concentration

Loans to the ten largest single borrowers

The table below sets forth the borrowing amounts of the top ten single borrowers as at the end of the Reporting Period.

(Expressed in thousands of Renminbi, unless otherwise stated)		As at 30 June 2020	
Customer	Industry involved	Amount	% of total
Customer A	Manufacturing	6,412,482	1.6
Customer B	Manufacturing	5,447,500	1.3
Customer C	Manufacturing	5,199,950	1.3
Customer D	Manufacturing	5,000,000	1.2
Customer E	Manufacturing	4,000,000	1.0
Customer F	Manufacturing	3,948,130	1.0
Customer G	Manufacturing	3,666,350	0.9
Customer H	Leasing and commercial services	3,615,400	0.9
Customer I	Real estate	3,468,000	0.8
Customer J	Leasing and commercial services	3,000,000	0.7

(3) *Distribution of non-performing loans by product type*

The table below sets forth the loans and non-performing loans by product type as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2020 Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	As at 31 December 2019 Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans						
Small enterprises and micro enterprises	**186,904,624**	**1,880,206**	**1.01**	233,027,838	18,850,264	8.09
Medium enterprises	**110,528,648**	**530,054**	**0.48**	138,812,040	8,513,635	6.13
Others	**93,264,356**	**3,265,135**	**3.50**	106,218,362	7,897,048	7.43
Subtotal	**390,697,628**	**5,675,395**	**1.45**	478,058,240	35,260,947	7.38
Discounted bills	**11,175,760**	**–**	**–**	226,427	–	–
Personal loans						
Personal business loans	**8,083,162**	**2,265,829**	**28.03**	8,844,841	2,362,879	26.71
Personal consumption loans	**420,622**	**25,486**	**6.06**	468,807	26,330	5.62
Residential and commercial properties mortgage loans	**1,389,133**	**30,824**	**2.22**	1,349,141	31,013	2.30
Credit card overdrafts	**177,633**	**4,357**	**2.45**	169,203	3,579	2.12
Others	**283**	**283**	**100.00**	288	288	100.00
Subtotal	**10,070,833**	**2,326,779**	**23.10**	10,832,280	2,424,089	22.38
Total	**411,944,221**	**8,002,174**	**1.94**	489,116,947	37,685,036	7.70

The non-performing loan ratio, representing non-performing loans divided by the Bank's total loans and advances to customers, was 1.94% as at the end of the Reporting Period, representing a decrease of 5.76 percentage points as compared to 7.70% as at 31 December 2019.

As at the end of the Reporting Period and as at 31 December 2019, the non-performing loan ratios of the Bank's corporate loans were 1.45% and 7.38%, respectively.

As at the end of the Reporting Period and as at 31 December 2019, the non-performing loan ratios of the Bank's personal loans were 23.10% and 22.38%, respectively.

(4) Overdue loans and advances to customers

The table below sets forth the aging analysis of the Bank's overdue loans and advances to customers as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2020 Amount	As at 30 June 2020 % of total	As at 31 December 2019 Amount	As at 31 December 2019 % of total
Overdue within 3 months (inclusive)	**6,902,792**	**39.8**	16,667,171	24.6
Overdue more than 3 months to 6 months (inclusive)	**1,645,610**	**9.5**	31,803,148	47.0
Overdue more than 6 months to 1 year (inclusive)	**3,289,159**	**18.9**	12,698,969	18.7
Overdue more than 1 year	**5,520,904**	**31.8**	6,561,687	9.7
Total overdue loans and advances to customers	**17,358,465**	**100.0**	67,730,975	100.0

(IV) Analysis on capital adequacy ratio

The Bank calculated and disclosed capital adequacy ratios in accordance with the relevant provisions of the Measures for Administration on Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) (effective since 1 January 2013) promulgated by the CBRC. As at the end of the Reporting Period, the Bank's core tier-one capital adequacy ratio was 5.50%, representing an increase of 0.35 percentage points as compared to that as at 31 December 2019; the tier-one capital adequacy ratio was 6.94%, representing an increase of 0.47 percentage points as compared to that as at 31 December 2019; the capital adequacy ratio was 9.06%, representing an increase of 0.97 percentage points as compared to that as at 31 December 2019. The increase in capital adequacy ratios as at the end of the Reporting Period was mainly due to (i) a decrease in total risk weighted assets of the Bank; and (ii) the increase in total net capital resulted from an increase in the provision for excess loan losses that can be included in tier-two capital as a result of the decrease non-performing loans.

The table below sets forth the relevant information of the Bank's capital adequacy ratio as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	**As at 30 June 2020**	As at 31 December 2019
Core tier-one capital		
– Share capital	**7,781,616**	7,781,616
– Qualifying portion of capital reserve	**20,585,585**	20,578,189
– Surplus reserve	**2,994,679**	2,994,679
– General reserve	**11,800,217**	11,800,217
– Retained earnings	**3,020,866**	2,614,222
– Qualifying portions of non-controlling interests	**456,772**	583,418
Core tier-one capital deductions		
– Other intangible assets other than land use right	**(249,128)**	(255,880)
– Other net deferred tax assets that depend on the Bank's future bank earnings	**(8,467,327)**	(7,231,939)
Net core tier-one capital	**37,923,280**	38,864,522
Other tier-one capital	**9,949,935**	9,975,152
Net tier-one capital	**47,873,215**	48,839,674
Tier-two capital		
– Instruments issued and share premium	**6,500,000**	6,500,000
– Surplus provision for loan impairment	**7,998,917**	5,553,557
– Qualifying portions of non-controlling interests	**101,442**	146,726
Net capital base	**62,473,574**	61,039,957
Total risk weighted assets	**689,427,069**	754,499,591
Core tier-one capital adequacy ratio	**5.50%**	5.15%
Tier-one capital adequacy ratio	**6.94%**	6.47%
Capital adequacy ratio	**9.06%**	8.09%

(V) Segment information

1. Summary of geographical segments

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branch that generates the income. Substantially all of the Bank's businesses are conducted in the PRC and the Bank classifies the Bank's businesses in the PRC into the following three major geographical regions:

Jinzhou Region: the Bank's headquarters, Jinzhou branch, Jinzhou Taihe Jinyin Village and Township Bank Co., Ltd. (錦州太和錦銀村鎮銀行股份有限公司), Liaoning Yixian Jinyin Village and Township Bank Co., Ltd. (遼寧義縣錦銀村鎮銀行股份有限公司), Liaoning Beizhen Jinyin Village and Township Bank Co., Ltd. (遼寧北鎮錦銀村鎮銀行股份有限公司), Liaoning Heishan Jinyin Village and Township Bank Co., Ltd. (遼寧黑山錦銀村鎮銀行股份有限公司) and Liaoning Linghai Jinyin Village and Township Bank Co., Ltd. (遼寧凌海錦銀村鎮銀行股份有限公司).

Other Northeastern China Region (excluding Jinzhou region): Shenyang branch, Dalian branch, Harbin branch, Dandong branch, Fushun branch, Anshan branch, Chaoyang branch, Fuxin branch, Liaoyang branch, Huludao branch, Benxi branch, Yingkou branch, Liaoning Kazuo Jinyin Village and Township Bank Co., Ltd. (遼寧喀左錦銀村鎮銀行股份有限公司), Liaoning Huanren Jinyin Village and Township Bank Co., Ltd. (遼寧桓仁錦銀村鎮銀行股份有限公司) and Bank of Jinzhou Financial Leasing Co., Ltd. (錦銀金融租賃有限責任公司).

Northern China Region: Beijing branch and Tianjin branch.

	For the six-month period ended 30 June			
	2020		2019	
(Expressed in thousands of Renminbi, unless otherwise stated)	**Amount**	**% of total**	Amount	% of total
Operating Income				
Jinzhou Region	**4,558,111**	**70.7**	10,714,408	79.0
Other Northeastern China Region	**1,015,416**	**15.8**	1,539,525	11.4
Northern China Region	**870,941**	**13.5**	1,293,255	9.6
Total	**6,444,468**	**100.0**	13,547,188	100.0

2. Summary of business segment

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

	For the six-month period ended 30 June			
	2020		2019	
(Expressed in thousands of Renminbi, unless otherwise stated)	**Amount**	**% of total**	Amount	% of total
Operating income				
Corporate banking business	**4,711,610**	**73.2**	6,660,432	49.2
Retail banking business	**433,394**	**6.7**	776,809	5.7
Treasury business	**1,290,827**	**20.0**	6,102,035	45.0
Others	**8,637**	**0.1**	7,912	0.1
Total	**6,444,468**	**100.0**	13,547,188	100.0

(VI) Analysis of off-balance sheet items

The Bank's off-balance sheet items include credit commitments and other off-balance sheet items. Credit commitments mainly include acceptances, letters of credit, letters of guarantee, credit card commitments and loan commitments. Other off-balance sheet items mainly are capital expenditure commitments. Acceptances are commitments made by the Bank to the payment for a bank draft issued by the Bank's customers. The letters of guarantee and the letters of credit are issued by the Bank to guarantee the customer's contractual performance for a third party. The following table sets forth the Bank's credit commitments and other off-balance sheet items as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	**As at 30 June 2020**	As at 31 December 2019
Acceptances	**84,017,537**	119,543,175
Letters of credit	**1,133,002**	4,496,980
Letters of guarantee	**102,372**	99,443
Loan commitments	**133,845**	2,359,907
Credit card commitments	**1,274,593**	837,508
Subtotal	**86,661,349**	127,337,013
Capital expenditure commitments	**50,769**	47,169
Subtotal	**50,769**	47,169
Total	**86,712,118**	127,384,182

II. Business Overview

(I) Corporate banking business

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June 2020	2019	Rate of Change (%)
External net interest income	**12,118,196**	11,043,338	9.7
Internal net interest expense	**(7,437,974)**	(4,428,856)	67.9
Net interest income	**4,680,222**	6,614,482	(29.2)
Net fee and commission income	**31,370**	43,297	(27.5)
Net foreign exchange gains	**–**	2,653	(100.0)
Other operating income	**18**	–	N/A
Impairment losses on assets	**(2,364,009)**	(9,536,654)	(75.2)
Operating expenses	**(334,261)**	(896,012)	(62.7)
Segment profit/(loss) before tax	**2,013,340**	(3,772,234)	(153.4)
Depreciation and amortisation	**(93,225)**	(97,530)	(4.4)
Capital expenditure	**9,958**	202,128	(95.1)

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2020	As at 31 December 2019	Rate of Change (%)
Segment assets	**397,213,149**	450,446,832	(11.8)
Segment liabilities	**128,170,167**	164,813,489	(22.2)

1. Corporate deposits

During the Reporting Period, the Bank focused on corporate deposit marketing, mainly putting more efforts on the number of customers, improving the quality of deposits, intensifying effective marketing efforts to corporate deposit customers, and established a lasting and stable good customer relationship by providing comprehensive financial services. As at the end of the Reporting Period, total corporate deposits of the Bank (excluding interests payable) amounted to RMB102,506,970 thousand, in which, corporate demand deposits amounted to RMB51,164,233 thousand, accounting for 49.9%; corporate time deposits amounted to RMB51,342,737 thousand, accounting for 50.1%. In the second half of 2020, with regard to corporate deposits, the Bank will further consolidate the foundation of corporate deposit business from the aspects of mechanism construction, account expansion and deposit increase, product promotion and deposit and loan linkage to enhance market competitiveness.

2. Corporate loans

During the Reporting Period, the Bank continued to implement regulatory requirements and adjust and optimise the structure of credit assets. On the basis of strengthening the management of existing credit assets, the Bank adhered to the business philosophy of urban commercial banks to serve the local economy. During the COVID-19 epidemic, the Bank actively carried out the " Chunjin Plan" and "Double Thousand Project", and supported enterprises to resume work and production through credit funds, so as to stabilize local economic development. As at the end of the Reporting Period, corporate loans of the Bank amounted to RMB390,697,628 thousand, representing a decrease of 18.3% as compared to that as at 31 December 2019.

3. Discounted bills

During the Reporting Period, the Bank carried out discounted bills business rationally on the basis of sound risk management according to the needs of liquidity management, changes in the bill market and market returns. As at the end of the Reporting Period, discounted bills amounted to RMB11,175,760 thousand.

4. International business

During the Reporting Period, in international business, the Bank has always adhered to the customer-centric service philosophy. By combining traditional loan-deposit products with trade finance products and financial derivative instruments, the Bank offered customers with flexible and diverse financial product services with international settlement amount of US$965 million. Agency channel development and inter-bank cooperation have been continuously improved and the agency network covered 54 countries and regions, comprising of 471 agencies. The Bank fully catered to customers' needs of settlement and finance.

(II) Inclusive Financial Business

1. Business Overview

During the Reporting Period, the Bank established the inclusive finance business unit to comprehensively build a "Five Specialty" mechanism of inclusive financial management, which includes "comprehensive services, statistical accounting, risk management, resource allocation, assessment and evaluation". Adhering to the original intention of returning to the "three services" orientation of urban commercial banks, the Bank continued to sink the focus of business management and service, deeply cultivated the local small and micro enterprise market, and built a featured urban commercial bank with high adaptability and strong competitiveness in inclusive financial business. Focusing on the financing needs of small and micro enterprises, small and micro business owners and individual businesses with a financing need of less than RMB10 million, the Bank implements differentiated development strategies based on regional characteristics and core customer groups.

As at the end of the Reporting Period, the balance of loans for small and micro enterprises (including small and micro enterprises, owners of small and micro enterprise and individual industrial and commercial households) of the Bank (excluding subsidiaries) amounted to RMB189,938,387 thousand with 3,773 small and micro enterprise customers; during the Reporting Period, a total of RMB48,438,301 thousand was lent to small and micro enterprises, and the number of new small and micro enterprise customers was 1,048, and the average loan price was 7.98%. As at the end of the Reporting Period, in addition to the headquarters, the Bank (excluding its subsidiaries) had 219 service points in total, including 15 branches, 195 traditional sub-branches, 7 mini/community subbranches and 1 specialized institution.

2. **Development Measures**

(1) **Increased the input of resources to focus on the development of inclusive financial services.** The Bank adopted internal capital transfer preferential pricing to the inclusive financial loans and included the completion rate of two increases and two controls of inclusive finance into performance assessment system, established special incentive funds for inclusive finance and implemented incentive schemes for inclusive financial products to form a "two-way incentive" mechanism. Meanwhile, the Bank responded to the poverty alleviation of the country by increasing the fund in respect of poverty alleviation, applied fast track approval and executed preferential rates, so as to increase the non-performing loans tolerance of poverty alleviation.

(2) **Strengthened refining and accumulation of professional knowledge to enhance the professional skills of teams.** The Bank prepared professional training courseware for account managers to learn online, proactively developed internal trainers with the integration of internal and external training, enhanced the risk management ability of account managers, strengthened professional assessment, guided various institutions to assess individuals to ensure that professionals' relevant assessment indicators of their profession accounted for the main proportion, enabled professionals to do professional things, and established and improved the mechanism of "can lend, dare to lend, and willing to lend".

(3) **Full-staff marketing, professional access.** Taking advantage of "geographical and personal connections", various operating organisations made full use of the advantages of network coverage to expand their marketing reach. The Bank implemented a "pre-review" mechanism to separate marketing customer acquisition and business operation functions, separate positions, standardized the business review mechanism, quickly screened and provided feedback, so as to realize risk pre-disclosure, improve inclusive customer experience, improve business approval timeliness, and reduce cost and increase output.

(4) **Promoted the "increment and expansion" of inclusive finance relying on the "Chunjin Plan".** Through in-depth research on the structure of small and micro customer groups, the Bank refined the view of inclusive customers, improved product matching capabilities, and precision marketing. The Bank carried out characteristic marketing activities, launched "Jincheng BUS" inclusive financial series products, "Chunjin Loan" series products and inclusive anti -epidemic products based on "Chunjin Plan". The Bank identified the fulcrum for mass acquisition of customers, and actively developed the "chain, face, piece, circle" marketing model based on core customers, specific industries, specific regions, and specific contacts to increase service coverage.

(III) Retail banking business

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June 2020	2019	Rate of Change (%)
External net interest expenses	**(5,979,636)**	(4,982,092)	20.0
Internal net interest income	**6,333,412**	5,654,124	12.0
Net interest income	**353,776**	672,032	(47.4)
Net fee and commission income	**79,618**	104,520	(23.8)
Net foreign exchange gains	**–**	257	(100.0)
Impairment losses on assets	**(1,181,356)**	(256,790)	360.0
Operating expenses	**(520,460)**	(104,509)	398.0
Segment (loss)/profit before tax	**(1,268,422)**	415,510	(405.3)
Depreciation and amortisation	**(58,048)**	(51,456)	12.8
Capital expenditure	**5,607**	106,641	(94.7)

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2020	As at 31 December 2019	Rate of Change (%)
Segment assets	**8,728,394**	10,995,608	(20.6)
Segment liabilities	**284,475,358**	246,595,913	15.4

1. Personal Deposits

During the Reporting Period, in the face of external economic situations such as the COVID-19 epidemic, economic downward pressure, the Bank adhered to customer-oriented, continuously consolidated customer base, expanded customer service boundary, implemented responsibilities, enhanced management, and continuously strengthened customer comprehensive financial services. During the COVID-19 epidemic period, the Bank continuously launched products and services such as "deferred payment interest as a result of the epidemic" for personal deposits, one-stop financial services for enterprise accounts, deferred repayment of credit cards, exclusive credit cards for medical staff, and marketing of consumer coupons with provincial UnionPay. While fulfilling social responsibilities, the Bank continued to create value for customers and helped them return to work. At the same time, under the background of fierce competition in the deposit market, the Bank adjusted its pricing strategy, improved the debt structure, reduced the cost of debt and promoted the continuous growth of deposits. As at the end of the Reporting Period, the balance of personal deposit of the Bank amounted to RMB301,828,187 thousand, representing an increase of 8.9% compared with that as at 31 December 2019. As at the end of the Reporting Period, there were 405,600 effective VIP customers (referring to the individual customers with average daily total assets of RMB200,000 or above in the Bank's quarter), representing an increase of 11.9% compared with that as at 31 December 2019.

2. Personal Loans

During the Reporting Period, the Bank focused on loans in the inclusive finance area, facilitated the development of consumption loans, mortgage loans for residential and commercial properties and personal business loans, and integrated online platforms to enhance service quality and efficiency. As at the end of the Reporting Period, personal loans of the Bank (including, among others, personal business loans, personal consumption loans, residential and commercial property mortgage loans) amounted to RMB10,070,833 thousand, of which personal business loans amounted to RMB8,083,162 thousand, personal consumption loans amounted to RMB420,622 thousand, and residential and commercial property mortgage loans amounted to RMB1,389,133 thousand.

As at the end of the Reporting Period, the total amount of credit card facilities of the Bank amounted to RMB1,453,720 thousand, increased by RMB447,025 thousand or 44.4% as compared to that as at 31 December 2019.

3. Bank Cards

The Bank continued to enrich product functions, launched various measures to benefit the people, and enhanced the ability to serve customers. In response to the COVID-19 epidemic, the Bank launched online payment products and services such as credit card deferred repayment, installment special preferential treatment, medical platinum credit card, "New Rural Co-operative Medical System" QuickPass; the Bank launched a number of characteristic installment products to provide convenience for customers to carry out parking space, car, home decoration and other multi scene consumption; the bank card products have been constantly enriched, the research and development of credit cards like small and micro enterprise card, DIY custom card, Jinzhou barbecue card, etc. have been fully commenced and will be launched in the second half of the year; the Bank further improved various business and service functions, and continuously upgraded and optimised channel functions, such as WeChat banking, mobile banking, the point mall and equity platform, to provide customers with a more efficient, safe and convenient card holding experience. As at the end of the Reporting Period, the number of debit cards issued by the Bank amounted to 6,374.1 thousand, representing an increase of 3.0% as compared to that as at 31 December 2019; while the number of credit cards issued by the Bank amounted to 102,856, representing an increase of 24.0% as compared to that as at 31 December 2019.

4. Wealth Management

During the Reporting Period, the retail business of the Bank has taken customer demand as the guidance and customer acquisition and sales as the main line, improved customer service value-added system, anchored key customer groups in the segment market, developed and optimised product innovation, embedded various financial scenarios, realized mass customer acquisition, comprehensively optimised customer experience, consolidated customer base, improved business scale, and accelerated the improvement of retail business development capabilities to achieve a good business development trend. As at the end of the Reporting Period, the number of retail customers amounted to 5.368 million, representing an increase of 121,200 or 2.3% compared with that as at 31 December 2019. The number of core customers was 867,500, representing an increase of 71,800 or 9.0% compared with that as at 31 December 2019. There were 405,600 effective VIP customers, representing an increase of 43,000 or 11.9% compared with that as at 31 December 2019, including 261,500 gold card customers, 124,400 purple gold customers, 17,936 platinum customers and 1,810 black gold customers.

In accordance with regulatory requirements, all product sales outlets of the Bank have implemented the special zone sales and audio and video recording system for wealth management products. The Bank had a total of 160 registered sales outlets for fund agency business.

(IV) Capital business

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June 2020	2019	Rate of Change (%)
External net interest (expense)/income	**(85,944)**	5,782,110	(101.5)
Internal net interest income/(expense)	**1,104,562**	(1,225,268)	(190.1)
Net interest income	**1,018,618**	4,556,842	(77.6)
Net fee and commission (expense)/income	**(18,179)**	5,006	(463.1)
Net trading gain	**288,751**	1,469,666	(80.4)
Dividend income	**–**	1,200	(100.0)
Net (losses)/gains arising from investment securities	**(153)**	77,623	(100.2)
Net foreign exchange gains/(losses)	**1,790**	(8,302)	(121.6)
Impairment losses on assets	**(1,078,462)**	(2,980,831)	(63.8)
Operating expenses	**(432,334)**	(822,336)	(47.4)
Segment (loss)/profit before tax	**(219,969)**	2,298,868	(109.6)
Depreciation and amortisation	**(109,466)**	(110,050)	(0.5)
Capital expenditure	**12,526**	228,077	(94.5)

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2020	As at 31 December 2019	Rate of Change (%)
Segment assets	**271,371,573**	350,691,133	(22.6)
Segment liabilities	**344,441,020**	364,358,588	(5.5)

1. Currency Market Transactions

During the Reporting Period, the money market maintained a reasonably easy liquidity, and the fund interest rate continually remained at a low level with a slight fluctuation. On the premise of maintaining safe liquidity, based on historical experience and market conditions, the Bank thoroughly researched and judged the trend of fund interest rates during the Reporting Period, flexibly allocated financing structure, actively participated in the currency market transactions and increase productivity. As at the end of the Reporting Period, the balance of financial assets held under resale agreements of the Bank was RMB13.522 billion, and the balance of financial assets sold under repurchase agreements was RMB19.603 billion.

2. Foreign Exchange and Derivatives Trading

During the Reporting Period, the Bank conducted foreign exchange and derivative transactions through the inter-bank market, optimised the management of assets and liabilities in domestic and foreign currencies to provide customers with derivative financial services, and achieved better economic benefits. During the Reporting Period, the cumulative transaction volume of foreign exchange transactions on the inter-bank market was US$1.742 billion, of which the transaction volume of derivatives business (including foreign exchange forwards and foreign exchange swaps) was US$1.542 billion.

3. Investments in Securities and Other Financial Assets

During the Reporting Period, the factors affecting bond market in the PRC were becoming more complicated. The sentiment and trade behavior of bond market participants were constantly affected by economic fundamentals, fund fundamentals, financial regulation, exchange rate, overseas market, structure of bond market participants, product transaction chain and other factors. The Bank paid close attention to changes in policy environment, facilitated analysis and research on the financial market, and adjusted operation strategies when appropriate.

(1) Securities investment (interests receivable not included) distribution breakdown by business model and holding purpose

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2020		As at 31 December 2019	
	Amount	**% of total**	Amount	% of total
Financial assets at fair value through profit or loss	**31,305,165**	**19.2**	55,157,171	24.1
Financial assets at fair value through other comprehensive income	**12,790,119**	**7.8**	12,427,997	5.4
Financial assets measured at amortised cost	**119,251,833**	**73.0**	161,759,752	70.5
Total	**163,347,117**	**100.0**	229,344,920	100.0

(2) Securities investment distribution breakdown by residual maturity

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2020		As at 31 December 2019	
	Amount	**% of total**	Amount	% of total
Indefinite	**12,232,818**	**7.1**	12,774,133	5.5
Repayable on demand	**6,725,340**	**3.9**	5,734,673	2.5
Within 3 months	**36,543,412**	**21.1**	35,720,072	15.3
3 months to 1 year	**63,662,044**	**36.8**	85,315,108	36.6
1 year to 5 years	**44,315,609**	**25.6**	81,337,170	34.9
More than 5 years	**9,482,915**	**5.5**	11,985,249	5.2
Total	**172,962,138**	**100.0**	232,866,405	100.0

(3) Holding of State Bonds

As at the end of the Reporting Period, the balance of nominal value of the state bonds held by the Bank amounted to RMB2.4 billion. The table below sets out seven state bonds held by the Bank as at the end of the Reporting Period.

Name of Bonds (Expressed in thousands of Renminbi, unless otherwise stated)	Nominal Value	Interest rate per annum (%)	Maturity Date
12 Coupon-bearing State Bonds 09	1,000,000	3.36	24 May 2022
17 Coupon-bearing State Bonds 04	440,000	3.40	9 February 2027
06 State Bonds 19	300,000	3.27	15 November 2021
17 Coupon-bearing State Bonds 18	250,000	3.59	3 August 2027
17 Coupon-bearing State Bonds 10	160,000	3.52	4 May 2027
17 Coupon-bearing State Bonds 25	150,000	3.82	2 November 2027
09 Coupon-bearing State Bonds 20	100,000	4.00	27 August 2029

(4) Holding of financial bonds

As at the end of the Reporting Period, the balance of nominal value of the financial bonds (mainly financial bonds issued by policy banks) held by the Bank amounted to RMB12.010 billion. The table below showed the top ten financial bonds with the highest nominal value held by the Bank as at the end of the Reporting Period.

Name of Bonds (Expressed in thousands of Renminbi, unless otherwise stated)	Nominal Value	Interest rate per annum (%)	Maturity Date
18 Nong Fa 11	3,150,000	4.00	12 November 2025
18 Nong Fa 13	1,310,000	3.55	21 November 2023
10 Nong Fa 14	1,240,000	4.00	4 November 2020
16 Jin Chu 10	730,000	3.18	5 September 2026
18 Nong Fa 06	550,000	4.65	11 May 2028
20 Nong Fa 02	500,000	2.20	1 April 2023
18 GZRB Tier II 01	350,000	4.90	23 March 2028
19 Nong Fa 07	300,000	3.12	17 July 2022
17 HKB Tier II	300,000	5.00	27 April 2027
16 BZZ Tier II 01	300,000	4.10	21 December 2026

4. Wealth Management Business

As at the end of the Reporting Period, the balance of the Bank's wealth management amounted to RMB21.618 billion. During the Reporting Period, all wealth management products of the Bank were cashed in a timely manner, without any complaints from customers. During the Reporting Period, in strict compliance with the new requirements of assets management and wealth management, the Bank continuously increased development in net-worth products, actively guided the marketing of branches, expanded investment channels, improved asset management, and accelerated the transformation of wealth management business. As at the end of the Reporting Period, the balance of non-guaranteed net-worth wealth management products of the Bank amounted to RMB13.504 billion, representing an increase of RMB2.246 billion compared with that as at 31 December 2019. Net-worth products accounted for 62.47%, and business transformation progressed solidly and steadily.

5. Interbank Business

The Bank improved the portfolio of interbank businesses in liabilities, investment and bills transactions in a rational way. As at the end of the Reporting Period, the Bank's deposit with banks and other financial institutions amounted to RMB27,012,030 thousand, and the Bank's deposits from banks and other financial institutions amounted to RMB171,759,383 thousand. As at the end of the Reporting Period, the Bank had 114 interbank certificates of deposit issued and not yet due, with book balance of RMB123.335 billion.

6. Investment Banking Business

During the Reporting Period, under the macroeconomic situation and regulatory policy requirements, the Bank steadily developed investment business, balanced the relationship between business development and risk control in a reasonable way, and continuously optimised the investment business structure. As at the end of the Reporting Period, the original book value of the beneficial interest transfer plans measured at the amortized cost of the Bank was RMB120,814,393 thousand.

(V) Distribution channels

1. Physical Outlets

Development of the Bank's institution complied with strategic guidance principle, risk control principle, market-oriented principle and characteristic management principle, with the basic premise matching cross-regional development speed and self-management and control abilities. The Bank scientifically mastered cross-regional development speed and pace, adhering to the path of healthy development and achieving coordinated development of "scale, quality, benefit". As at the end of the Reporting Period, in addition to the headquarters, the Bank (excluding its subsidiaries) had 219 service points in total, including 15 branches, 195 traditional sub-branches, 7 mini/community sub-branches and 1 specialized institution in total, which were distributed mainly over provinces and cities such as Beijing, Tianjin, Harbin and Liaoning.

2. Self-service Banking

As at the end of the Reporting Period, the Bank (excluding its subsidiaries) had a total of 145 self-service banking and self-service zones, and the Bank (excluding its subsidiaries) had 997 self-service machines, including 588 ATMs, with accumulated transactions number of 2.023 million and transaction amount of RMB4.50 billion during the Reporting Period. There were 93 multi-media enquiry machines, with the accumulated transaction number of 140 thousand. There were 127 automatic card issuing machines, representing an increase of 5 as compared to that as at 31 December 2019, and with the accumulated transaction number of 6 thousand. There were 189 smart ATMs, representing an increase of 4 as compared to that as at 31 December 2019, and with the accumulated transaction number of 357 thousand.

The functions of self-service machines were updated, and financial innovation projects were carried out in an orderly manner. During the Reporting Period, the Bank reformed and upgraded ATM gas payment, launched ATM zero deposit renewal business, optimised the classified entry business of traffic fine self-service payment machine, carried out housing sales fund supervision business in Jinzhou this year, built five "one-stop" financial service platforms to realize "one-stop" service for industrial and commercial business and tax business.

The work of "preventing and controlling the epidemic and helping enterprises to resume work and production" was carried out in an orderly manner. During the Reporting Period, the Bank launched eight self-service license printing machines, enabling enterprises to "not meet each other" to obtain business licenses; carried out activities to boost consumption and support commercial enterprises' resumption of work and production in Liaoning Province, and took measures such as issuing consumption coupons and reducing or exempting merchant transaction fees; and carried out the preferential activities of reducing and remitting the service charges of debit card and credit card holders in inter-bank cash withdrawal through ATM in Hubei Province.

Promoted the construction of mobile easy pay demonstration project in an orderly manner. During the Reporting Period, the Bank carried out "intelligent public transport" QuickPass discount rides in Jinzhou; cooperated with Liaoning UnionPay and Chinausm (銀商) to carry out QuickPass app new users development and marketing activities; planned marketing and expansion activities of agricultural merchants in 2020, including launching marketing competition for agricultural merchants, pilot agricultural material acquisition business, establishing "agricultural business demonstration village" and creating "mobile payment leading county".

3. Online Finance

During the Reporting Period, the Bank took "financial technology to assist the construction of modern financial system" as its development direction, centered on the new trend of financial development, and accelerated the pace of online financial innovation. In terms of promoting online business, improving financial service efficiency, and improving financial service experience, the Bank made every effort to promote the construction of digital banking, accelerate the development of remote, online, and intelligent business, and improve business productivity and competitiveness.

(1) Online Banking

During the Reporting Period, the Bank enhanced its business scenarios by strengthening innovative research and development and promoting product optimization and upgrading, and further broadened the service radius of corporate online banking: First, corporate online banking launched investment and wealth management services to improve the service experience in all aspects. Second, the Bank launched international business, including letter of credit, foreign exchange remittance and foreign exchange settlement services, achieving full coverage of domestic and foreign currency business, and further enriching the corporate online banking product system.

As at the end of the Reporting Period, the Bank had a total of 400,500 online banking customers, representing an increase of 3.4% as compared with that as at 31 December 2019, among which, there were a total of 44,200 corporate online banking customers, representing an increase of 3.5% as compared with that as at 31 December 2019; there were a total of 356,300 personal online banking customers, representing an increase of 3.4% as compared with that as at 31 December 2019. During the Reporting Period, the transaction amount of online banking amounted to RMB576.291 billion, among which, the transaction amount of corporate online banking amounted to RMB450.226 billion and the transaction amount of personal online banking amounted to RMB126.065 billion.

(2) Mobile Banking

During the Reporting Period, with the aim of building a "zero-touch finance" service system, the Bank further enhanced the product richness and service level of mobile banking: First, the Bank launched business loan and consumer loan services to diversify the types of online loans. Second, the Bank and WeDoctor Internet General Hospital launched an online consultation service to provide customers with convenient services such as online inquiry of the COVID-19 epidemic data, real-time understanding of epidemic prevention guidelines and free online consultation. Third, the Bank launched the online credit card application function, which broadens the credit card customer acquisition channels.

As at the end of the Reporting Period, the Bank had 627,600 mobile banking customers in aggregate, representing an increase of 27.5% as compared with that as at 31 December 2019, with a transaction amount of RMB35.317 billion from its mobile banking business during the Reporting Period. At the end of the Reporting Period, the Bank had 450,600 WeChat banking customers in aggregate, representing an increase of 35.9% as compared with that as at 31 December 2019, with a transaction amount of RMB2.556 billion from its WeChat banking business during the Reporting Period.

(3) Scene Finance

During the Reporting Period, the Bank took the online payment business as its starting point to further promote the construction of government affairs and people's livelihood scenarios such as smart education, smart party building, smart transportation, and smart payment. The Bank realized the comprehensive benefits of connecting government services, driving corporate business and developing retail customers while helping the government build a smart city.

As at the end of the Reporting Period, the Bank had 27,800 internet collection merchants, representing an increase of 23.6% as compared with that as at 31 December 2019, with a transaction amount of RMB2.512 billion by its online payment during the Reporting Period, representing an increase of 78.9% as compared with that for the six-month period ended 30 June 2019.

(VI) Information on subsidiaries

1. Banks in Villages and Towns

The village and township banks funded and set up by the Bank adhered to the purpose of "basing on urban and rural areas, supporting small and micro enterprises, serving agriculture, rural area and farmers, benefiting the common people", upheld the operating principle of coordinated development of "scale, quality, efficiency", and insisted on orienting at market, centering on customers and taking innovation as a driving force.

As at the end of the Reporting Period, the Bank owned 7 village and township banks, of which 5 were located in Jinzhou City, 1 in Chaoyang City and 1 in Benxi City, Liaoning Province, the PRC, all of which engages in a range of banking services and related financial services. As at the end of the Reporting Period, the total assets of the 7 village and township banks amounted to RMB8,883,338 thousand, representing an increase of 9.9% as compared to that as at 31 December 2019; the net amount of loans and advances was RMB3,013,920 thousand, representing a decrease of 15.1% as compared to that as at 31 December 2019. The total deposits amounted to RMB8,503,998 thousand, representing an increase of 11.6% as compared that as at 31 December 2019. The net loss amounted to RMB139,556 thousand.

2. Bank of Jinzhou Financial Leasing Company Limited

Bank of Jinzhou Financial Leasing Company Limited ("**Jinyin Leasing**") is a subsidiary controlled by the Bank with a registered capital of RMB4.9 billion, and the first financial leasing company in Liaoning Province, which officially commenced its operation on 1 December 2015. It was incorporated in Shenyang City of Liaoning Province in PRC and mainly engages in financial leasing business of large equipment in key fields such as equipment manufacturing, aviation, medical treatment, and various financial assets and industrial services such as leasing asset transaction, asset management and economic consultancy. As at the end of the Reporting Period, the total assets of Jinyin Leasing were RMB5,496,110 thousand, of which the balance of finance lease was RMB5,005,145 thousand, and Jinyin Leasing's net profit for the Reporting Period was RMB106,119 thousand.

(VII) Information technology

During the Reporting Period, under the guidance of the strategy of "invigorating the bank through science and technology", the Bank focused on optimizing the technology governance system, improving the construction of science and technology system, improving infrastructure operation capacity, and strengthening business and product innovation in key fields.

Optimizing the scientific and technological governance system. The Bank renamed the information technology management committee to the financial technology development committee, revised the constitution of the committee, established a top-level planning mechanism, reasonably planned the science and technology funds investment, and strengthened the integration of science and technology resources. The Bank formulated the "Institutional Reform Plan of the Ministry of Information Technology" to optimise the internal organisational structure and job setting of science and technology line through institutional reform, and strengthened the integration of business and technology.

Improving the construction of science and technology system. The Bank revised the "Administrative Measures for Science and Technology R&D Projects of Bank of Jinzhou", streamlined the responsibilities of various departments in innovative R&D work, enhanced the integration of business innovation planning and business demand, strengthened the business value evaluation of science and technology R&D, highlighted the integration and cooperation of science and technology and business, and improved project process control and quality management. By formulating the "management measures for production and operation of information system of Jinzhou bank" and supporting implementation rules, the Bank strengthened the quality of tracking and analysis of information system events to form a regular meeting mechanism for incidents, and promote the root cause analysis and rectification of problems.

Improving infrastructure operation capabilities. The Bank completed the investigation of infrastructure equipment and comprehensively obtained the information in operation status, operation period, corresponding business system and power configuration of infrastructure equipment, which laid the foundation for the construction of complete configuration management system, so as to improve the operation and maintenance level of equipment. The Bank studied the transformation of new generation network architecture and the reconstruction of disaster recovery architecture, so as to improve the disaster recovery ability of business system.

Strengthening business and product innovation in key areas. In the field of personal finance, the Bank continued to expand business channels and enrich channel functions, and relied on information technology to carry out precision marketing; in the field of corporate finance, the Bank researched and built a corporate marketing management system, and realized a customer/user-centric management model through information technology to achieve product sales contract and marketing management and other functions; in the field of credit management, the Bank have carried out research work on the introduction of advanced credit management systems in the industry; in the field of online finance, the Bank continued to improve online financial services, strengthened the construction of mobile payment systems, continued to expand payment scenarios, and enhanced customer acquisition capabilities.

III. Risk Management

Comprehensive risk management is a process to effectively identify, assess, measure, monitor, control or mitigate and report risks in order to ensure the realization of the operating and strategic objectives by setting up effective and balanced risk governance structure, fostering robust and prudent risk culture, formulating unified risk management strategies and risk appetite, and implementing the risk limit and risk management policies.

The organisational structure of risk management of the Bank comprises the Board and its special committees, the Board of Supervisors, the senior management and its specialized committees, the risk management departments and internal audit departments.

The risk management strategy of the Bank aims to continuously improve the risk management system and strengthen the staff's sense of recognition on the risk management culture so as to achieve sustainable growth within a range of acceptable risks in line with the Bank's strategic requirements as well as the risk management policies and preferences.

The Bank has exposure to the following risks: credit risk, operational risk, market risk, liquidity risk, information technology risk and reputation risk.

The Bank's risk management policies were established to identify and analyze the risks to which the Bank is exposed, to set internal control procedures for monitoring risks level of the Bank. Risk management policies and relevant internal control systems are reviewed regularly to reflect changes in market conditions and the Bank's business activities.

(I) Credit risk

Credit risk refers to the risk that a customer or a counterparty may be unable to meet its contractual obligations. The core to the Bank's credit risk management system mainly includes the formulation of credit policies, pre-credit due diligence, customer credit rating, collateral assessment, loan review and approval, loan disbursement management, post-credit management, non-performing loan management, and accountability. The Bank's credit and risk management department is responsible for loan management, five-category management, continuous monitoring, review and evaluation of the adequacy and effectiveness of the Bank's credit risk management system, gives advice for the improvement of the Bank's credit risk management system; the credit review department is in charge of the improvement of the Bank's credit review system and operating procedures, and organizing the meeting of credit management committee; the risk asset management and disposal center is responsible for the liquidation and disposal of non-performing assets. With respect to the credit risk control and management, the Bank specifies the respective duties and operating procedures of each department according to the principle of credit investigation and credit approval separation, management and review separation, and credit limit and review separation. The Bank has established the operating mechanism of the Credit Approval Management Committee under the collective review system.

(II) Operational risk

Operational risk refers to, in the process of operation and management of a commercial bank, the risk resulting from imperfect governance structure of the legal persons, unsound internal control system, deviation of operational procedures and standards, violation by business personnel of procedural requirements and the failure by the internal control system to effectively identify, warn and prevent non-compliance and improper operation. The Bank's internal control and compliance department is responsible for continuous monitoring, inspection and evaluation of the adequacy and effectiveness of the Bank's operational risk management system, putting forward improvement proposals, and conducting risk inspections on the risk management of all types and the internal control system.

(III) Market Risk

Market risk refers to the risk of losses that the Bank may suffer in the Bank's on/off-balance-sheet business as a result of unfavorable changes in market prices, including interest rates risks, exchange rates risks, stock risks and commodity risks.

The Bank's exposure to the market risk mainly includes interest rate risk and exchange rate risk. Interest rate risk is the risk of loss that the Bank may suffer due to the adverse movements in statutory interest rates or market interest rates. Exchange rate risk is the risk of loss that the Bank may suffer from the mismatches of the currency denomination of the Bank's assets and liabilities. The Bank aims to implement effective market risk management in order to control the market risk within the scope which is acceptable for the Bank, ensuring that the market risk assumed is match with the operational goals and the development plan of the Bank. The Bank's credit and risk management department is responsible for continuously monitoring and assessing the adequacy and efficiency of the Bank's market risk management system. The asset management department, interbank business department, financial management department, asset and liability management department and financial market department are responsible for interest rate risk and exchange rate risk according to the business scope of their respective departments.

1. Interest rate risk

Interest rates in China have been gradually liberalised in recent years. The interest rate risk is mainly reflected by the Bank's exposure to overall revenue and economic value losses as a result of unfavourable changes in key elements such as interest rate and duration structure of various interest-earning assets and interest-bearing liabilities of the Bank.

The Bank regularly performs assessment on the interest sensitivity of variety rate repricing gap and impact on the Bank's net interest income and economic value resulted from the changes in interest rates. The primary objective of interest rate risk management is to minimise potential adverse effects on the net interest income and the economic value caused by interest rate volatility.

The Bank classified the transactions as the banking book transactions and trading book transactions. The identification, measurement, monitoring and controls over the relevant market risks are based on the nature and characteristics of these books. The trading book transactions consist of the Bank's investments which are acquired or incurred primarily for the purpose of short-term selling in the near term, or for the purpose of profit taking from actual or expected price fluctuations in a short term. The banking book transactions represent non-trading businesses. The Bank mainly analyses the interest rate risks of banking book transactions.

The Bank has adopted, including but not limited to, re-pricing gap analysis, duration analysis, net interest income simulation and economic value simulation for the measurement of interest rate risks. The interest rate risks measurement mainly evaluates the impact of changes in interest rate on the Bank's operation in terms of both income and economic value. The income simulation mainly analyses the net interest income, which focuses on the impact of changes in interest rate on the net interest income in the short run. The economic value simulation mainly analyses future cash flow discounted using different yield curves in various interest rate scenarios, so as to calculate the impact of changes in interest rate on the Bank's economic value.

The following tables indicate the financial assets and financial liabilities as at the end of the relevant periods by the expected next repricing dates or by maturity dates, depending on which is earlier:

	As at 30 June 2020					
(Expressed in thousands of Renminbi, unless otherwise stated)	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	45,970,983	1,071,753	44,899,230	–	–	–
Deposits with banks and other financial institutions	27,012,030	115,016	26,863,008	34,006	–	–
Placements with banks and other financial institutions	5,682,521	174,295	–	–	5,508,226	–
Financial assets held under resale agreements	13,521,683	787	13,520,896	–	–	–
Loans and advances to customers [(1)]	407,329,790	14,884,338	38,615,467	146,525,259	198,152,556	9,152,170
Investments [(2)]	172,962,138	10,962,054	48,562,511	60,705,914	43,258,396	9,473,263
Finance lease receivables [(3)]	4,182,628	–	416,153	943,264	2,695,107	128,104
Others	144,603,782	144,570,012	12,572	21,198	–	–
Total assets	821,265,555	171,778,255	172,889,837	208,229,641	249,614,285	18,753,537
Liabilities						
Borrowing from the central bank	102,180	70	300	101,810	–	–
Deposits from banks and other financial institutions	171,759,383	1,314,711	80,132,842	24,305,000	66,006,830	–
Placements from banks and other financial institutions	17,901,218	5,821	17,395,397	500,000	–	–
Financial assets sold under repurchase agreements	19,602,805	20,632	19,490,775	91,398	–	–
Deposits from customers	413,977,645	9,642,488	115,555,021	122,843,975	165,934,081	2,080
Debt securities payable	129,938,048	108,173	61,539,784	61,795,417	–	6,494,674
Others	8,058,168	3,465,538	2,232,808	2,177,394	134,955	47,473
Total liabilities	761,339,447	14,557,433	296,346,927	211,814,994	232,075,866	6,544,227
Asset-liability gap	59,926,108	157,220,822	(123,457,090)	(3,585,353)	17,538,419	12,209,310

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2019					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	105,176,537	966,997	104,209,540	–	–	–
Deposits with banks and other financial institutions	8,301,592	177,381	7,979,211	145,000	–	–
Placements with banks and other financial institutions	5,643,864	135,638	5,508,226	–	–	–
Loans and advances to customers (1)	452,695,511	6,916,601	52,051,669	123,315,312	260,520,603	9,891,326
Investments (2)	232,866,405	4,752,980	52,387,494	84,041,890	79,266,709	12,417,332
Finance lease receivables (3)	6,408,314	–	1,093,551	1,814,824	3,499,939	–
Others	25,601,968	25,516,999	82,746	2,223	–	–
Total assets	836,694,191	38,466,596	223,312,437	209,319,249	343,287,251	22,308,658
Liabilities						
Borrowing from the central bank	33,079,647	39,347	33,000,000	40,300	–	–
Deposits from banks and other financial institutions	178,117,754	1,439,006	126,495,918	45,572,830	4,610,000	–
Placements from banks and other financial institutions	27,731,363	225,017	22,541,005	4,965,341	–	–
Financial assets sold under repurchase agreements	10,106,602	26,575	10,080,027	–	–	–
Deposits from customers	407,112,779	10,802,393	133,243,139	103,793,678	159,264,472	9,097
Debt securities payable	110,108,837	160,243	49,961,503	53,492,981	–	6,494,110
Others	10,931,760	3,590,986	2,122,475	4,833,744	295,920	88,635
Total liabilities	777,188,742	16,283,567	377,444,067	212,698,874	164,170,392	6,591,842
Asset-liability gap	59,505,449	22,183,029	(154,131,630)	(3,379,625)	179,116,859	15,716,816

Notes:

(1) For loans and advances to customers, the category "Less than three months" includes overdue amounts (net of provision for impairment losses) of RMB9,451 million as at the end of the Reporting Period (31 December 2019: RMB23,169 million).

(2) Investments include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets measured at amortised cost and other investments. For investments, the category "Less than three months" includes overdue amounts of RMB14,916 million (net of provision for impairment loss) as at the end of the Reporting Period (31 December 2019: RMB18,489 million).

(3) For finance lease receivables, the category "Less than three months" includes overdue amounts (net of provision for impairment losses) of RMB46 million as at the end of the Reporting Period (31 December 2019: RMB316 million).

The Bank uses sensitivity analysis to measure the potential impact of changes in interest rate on its net profit and shareholders' equity. The following table sets forth, as of the dates indicated, the results of the interest rate sensitivity analysis based on the assets and liabilities as of the same dates:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June 2020 Changes in net profit	2020 Changes in shareholders' equity	2019 Changes in net profit	2019 Changes in shareholders' equity
100 basis points increase	**(2,316,355)**	**(2,697,027)**	(1,138,680)	(2,173,018)
100 basis points decrease	**2,317,826**	**2,724,884**	1,141,306	2,244,842

2. Foreign rate risk

Due to the complicated reasons for the changes in exchange rates, banks operating the foreign exchange business will face the risk of recording a decrease in revenue or suffering a loss due to the change in exchange rate if the mismatch in the currency type of assets and liabilities results in a foreign exchange risk exposure. Exchange rate risks faced by banks mainly include trading risk and conversion risk. Trading risk represents the possibility that banks may suffer from losses as a result of a change in exchange rate when using foreign currencies to conduct pricing receipt and payment transactions. Conversion risk represents the possibility that banks may suffer book losses as a result of a change in exchange rate when converting foreign currencies into the bookkeeping base currency. The Bank's exchange rate risk mainly arises from foreign exchange self-investment of capital business, and other foreign exchange exposures. The Bank manages foreign currency risk by spot and forward foreign exchange rates, foreign exchange swap and matching its foreign currency denominated assets with corresponding liabilities in the same currencies and monitoring its foreign currency exposures on daily basis. The Bank manages exchange rate risk by strict implementation of the process management of the foreign exchange business; continuous improvement in the internal control system and operational procedures; and continuous improvement in the risk management capability of the foreign exchange business.

The Bank's currency exposures as at the end of the relevant periods are as follows:

	As at 30 June 2020			
(Expressed in thousands of Renminbi, unless otherwise stated)	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Assets				
Cash and deposits with the central bank	45,834,031	136,769	183	45,970,983
Deposits with banks and other financial institutions	26,501,131	450,451	60,448	27,012,030
Placements with banks and other financial institutions	5,682,521	–	–	5,682,521
Loans and advances to customers	406,723,573	594,626	11,591	407,329,790
Others	330,928,230	4,342,001	–	335,270,231
Total assets	815,669,486	5,523,847	72,222	821,265,555
Liabilities				
Borrowing from the central bank	102,180	–	–	102,180
Deposits from banks and other financial institutions	171,759,383	–	–	171,759,383
Placements from banks and other financial institutions	17,865,702	35,516	–	17,901,218
Deposits from customers	411,208,652	2,748,441	20,552	413,977,645
Debt securities payable	129,938,048	–	–	129,938,048
Others	27,582,995	77,845	133	27,660,973
Total liabilities	758,456,960	2,861,802	20,685	761,339,447
Net position	57,212,526	2,662,045	51,537	59,926,108
Off-balance sheet credit commitments	86,248,955	384,609	27,785	86,661,349

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2019 RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Assets				
Cash and deposits with the central bank	105,025,790	145,905	4,842	105,176,537
Deposits with banks and other financial institutions	7,451,347	729,388	120,857	8,301,592
Placements with banks and other financial institutions	5,643,864	–	–	5,643,864
Loans and advances to customers	452,217,365	463,449	14,697	452,695,511
Others	260,678,389	4,198,298	–	264,876,687
Total assets	831,016,755	5,537,040	140,396	836,694,191
Liabilities				
Borrowing from the central bank	33,079,647	–	–	33,079,647
Deposits from banks and other financial institutions	178,117,754	–	–	178,117,754
Placements from banks and other financial institutions	20,509,117	6,429,754	792,492	27,731,363
Deposits from customers	404,229,437	2,810,880	72,462	407,112,779
Debt securities payable	110,108,837	–	–	110,108,837
Others	21,035,933	2,399	30	21,038,362
Total liabilities	767,080,725	9,243,033	864,984	777,188,742
Net position	63,936,030	(3,705,993)	(724,588)	59,505,449
Off-balance sheet credit commitments	126,830,890	499,868	6,255	127,337,013

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2020		As at 31 December 2019	
	RMB	USD equivalent	RMB	USD equivalent
On-balance-sheet net foreign exchange exposures	2,713,582	383,301	(4,430,581)	(635,099)
Off-balance-sheet net foreign exchange exposures	(1,214,873)	(171,604)	6,155,886	882,412
Total net foreign exchange exposures	**1,498,709**	**211,697**	1,725,305	247,313

The Bank uses sensitivity analysis to measure the potential impact of changes in exchange rate on its net profit and shareholders' equity. The following table sets forth, at the dates indicated, the results of the Bank's exchange rate sensitivity analysis based on the Bank's assets and liabilities as at the same date:

		For the six-month period ended 30 June			
		2020		2019	
(Expressed in thousands of Renminbi, unless otherwise stated) Type of Currencies	Fluctuation of foreign exchange rates	Change of net profit	Shareholders equity change	Change of net profit	Shareholders equity change
USD	1%	10,159	10,159	(23,132)	(23,132)
USD	-1%	(10,159)	(10,159)	23,132	23,132

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities. The relevant analysis is based on below assumptions:

– The foreign exchange sensitivity represents the gain and loss on foreign exchange recognised as a result of the fluctuation of the foreign currency exchange rates against RMB by 1%;

– The fluctuation of exchange rates by 1% on the balance sheet date is based on the assumption of the fluctuation of exchange rates over the next full year from the balance sheet date;

– The exchange rates against RMB for the US dollars change in the same direction simultaneously. Due to the immaterial proportion of the Bank's total assets and liabilities denominated in currencies other than US dollars, the calculation of the amount of USD equivalent of other foreign currencies in the above sensitivity analysis shall have potential impacts on the Bank's net profit and shareholders' equity;

– The foreign exchange exposures calculated include spot and forward foreign exchange exposures and swaps;

– Other variables (including interest rates) remain unchanged; and

– The analysis does not take into account the effect of risk management measures taken by the Bank.

Due to the assumptions adopted, actual changes in the Bank's net profit and equity resulting from the increase or decrease in foreign exchange rates might vary from the estimated results of this sensitivity analysis.

(IV) Liquidity Risk

Liquidity risk represents the risk that the commercial bank is unable to raise sufficient funds at reasonable costs in a timely manner to satisfy due liabilities, to perform other payment obligations and to satisfy other funds requirements of normal businesses. In extreme cases, liquidity insufficiency can lead to settlement risks of commercial banks. Significant growth in the demand for credit facilities, substantial performance of loan commitments, unexpected increase in non-performing loans, sharp decrease in deposit level and financing difficulty in the currency market may affect the Bank's liquidity. Meanwhile, adjustment in financial policies, dramatic changes in interest rates in the market, the Bank's own asset and liability structure and liquidity management capability are also important factors which affect the Bank's liquidity.

1. Liquidity risk management

The Bank has established asset and liability management strategies and liquidity management policy incorporated liquidity risk into its comprehensive risk management system, being responsible for bank-wide liquidity management, the asset and liability management committee of the Bank establishes the liquidity management objectives according to the requirements and regulatory indicators for asset and liability management at the beginning of each year. The Bank's assets and liabilities management department is responsible for the analysis and monitoring of the Bank's liquidity, while the asset and liability management committee is responsible for implementation of the liquidity management policies.

2. Liquidity risk analysis

The analysis of assets and liabilities of the Bank based on their remaining maturity date as at the end of relevant period is set out below:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2020 Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with the central bank	41,082,973	4,888,010	–	–	–	–	–	45,970,983
Deposit with banks and other financial institutions	43,589	23,865,974	75,957	2,992,385	34,125	–	–	27,012,030
Placements with banks and other financial institutions	–	–	–	–	–	5,682,521	–	5,682,521
Financial assets held under resale agreement	–	–	13,521,683	–	–	–	–	13,521,683
Loans and advances to customers	11,045,624	3,477,020	5,119,470	23,897,669	148,727,652	204,000,962	11,061,393	407,329,790
Investments	12,232,818	6,725,340	12,244,779	24,298,633	63,662,044	44,315,609	9,482,915	172,962,138
Finance lease receivables	844,846	–	–	416,153	943,264	1,850,261	128,104	4,182,628
Others	24,252,363	95,972	100	120,012,523	21,147	221,677	–	144,603,782
Total assets	89,502,213	39,052,316	30,961,989	171,617,363	213,388,232	256,071,030	20,672,412	821,265,555
Liabilities								
Borrowing from the central bank	–	–	–	300	101,880	–	–	102,180
Deposits from banks and other financial institutions	–	59,841,253	6,038,320	14,875,632	24,478,592	66,525,586	–	171,759,383
Placements from banks and other financial institutions	–	–	17,401,139	–	500,079	–	–	17,901,218
Financial assets sold under repurchase agreements	–	–	16,018,640	3,492,640	91,525	–	–	19,602,805
Deposits from customers	–	79,879,681	12,043,454	26,424,820	125,773,813	169,853,702	2,175	413,977,645
Debt securities payable	–	–	29,622,339	31,918,511	61,902,524	–	6,494,674	129,938,048
Others	–	3,399,470	938,285	1,222,025	2,249,478	137,685	111,225	8,058,168
Total liabilities	–	143,120,404	82,062,177	77,933,928	215,097,891	236,516,973	6,608,074	761,339,447
Asset-liability gap	89,502,213	(104,068,088)	(51,100,188)	93,683,435	(1,709,659)	19,554,057	14,064,338	59,926,108

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2019 Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with the central bank	43,964,829	61,211,708	–	–	–	–	–	105,176,537
Deposit with banks and other financial institutions	128,804	6,021,912	638	2,082,821	67,417	–	–	8,301,592
Placements with banks and other financial institutions	3,161,237	–	–	2,482,627	–	–	–	5,643,864
Loans and advances to customers	35,193,152	1,098,899	8,663,217	15,844,425	120,662,161	260,318,811	10,914,846	452,695,511
Investments	12,774,133	5,734,673	14,800,756	20,919,316	85,315,108	81,337,170	11,985,249	232,866,405
Finance lease receivables	601,709	–	–	902,114	1,986,796	2,917,695	–	6,408,314
Others	25,187,097	100,804	4,196	78,550	222,223	9,098	–	25,601,968
Total assets	121,010,961	74,167,996	23,468,807	42,309,853	208,253,705	344,582,774	22,900,095	836,694,191
Liabilities								
Borrowing from the central bank	–	–	33,039,326	–	40,321	–	–	33,079,647
Deposits from banks and other financial institutions	–	45,739,966	14,298,595	67,458,683	45,971,701	4,648,809	–	178,117,754
Placements from banks and other financial institutions	–	–	17,187,677	5,856,149	4,687,537	–	–	27,731,363
Financial assets sold under repurchase agreements	–	–	3,563,991	6,542,611	–	–	–	10,106,602
Deposits from customers	–	69,156,300	24,708,466	41,549,549	107,202,902	164,486,041	9,521	407,112,779
Debt securities payable	–	–	22,251,421	27,782,897	53,570,944	9,465	6,494,110	110,108,837
Others	–	3,474,918	679,590	1,442,884	4,833,744	298,889	201,735	10,931,760
Total liabilities	–	118,371,184	115,729,066	150,632,773	216,307,149	169,443,204	6,705,366	777,188,742
Asset-liability gap	121,010,961	(44,203,188)	(92,260,259)	(108,322,920)	(8,053,444)	175,139,570	16,194,729	59,505,449

As at the end of Reporting Period and as at 31 December 2019, the net stable funding ratio was 99.17% and 103.13%, respectively.

As at the end of Reporting Period, the stable funds available to the Bank were RMB545.197 billion, and the required stable funds were RMB549.747 billion.

(V) Information Technology Risk

Information technology risk includes operational risk, legal risk, reputation risk and other types of risks caused by natural factors, human errors, technical loopholes and management failure arising from the Bank's use of information technology.

The Bank established an information technology risk management system and a corresponding organisation structure, including the Board of Directors, information technology management committee, information technology division under the information technology management department, risk compliance division under the information technology risk management responsibility department, and internal audit division under the information technology audit responsibility department. And according to the Bank's risk management capabilities, risk appetite and risk tolerance, it has set up appropriate risk management processes. Through adhering to a sound information technology risk management policy, establishing a scientific risk management organisation structure, and dividing clear risk management responsibilities to prevent major technology risk events, the Bank is able to maintain stable operation of the system and to control the Bank's information technology risk within a reasonable level.

(VI) Reputation risk

Reputation risk refers to the risk resulting from negative comments to the Bank by stakeholder with respect to the operations, management and other activities, or due to external events.

During the Reporting Period, the Bank did not have any major reputation risk events beyond its control. The Bank continues to strengthen identification, monitoring, control and resolving of reputation risk, and continuously improves reputation risk management mechanism and improved the Bank's reputation risk prevention and response level to reduce losses caused by reputation events. The Bank enhanced emergency plan trainings, strengthened reporting mechanisms. The Bank strengthened the real-time monitoring of reputation risks, carefully analyzed and actively dealt with the problems found. The Bank carried out positive publicity and guidance, and based on comprehensive research and judgment of the public opinion environment, it responded to social concerns in an appropriate and timely manner, and informed the public and the media the operation and management of the Bank.

(VII) Anti-money Laundering Management

The Bank has attached great importance to anti-money laundering and anti-terrorist financing, strictly implemented anti-money laundering and anti-terrorist financing laws, regulations, and regulatory policies, earnestly fulfills anti-money laundering and anti-terrorist financing obligations, and establishes and improves internal control systems for anti-money laundering and anti-terrorist financing, carried out customer identification work diligently, analyzed and identified suspicious transactions carefully, submitted reports on large-value transactions and suspicious transactions in a timely manner, and managed customer risk levels and classification management. In response to the current situation of anti-money laundering and anti-terrorist financing, the Bank will continuously strengthen the management of customer identification, strengthen the identification of the actual controller and beneficial owner of accounts, and firmly establish customer access risk defense. The Bank will strengthen the construction of independent monitoring indicator system for suspicious transactions, deepen the improvement of indicator rules and thresholds; strengthen on-site inspection and off-site supervision, and form a normalized supervision and inspection mechanism by combining with investigation of customers, accounts and transactions; strengthen the construction of the performance evaluation mechanism, incorporating the anti-money laundering and anti-terrorist financing work into the performance evaluation management; strengthen the management of confidentiality work, and improve the anti-money laundering and anti-terrorist financing confidentiality awareness within the Bank; fully cooperate with the regulatory authorities to combat money laundering and terrorist financing crimes.

(VIII) Protection of Consumer Rights

During the Reporting Period, the Bank implemented various policies and regulations for protection of consumer rights, strengthened the construction of consumer rights protection systems and mechanisms in accordance with regulatory requirements, built an overall framework for protection of consumer rights, and defined the responsibilities for protection of consumer rights at all levels. The Bank established an effective consumer rights protection system with clear contents and adequate protection, and strengthened management of consumer complaints, realized the whole-process control of consumer complaints to improve the quality and efficiency of complaint handling. During the epidemic, The Bank has adhered to the "people-oriented" development philosophy, by combining the epidemic prevention and control with the financial knowledge promotion and education, it helped consumers improve financial literacy and safety awareness, and thus earnestly fulfill the principal responsibility for protecting consumers' rights and interests.

IV. Internal Control and Internal Audit

(I) Internal Control

The Bank has established an independent internal control organisation structure. Pursuant to the relevant laws and regulations and the Articles of Association, a corporate governance structure and the rules of procedures have been established to delineate the duties and permitted authorities in the areas of decision-making, implementation and supervision, and a management system applicable to us was formed.

The Board of Directors shall be responsible for establishing sound and effective measures: it is responsible for ensuring the establishment and implementation of a sufficient and effective internal control system; and is responsible for supervising the senior management to conduct supervision and evaluation on the effectiveness of internal control to ensure that continuous and effective improvements will be made to the system. The Board of Supervisors is responsible for supervising the Board and the senior management to improve the internal control, compliance management and case prevention and control systems. The senior management is responsible for organizing and leading the daily operation of internal control in the Bank: it is responsible for executing the relevant decisions of the Board of Directors on internal control, conducting supervision and evaluation on the effectiveness of internal control; and establishing and improving the internal organisation structure to ensure the effective performance of the various functions of internal control. The internal control & compliance department, being a functional department for internal control management, leads the coordination and planning, organisation and implementation, and inspection and evaluation of the internal control system. All business departments are responsible for participating in the formulation of the business systems and operation flow processes relevant to their own duties; responsible for strict implementation of the requirements of the relevant systems; responsible for organizing and commencing supervisory inspections; responsible for reporting deficiencies existing in internal control in accordance with the scheduled timelines and reporting routes and making arrangements for the implementation of rectification measures. Branches and sub-branches are responsible for implementing the overall requirements of internal control according to the instructions of their superior institution, as well as to carry out the daily work of establishment and implementation of internal control within its own organisation.

The Bank continued to optimise the internal control mechanism and improve the level of internal control management. During the Reporting Period, it carried out the "Swordsmanship Action" and the Compliance Remodeling Foundation Year Activity, improved the internal control system, compiled internal control manuals, standardized system management, and carried out system review and evaluation; optimised the management of illegal rectification and focused on root cause rectification; did a good job in responsibility identification and learning from past mistakes to avoid future ones; optimised internal control evaluation, established supporting systems and methodology; strengthened publicity and education, and strived to shape the core concept of internal control compliance culture of "legal compliance and sound control, everyone is responsible for the unity of knowledge and practice and risk management with high efficiency and stability".

(II) Internal Audit

The Bank has established an independent and sound internal audit management structure. The audit committee is formed under the Board of Directors to conduct audit and supervision on the progress of internal audit work. The internal audit department is accountable to the Board of Directors and the audit committee, and has laid the foundation for carrying out independent and objective internal audit work. The internal audit department of the Bank is authorized by the Board of Directors to conduct internal audits independently, without interference from other departments and individuals, and it does not participate in the operating activities within the scope of duties of other departments.

The Bank has established an improved internal audit system by adapting to its own current development conditions and adhering to risk-oriented audit vision. The concept of "circular auditing (循環審計)" has been implemented consistently and management effectiveness considerations were explored. Audit projects are conducted seriously according to the audit manual, the scope of audit covers all business lines and branches and sub-branches of the Bank, and the audits are carried out according to the auditing process and reporting system. Opinions and proposals are provided to tackle deficiencies in internal control discovered in the course of auditing, and the implementation of rectifications is continuously tracked to facilitate the transformation of audit result, so as to achieve audit value appreciation.

During the Reporting Period, the internal audit department of the Bank continued to further establish the internal audit management system. With enhancing risk management and elevating the standard of internal control as major working objectives, regulatory developments and actual developments of the Bank as the guiding directions, the scope and meticulousness of audit had been increasing. Combined with the actual development of the department in continuously standardizing the basic work flow of auditing, optimizing the management model audit project on key areas in risk business lines and regulatory departments and strictly enforcing discipline in auditing work, a strong guarantee for the development of the audit work was provided. During the COVID-19 epidemic, while completing the routine audit projects, the internal audit department of the Bank focused on the implementation of special audit projects, and carried out periodic audit projects in accordance with high-risk business lines and key areas of concern of regulatory departments. The Bank innovated audit measures, actively carried out remote audit methods such as off-site review, telephone interviews, and research optimised audit methods, and made use of the audit system platform to increase off-site analysis for auditors, providing strong support for audit work. On the basis of high quality and efficient completion of the annual auditing task, the internal audit department of the Bank further sorted out and improved the internal audit system in accordance with the supervision requirements and the business situation of the Bank to capture the key of regulatory and guidance, try the best to standardize business behavior, and earnestly guard against financial risks.

V. Prospects

In the first half of 2020, after its reform and reorganisation, the Bank has fully strengthened the leadership of the party, the corporate governance was improved substantially, the business operation was continuously improved, internal management was gradually enhanced, and epidemic prevention and control work was carried out solidly and effectively.

In the second half of 2020, with in-depth study and implementation of the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Bank will continue to earnestly implement the spirit of the Central Economic Work Conference and policy requirements of regulatory authorities, take advantage of reform and reorganisation to carry out new development concepts. Keeping firmly in mind of its original aspiration and mission as an urban commercial bank and returning to the origin of serving the real economy via financial services, the Bank will insist on its positioning of "serving the local economy, serving small and micro businesses, and serving urban and rural residents". With its cultivation in regional markets and in-depth development of local customers as the focus, and differentiated and featured products and services as two advantages of its development strategy, fully implement the principles of safety, liquidity and efficiency of commercial banks and led by the implementation of "1226" development strategy, the Bank will proactively carry out the new development philosophy of "compliance, innovation, coordination and quality". The Bank will continue to promote the implementation of basic management projects and quality and effectiveness projects, thoroughly implement the "1226" development strategy, coordinate the promotion of risk control, ensure stability, facilitate reforms and help development, and thus consolidate and expand the results of reform and reorganisation. The Bank will commit to establishing an improved and efficient internal management system, achieving the establishment of a sustainable and healthy development model, achievement of a series of good operation indicators, building of a set of advanced financial technology system and development of a professional talent team with high quality, striving to become a city commercial bank featured with high-quality organic development with internal driver, and thereby achieve a new leapfrog development of the Bank.

The Bank will continuously highlight the leading role of the Party and incorporate the leadership of the Party into all aspects of the corporate governance and operation and management of the Bank. The Bank will further improve its corporate governance, strengthen its risk management and cultivate the compliance culture to build a comprehensive internal control and compliance system. The Bank will also enhance the deep integration of fintech and its business and implement the strategy of revitalizing it by talents, strengthen its more internal driving forces of development, so as to create a group of talents with the feature of the Bank and the ability to coordinate with the "1226" development strategy.

Chapter 4 Changes in Ordinary Shares and Particulars of Shareholders

I. Changes in Ordinary Shares

(I) Share Capital

There was no change in the share capital of Ordinary Shares during the Reporting Period. As at the end of the Reporting Period, the issued Ordinary Shares amounted to 7,781,615,684 Shares, comprising of 4,264,295,684 Domestic Shares and 3,517,320,000 H Shares, and the total share capital of the Bank amounted to RMB7,781,615,684.

(II) Chart on Changes in the Number of Shares

		As at 31 December 2019		Changes during the Reporting Period			As at 30 June 2020	
		Number of Shares	Percentage (%)	Issues of New Shares	Others	Sub-Total	Number of Shares	Percentage(%)
1.	Shareholding of Corporate Shareholders of Domestic Shares	4,186,698,558	53.80	–	–	–	**4,186,698,558**	**53.80**
	Of which: (1) Shareholding of State - owned corporate shareholders	1,683,644,508	21.63	–	–	–	**1,683,644,508**	**21.63**
	(2) Shareholding of Private corporate Shareholders	2,503,054,050	32.17	–	–	–	**2,503,054,050**	**32.17**
2.	Shareholding of Individual Shareholders of Domestic Shares	77,597,126	1.00	–	–	–	**77,597,126**	**1.00**
3.	H Shares	3,517,320,000	45.20	–	–	–	**3,517,320,000**	**45.20**
Total		7,781,615,684	100.00	–	–	–	**7,781,615,684**	**100.00**

II. Particulars of Shareholders of Ordinary Shares

(I) Shareholding of Shareholders

As at the end of the Reporting Period, the Bank had 7,781,615,684 Ordinary Shares in total, of which 4,264,295,684 were Domestic Shares and 3,517,320,000 were H Shares.

As at the end of the Reporting Period, the total number of holders of Domestic Shares was 2,222.

Shareholding of the Top Ten holders of Domestic Shares as at the end of the Reporting Period

No.	Name of Shareholders	Nature of Shareholding	Total Number of Shares held	Shareholding Percentage (%)	Pledged Shares
1	ICBC Financial Asset Investment Co., Limited (工銀金融資產投資有限公司)	State-owned	841,822,258	10.82	–
2	Cinda Investment Co., Ltd. (信達投資有限公司)	State-owned	505,093,350	6.49	–
3	China Greatwall Assets Management Co., Ltd. (中國長城資管理股份有限公司)	State-owned	336,728,900	4.33	–
4	Yinchuan Baota Refined Chemical Industry Co., Ltd. (銀川寶塔精細化工有限公司)	Private	250,000,000	3.21	250,000,000
5	Jincheng International Logistics Group Co., Ltd. (錦程國際物流集團股份有限公司)	Private	213,507,565	2.74	150,000,000
6	Shanghai Greenland Hongtu Investment Development Co., Ltd. (上海綠地弘途投資發展有限公司)	Private	150,000,000	1.93	–
7	Beijing Urban Construction Investment Development Co., Ltd. (北京城建投資發展股份有限公司)	Private	130,000,000	1.67	–
8	Jinzhou Daxing Construction Group Co., Ltd. (錦州大興建設集團有限公司)	Private	110,000,000	1.41	–
9	Kong Sun Yongtai Investment Holdings Limited (江山永泰投資控股有限公司)	Private	107,500,000	1.38	107,500,000
10	Liaoning Lingyun Decoration Engineering Co. Ltd. (遼寧凌雲裝飾裝修工程有限責任公司)	Private	102,000,000	1.31	–
Total			**2,746,652,073**	**35.29**	**507,500,000**

Interests and Short Positions of Substantial Shareholders and Other Persons

As at the end of the Reporting Period, the following persons, other than the Directors, Supervisors and chief executives of the Bank, had interests or short positions in the Shares or underlying Shares of the Bank, pursuant to section 336 of the SFO, which were required to be recorded in the register maintained by the Bank:

Name of Shareholders/Name	Nature of Interests	Class of Shares	Number of Shares [1]	Approximate Percentage of the Total Issued Share Capital[1] of Ordinary Shares of the Bank (%)	Approximate Percentage of the Issued Class of Share Capital of Ordinary Shares of the Bank[1] (%)
Domestic Shares					
ICBC Financial Asset Investment Co., Limited [2]	Beneficial Owner	Domestic Shares	841,822,258 (L)	10.82	19.74
Industrial and Commercial Bank of China Limited [2]	Interest of Controlled Corporation	Domestic Shares	841,822,258 (L)	10.82	19.74
Central Huijin Investment Ltd. [2]	Interest of Controlled Corporation	Domestic Shares	841,822,258 (L)	10.82	19.74
Cinda Investment Co., Ltd. [3]	Beneficial Owner	Domestic Shares	505,093,350 (L)	6.49	11.84
China Cinda Asset Management Co., Ltd. [3]	Interest of Controlled Corporation	Domestic Shares	505,093,350 (L)	6.49	11.84
China Greatwall Assets Management Co., Ltd.	Beneficial Owner	Domestic Shares	336,728,900 (L)	4.33	7.90
Yinchuan Baota Refined Chemical Industry Co., Ltd. [4]	Beneficial Owner	Domestic Shares	250,000,000 (L)	3.21	5.86
Ningxia Baota Energy Chemical Co., Ltd. [4]	Interest of Controlled Corporation	Domestic Shares	250,000,000 (L)	3.21	5.86
Baota Petrochemical Group Co., Ltd.[4]	Interest of Controlled Corporation	Domestic Shares	250,000,000 (L)	3.21	5.86
Sun Hengchao [4]	Interest of Controlled Corporation	Domestic Shares	250,000,000 (L)	3.21	5.86
Li Dongjun[5]	Interest of Controlled Corporation	Domestic Shares	213,507,565 (L)	2.74	5.01
	Interest of Controlled Corporation	Domestic Shares	33,179,021 (L)	0.43	0.78
H Shares					
Wah Li (Hong Kong) Limited [6]	Beneficial Owner	H Shares	247,042,000 (L)	3.17	7.02
Zhao Yong[6]	Interest of Controlled Corporation	H Shares	247,042,000 (L)	3.17	7.02
Wu Jing[6]	Interests of Spouse	H Shares	247,042,000 (L)	3.17	7.02
Grand Fortune Venture Limited [7]	Beneficial Owner	H Shares	201,700,000 (L)	2.59	5.73
Xuzhou Zhong'an Mining Services Limited [7]	Interest of Controlled Corporation	H Shares	201,700,000 (L)	2.59	5.73
Zhang Yuan[7]	Interest of Controlled Corporation	H Shares	201,700,000 (L)	2.59	5.73
Beijing Jingyuan Wanlong Investment Management Company Limited [8]	Interest of Controlled Corporation	H Shares	200,000,000 (L)	2.57	5.69
Li Feng [8]	Interest of Controlled Corporation	H Shares	200,000,000 (L)	2.57	5.69
Wang Xiaoliang [8]	Interest of Controlled Corporation	H Shares	200,000,000 (L)	2.57	5.69

Notes:

(1) As at the end of the Reporting Period, the Bank had issued 7,781,615,684 Ordinary Shares in aggregate, among which 4,264,295,684 were Domestic Shares and 3,517,320,000 were H Shares. (L) represents long positions and (S) represents short positions.

(2) Such Shares are held by ICBC Financial Asset Investment Co., Limited (工銀金融資產投資有限公司, "**ICBC Financial**"), which is wholly owned by Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司, "**ICBC**"), which is in turn held by Central Huijin Investment Ltd. (中央匯金投資有限責任公司, "**Central Huijin**") as to 34.71%. Under the SFO, ICBC and Central Huijin are deemed to be interested in all the Shares held by ICBC Financial.

(3) Such Shares are held by Cinda Investment Co., Ltd. (中國信達資產管理股份有限公司, "**Cinda Investment**"), which is wholly owned by China Cinda Asset Management Co., Ltd. (信達投資有限公司, "**China Cinda**"). Under the SFO, China Cinda is deemed to be interested in all the Shares held by Cinda Investment.

(4) Such Shares are held by Yinchuan Baota Refined Chemical Industry Co., Ltd. (銀川寶塔精細化工有限公司, "**Yinchuan Baota**"), which is wholly owned by Ningxia Baota Energy Chemical Co., Ltd. (寧夏寶塔能源化工有限公司, "**Baota Energy**"), which is in turn held by Baota Petrochemical Group Co., Ltd. (寶塔石化集團有限公司, "**Baota Petrochemical**") as to 90.20%. Baota Petrochemical is controlled by Sun Hengchao as to 43.79%. Under the SFO, Baota Energy, Baota Petrochemical and Sun Hengchao are deemed to be interested in all the Shares held by Yinchuan Baota.

(5) Such Shares are held by Jincheng International Logistics Group Co., Ltd. (錦程國際物流集團股份有限公司, "**Jincheng Logistics**") and Dalian Changxing Island Green-city Development Co., Ltd. (大連長興島綠城發展有限公司, "**Changxing Island Green-city**") for 213,507,565 Domestic Shares and 33,179,021 Domestic Shares, respectively. Jincheng Logistics' equity interests are held by Jinlian Holding Group Co., Ltd. (錦聯控股集團有限公司, "**Jinlian Holding Group**") as to 99.82% and Li Dongjun hold 90% equity interests in Jinlian Holding Group; Changxing Island Green-city is owned by Jinlian Assets Management Co., Ltd. (錦聯資產管理有限公司, "**Jinlian Assets**") as to 99.76%, while Jinlian Assets is owned by Jinlian Holding Group as to 95.00%. Li Dongjun holds 90% equity interests in Jinlian Holding Group. Under the SFO, Li Dongjun is deemed to be interested in all the Shares held by Jincheng Logistics and Changxing Island Green-city.

(6) Such Shares are held by Wah Li (Hong Kong) Limited (香港華麗有限公司), which is wholly owned by Zhao Yong, and Ng Ching is the spouse of Zhao Yong. Under the SFO, Zhao Yong and Ng Ching are deemed to be interested in all the Shares held by Wah Li (Hong Kong) Limited.

(7) Such Shares are held by Grand Fortune Venture Limited, which is wholly-owned by Xuzhou Zhong'an Mining Services Limited (徐州中安礦業服務有限公司, "**Xuzhou Zhong'an**"), which is in turn held by Zhang Yuan as to 80%. Under the SFO, Xuzhou Zhong'an and Zhang Yuan are deemed to be interested in all the Shares held by Grand Fortune Venture Limited.

(8) Such Shares are held by Hong Kong Jingyuan Wanlong Investment Management Co., Limited, which is wholly-owned by Beijing Jingyuan Wanlong Investment Management Co., Ltd. (北京京元萬隆投資管理有限責任公司, "**Jingyuan Wanlong**"), which is in turn held by Li Feng and Wang Xiaoliang as to 60% and 40%, respectively. Under the SFO, Jingyuan Wanlong, Li Feng and Wang Xiaoliang are deemed to be interested in all the Shares held by Hong Kong Jingyuan Wanlong Investment Management Co., Limited.

Save as disclosed above, 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 as at the end of the Reporting Period, pursuant to section 336 of the SFO, which were required to be recorded in the register maintained by the Bank.

(II) Circumstances of Substantial Shareholders Prescribed in Provisional Measures of Equity Management in Commercial Banks

As at the end of the Reporting Period, pursuant to the Interim Measures for the Equity Management of Commercial Banks (《商業銀行股權管理暫行辦法》) issued by the CBRC, ICBC Financial and Cinda Investment, which held 10.82% and 6.49% of the Ordinary Shares of the Bank, respectively, are the substantial shareholders of the Bank. China Greatwall Assets Management Co., Ltd., Shanghai Greenland Hongtu Investment Development Co., Ltd. and Beijing Urban Construction Investment Development Co., Ltd., which recommended directors or supervisors to the Bank, are also the substantial shareholders of the Bank due to their great significance to the Bank.

ICBC Financial was established on 26 September 2017 with a registered capital of RMB12.0 billion. The legal representative is Zhang Zhenghua (張正華). The domicile is 19-20/F, Building B, Phase I, Yangzi Science and Innovation Center, Jiangbei New District, 211 Pubin Road, Nanjing City, Jiangsu Province. The business scope includes acquisition of the debt equity held by banks in enterprises for the purpose of debt-to-equity swap, and conversion of debt equity into equity interests for further management; restructuring, transfer and disposal of debt equity failed to be converted into equity interests; investment in equity interests of enterprises for the purpose of debt-to-equity swap, enabling invested enterprises to discharge their existing debt obligations with the equity investment funds; private placement of asset management products to qualified investors to finance the implementation of the debt-to-equity swap according to laws and regulations; offering of financial bonds; financing by means of bond repurchase, inter-bank lending and borrowing and inter-bank loans; necessary investment management of proprietary funds and raised funds, where the proprietary funds can be used to conduct business such as inter-bank deposits and placements, purchase of treasury bonds or other fixed-income securities and the raised funds shall be utilized in accordance with the agreed usage; financial advisory and consulting business on debt-to-equity swap; and other business as approved by the banking regulatory authorities of the State Council. (The operation of items subject to approval under laws shall be carried out with the approval of relevant authorities). The term of operation is from 26 September 2017 to long-term. As at the end of the Reporting Period, ICBC Financial held 841,822,258 Shares of the Bank, representing 10.82% of the total share capital of the Ordinary Shares, and no Shares of the Bank were pledged. During the Reporting Period, Mr. Zhao Chuanxin (趙傳新), a non-executive Director of the Bank, was the deputy general manager of the assets and liabilities management department of ICBC (ICBC Financial is a wholly owned subsidiary of ICBC). Ms. Ning Jie (寧潔), a non-executive Director, was the deputy general manager of credit and investment management department of ICBC. Ms. Gu Jihong (顧繼紅), a non-executive Director, was an expert and special assigned director of strategic management and investor relationships department of ICBC. Pursuant to the information submitted by ICBC Financial, its controlling shareholder, the de facto controller and the ultimate beneficial owner are ICBC, which is listed on Shanghai Stock Exchange (stock code: 601398) and on the Hong Kong Stock Exchange (stock code: 1398), and there is no person acting in concert.

Cinda Investment was established on 1 August 2000 with a registered capital of RMB2.0 billion; the legal representative is Zhang Jushan (張巨山). The domicile is Building 1, No. 9 Yard, Naoshikou Street, Xicheng District, Beijing. The business scope includes foreign investment; commercial real estate management, hotel management, property management, assets management; assets restructuring; investment consulting; and investment advising. The term of operation is from 1 August 2000 to 31 July 2050. As at the end of the Reporting Period, Cinda Investment held 505,093,350 Shares of the Bank, representing 6.49% of the total share capital of the Ordinary Shares, and no Shares of the Bank were pledged. During the Reporting Period, Mr. Lyu Fei (呂飛), a non-executive Director of the Bank, was the director of the office to the board of directors of this company. Pursuant to the information submitted by Cinda Investment, its controlling shareholder is China Cinda Asset Management Co., Ltd., which is listed on the Hong Kong Stock Exchange (stock code: 01359), whose de facto controller and the ultimate beneficial owner is the Ministry of Finance of the People's Republic of China, and there is no person acting in concert.

China Greatwall Assets Management Co., Ltd. was established on 2 November 1999 with a registered capital of RMB51,233,609,796; the legal representative is Shen Xiaoming (沈曉明). The domicile is No. 2 Yuetan North Street, Xicheng District, Beijing. The principal business includes acquisition of and being entrusted to manage the non-performing assets of the financial institutions, and management, investment and dispose of the non-performing assets. The term of operation is from 2 November 1999 to long-term. As at the end of the Reporting Period, China Greatwall Assets Management Co., Ltd. held 336,728,900 Shares of the Bank, representing 4.33% of the total share capital of the Ordinary Shares, and no Shares of the Bank were pledged. During the Reporting Period, Mr. Luo Nan (羅楠), a non-executive Director of the Bank, was a party committee member, the head of risk management and secretary of discipline inspection commission of Liaoning subsidiary of this company. Pursuant to the information submitted by China Great Wall Asset Management Co., Ltd. (中國長城資產管理股份有限公司), its controlling shareholder, de facto controller and ultimate beneficial owner is the Ministry of Finance of the People's Republic of China, and there is no person acting in concert.

Shanghai Greenland Hongtu Investment Development Co., Ltd. (上海綠地弘途投資發展有限公司) was established on 16 July 2003 with a registered capital of RMB1.29 billion; the legal representative is Xu Rongpu (徐榮璞). The domicile is No. 249, Building 4, No. 555, Lane 3111, West Huancheng Road, Fengxian District, Shanghai. The business scope includes industrial investment, asset management, investment management, business information consulting, development and management of real estate and property management. The term of operation is from 16 July 2003 to 15 July 2028. As at the end of the Reporting Period, Shanghai Greenland Hongtu Investment Development Co., Ltd. held 150,000,000 Shares of the Bank, representing 1.93% of the total share capital of the Ordinary Shares, and no Shares of the Bank were pledged. During the Reporting Period, Mr. Wu Zhengkui (吳正奎), a shareholder representative Supervisor of the Bank, was an executive director of Greenland Hong Kong Holdings Limited, which is listed on the Hong Kong Stock Exchange (stock code: 337). Pursuant to the information submitted by Shanghai Greenland Hongtu Investment Development Co., Ltd., its controlling shareholder is Greenland Financial Holdings Group Company Limited (綠地金融投資控股集團有限公司), and its de facto controller and ultimate beneficial owner is Greenland Holdings Group Company Limited, which is listed on Shanghai Stock Exchange (stock code: 600606), and there is no person acting in concert.

Beijing Urban Construction Investment Development Co., Ltd. (北京城建投資發展股份有限公司), listed on the Shanghai Stock Exchange (stock code: 600266), was established on 30 December 1998 with a registered capital of RMB1,880.448 million; the legal representative is Chen Daihua (陳代華). The domicile is the 19/F of Building 2, Daliushu Fuhai Center, Haidian District, Beijing, the PRC. The business scope includes real estate development, sales of commercial property; investment and investment management; sales of metal materials, timber, building materials, machinery and electrical equipment; information consulting (excluding intermediary services); environmental technology development and technical services. The term of operation is from 30 December 1998 to long-term. As at the end of the Reporting Period, Beijing Urban Construction Investment Development Co., Ltd. held 130,000,000 Shares of the Bank, representing 1.67% of the total share capital of the Ordinary Shares, and no Shares of the Bank were pledged. As at the end of the Reporting Period, Ms. Tang Fang (唐芳), a shareholder representative Supervisor of the Bank, was the deputy director of the directors and supervisors affairs department of this company. Pursuant to the information submitted by Beijing Urban Construction Investment Development Co., Ltd., its controlling shareholder is Beijing Urban Construction Group Co., Ltd. (北京城建集團有限責任公司) and its de facto controller is Beijing State-owned Assets Supervision and Administration Commission, and there is no person acting in concert.

(III) Shareholders holding more than 5% of the Total Ordinary Share Capital

As at the end of the Reporting Period, ICBC Financial held 841,822,258 Domestic Shares of the Bank, representing a shareholding of 10.82% of the total share capital of the Ordinary Shares of the Bank and Cinda Investment held 505,093,350 Domestic Shares of the Bank, representing a shareholding of 6.49% of the total share capital of the Ordinary Shares of the Bank. Save for the above Shareholders, no Shareholders hold more than 5% of Ordinary Shares of the Bank as at the end of the Reporting Period.

(IV) Particulars of Controlling Shareholders and Actual Controller

The Bank has no controlling Shareholder or actual controller.

As at the end of the Reporting Period, ICBC Financial held 841,822,258 Domestic Shares of the Bank, representing a shareholding of 10.82% of the total share capital of the Ordinary Shares of the Bank and Cinda Investment held 505,093,350 Domestic Shares of the Bank, representing a shareholding of 6.49% of the total share capital of the Ordinary Shares of the Bank.

(V) Performance of Undertakings by the Bank and Shareholders holding more than 5% of Ordinary Shares

As at the end of the Reporting Period, there was no undertakings by the Bank and the Shareholders holding more than 5% of Ordinary Shares.

(VI) Pledging and Freezing of Shares in respect of Ordinary Shares of the Bank

As at the end of the Reporting Period, there was no pledging and freezing of Ordinary Shares in respect of Shareholders holdings more than 5% (inclusive) of Ordinary Shares of the Bank.

As at the end of the Reporting Period, to the knowledge of the Bank, 1,247,878,307 Domestic Shares were pledged, representing 16.04% of the total issued Ordinary Shares; 552,761,887 Domestic Shares were frozen, representing 7.10% of the total issued Ordinary Shares.

I. Issuance and Listing of Offshore Preference Shares for the Past Three Years as of the End of the Reporting Period

Pursuant to the approval of the former CBRC Liaoning Regulatory Bureau (Liaoyinjianfu [2017] No. 133) and the CSRC (CSRC [2017] No. 1833), on 27 October 2017, the Bank issued non-accumulative perpetual Offshore Preference Shares of US$1.496 billion (stock name: BOJZ 17USDPREF, stock code: 4615) over the counter. The Offshore Preference Shares were listed on the Hong Kong Stock Exchange on 30 October 2017. The par value of the Offshore Preference Shares was RMB100 each at an issue price of US$20 per share. The Offshore Preference Shares issued amounted to 74,800,000 shares, all of which were fully paid in US dollars.

According to the RMB exchange rate announced by the China Foreign Exchange Trading Center on 27 October 2017, the total amount of proceeds raised from the issue of Offshore Preference Shares was approximately RMB9.944 billion. After deducting relevant commissions and expenses for issuance, the proceeds raised from the issuance of Offshore Preference Shares have been used to supplement other tier-one capital of the Bank in accordance with the applicable laws and regulations and the approval of the relevant regulatory authorities such as the former CBRC Liaoning Regulatory Bureau and the CSRC.

Please refer to the announcements issued by the Bank on the website of the Hong Kong Stock Exchange and website of the Bank for the terms of the issuance of Offshore Preference Shares.

II. Number of Offshore Preference Shareholders and Their Shareholdings

As at the end of the Reporting Period and until the date of this interim report, the Bank has one offshore preference shareholder.

As at the end of the Reporting Period, the shareholdings of the top ten offshore preference shareholders (or proxies) of the Bank were as follows:

Name of shareholder	Nature of shareholder	Class of shares	Change during the Reporting Period	Proportion of shareholding (%)	Total number of shares held	Number of shares held with restrictive conditions	Number of shares pledged or frozen
The Bank of New York Depository (Nominees) Limited	Offshore legal person	Offshore Preference Shares	–	100.0	74,800,000	–	Unknown

Notes:

1. The shareholdings of offshore preference shareholders of the Bank are based on the information listed in the register of holders of the Offshore Preference Shares of the Bank.

2. Since such Offshore Preference Share issuance is non-public and offshore, those appears on the register of offshore preference shareholders are the proxy information of the allocated investor.

3. The Bank is not aware of whether there is any connected relationship between the above-mentioned offshore preference shareholders of the Bank and the top ten ordinary Shareholders, or if they are acting in concert.

III. Changes in Offshore Preference Shares

Class of preference shares	Number of issued Offshore Preference Shares held as at 31 December 2019	Change during the Reporting Period	**Number of issued Offshore Preference Shares held as at 30 June 2020**
US dollar Offshore Preference Shares	74,800,000	–	**74,800,000**

IV. Profit Distribution of Offshore Preference Shares

During the Reporting Period, there was no dividend distribution for Offshore Preference Shares in the Bank.

V. Repurchase or Conversion of Offshore Preference Shares

During the Reporting Period, there was no repurchase or conversion of Offshore Preference Shares in the Bank.

VI. Dilution Impact on the Shares in the Event that all Outstanding Offshore Preference Shares were Converted as at 30 June 2020

As at 30 June 2020, the outstanding principal amount of all 74,800,000 Offshore Preference Shares was US$1.496 billion. Assuming that the conditions of mandatory conversion were activated and that the conversion price was the initial mandatory conversion price, i.e. HK$9.09 per H Share, a maximum number of 1,278,084,312 H Shares (as converted into HK dollars at the conversion exchange rate of US$1.00 to HK$7.7659) would be issued upon conversion of all outstanding Offshore Preference Shares, representing approximately 16.42% of the then existing issued share capital of the Bank and approximately 14.11% of the issued share capital of the Bank as enlarged by the issue of the H Shares as at 30 June 2020 upon the conversion of all the outstanding Offshore Preference Shares. Based on the net earnings attributable to equity shareholders of the parent company for the six-month period ended 30 June 2020 which amounted to approximately RMB407 million, the basic and diluted earnings per share would be diluted to approximately RMB0.04 assuming occurrence of such conversion.

Conversion price of the Offshore Preference Shares will be subject to adjustment for distributing bonus shares with respect to the H Shares, making capitalisation issues, issuing H Shares below the market price of the H Shares (excluding any increase in the share capital as a result of conversion of certain financial instruments issued by the Bank that are convertible into Ordinary Shares) or making any rights issues, as the case may be, which may have impacts on the rights of the holders of the Offshore Preference Shares. Under the premise of obtaining the approval of the CBIRC and conditions of redemption, the Bank has right to redeem all or some of Offshore Preference Shares on first call date and any subsequent dividend payment date. The first redemption date is set at five years after issuance, i.e. 27 October 2022. Additional information of the main clauses of the Offshore Preference Shares is set out in the note 40 to the financial statements in this interim report.

VII. Resumption of Offshore Preference Shares Voting Rights in Reporting Period

During the Reporting Period, there was no resumption of Offshore Preference Shares voting rights in the Bank.

VIII. Accounting Policies and Reasoning Adopted by Offshore Preference Shares

According to the "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments", "Accounting Standards for Business Enterprises No. 37 – Reporting of Financial Instruments", "Differentiation of Financial Liabilities and Equity Instruments and Relevant Accounting Regulations" issued by the Ministry of Finance and the "International Financial Reporting Standards No. 9 – Financial Instruments" and "International Accounting Standards No. 32 – Financial Instruments: Disclosure and Presentation" issued by International Accounting Standards Board as well as the key terms of the Offshore Preference Shares, the Offshore Preference Shares issued by the Bank met the requirements for accounting as an equity instrument. Therefore, the Offshore Preference Shares issued by the Bank were accounted for as equity instruments.

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

I. Information on Directors, Supervisors and Senior Management

As at the date of this interim report, the basic information on the Directors, Supervisors and senior managements of the Bank was as follows:

Name	Gender	Age	Position
WEI Xuekun	Male	57	Chairman, Executive Director
GUO Wenfeng	Male	48	Vice Chairman, Executive Director, President
KANG Jun	Male	51	Executive Director, Vice President
YANG Weihua	Male	52	Executive Director, Vice President
YU Jun	Male	50	Executive Director, Chief Financial Officer, Head of Finance, Secretary to the Board[(1)]
ZHAO Chuanxin	Male	55	Non-executive Director
NING Jie	Female	49	Non-executive Director
GU Jihong	Female	49	Non-executive Director
LYU Fei	Male	54	Non-executive Director
LUO Nan	Male	55	Non-executive Director
WU Jun	Male	66	Independent non-executive Director
XIE Taifeng	Male	62	Independent non-executive Director
XIAO Geng	Male	57	Independent non-executive Director
WANG Xiongyuan	Male	47	Independent non-executive Director
SU Mingzheng	Male	40	Independent non-executive Director
ZHANG Tao	Male	55	Chairman of Board of Supervisors, Employee Representative Supervisor
LIU Liguo	Male	41	Employee Representative Supervisor
WU Hai'ou	Female	40	Employee Representative Supervisor
WU Zhengkui	Male	45	Shareholder Representative Supervisor
TANG Fang	Female	42	Shareholder Representative Supervisor
MENG Xuefeng	Male	42	External Supervisor
GUO Limao	Male	35	External Supervisor
HU Guojie	Male	55	External Supervisor

Note:

(1) Mr. Yu Jun's qualification as the secretary to the Board shall be subject to the approval of the regulatory authority.

II. Changes in Directors, Supervisors and Senior Management

(I) Changes in Directors

On 18 October 2019, upon the consideration and approval at the 2018 annual general meeting, the Bank conducted the election of the sixth session of the Board in advance, and elected Mr. Wei Xuekun, Mr. Guo Wenfeng, Mr. Kang Jun, Mr. Yang Weihua and Mr. Yu Jun as executive Directors for the sixth session of the Board, Mr. Zhao Chuanxin, Ms. Ning Jie, Ms. Gu Jihong, Mr. Lyu Fei and Mr. Luo Nan as non-executive Directors for the sixth session of the Board, Mr. Wu Jun, Mr. Xie Taifeng, Mr. Xiao Geng, Mr. Wang Xiongyuan and Mr. Su Mingzheng as independent non-executive Directors for the sixth session of the Board. The Bank received the approvals from the CBIRC Liaoning Regulatory Bureau regarding the qualification of Mr. Xiao Geng as the Director on 21 January 2020. His term of office commenced from 21 January 2020 till the expiry of the term of the sixth session of the Board.

(II) Changes in Supervisors

During the Reporting Period, there is no change in Supervisors of the Bank.

(III) Changes in Senior Management

On 20 January 2020, Mr. Sun Jing has tendered his resignation as a joint company secretary of the Bank due to the change of his work arrangements within the Bank with effect from 20 January 2020. On the same day, upon consideration and approval at the third meeting of the sixth session of the Board, the Bank appointed Mr. Yu Jun as a joint company secretary of the Bank. Mr. Yu Jun currently does not possess the academic or professional qualifications of a company secretary as required under Rules 3.28 and 8.17 of the Listing Rules. Ms. Leung Wing Han Sharon, who is another joint company secretary of the Bank, will continue to serve as a joint company secretary of the Bank and work closely with and provide assistance to Mr. Yu Jun in discharging his duties and responsibilities as a company secretary of the Bank for the first three years commencing from the appointment of Mr. Yu Jun as a joint company secretary of the Bank (the "**Waiver Period**"). The Bank has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules with respect to the appointment of Mr. Yu Jun as a joint company secretary of the Bank during the Waiver Period.

(IV) Changes in Information of Directors and Supervisors

Mr. Lyu Fei, a non-executive Director, has been acting as the director of the office of the board of directors of Cinda Investment and ceased to serve as the general manager of No. 4 investment department of Cinda Investment since 3 April 2020. Mr. Wu Jun, an independent non-executive Director, has ceased to serve as an independent director of Southwest Securities International Securities Limited (西證國際證券股份有限公司) which is listed on the Hong Kong Stock Exchange (stock code: 812) from 2 July 2020. Mr. Xiao Geng, an independent non-executive Director, has been acting as the director and chairman of the board of directors of Hong Kong Institute of International Finance and ceased to serve as the chairman of Hong Kong Institute of International Finance (香港國際金融學會) since 13 July 2020.

III. Securities Transactions by Directors and Supervisors

The Bank has adopted, in respect of securities transactions by Directors and Supervisors, 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 as set out in Appendix 10 to the Listing Rules. Having made specific enquiries to all Directors and Supervisors by the Bank, each Director and Supervisor of the Bank has confirmed that he/she has complied with such code of conduct during the Reporting Period.

IV. 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 the end of the Reporting Period, the interests or short positions of the Directors, the Supervisors and the 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 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 for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules are as follows:

Name	Position in the Bank	Nature of interest	Class of Shares	Number of Shares[1]	Approximately Percentage of the Total Issued Share Capital of Ordinary Shares of the Bank[1] (%)	Approximately Percentage of the Issued Class of Share Capital of Ordinary Shares of the Bank[1] (%)
Liu Liguo	Employee Representative Supervisor	Beneficial owner	Domestic Shares	10,000 (L)	0.00013	0.00023
Wu Hai'ou	Employee Representative Supervisor	Beneficial owner	Domestic Shares	10,000 (L)	0.00013	0.00023

Note:

(1) As at the end of the Reporting Period, the Bank issued 7,781,615,684 Ordinary Shares, including 4,264,295,684 domestic Shares and 3,517,320,000 H Shares. (L) represents long position.

Save as disclosed above, none of the Directors, the Supervisors and the 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 at the end of the Reporting Period.

V. Employees, Employee Compensation Policy and Employee Training Program

(I) Employee Composition

As at the end of the Reporting Period, the Bank (excluding its subsidiaries) had 4,959 full-time employees, of which 3,641 employees or 73.42% had bachelor degrees or above, with the average age of 37.24.

In addition to full-time employees, as at the end of the Reporting Period, the Bank also had 1,108 contractors from third-party human resources agencies. These contractors are not the Bank's employees and enter into employment contracts with third party human resources agencies.

(II) Employee Training Program

The Bank attaches great importance to the construction of staff echelon, pays attention to the overall improvement of employees' business ability and skill level, and sets up scientific training system based on "leading by party building, hierarchical classification, comprehensive coverage". To promote and achieve its business management goals, the Bank has focused on building a learning, pragmatic and pioneering high-quality staff team, develop the annual training plan and organize the implementation of related training work. The Bank has implemented the "535" talent project, which aims to establish an echelon of backup talents with clear planning, reasonable structure and dynamic development to identify, train, and supply talents to talent pools at all levels. With the scientific selection and systematic cultivation, the insight of trainees are fully expanded with further improvement in professional qualities and management capabilities. By the "Excellent Learning and Leisure Enjoying" (優學悠享) online learning platform, the Bank realized a multi-dimensional training models including online, offline and other manners, ensuring the full coverage of all employees in training, and at the same time, the Bank has promoted high-quality operation activities in many times to accumulate continuously internal knowledge for the organisation while stimulating enthusiasm of trainees about learning. By the "Headquarters Office Lecture Hall" (總行機關大講堂) and "Business Lecture Hall" (業務大講堂), the Bank opened up ideas of lecture, introduced internal and external general professional courses, effectively solved the issue of fewer opportunities for employees to go out for training, thus promote the improvement in professionalization of the staff team, and further improved the three-in-one training mechanism of guiding, driving and restraining. The employee training project of "Qingjin Plan" (青錦計劃) has focused on cultivating the comprehensive ability of employed campus recruits, and effectively improved the loyalty and stability of the high-quality staff team.

(III) Employee Incentive Policies

The Bank has always been committed to the research and formulation of employee incentive policies throughout the Bank. By applying the advanced management tool, the Bank provides better mechanism and measures for the selection, appointment, cultivation and retention of talents, to ensure that the business development of Bank is supported by reliable human resources. Incentive policies of the Bank combined performance management system, employee career development system, new employee cultivation system and based on employee career development. It is a scientific comprehensive management system based on professional sequence management, covering performance evaluation, ability evaluation, service improvement and cultivation plan. The professional sequence management system developed by the Bank broke the career development bottleneck of employees, expanded promotion spaces of employees, and satisfied their diversified career development requirements, which fully encouraged employees to realize their values.

(IV) Remuneration Policies for Employees

Our remuneration policies are in line with the implementation of our strategic goals, the enhancement of our competitiveness, talent cultivation and risk control. These policies are developed based on the principles that satisfy our corporate governance requirements, give consideration to both the competitiveness and sustainability of the Bank, and are in line with our operating results adapted to risk cost and balance our short-term and long-term incentives. Remuneration of our employees comprises of fixed salary, variable compensation and allowance. Deferred payment and fixed term of payment are applied to senior management and key personnel to strengthen risk control.

(V) Retirement and Benefits

According to applicable laws in China, the Bank's male employees, cadre female employees and non-cadre female employees reaching the age of 60, 55 and 50, respectively, shall retire. The salary of retired employees will be suspended and paid by the social insurance fund agency to their basic pension on a monthly basis starting from the second month after retiring procedures are completed. With respect to benefits, the headquarters and the branches of the Bank shall make timely and full contribution to basic old-age pension, unemployment insurance, basic medical insurance, work-related injury insurance, maternity insurance, and housing provident fund for all in-service employees pursuant to applicable laws and regulations in China.

VI. BRANCHES AND SUBSIDIARIES

Name of Branches/Subsidiaries	Location of Business	Remarks
Headquarters	No. 68 Keji Road, Jinzhou, Liaoning Province, the PRC	
Bank of Jinzhou Co., Ltd., Beijing Branch	No. 5 Jianguomenbei Avenue, Dongcheng District, Beijing, the PRC	With 6 sub-branches
Bank of Jinzhou Co., Ltd., Tianjin Branch	No. 236 Nanjing Road, Heping District, Tianjin, the PRC	With 7 sub-branches
Bank of Jinzhou Co., Ltd., Shenyang Branch	No. 18 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC	With 12 sub-branches
Bank of Jinzhou Co., Ltd., Dalian Branch	No. 23 Renmin Road, Zhongshan District, Dalian, Liaoning Province, the PRC	With 6 sub-branches
Bank of Jinzhou Co., Ltd., Harbin Branch	No. 381 Youyi Road, Daoli District, Harbin, Heilongjiang Province, the PRC	With 7 sub-branches
Bank of Jinzhou Co., Ltd., Dandong Branch	No. 111 Jinshan Avenue, Yuanbao District, Dandong, Liaoning Province, the PRC	With 19 sub-branches
Bank of Jinzhou Co., Ltd., Fushun Branch	No. 13 Xinhua Avenue, Shuncheng District, Fushun, Liaoning Province,the PRC	With 19 sub-branches
Bank of Jinzhou Co., Ltd., Anshan Branch	No. 15- S1, S2, S3, S4, S5, Shenglinan Road Tiedong District, Anshan, Liaoning Province, the PRC	With 5 sub-branches
Bank of Jinzhou Co., Ltd., Chaoyang Branch	No. 5 Xinhua Road (Section 2), Shuangta District, Chaoyang, Liaoning Province, the PRC	With 6 sub-branches
Bank of Jinzhou Co., Ltd., Fuxin Branch	No. 75 Zhonghua Road, Xihe District, Fuxin, Liaoning Province, the PRC	With 2 sub-branches
Bank of Jinzhou Co., Ltd., Liaoyang Branch	No. 366-1 Xinhua Road, Baita District, Liaoyang, Liaoning Province, the PRC	With 2 sub-branches
Bank of Jinzhou Co., Ltd., Huludao Branch	1C Lanhua Plaza, Xinhua Avenue, Lianshan District, Huludao, Liaoning Province, the PRC	With 1 sub-branch
Bank of Jinzhou Co., Ltd., Benxi Branch	No. 8 Renmin Road, Pingshan District, Benxi, Liaoning Province, the PRC	
Bank of Jinzhou Co., Ltd., Yingkou Branch	No. 12-A1, East Bohai Avenue, Zhanqian District, Yingkou City, Liaoning Province, China	
Bank of Jinzhou Co., Ltd., Jinzhou Branch	No. 69 Shifu Road, Jinzhou, Liaoning Province, the PRC	With 110 sub-branches
Bank of Jinzhou Co., Ltd., Small Enterprise Financial Service Centre	No. 25-1, 2 Zhongyang Avenue (Section 2), Linghe District, Jinzhou, Liaoning Province, the PRC	
Jinzhou Taihe Jinyin Village and Township Bank Co., Ltd.	No. 29-86, Jixiang Xinjiayuan, Taihe District, Jinzhou City, Liaoning Province, the PRC	With 6 sub-branches
Liaoning Yixian Jinyin Village and Township Bank Co., Ltd.	No. 38-21, Yingbin Road, Yizhou Town, Yixian, Jinzhou City, Liaoning Province, the PRC	With 4 sub-branches
Liaoning Beizhen Jinyin Village and Township Bank Co., Ltd.	No. 1-1-121, Lvshan Road, Beizhen City Liaoning Province, the PRC	With 3 sub-branches
Liaoning Heishan Jinyin Village and Township Bank Co., Ltd.	House No. 9-14 (Level 1-3), City East, South Side, Diwang Fudi, No. 194, Zhongda Central Road, Heishan Town First Street, Heishan County, Liaoning Province, the PRC	With 3 sub-branches
Liaoning Kazuo Jinyin Village and Township Bank Co., Ltd.	No. 01011, Building 10, Lidu Shuian Community, Binhe North Road, Dachengzi Town, Kazuo County, Chaoyang, Liaoning Province, the PRC	With 1 sub-branch
Liaoning Linghai Jinyin Village and Township Bank Co., Ltd.	Outlet No. 57-60, Block 1, Ziguanghaoyuan, No. 5 Zhongxing Avenue, Linghai, Jinzhou, Liaoning Province, the PRC	
Liaoning Huanren Jinyin Village and Township Bank Co., Ltd.	No. 2, Unit 0, Building 1, Block 1 Xinshi Street, Huanren Town, Huanren Manchu Autonomous County, Benxi, Liaoning Province, the PRC	
Bank of Jinzhou Financial Leasing Co.,Ltd.	No. 18, Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC	

Chapter 7 Important Events

I. Corporate Governance Code

The Bank continuously improved corporate governance mechanism, and gradually enhanced corporate governance level. The Bank has adopted relevant requirements set out in the Corporate Governance Code ("**Corporate Governance Code**") set out in Appendix 14 to the Listing Rules, administrative measures and corporate governance for commercial banks in China. The Bank has also established a corresponding corporate governance system. In accordance with relevant requirements, the Bank has set up dedicated and independent Board of Directors, Board of Supervisors and senior management. All members of Board of Directors and Board of Supervisors (excluding employee representative Supervisors) were all elected at the general meetings by the Shareholders. The Bank has further improved the information disclosure standards, regulated the management of investor relations activities and enhanced the transparency and governance standards persistently.

During the Reporting Period, the Bank has fully complied with the code provisions set out in the Corporate Governance Code and adopted the recommended best practices therein, where appropriate.

II. Profits and Dividends

The Bank's revenue for the Reporting Period and the Bank's financial position as at the same date are set out in the financial statements of this interim report.

The Board did not recommend to declare any interim dividend for the Reporting Period (six-month period ended 30 June 2019: not declared).

III. Issuance of Debt Securities

Debt Securities Issued

Upon the approval of CBRC and PBOC, the Bank issued the tier-two capital bonds with written off provisions on 26 December 2016. The total issue amount was RMB2.5 billion. The maturity was 10 years with a fixed coupon rate of 4.30% per annum. The bonds are redeemable partially or wholly by the Bank at its discretion at the nominal amount on 27 December 2021 upon the approval of relevant regulatory authorities.

Upon the approval of CBRC and PBOC, the Bank issued the tier-two capital bonds with written off provisions on 26 March 2018. The total issue amount was RMB4.0 billion. The maturity was 10 years with a fixed coupon rate of 4.90% per annum. The bonds are redeemable partially or wholly by the Bank at its discretion at the nominal amount on 28 March 2023 upon the approval of relevant regulatory authorities.

Interbank Certificates of Deposit Issued

As at the end of the Reporting Period, the Bank issued 114 interbank certificates of deposit (issued in the market which are not matured yet) in total with an aggregate amount of RMB123.335 billion.

Proposed Issuance of Debt Securities

The Board has resolved, and the Shareholders have approved at the 2015 annual general meeting of the Bank held on 29 June 2016 that, subject to the approvals from regulatory authorities having been obtained, the Bank will issue the following debt securities:

Financial bonds for small and micro enterprises in an aggregate principal amount of up to RMB10.0 billion (inclusive) will be issued to members of the inter-bank bond market in China, for a term of maturity of less than five years (inclusive) at a fixed interest rate to be determined by the Bank and the lead underwriter according to the market environment at the time of issuance. The proceeds from the issuance of such bonds will be used for loans to small and micro enterprises. Upon consideration and approval at 2018 first extraordinary general meeting of the Bank held on 21 September 2018, the Bank extends term of validity of the bonds specialized for small and micro enterprises and the relevant authorization matters for 24 months, i.e. from 29 June 2018 to 28 June 2020. Other than the extension of the term of validity of financial bonds specialized for small and micro enterprises and the relevant authorization matters, the other details on bonds specialized for small and micro enterprises disclosed in the circular of the Bank dated 13 May 2016 remain unchanged and will continue to be effective. On 19 May 2020, given that the matter in relation to the issue of bonds of small and micro enterprises was in the process, the Board recommended that the term of validity of the bonds specialized for small and micro enterprises and the relevant authorization matters would be extended for 24 months, i.e. from 29 June 2020 to 28 June 2022, which shall become effective upon consideration and approval by Shareholders at the general meeting. For details, please refer to the announcement of the Bank dated 19 May 2020. As at 28 June 2020, the Bank has received the Letter of Decision for the Grant of Administrative Authorization from People's Bank of China (Yin Shi Chang Xu Zhun Yu Zi [2020] No. 81) and the Approval of CBIRC Liaoning Regulatory Bureau (Liao Yin Bao Jian Fu [2020] No. 168), respectively, in respect of the Issue of the financial bonds specialised for small and micro enterprises.

The Board has resolved, and the Shareholders have approved at the 2017 annual general meeting of the Bank held on 29 May 2018 that, subject to obtaining necessary approvals from regulatory authorities, the Bank will issue the following debt securities:

The tier-two capital bonds with the total principal amount of not more than RMB6.0 billion (inclusive) will be issued to members of the inter-bank bond market for a term of no longer than 10 years (inclusive). Fixed interest rate will be determined by the Bank and lead underwriter depending upon the market situation at the time of the issue. The proceeds shall be used to replenish the Bank's tier-two capital.

The capital bonds without a fixed term with the total principal amounting to not more than RMB4.0 billion will be issued to members of the inter-bank bond market through allotment or to members of the bond issuance system of the PBOC through bidding. Fixed interest rate will be determined by the Bank and lead underwriter depending upon the market situation at the time of the issue. The proceeds shall be used to replenish the Bank's additional tier-one capital.

On 19 May 2020, as resolved by the Board, the Bank shall issue following bonds upon the approval from the Shareholders, PBOC and CBIRC:

The Bank shall issue the financial bonds with nominal value of no more than RMB14.0 billion in one or more tranches for a term of no more than five years to the members in the national interbank bond market (excluding the subscribers as prohibited by the China's laws and regulations), at a coupon rate determined through the book building method for centralized placement or in accordance with the results of public tendering on the bonds issuance system of the PBOC according to the market conditions before the issuance. The raising funds shall be utilized in line with the laws and regulation, the approval from the regulatory authorities and bond types.

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

During the Reporting Period, neither the Bank nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Bank.

V. Related-party Transactions

No material related-party transactions that had an adverse impact on the Bank's business results and financial position occurred during the Reporting Period.

VI. Material Litigation and Arbitration

As at the end of the Reporting Period, there was no material litigation or arbitration in which the Bank was accused that constituted adverse impact on its operation activities.

VII. Penalties Imposed on the Bank and its Directors, Supervisors and Senior Management Members

During the Reporting Period, none of the Bank, or its Directors, Supervisors and senior management members had been subject to inspections, administrative penalties and circulating criticisms by CSRC or public censures by the Hong Kong Stock Exchange, or penalties by relevant regulatory bodies that caused a significant impact on the Bank's operation.

VIII. Material Contracts and Their Performance

During the Reporting Period, the Bank had no material contracts or performance of obligations.

IX. Implementation of New Accounting Standards

The Bank has adopted relevant new accounting standards since 1 January 2020. For details of changes in relevant accounting policies. Please refer to note 2 in the interim financial statements of this interim report.

X. Engagement and Dismissal of Auditors

Upon consideration and approval in the 2018 annual general meeting, the Bank re-appointed Crowe (HK) CPA Limited ("**Crowe**") as the Bank's auditor for 2019. As considered and approved at the seventh meeting of the sixth session of the Board of the Bank, Crowe was re-appointed as the Bank's international auditor for the year subject to consideration and approval at the 2019 annual general meeting of the Bank.

XI. Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

During the Reporting Period, the Bank had no material acquisition and disposal of subsidiaries, associates and joint ventures.

XII. Review of Interim Report

Financial statements disclosed in this interim report are unaudited. The interim financial statements for the six-month period ended 30 June 2020 of the Bank were prepared according to the International Accounting Standards 34 issued by the International Accounting Standards Board and reviewed by Crowe according to International Standard on Review Engagements 2410.

This interim report has been passed by the Board and the audit committee under it.

XIII. Publication of Interim Report

This interim report is prepared in both English and Chinese versions. In the event of any discrepancies in interpretation between the English version and Chinese version, the Chinese version shall prevail.

Chapter 8 Subsequent Events

I. Proposed private placement and substantial disposal in relation to disposal of assets

(I) Proposed Private Placement of New Domestic Shares Under the Specific Mandate

Reference is made to the announcement of the Bank dated 10 March 2020 (the "**Announcement dated 10 March**"), in relation to the Proposed Private Placement. Unless otherwise defined herein, the capitalized terms used in the section headed "Proposed Private Placement of New Domestic Shares Under the Specific Mandate" shall have same meanings as those defined in the Announcement dated 10 March.

On 23 January 2020, the Bank and the Subscribers entered into the Subscription Agreement, pursuant to which the Bank has conditionally agreed to issue and allot and the Subscribers have conditionally agreed to subscribe in cash for an aggregate of 6.2 billion Subscription Shares at the subscription price of RMB1.950 per Subscription Share. Net proceeds from the issuance of the Subscription Shares are expected to be approximately RMB12.09 billion and are intended to be used to replenish the core tier-one capital of the Bank. The Subscription Shares will be issued under the Specific Mandate granted at the AGM and the 2019 Class Meetings.

Chengfang Huida will subscribe for an aggregate of 5,270 million Subscription Shares, with an aggregate nominal value of RMB5,270 million, representing approximately 67.72% of the total existing issued share capital of the Bank before the completion of the Proposed Private Placement, and approximately 37.69% of the total enlarged issued share capital of the Bank after the completion of the Proposed Private Placement. Liaoning Financial Holding will subscribe for an aggregate of 930 million Subscription Shares, with an aggregate nominal value of RMB930 million, representing approximately 11.95% of the total existing issued share capital of the Bank before the completion of the Proposed Private Placement, and approximately 6.65% of the total enlarged issued share capital of the Bank after the completion of the Proposed Private Placement. The Subscription Shares consist of 6.2 billion New Domestic Shares, representing approximately 79.67% of the total existing issued share capital of the Bank before the completion of the Proposed Private Placement, and approximately 44.34% of the total enlarged issued share capital of the Bank after the completion of the Proposed Private Placement; and representing approximately 145.39% of the existing issued Domestic Shares of the Bank before the completion of the Proposed Private Placement, and approximately 59.25% of the enlarged issued Domestic Shares of the Bank after the completion of the Proposed Private Placement (without taking into account the conversion of the Offshore Preference Shares).

Information of Chengfang Huida

Chengfang Huida is a limited liability company incorporated in the PRC on 15 May 2019, which is wholly-owned by Huida Asset Management. Each of Huida Asset Management and Chengfang Huida is managed by the PBOC in which all its economic benefits and voting power are held and controlled by the PBOC.

Information of Liaoning Financial Holding

Liaoning Financial Holding is a limited liability company incorporated in the PRC on 18 December 2019, which is wholly-owned by the Liaoning Province Finance Department.

Grant of the Whitewash Waiver

On 8 July 2020, the Executive has conditionally granted the Whitewash Waiver, subject to (i) the Whitewash Waiver and the underlying transaction of the Whitewash Waiver (including the Subscription Agreement) being approved by the Independent Shareholders at the 2020 first extraordinary general meeting of the Bank, and (ii) there being no acquisition or disposal of voting rights being made by Chengfang Huida and parties acting in concert with it between the date of the Announcement dated 10 March and the completion of the Proposed Private Placement, unless prior consent was given by the Executive. On 10 July 2020, the abovementioned condition (i) has been fulfilled.

On 10 July 2020, the Bank held the 2020 first extraordinary general meeting at which considered and approved: (a) the Whitewash Waiver granted or to be granted by the Executive pursuant to the Takeovers Code waiving any obligation on the part of Chengfang Huida to make a mandatory general offer for all the securities of the Bank not already owned or agreed to be acquired by it or parties acting in concert with it as a result of the Bank allotting and issuing the Subscription Shares to Chengfang Huida under the Subscription Agreement; and (b) the Subscription Agreement.

On 10 August 2020, the Bank announced that the Bank has obtained the approval from CBIRC Liaoning Regulatory Bureau, pursuant to which CBIRC Liaoning Regulatory Bureau has approved the Bank's proposal to issue no more than 6.2 billion Domestic Shares, and Chengfang Huida and Liaoning Financial Holding to subscribe and hold 5.270 billion Domestic Shares and 930 million Domestic Shares respectively, accounting for 37.69% and 6.65% of the total enlarged issued share capital of the Bank after the completion of the Proposed Private Placement.

On 14 August 2020, the Bank made further announcement for the approval of the CBIRC. As relevant approval was obtained from the CBIRC Liaoning Regulatory Bureau, all of conditions precedent are fulfilled except for the conditions precedent (i), (ii), (iii), (iv), (ix) and (x) under the Subscription Agreement relating to the compliance, representations and warranties by the Bank and the Subscribers as they shall be repeated at the Closing Date, all conditions precedent have been satisfied. The Bank is currently proceeding to implement the procedures of completing the Proposed Private Placement, including registering the Subscribers as Shareholders and handling the business changes registration.

For the details, please refers to Announcement dated 10 March and the announcements of the Bank dated 10 July 2020, 10 August 2020 and 14 August 2020.

Effect on the shareholding structure

The following table illustrates the shareholding structure of the Bank as at the end of the Reporting Period and immediately after the completion of the Proposed Private Placement (assuming no other changes to the issued share capital of the Bank prior to the completion of the Proposed Private Placement):

	As at the end of the Reporting Period		Immediately after the completion of the Proposed Private Placement	
	Number of Shares	%	Number of Shares	%
Domestic Shares				
Non-public Domestic Shareholders				
– ICBC Financial [(1)]	841,822,258	10.82	–	–
– Chengfang Huida and parties acting in concert with it	–	–	5,270,000,000	37.69
	841,822,258	10.82	5,270,000,000	37.69
Public Domestic Shareholders				
– ICBC Financial [(1)]	–	–	841,822,258	6.02
– Cinda Investment [(2)]	505,093,350	6.49	505,093,350	3.61
– Liaoning Financial Holding and parties acting in concert with it	–	–	930,000,000	6.65
– Other public Domestic Shareholders	2,917,380,076	37.49	2,917,380,076	20.87
	3,422,473,426	43.98	5,194,295,684	37.15
	4,264,295,684	54.80	10,464,295,684	74.84
H Shares	3,517,320,000	45.20	3,517,320,000	25.16
Total	7,781,615,684	100.00	13,981,615,684	100.00

Notes:

(1) Such Domestic Shares are directly held by ICBC Financial Asset Investment Co., Ltd. (工銀金融資產投資有限公司). Upon completion of the Proposed Private Placement, the effective interest of ICBC Financial Asset Investment Co., Ltd. (工銀金融資產投資有限公司) in the total issued share capital of the Bank will be diluted from 10.82% to 6.02%. Accordingly, it will no longer be a substantial shareholder of the Bank as defined under the Listing Rules and shall be deemed as a public Domestic Shareholder upon the completion of the Proposed Private Placement.

(2) Such Domestic Shares are directly held by Cinda Investment Co., Ltd. (信達投資有限公司), a wholly-owned subsidiary of China Cinda. China Cinda indirectly held all the equity interests in Huida Asset Management and Chengfang Huida.

Effect on the financial data and indicators

After the completion of the Proposed Private Placement, the key financial data and indicators of the Bank change as follows:

(Expressed in thousands of Renminbi, unless otherwise stated)	After the completion	As at 30 June 2020 (Before the completion)	After the completion vs before the completion	
Asset/liability key indicators			**Change**	**Rate of Change (%)**
Total assets	821,265,555	**821,265,555**	–	–
Total liabilities	749,249,447	**761,339,447**	(12,090,000)	(1.6)
Total equity	72,016,108	**59,926,108**	12,090,000	20.2
Share capital	13,981,616	**7,781,616**	6,200,000	79.7
Capital Adequacy Indicators (%)			**Change**	
Core tier-one capital adequacy ratio	7.40	**5.50**	1.90	
Tier-one capital adequacy ratio	8.83	**6.94**	1.89	
Capital adequacy ratio	10.95	**9.06**	1.89	
Total equity to total assets	8.77	**7.30**	1.47	

Upon the completion of the Proposed Private Placement, the total equity interest of the Bank will increase by RMB12.090 billion to RMB72.016 billion. The capital adequacy ratio is expected to amount to 10.95%, representing an increase of 1.89 percentage points as compared with that before the completion of the Proposed Private Placement. Through the above Proposed Private Placement, the Bank will introduce strong strategic investors to supplement capital strength, optimize the shareholding structure, improve the capital adequacy ratio and increase development momentum and profitability, so as to enhance the comprehensive competition and achieve stable, healthy and sustainable development of the Bank.

(II) Very Substantial Disposal in Relation to the Disposal of Assets of the Bank

Reference is made to the announcement of the Bank dated 3 April 2020 (the "**Announcement dated 3 April**") in relation to the Disposal Assets. Unless otherwise defined herein, the capitalized terms used in the section headed "Very Substantial Disposal in Relation to the Disposal of Assets of the Bank" shall have same meanings as those defined in the Announcement dated 3 April.

On 31 March 2020 (after trading hours), the Bank and the Purchaser entered into the Framework Disposal Agreement, pursuant to which the Bank has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Disposal Assets for the Consideration of RMB45.0 billion.

Pursuant to the Framework Disposal Agreement, the Bank has conditionally agreed to sell, and Chengfang Huida has conditionally agreed to purchase the Disposal Assets, being certain credit assets and other assets held by the Bank, including corporate loans and beneficial interest transfer plans (comprising beneficial interests in trust plans and asset management plans issued by trust companies, securities companies, insurance companies and asset management companies). The original book value of the debt principal amount of the disposed assets is approximately RMB150.0 billion and the consideration paid by Chengfang Huida to the Bank for the Disposal is RMB45.0 billion.

Also, the Bank entered into an agreement to subscribe for a directional debt instrument in the principal amount of RMB75.0 billion issued by Jinzhou Jinyin Management Partnership (Limited Partnership) (錦州錦銀管理合夥企業(有限合夥)), being an entity set up by corporations controlled by Liaoning Financial Holding Group Corporation limited and the Deposit Insurance Fund Management Co., Ltd. (存款保險基金管理有限責任公司), pursuant to which, among other things, (a) the obligation of the Bank to make payment for such subscription amount by the Bank shall be waived; and (b) the Bank will obtain from the issuer the repayment of premium and the interest at the rate of 2.25% per annum, totaling to no less than RMB5 billion per year in principle (the "**Debt Instrument Subscription**").

Pursuant to the Disposal, (i) the deposit of the Bank at central bank will increase by approximately RMB45.0 billion; (ii) taking into consideration that the Debt Instrument Subscription and the Disposal are a series of transactions under the reorganization plan of the Bank, and as such the Bank's debt investment will increase by approximately RMB75.0 billion; and (iii) disposal of assets of approximately RMB150.0 billion will lead to an overall impairment reserve expense of approximately RMB30.0 billion. The net proceeds from the Disposal after deduction of expenses were approximately RMB45.0 billion, which are intended to be used for the general working capital of the Bank.

On 10 July 2020, the Bank convened the 2020 first extraordinary general meeting to consider and approve the Framework Disposal Agreement, the Disposal and the transactions contemplated thereunder. On 27 July 2020, all the conditions precedent contained in the Framework Disposal Agreement and the framework agreement in respect of the specific asset disposal agreement entered into had been fulfilled, and the Bank has entered into specific asset disposal agreements with the Purchaser for all assets disposed of, and the consideration had been fully settled. Therefore, the Disposal had been completed and the Disposal Assets have been fully sold and are no longer accounted for in consolidated financial statements of the Bank. In addition, considering that the Debt Instrument Subscription and the Disposal are parts of the Bank's restructuring plan and the Disposal was completed, the Debt Instrument Subscription had also been completed.

For the details, please refer to the Announcement dated 3 April and the announcements of the Bank dated 10 July 2020 and 27 July 2020.

Upon completion of the Disposal and the Debt Instrument Subscription, the movements of the key financial data and indicators are as follows:

(Expressed in thousands of Renminbi, unless otherwise stated)	After the completion	As at 30 June 2020 (Before the completion)	After the completion vs before the completion	
Asset/liability key indicators			**Change**	**Rate of Change (%)**
Total assets	768,965,892	**821,265,555**	(52,299,663)	(6.4)
Total liabilities	709,039,784	**761,339,447**	(52,299,663)	(6.9)
Total equity	59,926,108	**59,926,108**	–	–
Share capital	7,781,616	**7,781,616**	–	–
Capital Adequacy Indicators (%)			**Change**	
Core tier-one capital adequacy ratio	6.56	**5.50**	1.06	
Tier-one capital adequacy ratio	8.00	**6.94**	1.06	
Capital adequacy ratio	10.12	**9.06**	1.06	
Total equity to total assets	7.79	**7.30**	0.49	

As at the end of the Reporting Period, the Bank had recognised the Disposal Assets to assets held for sale. Therefore, the changes in assets quality indicators result from the Disposal had been reflected in the unaudited interim results statement for the six-month period ended 30 June 2020.

The completion of the Disposal and Debt Instrument Subscription will help enhance the quality of the Bank's assets and the refined management of assets internally, to reduce the misappropriation of capital, to improve the capital adequacy ratio and liquidity of the Bank and to enhance the sustainability.

(III) Benefits from Completion of Proposed Asset Reorganization

After the completion of the Proposed Private Placement, Disposal and Debt Instrument Subscription (the "**Proposed Asset Reorganization**"), the key financial data and indicators change as follows:

(Expressed in thousands of Renminbi, unless otherwise stated)	After the completion of Proposed Asset Reorganization	As at 30 June 2020 (Before the completion of Proposed Asset Reorganization	After the completion of Proposed Asset Reorganization vs before the completion of Proposed Asset Reorganization	
Asset/liability key indicators			**Change**	**Rate of Change (%)**
Total assets	768,965,892	**821,265,555**	(52,299,663)	(6.4)
Total liabilities	696,949,784	**761,339,447**	(64,389,663)	(8.5)
Total equity	72,016,108	**59,926,108**	12,090,000	20.2
Share capital	13,981,616	**7,781,616**	6,200,000	79.7
Capital Adequacy Indicators (%)			**Change**	
Core tier-one capital adequacy ratio	8.45	**5.50**	2.95	
Tier-one capital adequacy ratio	9.88	**6.94**	2.94	
Capital adequacy ratio	12.00	**9.06**	2.94	
Total equity to total assets	9.37	**7.30**	2.07	

Upon the completion of the Proposed Asset Reorganization, the total equity interest of the Bank will increase by RMB12.090 billion to RMB72.016 billion; the share capital will increase by RMB6.200 billion to RMB13.982 billion; the capital adequacy ratio is expected to amount to 12.00%, representing an increase of 2.94 percentage points as compared to that before the completion of Proposed Asset Reorganization.

Such Proposed Asset Reorganization will improve the Bank's risk resistance ability and strengthen its corporate governance level, which provides the foundation for the Bank to establish a healthy internal governance mechanism and realize the overall stable operation and so as to further improve its comprehensive competitiveness and promote its sustainable development.

II. Distribution of Dividends on the Offshore Preference Shares

According to the resolution on the distribution of dividends for offshore preference shares passed at the Board of Directors' meeting held on 20 August 2020 , the Bank proposed to distribute the dividends on the Offshore Preference Shares amounting to approximately USD91 million (including tax). The dividend payment date is 27 October 2020. For the details, please refer to the announcement of the Bank dated 20 August 2020 in relation to, among other things, the distribution of dividends on the Offshore Preference Shares.

國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF BANK OF JINZHOU CO., LTD.
(A joint stock company incorporated in the People's Republic of China (the "PRC") with limited liability)

Introduction

We have reviewed the accompanying interim financial information set out on pages 100 to 195, which comprises the condensed consolidated statement of financial position of Bank of Jinzhou Co., Ltd. (the "Bank") and its subsidiaries (the "Group") as at 30 June 2020 and the condensed consolidated income statement, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of 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 this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ". A review of interim financial information 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 accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 20 August 2020

Chan Wai Dune, Charles
Practising Certificate Number P00712

(Expressed in thousands of Renminbi, unless otherwise stated)

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six-month period ended 30 June 2020

	Notes	For the six-month period ended 30 June 2020 Unaudited	2019 Unaudited
Interest income		**20,940,446**	26,190,636
Interest expense		**(14,887,830)**	(14,347,280)
Net Interest Income	4	**6,052,616**	11,843,356
Fee and commission income		**118,491**	274,627
Fee and commission expense		**(25,682)**	(121,804)
Net fee and commission income	5	**92,809**	152,823
Net trading gains	6	**288,751**	1,469,666
Dividend income		**–**	1,200
Net (losses)/gains arising from investment securities	7	**(153)**	77,623
Net foreign exchange gains/(losses)		**1,790**	(5,266)
Other net operating income	8	**8,655**	7,786
Operating income		**6,444,468**	13,547,188
Operating expenses	9	**(1,511,117)**	(1,823,905)
Operating profit before impairment		**4,933,351**	11,723,283
Impairment losses on assets	10	**(4,428,740)**	(12,774,275)
Profit/(loss) before tax		**504,611**	(1,050,992)
Income tax (expense)/credit	11	**(91,349)**	182,619
Profit/(loss) for the period		**413,262**	(868,373)
Attributable to:			
Equity shareholders of the Bank		**406,644**	(998,600)
Non-controlling interests		**6,618**	130,227
Profit/(loss) for the period		**413,262**	(868,373)
Basic and diluted earnings/(losses) per share (in RMB)	12	**0.05**	(0.13)

The accompanying notes form an integral part of these interim financial statements.

(Expressed in thousands of Renminbi, unless otherwise stated)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six-month period ended 30 June 2020

	For the six-month period ended 30 June	
	2020	2019
	Unaudited	Unaudited
Profit/(loss) for the period	**413,262**	(868,373)
Other comprehensive income for the period:		
Items that will be reclassified subsequently to profit or loss:		
– Debt instruments measured at fair value through other comprehensive income:		
– Change in fair value	**(19,049)**	(140,167)
– Change in impairment provision	**9,288**	(6,452)
– Reclassified to profit or loss upon disposal	**1,250**	(80,984)
– Related income tax effect	**2,128**	56,901
Items that will not be reclassified subsequently to profit or loss:		
– Remeasurement of defined benefit obligation	**(5)**	(6)
– Equity instruments designated at fair value through other comprehensive income:		
– Change in fair value	**18,380**	(21,857)
– Related income tax effect	**(4,595)**	5,464
Other comprehensive income/(loss) for the period	**7,397**	(187,101)
Total comprehensive income/(loss) for the period	**420,659**	(1,055,474)
Attributable to:		
Equity shareholders of the Bank	**414,041**	(1,185,701)
Non-controlling interests	**6,618**	130,227
Total comprehensive income/(loss) for the period	**420,659**	(1,055,474)

The accompanying notes form an integral part of these interim financial statements.

(Expressed in thousands of Renminbi, unless otherwise stated)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	**As At 30 June 2020 Unaudited**	As At 31 December 2019 Audited
Assets			
Cash and deposits with the central bank	13	**45,970,983**	105,176,537
Deposits with banks and other financial institutions	14	**27,012,030**	8,301,592
Placements with banks and other financial institutions	15	**5,682,521**	5,643,864
Positive fair value of derivatives	16	**33,770**	84,969
Financial assets held under resale agreements	17	**13,521,683**	–
Loans and advances to customers	18	**407,329,790**	452,695,511
Financial assets at fair value through profit or loss	19	**31,305,165**	55,157,171
Financial assets at fair value through other comprehensive income	20	**13,006,699**	12,559,843
Financial assets measured at amortised cost	21	**128,650,274**	165,149,391
Finance lease receivables	22	**4,182,628**	6,408,314
Assets held for sale	23	**120,000,000**	–
Property and equipment	25	**6,844,965**	7,015,575
Deferred tax assets	26	**13,106,389**	11,841,585
Other assets	27	**4,618,658**	6,659,839
Total assets		**821,265,555**	836,694,191
Liabilities and equity			
Liabilities			
Borrowing from the central bank	29	**102,180**	33,079,647
Deposits from banks and other financial institutions	30	**171,759,383**	178,117,754
Placements from banks and other financial institutions	31	**17,901,218**	27,731,363
Financial liabilities at fair value through profit or loss		**3,773,853**	6,282,210
Negative fair value of derivatives	16	**75,998**	100,011
Financial assets sold under repurchase agreements	32	**19,602,805**	10,106,602
Deposits from customers	33	**413,977,645**	407,112,779
Accrued staff costs	34	**338,673**	334,976
Income tax payable	35	**1,147,335**	1,622,478
Other taxes payable	35	**689,712**	412,966
Debt securities payable	36	**129,938,048**	110,108,837
Provisions	37	**418,226**	613,313
Other liabilities	38	**1,614,371**	1,565,806
Total liabilities		**761,339,447**	777,188,742

The accompanying notes form an integral part of these interim financial statements.

(Expressed in thousands of Renminbi, unless otherwise stated)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 30 June 2020

	Notes	**As at 30 June 2020 Unaudited**	As at 31 December 2019 Audited
Equity			
Share capital	39	**7,781,616**	7,781,616
Other equity instruments including:			
Offshore preference shares	40	**9,897,363**	9,897,363
Capital reserve	41	**20,590,718**	20,583,321
Surplus reserve	42	**2,994,679**	2,994,679
General reserve	43	**11,800,217**	11,800,217
Retained earnings	44	**3,020,866**	2,614,222
Total equity attributable to equity shareholders of the Bank		**56,085,459**	55,671,418
Non-controlling interests		**3,840,649**	3,834,031
Total equity		**59,926,108**	59,505,449
Total liabilities and equity		**821,265,555**	836,694,191

Approved and authorised for issue by the Board of Directors on 20 August 2020.

Wei Xuekun	**Guo Wenfeng**	**Yu Jun**	**Company chop**
Chairman	*President*	*Chief Financial Officer*	

The accompanying notes form an integral part of these interim financial statements.

(Expressed in thousands of Renminbi, unless otherwise stated)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2020

		Unaudited								
		Attributable to shareholders of the Bank								
	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Retained earnings	Subtotal	Non-controlling interests	Total equity
Balance at 1 January 2020		**7,781,616**	**9,897,363**	**20,583,321**	**2,994,679**	**11,800,217**	**2,614,222**	**55,671,418**	**3,834,031**	**59,505,449**
Changes in equity for the period:										
Profit for the period		–	–	–	–	–	**406,644**	**406,644**	**6,618**	**413,262**
Other comprehensive income	41	–	–	**7,397**	–	–	–	**7,397**	–	**7,397**
Total comprehensive income		–	–	**7,397**	–	–	**406,644**	**414,041**	**6,618**	**420,659**
Balance at 30 June 2020		**7,781,616**	**9,897,363**	**20,590,718**	**2,994,679**	**11,800,217**	**3,020,866**	**56,085,459**	**3,840,649**	**59,926,108**
Balance at 1 January 2019		7,781,616	9,897,363	20,730,770	2,994,679	11,802,132	3,570,852	56,777,412	3,985,732	60,763,144
Changes in equity for the period:										
Loss for the period		–	–	–	–	–	(998,600)	(998,600)	130,227	(868,373)
Other comprehensive loss	41	–	–	(187,101)	–	–	–	(187,101)	–	(187,101)
Total comprehensive loss		–	–	(187,101)	–	–	(998,600)	(1,185,701)	130,227	(1,055,474)
Balance at 30 June 2019		7,781,616	9,897,363	20,543,669	2,994,679	11,802,132	2,572,252	55,591,711	4,115,959	59,707,670

The accompanying notes form an integral part of these interim financial statements.

(Expressed in thousands of Renminbi, unless otherwise stated)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2020

	For the six-month period ended 30 June	
	2020	2019
	Unaudited	Unaudited
Cash flows from operating activities		
Profit/(loss) for the period	**413,262**	(868,373)
Adjustments for:		
Impairment losses on assets	**4,428,740**	12,774,275
Depreciation and amortisation	**288,063**	274,576
Interest expense on lease liabilities	**7,082**	–
Unwinding of discount	**–**	(415,178)
Unrealised foreign exchange gains, net	**(31,780)**	(25,983)
Dividend income	**–**	(1,200)
Net losses/(gains) arising from disposal of investment securities	**153**	(77,623)
Net trading gains	**(288,751)**	(1,469,666)
Interest expense on debts securities payable	**2,835,650**	1,624,785
Net (gains)/losses on disposal of property and equipment and other long term assets	**(163)**	2,103
Income tax expense/(credit)	**91,349**	(182,619)
Subtotal	**7,743,605**	11,635,097
Changes in operating assets		
Net decrease in deposits with the central bank, banks and other financial institutions	**4,646,725**	4,998,363
Net increase in placements with banks and other financial institutions	**–**	(2,499,813)
Net increase in loans and advances to customers	**(21,988,848)**	(56,571,135)
Net decrease/(increase) in finance lease receivables	**2,198,651**	(271,564)
Net increase in other operating assets	**(11,955,235)**	(3,409,591)
Subtotal	**(27,098,707)**	(57,753,740)
Changes in operating liabilities		
Net (decrease)/increase in borrowing from central bank	**(32,938,190)**	19,931,653
Net decrease in deposits from banks and other financial institutions	**(6,234,076)**	(25,867,008)
Net increase/(decrease) in financial assets sold under repurchase agreements	**9,502,146**	(8,100,023)
Net (decrease)/increase in placements from banks and other financial institutions	**(9,610,948)**	9,648,658
Net increase in deposits from customers	**8,024,770**	1,456,808
Income tax paid	**(1,833,764)**	(2,584,357)
Net (decrease)/increase in other operating liabilities	**(1,182,023)**	16,307
Subtotal	**(34,272,085)**	(5,497,962)
Net cash flows used in operating activities	**(53,627,187)**	(51,616,605)

The accompanying notes form an integral part of these interim financial statements.

(Expressed in thousands of Renminbi, unless otherwise stated)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the six-month period ended 30 June 2020

	For the six-month period ended 30 June 2020 Unaudited	2019 Unaudited
Cash flows from investing activities		
Proceeds from disposal and redemption of investments	**63,318,901**	136,758,660
Dividend received	**–**	1,200
Proceeds from disposal of property and equipment and other assets	**319**	1,391
Payments on acquisition of investments	**(48,842,986)**	(79,969,219)
Payments on acquisition of property and equipment, intangible assets and other assets	**(31,037)**	(569,054)
Net cash flows generated from investing activities	**14,445,197**	56,222,978
Cash flows from financing activities		
Proceeds from issue of debt securities	**166,711,646**	54,719,957
Repayment of debts securities issued	**(149,480,000)**	(66,810,000)
Interest paid on debts securities issued	**(238,085)**	(404,710)
Dividend paid	**(9,920)**	(83,331)
Payment of lease liabilities	**(33,046)**	(47,809)
Net cash flows generated from/(used in) financing activities	**16,950,595**	(12,625,893)
Effect of foreign exchange rate changes on cash and cash equivalents	**(31,735)**	(31,804)
Net decrease in cash and cash equivalents	**(22,263,130)**	(8,051,324)
Cash and cash equivalents at the beginning of the period	**67,534,887**	19,886,632
Cash and cash equivalents at the end of the period	**45,271,757**	11,835,308

The accompanying notes form an integral part of these interim financial statements.

Chapter 11 Notes To The Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

1 Background information

Bank of Jinzhou Co., Ltd. (the "Bank") was established on 22 January 1997 with approval of the People's Bank of China ("PBOC") (Yin Fu 1997 No.29).

The Bank obtained its finance permit No. B0127H221070001 from the China Banking Regulatory Commission (the ("CBRC"), which was renamed as China Banking and Insurance Regulatory Commission ("CBIRC") on 8 April 2018. The Bank obtained its business license with unified social credit code No. 912107002426682145 from the State Administration for Industry and Commerce of the PRC. The legal representative is Wei Xuekun and the address of the registered office is No. 68 Keji Road, Jinzhou City, Liaoning Province, the PRC.

In December 2015, the Bank's H Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock code: 0416). At 30 June 2020, the share capital of the Bank was RMB7,782 million.

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, finance leasing as well as other banking services as approved by the CBRC. The Group operates in Mainland China, which, for the purpose of this report, excludes the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau") and Taiwan. At 30 June 2020, the Bank had 15 branches in Jinzhou, Beijing, Tianjin, Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin, Liaoyang, Huludao, Benxi and Yingkou.

2 Basis of presentation and principal accounting policies

The unaudited condensed consolidated interim financial information have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") issued by the International Accounting Standards Board (the "IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The unaudited condensed consolidated interim financial information do not include all the information required for a complete set of financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

The unaudited condensed consolidated interim financial information have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate. Except as described below, the accounting policies and methods of computation used in the unaudited condensed consolidated interim financial information for the six-month period ended 30 June 2020 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2019.

2 Basis of presentation and principal accounting policies *(continued)*

Assets Held for Sale

Non-current assets and disposal groups (including both the assets and liabilities of the disposal groups) are classified as held for sale and measured at the lower of their carrying amount and fair value less cost to sell when: (a) their carrying amounts will be recovered principally through sale; (b) they are available for sale in their present condition; and (c) their sale is highly probable.

Immediately before the initial classification as held for sale, the carrying amounts of the asset (or assets and liabilities in the disposal group) are measured in accordance with applicable IFRSs. On subsequent remeasurement of a disposal group, the carrying amounts of the assets and liabilities that are not within the scope of the measurement requirements of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with applicable IFRSs before the fair value less costs to sell of the disposal group is determined.

Income earned and expenses incurred on assets and liabilities of disposal groups held for sale continue to be recognised in the appropriate line items in the consolidated income statement until the transaction is complete.

In addition, the Group has adopted the following amendments to IFRSs (which include all International Financial Reporting Standards, IASs and Interpretations) issued by the IASB to these financial statement for the current accounting period:

Amendments to IFRS 3, Definition of a business
Amendments to IAS 1 and IAS 8, Definition of material

The Group has not applied any new standard or interpretations that is not yet effective for the current accounting period.

The application of the new and amendments to IFRS in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated interim financial information.

3 Significant accounting judgements and estimates

The nature and assumptions related to the Group's accounting estimates are consistent with those adopted in the Group's financial statements for the year ended 31 December 2019.

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Net Interest Income

	For the six-month period ended 30 June	
	2020	2019
	Unaudited	Unaudited
Interest income arising from		
Deposits with the central bank	**343,332**	438,050
Deposits with banks and other financial institutions	**94,269**	189,010
Placements with banks and other financial institutions	**84,826**	125,441
Loans and advances to customers		
— Corporate loans	**14,127,848**	13,714,872
— Personal loans	**241,629**	362,429
— Discounted bills	**27,073**	84,230
Financial assets held under resale agreements	**103,721**	71,865
Financial assets at fair value through other comprehensive income	**210,955**	846,508
Financial assets measured at amortised cost	**5,505,866**	10,012,303
Finance lease receivables	**200,927**	345,928
Subtotal	**20,940,446**	26,190,636
Interest expense arising from		
Borrowing from the central bank	**22,381**	46,734
Deposits from banks and other financial institutions	**4,345,144**	3,454,271
Placements from banks and other financial institutions	**218,172**	546,445
Deposits from customers		
— Corporate customers	**1,111,715**	2,755,763
— Individual customers	**6,243,249**	5,344,521
Financial assets sold under repurchase agreements	**111,519**	566,159
Debt securities payable	**2,835,650**	1,624,785
Interest on lease liabilities	**–**	8,602
Subtotal	**14,887,830**	14,347,280
Net interest income	**6,052,616**	11,843,356
Of which: interest income arising from impaired financial assets identified	**–**	415,178

(Expressed in thousands of Renminbi, unless otherwise stated)

5 Net fee and commission income

	For the six-month period ended 30 June	
	2020	2019
	Unaudited	Unaudited
Fee and commission income		
Agency services fees	**11,511**	42,163
Settlement and clearing fees	**28,679**	76,120
Wealth management service fees	**63,757**	86,384
Underwriting and advisory fees	**2,387**	40,434
Bank card service fees	**6,783**	5,946
Others	**5,374**	23,580
Subtotal	**118,491**	274,627
Fee and commission expenses		
Settlement and clearing fees	**11,736**	21,420
Others	**13,946**	100,384
Subtotal	**25,682**	121,804
Net fee and commission income	**92,809**	152,823

6 Net trading gains

	For the six-month period ended 30 June	
	2020	2019
	Unaudited	Unaudited
Trading financial instruments		
– Debt securities issued	**246,744**	1,344,687
– Derivative financial instruments	**–**	(655)
– Precious metals	**–**	1
Subtotal	**246,744**	1,344,033
Financial instruments designated at fair value through profit or loss	**42,007**	125,633
Total	**288,751**	1,469,666

The above amounts mainly include gains and losses arising from the purchase and sale of, interest income and changes in the fair value of financial assets and financial liabilities at fair value through profit or loss and derivative financial instruments.

(Expressed in thousands of Renminbi, unless otherwise stated)

7 Net (losses)/gains arising from investment securities

	For the six-month period ended 30 June	
	2020	2019
	Unaudited	Unaudited
Net revaluation losses reclassified from other comprehensive income on disposal	**(1,250)**	(3,356)
Net revaluation gains from financial assets at fair value through other comprehensive income on disposal	**1,097**	80,984
Net losses on disposal from financial assets measured at amortised cost	**–**	(5)
Total	**(153)**	77,623

8 Other net operating income

	For the six-month period ended 30 June	
	2020	2019
	Unaudited	Unaudited
Government grants	**595**	3,333
Rental income	**5,316**	5,313
Others	**2,744**	(860)
Total	**8,655**	7,786

(Expressed in thousands of Renminbi, unless otherwise stated)

9 Operating expenses

	For the six-month period ended 30 June	
	2020	2019
	Unaudited	Unaudited
Staff costs		
– Salaries and bonuses	**579,544**	730,030
– Social insurance	**59,654**	142,776
– Housing allowances	**57,856**	51,280
– Union funds and education funds	**23,083**	28,711
– Staff welfare	**17,609**	22,548
– Supplementary retirement benefits	**1,312**	1,212
– Other long-term staff welfare	**2,598**	1,322
Subtotal	**741,656**	977,879
Premises and equipment expenses		
– Depreciation and amortisation	**288,063**	274,576
– Rental and property management expenses	**624**	9,216
Subtotal	**288,687**	283,792
Tax and surcharges	**160,297**	144,416
Interest expense on lease liabilities	**7,082**	–
Other general and administrative expenses	**313,395**	417,818
Total	**1,511,117**	1,823,905

(Expressed in thousands of Renminbi, unless otherwise stated)

10 Impairment losses on assets

	For the six-month period ended 30 June	
	2020	2019
	Unaudited	Unaudited
Loans and advances to customers		
– ECL over the next 12 months	**167,777**	773,081
– Lifetime ECL – not credit-impaired loans	**1,821,738**	3,327,750
– Lifetime ECL – credit-impaired loans	**1,517,191**	4,465,924
Subtotal	**3,506,706**	8,566,755
Deposits and placements with banks and other financial institutions	**(1,204)**	109,087
Financial assets at fair value through other comprehensive income	**9,288**	(6,452)
Financial assets measured at amortised cost	**1,070,517**	4,238,766
Finance lease receivables	**38,660**	(74,643)
Credit commitments	**(195,087)**	(128,586)
Others	**(140)**	69,348
Total	**4,428,740**	12,774,275

(Expressed in thousands of Renminbi, unless otherwise stated)

11 Income tax expense/(credit)

(a) Income tax expense/(credit):

	Note	For the six-month period ended 30 June 2020 Unaudited	2019 Unaudited
Current income tax		**1,358,620**	2,420,788
Deferred income tax	26	**(1,267,271)**	(2,603,407)
Total		**91,349**	(182,619)

(b) Reconciliation between income tax and accounting profit/(loss) are as follows:

	For the six-month period ended 30 June 2020 Unaudited	2019 Unaudited
Profit/(loss) before tax	**504,611**	(1,050,992)
Statutory tax rate	**25%**	25%
Income tax calculated at statutory tax rate	**126,153**	(262,748)
Non-deductible expenses		
– Staff costs	**186**	–
– Others	**64,821**	114,916
Subtotal	**65,007**	114,916
Non-taxable income		
– Interest income from the PRC government bonds	**(10,312)**	(17,412)
– Others	**(9,826)**	(18,171)
Impact of deductible temporary differences and deductible losses on unrecognised deferred tax assets during the year	**4,830**	796
Overprovision of tax in prior years	**(84,503)**	–
Total	**91,349**	(182,619)

12 Basic and diluted earnings/(losses) per share

	For the six-month period ended 30 June	
	2020	2019
	Unaudited	Unaudited
Net profit/(loss) attributable to equity shareholders of the Bank	**406,644**	(998,600)
Weighted average number of ordinary shares (in thousands)	**7,781,616**	7,781,616
Basic and diluted earnings/(losses) per share attributable to equity shareholders of the Bank (in RMB)	**0.05**	(0.13)

The Bank issued non-cumulative preference shares on 27 October 2017 under the terms and conditions as detailed in Note 40. The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur for the six-month period ended 30 June 2020 and 2019 and therefore the conversion feature of preference shares has no effect on the calculation of basic and diluted earnings/(losses) per share.

There is no difference between basic and diluted earnings/(losses) per share as there were no potentially dilutive shares outstanding during the relevant periods.

13 Cash and deposits with the central bank

	Notes	**At 30 June 2020 Unaudited**	At 31 December 2019 Audited
Cash on hand		**1,053,416**	945,499
Deposits with the central bank			
– Statutory deposit reserves	(a)	**40,948,052**	43,799,399
– Surplus deposit reserves	(b)	**3,834,437**	60,266,060
– Fiscal deposits		**116,741**	144,081
Subtotal		**44,899,230**	104,209,540
Interests receivable		**18,337**	21,498
Total		**45,970,983**	105,176,537

Notes:

(a) The Group places statutory deposit reserve with the PBOC in accordance with relevant regulations. The statutory deposit reserves are not available for the Group's daily business. At 30 June 2020 and 31 December 2019, the statutory deposit reserve ratios of the branches and subsidiaries of the Bank in respect of customer deposits denominated in RMB and foreign currencies were consistent with the requirement of the PBOC.

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

(Expressed in thousands of Renminbi, unless otherwise stated)

14 Deposits with banks and other financial institutions

	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Deposits in Mainland China		
– Banks	**26,674,044**	7,676,255
– Other financial institutions	**4,365**	3,111
Subtotal	**26,678,409**	7,679,366
Deposits outside Mainland China		
– Banks	**433,544**	660,943
Interests receivable	**115,016**	177,381
Impairment provision	**(214,939)**	(216,098)
Total	**27,012,030**	8,301,592

At 30 June 2020, all the deposits of the Group with banks and other financial institutions were in Stage 1.

(Expressed in thousands of Renminbi, unless otherwise stated)

15 Placements with banks and other financial institutions

	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Placements in Mainland China		
– Other financial institutions	**5,700,000**	5,700,000
Interests receivable	**174,295**	135,638
Impairment provision	**(191,774)**	(191,774)
Total	**5,682,521**	5,643,864

At 30 June 2020, all the placements of the Group with banks and other financial institutions were in Stage 1.

16 Derivatives

Derivative financial instruments include forward contracts and foreign exchange swap undertaken by the Group. The Group uses derivative financial instruments in the management of its own asset and liability portfolios and structural positions.

The following tables provide an analysis of the notional amounts of derivative financial instruments of the Group and the corresponding fair values at the end the reporting period. The notional amounts of the derivatives indicate the volume of transactions outstanding at the end of the reporting period, they do not represent amounts at risk.

	At 30 June 2020			At 31 December 2019		
	Notional	Fair value		Notional	Fair value	
	amount	Assets	Liabilities	amount	Assets	Liabilities
	Unaudited	Unaudited	Unaudited	Audited	Audited	Audited
Derivatives						
– Foreign exchange forward	**42,535**	**93**	**(81)**	–	–	–
– Foreign exchange swap	**6,833,131**	**33,677**	**(75,917)**	11,159,955	84,969	(100,011)
Total	**6,875,666**	**33,770**	**(75,998)**	11,159,955	84,969	(100,011)

(Expressed in thousands of Renminbi, unless otherwise stated)

17 Financial assets held under resale agreements

(a) Analysed by type and location of counterparty

	At 30 June 2020 Unaudited	At 31 December 2019 Audited
In Mainland China		
– Banks	**11,660,497**	–
– Other financial institutions	**1,860,399**	–
Interests receivable	**787**	–
Total	**13,521,683**	–

(b) Analysed by type of security held

	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Debt securities		
– Government bonds	**6,765,350**	–
– Financial bonds	**6,755,546**	–
Interests receivable	**787**	–
Total	**13,521,683**	–

(Expressed in thousands of Renminbi, unless otherwise stated)

18 Loans and advances to customers

(a) Analysed by nature

	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Measured at amortised cost:		
Corporate loans and advances	**390,697,628**	478,058,240
Personal loans and advances		
– Personal business loans	**8,083,162**	8,844,841
– Residential and commercial properties mortgage loans	**1,389,133**	1,349,141
– Personal consumption loans	**420,622**	468,807
– Credit card overdrafts	**177,633**	169,203
– Others	**283**	288
Subtotal	**10,070,833**	10,832,280
Gross loans and advances to customers measured at amortised cost	**400,768,461**	488,890,520
Measured at fair value through other comprehensive income:		
– Discounted bills	**11,175,760**	226,427
Gross loans and advances to customers	**411,944,221**	489,116,947
Add: Interests receivable	**14,884,338**	6,916,601
Less: Provision for impairment losses		
– Loans and advances to customers measured at amortised cost	**(19,498,769)**	(43,338,037)
Net loans and advances to customers	**407,329,790**	452,695,511
Provision for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	**(5,134)**	(5,134)

At 30 June 2020, part of discounted bills of the loans and advances to customers was pledged for repurchase agreements (Note 28(a)).

(Expressed in thousands of Renminbi, unless otherwise stated)

18 Loans and advances to customers *(Continued)*

(b) Analysed by industry sector

	At 30 June 2020		
	Amount Unaudited	Percentage Unaudited	Loans and advances secured by collaterals Unaudited
Wholesale and retail trade	175,582,491	42.63%	60,602,098
Manufacturing	94,240,522	22.88%	40,468,670
Leasing and commercial services	33,673,301	8.17%	19,884,288
Real estate	29,493,980	7.16%	28,417,430
Education	6,907,977	1.68%	1,516,179
Transportation, storage and postal services	5,874,184	1.43%	2,826,954
Electricity, gas and water production and supply	4,247,257	1.03%	1,725,957
Public management and social organisation	4,020,320	0.98%	35,000
Scientific research and technical services	3,573,215	0.87%	3,259,715
Construction	3,226,003	0.78%	2,443,152
Water, environment and public utility management	3,144,530	0.76%	1,401,730
Mining	1,944,789	0.47%	280,789
Agriculture, forestry, animal husbandry and fishery	897,608	0.22%	770,483
Others	23,871,451	5.79%	10,549,805
Subtotal of corporate loans and advances	390,697,628	94.85%	174,182,250
Personal loans and advances	10,070,833	2.44%	8,236,903
Discounted bills	11,175,760	2.71%	–
Gross loans and advances to customers	411,944,221	100.00%	182,419,153
Add: Interests receivable	14,884,338		
Less: Provision for impairment losses			
– Loans and advances to customers measured at amortised cost	(19,498,769)		
Net loans and advances to customers	407,329,790		
Provision for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	(5,134)		

(Expressed in thousands of Renminbi, unless otherwise stated)

18 Loans and advances to customers *(Continued)*

(b) Analysed by industry sector *(Continued)*

	At 31 December 2019		
	Amount Audited	Percentage Audited	Loans and advances secured by collaterals Audited
Wholesale and retail trade	227,296,037	46.47%	67,526,296
Manufacturing	97,315,189	19.90%	50,304,240
Leasing and commercial services	43,653,896	8.92%	22,007,189
Real estate	35,035,141	7.16%	32,815,081
Transportation, storage and postal services	10,793,156	2.21%	3,417,106
Scientific research and technical services	7,298,272	1.49%	3,777,272
Education	7,197,553	1.47%	1,727,440
Electricity, gas and water production and supply	6,600,856	1.35%	2,685,356
Mining	5,139,382	1.05%	2,157,570
Construction	4,541,158	0.93%	2,642,606
Public management and social organisation	4,146,060	0.85%	35,000
Water, environment and public utility management	3,602,950	0.74%	1,851,550
Agriculture, forestry, animal husbandry and fishery	1,166,923	0.24%	979,663
Others	24,271,667	4.96%	10,840,922
Subtotal of corporate loans and advances	478,058,240	97.74%	202,767,291
Personal loans and advances	10,832,280	2.21%	8,765,554
Discounted bills	226,427	0.05%	–
Gross loans and advances to customers	489,116,947	100.00%	211,532,845
Add: Interests receivable	6,916,601		
Less: Provision for impairment losses			
– Loans and advances to customers measured at amortised cost	(43,338,037)		
Net loans and advances to customers	452,695,511		
Provision for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	(5,134)		

(Expressed in thousands of Renminbi, unless otherwise stated)

18 Loans and advances to customers *(Continued)*

(c) Analysis on loans and advances and provision for impairment losses

At 30 June 2020, detailed information of loans and advances to customers and provision for impairment losses is as follows:

	At 30 June 2020			
	ECL over the next 12 months Unaudited	Lifetime ECL-not credit-impaired Unaudited	Lifetime ECL-credit-impaired Unaudited	Total Unaudited
Gross loans and advances to customers	**379,731,580**	**21,692,373**	**10,520,268**	**411,944,221**
Add: Interests receivable	**14,884,338**	**–**	**–**	**14,884,338**
Less: Provision for impairment losses				
– Loans and advances to customers measured at amortised cost	**(12,091,256)**	**(2,485,857)**	**(4,921,656)**	**(19,498,769)**
Net loans and advances to customers	**382,524,662**	**19,206,516**	**5,598,612**	**407,329,790**

At 31 December 2019, detailed information of loans and advances to customers and provision for impairment losses is as follows:

	At 31 December 2019			
	ECL over the next 12 months Audited	Lifetime ECL-not credit-impaired Audited	Lifetime ECL-credit-impaired Audited	Total Audited
Gross loans and advances to customers	374,981,556	57,756,195	56,379,196	489,116,947
Add: Interests receivable	6,916,601	–	–	6,916,601
Less: Provision for impairment losses				
– Loans and advances to customers measured at amortised cost	(12,151,110)	(4,314,052)	(26,872,875)	(43,338,037)
Net loans and advances to customers	369,747,047	53,442,143	29,506,321	452,695,511

(Expressed in thousands of Renminbi, unless otherwise stated)

18 Loans and advances to customers *(Continued)*

(d) Movements of provision for impairment losses

(i) Movements of provision for impairment losses of loans and advances to customers measured at amortised cost losses are set out as follows:

	For the six-month period ended 30 June 2020			
	ECL over the next 12 months Unaudited	Lifetime ECL-not credit-impaired Unaudited	Lifetime ECL-credit-impaired Unaudited	Total Unaudited
Balance at 1 January	**(12,151,110)**	**(4,314,052)**	**(26,872,875)**	**(43,338,037)**
Transferred:				
– to ECL over the next 12 months	**(578,518)**	**260,923**	**317,595**	**–**
– to lifetime ECL – not credit-impaired	**275,615**	**(308,225)**	**32,610**	**–**
– to lifetime ECL – credit-impaired	**97,858**	**211,868**	**(309,726)**	**–**
Net charge for the period	**(167,777)**	**(1,821,738)**	**(1,517,191)**	**(3,506,706)**
Write-offs	**–**	**–**	**567,625**	**567,625**
Transferred to assets held for sale	**432,676**	**3,485,367**	**22,860,306**	**26,778,349**
Balance at 30 June 2020	**(12,091,256)**	**(2,485,857)**	**(4,921,656)**	**(19,498,769)**

	For the year ended 31 December 2019			
	ECL over the next 12 months Audited	Lifetime ECL-not credit-impaired Audited	Lifetime ECL-credit-impaired Audited	Total Audited
Balance at 1 January	(5,671,427)	(6,284,804)	(10,935,844)	(22,892,075)
– to ECL over the next 12 months	(4,182,527)	3,342,190	840,337	–
– to lifetime ECL – not credit-impaired	113,521	(3,826,601)	3,713,080	–
– to lifetime ECL – credit-impaired	345,649	1,186,374	(1,532,023)	–
Net (charge)/release for the year	(2,756,326)	1,268,789	(19,694,520)	(21,182,057)
Write-offs	–	–	736,095	736,095
Balance at 31 December 2019	(12,151,110)	(4,314,052)	(26,872,875)	(43,338,037)

(Expressed in thousands of Renminbi, unless otherwise stated)

18 Loans and advances to customers *(Continued)*

(d) Movements of provision for impairment losses *(continued)*

(i) Movements of provision for impairment losses of loans and advances to customers measured at amortised cost are set out as follows: *(continued)*

Notes:

(a) During the six-month period ended 30 June 2020, the Group adjusted the five-tier classification and customer rating of loans and advance to customers, and the loan principal of lifetime ECL-not credit-impaired and lifetime ECL-credit-impaired were transferred to ECL over the next 12 months of RMB2,883 million. The loan principal from ECL over the next 12 months and lifetime ECL-credit-impaired transferred to lifetime ECL-not credit-impaired were RMB7,950 million. The principal of the loan transferred from ECL over the next 12 months and lifetime ECL-not credit-impaired loans to lifetime ECL-credit-impaired were RMB2,962 million.

In the year of 2019, the Group adjusted the five-tier classification and customer rating of loans and advance to customers, and the loan principal of lifetime ECL-not credit-impaired and lifetime ECL-credit-impaired were transferred to ECL over the next 12 months of RMB347,241 million. The loan principal from ECL over the next 12 months and lifetime ECL-credit-impaired transferred to lifetime ECL-not credit-impaired were RMB117,892 million. The principal of the loan transferred from ECL over the next 12 months and lifetime ECL-not credit-impaired to lifetime ECL-credit-impaired were RMB29,347 million.

(b) The ECL movement was caused by origination or purchase as well as changes in probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") and stages as a result of regular update of parameters.

(ii) Movements of provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income for the Reporting Period are set out as follows:

	For the six-month period ended 30 June 2020			
	ECL over the next 12 months Unaudited	Lifetime ECL-not credit-impaired Unaudited	Lifetime ECL-credit-impaired Unaudited	Total Unaudited
Balance at 1 January	(5,134)	–	–	(5,134)
Net charge for the period	–	–	–	–
Balance at 30 June 2020	(5,134)	–	–	(5,134)

	For the year ended 31 December 2019			
	ECL over the next 12 months Audited	Lifetime ECL-not credit-impaired Audited	Lifetime ECL-credit-impaired Audited	Total Audited
Balance at 1 January	(11,586)	–	–	(11,586)
Net release for the year	6,452	–	–	6,452
Balance at 31 December 2019	(5,134)	–	–	(5,134)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Financial assets at fair value through profit or loss

	Notes	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Debt instruments held for trading	(a)	**5,612,178**	5,560,214
Certificates of deposit		**–**	397,037
Beneficial interest transfer plans	(b)	**21,314,418**	42,307,325
Balance with a bank		**410,405**	405,214
Wealth management products		**202,718**	200,129
Subtotal		**27,539,719**	48,869,919
Financial assets designated at fair value through profit or loss	(c)	**3,765,446**	6,287,252
Total		**31,305,165**	55,157,171

Notes:

(a) Debt instruments held for trading

	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Issued by institutions in Mainland China:		
– Banks and other financial institutions	**3,250,396**	3,232,894
Issued by institutions outside Mainland China:		
– Banks and other financial institutions	**2,361,782**	2,327,320
Total	**5,612,178**	5,560,214
Listed	**3,250,396**	3,232,894
Unlisted	**2,361,782**	2,327,320
Total	**5,612,178**	5,560,214

At the end of the period/year, some of the debt instruments held for trading and certificates of deposit are used for the pledge of the repurchase agreements (Note 28(a)).

(b) Beneficial interest transfer plans

Beneficial interest transfer plans are mainly beneficial interests issued by trust companies, securities companies, insurance companies and asset management companies.

(c) Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss represented debt investments offered by the Group from principal-guaranteed wealth management programs managed and measured at fair value. The Group accounts for the corresponding investment funds of the above assets under financial liabilities designated at fair value through profit or loss. The gains from movements on fair value of these investments was RMB42 million for the six-month period ended 30 June 2020.

(Expressed in thousands of Renminbi, unless otherwise stated)

20 Financial assets at fair value through other comprehensive income

	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Debt instruments issuers in Mainland China:		
– Government	**2,790,647**	2,747,714
– Banks and other financial institutions	**7,865,953**	7,975,166
– Corporations	**786,486**	473,621
Subtotal	**11,443,086**	11,196,501
Equity investments		
– Listed	**188,283**	66,469
– Unlisted	**1,158,750**	1,165,027
Add: Interests receivable	**216,580**	131,846
Total	**13,006,699**	12,559,843

At the end of the period/year, some of the debt investments issued by Governments, banks and other institutions in Mainland China are used for the pledge of repurchase agreements (Note 28(a)).

Notes:

(a) Provision for impairment of financial assets at fair value through other comprehensive income is recognised in other comprehensive income, while losses or gains from impairment are included in profit or loss. Besides, the book value of the financial assets presented in the condensed consolidated statement of financial position is not reduced.

(b) During the six-month period ended 30 June 2020, debt instruments with principal of RMB200 million in Stage 1 was transferred to Stage 2. The remaining debt instruments were in Stage 1.

(c) The Group designates non-trading equity investments as at financial assets at fair value through other comprehensive income. At 30 June 2020, the amount for these non-trading equity investments was RMB1,347 million (31 December 2019: RMB1,232 million). The dividend income from these non-trading equity investments amounted to Nil (for the six-month period ended 30 June 2019: RMB1.20 million) and was included in profit or loss. During the reporting period, non-trading equity investments of the Group were not disposed and no accumulated gain or loss was transferred from other comprehensive income to retained earnings. The fair value gains on these investments were RMB18 million for the six-month period ended 30 June 2020 (for the six-month period ended 30 June 2019: losses of RMB22 million).

(Expressed in thousands of Renminbi, unless otherwise stated)

21 Financial assets measured at amortised cost

	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Debt securities issued by the following institutions in Mainland China		
– Government	1,988,956	1,989,281
– Banks and other financial institutions	1,739,046	1,240,000
– Corporations	19,987	19,956
Subtotal	3,747,989	3,249,237
Issuers outside Mainland China		
– Corporations	1,769,875	1,744,050
Beneficial interest transfer plans	120,814,393	165,999,362
Add: Interests receivable	9,398,441	3,389,639
Less: Provision for impairment losses	(7,080,424)	(9,232,897)
Total	128,650,274	165,149,391

At the end of the period/year, certain debt securities issued by the Government, banks and other financial institutions in Mainland China are used for the pledge of repurchase agreements (Note 28(a)).

The movements of provision for impairment of financial assets measured at amortised cost are as follows:

	For the six-month period ended 30 June 2020			
	ECL over the next 12 months Unaudited	Lifetime ECL-not credit-impaired Unaudited	Lifetime ECL-credit-impaired Unaudited	Total Unaudited
Balance at 1 January	(3,149,459)	(4,734,250)	(1,349,188)	(9,232,897)
Transferred				
– to ECL over the next 12 months	(541,316)	541,316	–	–
– to lifetime ECL – not credit-impaired	426,236	(426,236)	–	–
– to lifetime ECL – credit-impaired	846,776	1,806,654	(2,653,430)	–
Net charge for the period	(432,632)	(220,721)	(417,164)	(1,070,517)
Transferred to assets held for sale	402,928	1,839,504	980,558	3,222,990
Balance at 30 June 2020	(2,447,467)	(1,193,733)	(3,439,224)	(7,080,424)

(Expressed in thousands of Renminbi, unless otherwise stated)

21 Financial assets measured at amortised cost *(continued)*

	For the year ended 31 December 2019			
	ECL over the next 12 months Audited	Lifetime ECL-not credit-impaired Audited	Lifetime ECL-credit-impaired Audited	Total Audited
Balance at 1 January	(3,614,372)	(1,764,202)	(3,850,444)	(9,229,018)
Transferred				
– to ECL over the next 12 months	(136,579)	136,579	–	–
– to lifetime ECL – not credit-impaired	196,247	(1,735,926)	1,539,679	–
– to lifetime ECL – credit-impaired	–	21,858	(21,858)	–
Net (charge)/release for the year	405,245	(1,392,559)	983,435	(3,879)
Balance at 31 December 2019	(3,149,459)	(4,734,250)	(1,349,188)	(9,232,897)

Notes:

(a) During the six-month period ended 30 June 2020, the Group adjusted the five-tier classification and customer rating of financial assets measured at amortised cost, and the principal of financial assets measured at amortised cost transferred from lifetime ECL-not credit-impaired to ECL over the next 12 months was RMB18,929 million. The principal of financial assets measured at amortised cost transferred from ECL over the next 12 months to lifetime ECL-not credit-impaired was RMB4,468 million. The principal of financial assets measured at amortised cost transferred from ECL over the next 12 months and lifetime ECL-not credit-impaired to lifetime ECL-credit-impaired was RMB6,264 million.

In the year of 2019, the Group adjusted the five-tier classification and customer rating of financial assets measured at amortised cost, and the principal of financial assets measured at amortised cost transferred from lifetime ECL-not credit-impaired to ECL over the next 12 months was RMB7,263 million. The principal of financial assets measured at amortised cost transferred from ECL over the next 12 months and lifetime ECL-credit-impaired to lifetime ECL-not credit-impaired was RMB12,896 million. The principal of financial assets measured at amortised cost transferred from lifetime ECL-not credit-impaired to lifetime ECL-credit-impaired was RMB1,180 million.

(b) The ECL movement was caused by origination or purchase as well as changes in PD, LGD and EAD and stages as a result of regular update of parameters.

(Expressed in thousands of Renminbi, unless otherwise stated)

22 Finance lease receivables

	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Minimum finance lease receivables	**5,638,567**	7,837,218
Less: Unearned finance lease income	**(633,422)**	(645,047)
Present value of finance lease receivables	**5,005,145**	7,192,171
Less: Provision for impairment losses	**(822,517)**	(783,857)
Net balance	**4,182,628**	6,408,314

At 30 June 2020, the finance lease receivables and impairment details are as follows:

	At 30 June 2020			
	ECL over the next 12 months Unaudited	**Lifetime ECL-not credit-impaired Unaudited**	**Lifetime ECL-credit-impaired Unaudited**	**Total Unaudited**
Total finance lease receivables	**1,758,958**	**2,567,842**	**678,345**	**5,005,145**
Less: Provision for impairment losses	**(39,537)**	**(481,479)**	**(301,501)**	**(822,517)**
Finance lease receivables, net	**1,719,421**	**2,086,363**	**376,844**	**4,182,628**

At 31 December 2019, the finance lease receivables and impairment details are as follows:

	At 31 December 2019			
	ECL over the next 12 months Audited	Lifetime ECL-not credit-impaired Audited	Lifetime ECL-credit-impaired Audited	Total Audited
Total finance lease receivables	4,690,019	1,613,718	888,434	7,192,171
Less: Provision for impairment losses	(96,942)	(294,316)	(392,599)	(783,857)
Finance lease receivables, net	4,593,077	1,319,402	495,835	6,408,314

(Expressed in thousands of Renminbi, unless otherwise stated)

22 Finance lease receivables *(continued)*

Finance lease receivables, unearned finance lease income and minimum finance lease receivables analysed by remaining period are listed as follows:

	At 30 June 2020			At 31 December 2019		
	Minimum finance lease receivables Unaudited	Unearned finance lease income Unaudited	Present value of finance lease receivables Unaudited	Minimum finance lease receivables Audited	Unearned finance lease income Audited	Present value of finance lease receivables Audited
Less than 1 year	1,479,755	(120,338)	1,359,417	3,238,746	(349,836)	2,888,910
1 year to 2 years	827,233	(161,764)	665,469	2,812,300	(176,780)	2,635,520
2 years to 3 years	976,832	(122,899)	853,933	1,089,146	(32,295)	1,056,851
3 years to 4 years	876,256	(55,664)	820,592	95,317	(3,291)	92,026
4 years to 5 years	470,471	(76,472)	393,999	–	–	–
More than 5 years	163,174	(35,070)	128,104	–	–	–
Indefinite*	844,846	(61,215)	783,631	601,709	(82,845)	518,864
Total	5,638,567	(633,422)	5,005,145	7,837,218	(645,047)	7,192,171

* Indefinite period amount represents the balance which are impaired or overdue for more than one month.

23 Assets held for sale

	At 30 June 2020 Unaudited		
	Principal	Provision for impairment loss	Book value
Loans and advances to customers	98,371,611	(26,778,349)	71,593,262
Beneficial interest transfer plans measured at amortised cost	41,639,438	(3,222,990)	38,416,448
Beneficial interest transfer plans at fair value through profit or loss	9,990,290	–	9,990,290
Total	150,001,339	(30,001,339)	120,000,000

23 Assets held for sale *(continued)*

On 31 March 2020, the Bank and Beijing Chengfang Huida Enterprise Management Co., Ltd. * (北京成方匯達企業管理有限公司), entered into a Framework Disposal Agreement ("Framework Disposal Agreement"), pursuant to which the Bank has conditionally agreed to sell and Chengfang Huida has conditionally agreed to purchase certain credit assets and other assets held by the Bank (the "Disposal Assets"), for cash consideration of RMB45 billion. The Disposal Assets were classified as held for sale as at 30 June 2020. The debt principal amount of the Disposal Assets is approximately RMB150 billion.

Besides, the Bank has subscribed for a directional debt instrument in the principal amount of approximately RMB75 billion with an initial maturity period of 15 years issued by a partnership set up by corporations controlled by Liaoning Financial Holding Group Co., Ltd. and Deposit Insurance Fund Management Co., Ltd.* (存款保險基金管理有限責任公司) ("Debt Instrument Subscription"). The Debt Instrument Subscription and the disposal of the Disposal Assets are a series of transactions under the reorganisation plan of the Bank.

The completion of the disposal is subject to the satisfaction of the conditions precedent set out in the Framework Disposal Agreement. The transaction is approved at the extraordinary general meeting of the Bank on 10 July 2020.

Accordingly, subsequent to the six-month period ended 30 June 2020 and up to the date of approval of these financial statements, all the conditions precedent as set out in Framework Disposal Agreement has been fulfilled and the cash consideration had been fully settled. In addition, taking into consideration that the Debt Instrument Subscription and the disposal of the Disposal Assets are a series of transactions under the reorganisation plan of the Bank and the completion of the disposal of the Disposal Assets has taken place, the Debt Instrument Subscription has also proceeded to completion.

* *English name for identification purpose only*

(Expressed in thousands of Renminbi, unless otherwise stated)

24 Investments in subsidiaries

	Notes	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Jinzhou Taihe Jinyin Village Bank Co., Ltd. ("錦州太和錦銀村鎮銀行股份有限公司")	(a)	**60,450**	60,450
Liaoning Yixian Jinyin Village Bank Co., Ltd. ("遼寧義縣錦銀村鎮銀行股份有限公司")	(b)	**63,240**	63,240
Liaoning Beizhen Jinyin Village Bank Co., Ltd. ("遼寧北鎮錦銀村鎮銀行股份有限公司")	(c)	**49,290**	49,290
Liaoning Heishan Jinyin Village Bank Co., Ltd. ("遼寧黑山錦銀村鎮銀行股份有限公司")	(d)	**57,750**	57,750
Liaoning Kazuo Jinyin Village Bank Co., Ltd. ("遼寧喀左錦銀村鎮銀行股份有限公司")	(e)	**49,900**	49,900
Liaoning Linghai Jinyin Village Bank Co., Ltd. ("遼寧凌海錦銀村鎮銀行股份有限公司")	(f)	**49,900**	49,900
Liaoning Huanren Jinyin Village Bank Co., Ltd. ("遼寧桓仁錦銀村鎮銀行股份有限公司")	(g)	**49,000**	49,000
Bank of Jinzhou Financial Leasing Co., Ltd. ("錦銀金融租賃有限責任公司")	(h)	**1,500,000**	1,500,000
Total		**1,879,530**	1,879,530

Notes:

(a) Jinzhou Taihe Jinyin Village Bank Co., Ltd. ("Taihe Jinyin") was incorporated on 27 January 2010 at Jinzhou, Liaoning Province, with registered capital of RMB103.21 million. The principal activities of Taihe Jinyin are the provision of corporate and retail banking services. The Bank holds 58.57% of equity interest and voting rights of Taihe Jinyin.

(b) Liaoning Yixian Jinyin Village Bank Co., Ltd. ("Yixian Jinyin") was incorporated on 8 November 2010 at Jinzhou, Liaoning Province, with registered capital of RMB128.49 million. The principal activities of Yixian Jinyin are the provision of corporate and retail banking services. The Bank holds 49.22% of equity interest and 61.67% of voting rights of Yixian Jinyin.

(c) Liaoning Beizhen Jinyin Village Bank Co., Ltd. ("Beizhen Jinyin") was incorporated on 2 March 2011 at Jinzhou, Liaoning Province, with registered capital of RMB103.25 million. The principal activities of Beizhen Jinyin are the provision of corporate and retail banking services. The Bank holds 47.74% of equity interest and 93.55% voting rights of Beizhen Jinyin.

(d) Liaoning Heishan Jinyin Village Bank Co., Ltd. ("Heishan Jinyin") was incorporated on 28 January 2014 at Jinzhou, Liaoning Province, with registered capital of RMB119.00 million. The principal activities of Heishan Jinyin are the provision of corporate and retail banking services. The Bank holds 48.53% of equity interest and 100.00% of voting rights of Heishan Jinyin.

(e) Liaoning Kazuo Jinyin Village Bank Co., Ltd. ("Kazuo Jinyin") was incorporated on 27 November 2015 at Chaoyang, Liaoning Province, with registered capital of RMB100.00 million. The principal activities of Kazuo Jinyin are the provision of corporate and retail banking services. The Bank holds 49.90% of equity interest and 64.90% of voting rights of Kazuo Jinyin.

(f) Liaoning Linghai Jinyin Village Bank Co., Ltd. ("Linghai Jinyin") was incorporated on 16 December 2016 at Jinzhou, Liaoning Province, with registered capital of RMB100.47 million. The principal activities of Linghai Jinyin are the provision of corporate and retail banking services. The Bank holds 49.67% of equity interest and 59.62% of voting rights of Linghai Jinyin.

(g) Liaoning Huanren Jinyin Village Bank Co., Ltd. ("Huanren Jinyin") was incorporated on 20 December 2016 at Benxi, Liaoning Province, with registered capital of RMB100.00 million. The principal activities of Huanren Jinyin are the provision of corporate and retail banking services. The Bank holds 49.00% of equity interest and 100.00% of voting rights of Huanren Jinyin.

(h) Bank of Jinzhou Financial Leasing Co., Ltd. ("Jinyin Leasing") was incorporated on 1 December 2015 at Shenyang, Liaoning Province, with the original registered capital of RMB1.00 billion. The principal activities of Jinyin Leasing are the provision of financial leasing services. In March 2016, the registered capital increased from RMB1.00 billion to RMB4.90 billion and the Bank subscribed RMB0.90 billion. The Bank holds 30.61% of equity interest and 100.00% voting rights of Jinyin Leasing.

(Expressed in thousands of Renminbi, unless otherwise stated)

25 Property and equipment

	Premises	Construction in progress	Motor vehicles	Leasehold improvements	Others	Total
Cost						
At 1 January 2019 (Audited)	7,451,841	170,551	78,546	210,083	811,917	8,722,938
Additions	710,269	26,622	4,763	24,703	60,948	827,305
Transfers in/(out) of construction in progress	108,721	(108,721)	–	–	–	–
Transfers out to other assets	–	(51,240)	–	–	–	(51,240)
Disposals	–	(44)	(2,516)	–	(3,058)	(5,618)
At 31 December 2019 (Audited)	8,270,831	37,168	80,793	234,786	869,807	9,493,385
At 1 January 2020 (Audited)	8,270,831	37,168	80,793	234,786	869,807	9,493,385
Additions	135	6,828	–	–	18,003	24,966
Transfers in/(out) of construction in progress	263	(263)	–	–	–	–
Transfers out to other assets	–	(12,714)	–	–	–	(12,714)
Disposals	–	–	(3,121)	–	–	(3,121)
At 30 June 2020 (Unaudited)	8,271,229	31,019	77,672	234,786	887,810	9,502,516
Accumulated Depreciation						
At 1 January 2019 (Audited)	(1,397,050)	–	(64,575)	(111,169)	(548,731)	(2,121,525)
Charge for the year	(257,603)	–	(5,873)	(22,995)	(75,025)	(361,496)
Disposals	–	–	2,390	–	2,821	5,211
At 31 December 2019 (Audited)	(1,654,653)	–	(68,058)	(134,164)	(620,935)	(2,477,810)
At 1 January 2020 (Audited)	(1,654,653)	–	(68,058)	(134,164)	(620,935)	(2,477,810)
Charge for the period	(132,655)	–	(1,697)	(11,422)	(36,932)	(182,706)
Disposals	–	–	2,965	–	–	2,965
At 30 June 2020 (Unaudited)	(1,787,308)	–	(66,790)	(145,586)	(657,867)	(2,657,551)
Net book value						
At 31 December 2019 (Audited)	6,616,178	37,168	12,735	100,622	248,872	7,015,575
At 30 June 2020 (Unaudited)	6,483,921	31,019	10,882	89,200	229,943	6,844,965

At 30 June 2020, title deeds were not yet finalised for the premises with a carrying amount of RMB1,457 million (31 December 2019: RMB1,799 million). Among them, the carrying amount of premises that the Group has obtained housing property title certificates issued by the authorities but no land use certificates was RMB1,003 million (31 December 2019: RMB1,020 million).

(Expressed in thousands of Renminbi, unless otherwise stated)

25 Property and equipment *(continued)*

The net book values of premises at the end of each of the reporting periods are analysed by the remaining terms of the leases as follows:

	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Held in Mainland China		
– Long-term leases (over 50 years)	**89,265**	118,405
– Medium-term leases (10 – 50 years)	**6,305,201**	6,478,274
– Short-term leases (less than 10 years)	**89,455**	19,499
Total	**6,483,921**	6,616,178

26 Deferred tax assets

	Provision for impairment losses Note (i)	Staff cost payable	Net gains from fair value changes of financial instruments Note (ii)	Others	Net balance of deferred tax assets
1 January 2019 (Audited)	7,635,954	72,425	(259,091)	24,130	7,473,418
Recognised in profit or loss	4,680,665	7,665	(312,570)	(56,418)	4,319,342
Recognised in other comprehensive income	1,179	–	47,646	–	48,825
31 December 2019 (Audited)	12,317,798	80,090	(524,015)	(32,288)	11,841,585
Recognised in profit or loss	960,118	1,323	236,822	69,008	1,267,271
Recognised in other comprehensive loss	(2,321)	–	(146)	–	(2,467)
30 June 2020 (Unaudited)	13,275,595	81,413	(287,339)	36,720	13,106,389

Notes:

(i) The Group made provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses was determined based on the expected credit loss model at the end 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 the Reporting Period, together with write-offs which fulfill specific criteria as set out in the PRC tax rules and are approved by the tax authorities.

(ii) Net gains or losses on fair value changes of financial instruments are subject to tax when realised.

(iii) At 30 June 2020, the Group did not have significant unrecognised deferred tax assets and liabilities.

(Expressed in thousands of Renminbi, unless otherwise stated)

27 Other assets

	Notes	**At 30 June 2020 Unaudited**	At 31 December 2019 Audited
Interests receivable	(a)	**1,609,058**	3,806,744
Repossessed assets	(b)	**1,320,039**	1,196,377
Intangible assets		**249,128**	255,880
Long-term deferred expense		**6,169**	7,623
Deferred expense		**15,075**	42,468
Value-added tax		**127,563**	135,078
Other receivables		**213,312**	195,436
Right-of-use assets	(c)	**447,481**	524,549
Other assets		**630,833**	495,684
Total		**4,618,658**	6,659,839

Notes:

(a) Interests receivable

As at 30 June 2020 and 31 December 2019, all of the interest receivable are classified as stage 1 under the ECL model and there was no transfer to/from the other stages.

(b) Repossessed assets

	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Commercial properties	**1,295,494**	1,172,900
Residential properties	**5,581**	5,576
Others	**18,964**	17,901
Total	**1,320,039**	1,196,377

The total book value of repossessed assets disposed of during the six-month period ended 30 June 2020 amounted to Nil (for the six-month period ended 30 June 2019: RMB3.49 million). The Group plans to dispose of the repossessed assets held at 30 June 2020 by auction, bidding or transfer.

(Expressed in thousands of Renminbi, unless otherwise stated)

27 Other assets *(continued)*

Notes: *(continued)*

(c) Right-of-use assets

	Leased properties and buildings
Cost	
As at 1 January 2019 (Audited)	638,457
Additions for the year	36,585
Decrease for the year	(2,792)
As at 31 December 2019 (Audited)	672,250
As at 1 January 2020 (Audited)	672,250
Additions for the period	5,249
Decrease for the period	(13,811)
As at 30 June 2020 (Unaudited)	663,688
Accumulated Depreciation	
As at 1 January 2019 (Audited)	–
Charge for the year	(150,493)
Decrease for the year	2,792
As at 31 December 2019 (Audited)	(147,701)
As at 1 January 2020 (Audited)	(147,701)
Charge for the period	(78,365)
Decrease for the period	9,859
As at 30 June 2020 (Unaudited)	(216,207)
Net book value	
As at 30 June 2020 (Unaudited)	447,481
As at 31 December 2019 (Audited)	524,549

(Expressed in thousands of Renminbi, unless otherwise stated)

28 Pledged assets

(a) Assets pledged as collateral

	Notes	At 30 June 2020 Unaudited	At 31 December 2019 Audited
For repurchase agreements:			
– Discounted bills	18(a)	**9,801,903**	–
– Financial assets at fair value through profit or loss	19	**2,750,000**	2,621,000
– Financial assets at fair value through other comprehensive income	20	**5,410,000**	5,245,900
– Financial assets measured at amortised cost	21	**2,027,900**	2,317,800
Total		**19,989,803**	10,184,700

(b) Received pledged assets

The Group conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions. At the end of the period/year, the Group did not hold any resale agreement under which collaterals were permitted to be sold or repledged in the absence of the counterparty's default.

29 Borrowing from the central bank

	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Borrowing	**102,110**	33,040,300
Interests payable	**70**	39,347
Total	**102,180**	33,079,647

(Expressed in thousands of Renminbi, unless otherwise stated)

30 Deposits from banks and other financial institutions

Analysed by type and location of counterparty

	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Deposits in Mainland China		
– Banks	**22,987,402**	50,154,053
– Other financial institutions	**147,457,270**	126,524,695
Interests payable	**1,314,711**	1,439,006
Total	**171,759,383**	178,117,754

31 Placements from banks and other financial institutions

Analysed by type and location of counterparty

	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Placements in Mainland China		
– Banks	**17,895,397**	27,506,346
Interests payable	**5,821**	225,017
Total	**17,901,218**	27,731,363

(Expressed in thousands of Renminbi, unless otherwise stated)

32 Financial assets sold under repurchase agreements

(a) Analysed by type and location of counterparty

	At 30 June 2020 Unaudited	At 31 December 2019 Audited
In Mainland China		
– Banks	**14,308,585**	5,081,027
– Other financial institutions	**5,273,588**	4,999,000
Interests payable	**20,632**	26,575
Total	**19,602,805**	10,106,602

(b) Analysed by collateral

	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Debt securities	**9,358,448**	10,080,027
Discounted bills	**9,783,725**	–
Interbank certificates of deposit	**440,000**	–
Interests payable	**20,632**	26,575
Total	**19,602,805**	10,106,602

(Expressed in thousands of Renminbi, unless otherwise stated)

33 Deposits from customers

	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Demand deposits		
– Corporate customers	**47,864,508**	42,252,845
– Individual customers	**26,627,732**	24,407,499
Subtotal	**74,492,240**	66,660,344
Time deposits		
– Corporate customers	**21,131,244**	31,596,252
– Individual customers	**256,374,848**	226,239,705
Subtotal	**277,506,092**	257,835,957
Pledged deposits		
– Acceptances	**32,024,500**	38,031,473
– Letters of guarantees	**190,903**	166,813
– Letters of credit	**816,301**	1,265,223
– Others	**33,878**	8,302
Subtotal	**33,065,582**	39,471,811
Inward and outward remittances	**275,636**	176,341
Structured deposits		
– Corporate customers	**170,000**	5,640,000
– Individual customers	**18,825,607**	26,525,933
Subtotal	**18,995,607**	32,165,933
Interests payable	**9,642,488**	10,802,393
Total	**413,977,645**	407,112,779

(Expressed in thousands of Renminbi, unless otherwise stated)

34 Accrued staff costs

	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Salary and welfare payable	**174,631**	164,224
Pension payable	**28,852**	29,817
Supplementary retirement benefits payable	**40,164**	38,847
Other long-term staff welfare payable	**95,026**	102,088
Total	**338,673**	334,976

35 Taxes payable

	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Income tax payable	**1,147,335**	1,622,478
Value-added tax and surcharge payable	**644,971**	364,782
Others	**44,741**	48,184
Total	**1,837,047**	2,035,444

(Expressed in thousands of Renminbi, unless otherwise stated)

36 Debt securities payable

	Notes	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Tier two capital bonds issued	(a)	**6,494,674**	6,494,110
Negotiable certificates of deposit issued	(b)	**123,335,201**	103,454,484
Interests payable		**108,173**	160,243
Total		**129,938,048**	110,108,837

As approved by the PBOC and the CBIRC, the Group issued the tier two capital bonds through the open market in recent years. These bonds were traded in the interbank bond market. The bonds could be redeemed by the Bank at the nominal amount at the end of the fifth year. The Group did not have any defaults of principal or interest or other financial bonds issued during the six-month period ended 30 June 2020 (31 December 2019: Nil). The relevant information on these financial bonds is set out below:

(a) Tier two capital bonds issued

	Notes	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Fixed rate tier two capital bonds maturing in December 2026	(i)	**2,498,501**	2,497,937
Fixed rate tier two capital bonds maturing in March 2028	(ii)	**3,996,173**	3,996,173
Total		**6,494,674**	6,494,110

Notes:

(i) Fixed rate tier two capital bonds of RMB2,500 million with a term of ten years was issued on 26 December 2016. The coupon rate is 4.30%. The Group has an option to redeem the bonds on 27 December 2021 at the nominal amount.

(ii) Fixed rate tier two capital bonds of RMB4,000 million with a term of ten years was issued on 26 March 2018. The coupon rate is 4.90%. The Group has an option to redeem the bonds on 28 March 2023 at the nominal amount.

At 30 June 2020, the fair value of the total tier two capital bonds issued amounts to RMB6,367 million (31 December 2019: RMB6,803 million)

(b) Negotiable certificates of deposit issued

At 30 June 2020, 114 (31 December 2019: 120) negotiable certificates of deposit were issued by the Group at a total cost of RMB123,335 million (31 December 2019: RMB103,454 million). The fair value of the negotiable certificates of deposit mentioned above approximates to RMB122,197 million (31 December 2019: RMB102,767 million).

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Provisions

	Note	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Expected credit loss of credit commitments	(a)	**415,951**	611,038
Litigation provisions		**2,275**	2,275
Total		**418,226**	613,313

Note:

(a) Expected credit loss of credit commitments

	For the six-month period ended 2020			
	ECL over the next 12 months Unaudited	**Lifetime ECL- not credit- impaired Unaudited**	**Lifetime ECL credit- impaired Unaudited**	**Total Unaudited**
Balance at 1 January	**611,038**	**–**	**–**	**611,038**
Release for the period	**(195,087)**	**–**	**–**	**(195,087)**
Balance at 30 June	**415,951**	**–**	**–**	**415,951**

	For the year ended 2019			
	ECL over the next 12 months Audited	Lifetime ECL- not credit- impaired Audited	Lifetime ECL credit- impaired Audited	Total Audited
Balance at 1 January	1,150,031	456,939	121,440	1,728,410
Release for the year	(538,993)	(456,939)	(121,440)	(1,117,372)
Balance at 31 December	611,038	–	–	611,038

(Expressed in thousands of Renminbi, unless otherwise stated)

38 Other liabilities

	Note	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Asset backed security payable		**76,560**	76,958
Payment and collection clearance accounts		**55,615**	36,373
Dividend payable		**336,079**	345,999
Deferred income		**13,833**	9,363
China Value-added tax payable		**235,698**	282,522
Other payable		**569,757**	467,076
Lease liabilities	(a)	**326,829**	347,515
Total		**1,614,371**	1,565,806

Note:

(a) Lease liabilities

	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Within one year	**129,881**	86,473
One to two years	**64,137**	74,245
Two to three years	**38,420**	62,797
Three to five years	**61,182**	83,519
More than five years	**72,741**	89,396
Total undiscounted lease liabilities	**366,361**	396,430
Balance of lease liabilities	**326,829**	347,515

39 Share capital

Share capital of the Group at 30 June 2020 and 31 December 2019 represented share capital of the Bank, which is fully paid. Share capital of the Group at the end of the relevant periods are as follows:

	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Number of shares authorised, issued and fully paid at par value of RMB1 per share (in thousands)	**7,781,616**	7,781,616

40 Offshore preference shares

(a) Preference shares outstanding at the end of the period

Financial instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Issued number of shares (thousand shares)	In original currency (thousand)	In RMB (thousand)	Maturity	Conversion condition	Conversion
US dollar Offshore Preference shares										
USD	27/10/2017	Equity	5.50%	USD20/Share	74,800	1,496,000	9,944,360	None	Mandatory	No
Total							9,944,360			
Less: Issue fees							(46,997)			
Book value							9,897,363			

40 Offshore preference shares *(continued)*

(b) Main clauses

(i) Dividend

Fixed dividend rate for a certain period (5 years) after issuance. Dividend rate reset every 5 years thereafter to the sum of the benchmark rate and a fixed spread of 3.486% per annum. The fixed spread will remain unchanged throughout the term of the preference shares. The dividend rate shall not at any time exceed 27.44% per annum. Dividend will be paid annually.

(ii) Conditions to distribution of dividend

The Group could pay dividend while the Group still has distributable after-tax profit (which is the undistributed profit as shown in the financial statements of the parent company prepared in accordance with the PRC GAAP or IFRS, whichever amount is lower), after making up previous years' losses, contributing to the statutory reserve and making general reserves, and the Group's capital adequacy ratio meets regulatory requirements, and the Board having passed a resolution to declare such dividend in accordance with the Articles of Association. Preference shareholders of the Group are senior to the ordinary shareholders on the right to dividend. The Group may elect to cancel any dividend, but such cancellation will require a shareholder's resolution to be passed.

(iii) Dividend stopper

If the resolution for the Group to cancel all or part of the dividend to the Preference Shareholders is passed at a Shareholders' general meeting, the Group undertakes that any resolution passed at a Shareholders' general meeting that cancels a dividend (in whole or in part) on the Offshore Preference Shares will be a Parity Obligation Dividend Cancellation Resolution, and shall not make any dividend distribution to ordinary shareholders before the Group pays the dividend for the current dividend period to the Preference Shareholders in full.

(iv) Order of distribution and liquidation method

The USD Preference Shareholders will rank equally for payment. The Preference Shareholders will be subordinated to holders of all liabilities of the Bank including subordinated liabilities and obligations issued or guaranteed by the Bank that rank, or are expressed to rank, but will be senior to the ordinary shareholders.

40 Offshore preference shares *(continued)*

(b) Main clauses *(continued)*

(v) Mandatory conversion trigger events

Upon the occurrence of an additional tier-one capital trigger event (namely, the core tier-one capital adequacy ratio of the Bank falling to 5.125% or below), the Bank shall have the right to convert, obtained the approval of the CBIRC but without the need for the consent of the preference shareholders, all or part of the offshore preference shares then issued and outstanding into H Shares based on the aggregate value of such offshore preference shares in order to restore the core tier-one capital adequacy ratio of the Bank to above 5.125%. Upon conversion of the offshore preference shares into H Shares, such H Shares will not be converted back to preference shares under any circumstances.

Upon the occurrence of a tier two capital trigger event, the Bank shall have the right to convert, without the consent of the preference shareholders, all of the offshore preference shares then issued and outstanding into H Shares based on the aggregate value of such offshore preference shares. Upon conversion of the offshore preference shares into H Shares, such H Shares will not be converted back to preference shares under any circumstances. A tier two capital trigger event means the earlier of the following events: (1) the CBIRC having concluded that without a conversion or write-off of the Bank's capital, the Bank would become non-viable, and (2) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable.

(vi) Redemption

Under the premise of obtaining the approval of the CBIRC and conditions of redemption, the Group has right to redeem all or some of overseas preference shares in first call date and subsequent any dividend payment date. The redemption price for each Offshore Preference Share so redeemed shall be the aggregate of an amount equal to its Liquidation Preference plus any declared but unpaid Dividend in respect of the period from (and including) the immediately preceding Dividend Payment Date to (but excluding) the date scheduled for redemption. The First Redemption Date of the USD Preference Shares is five years after issuance, 27 October 2022.

(vii) Dividend setting mechanism

Non-cumulative dividend is a dividend on preference shares which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Group will not participate the distribution of residual profits with ordinary shareholders.

(Expressed in thousands of Renminbi, unless otherwise stated)

41 Capital reserve

	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Share premium	**20,484,617**	20,484,617
Other comprehensive income:		
– Fair value changes on financial assets at fair value through other comprehensive income	**95,318**	94,881
– Impairment of financial assets at fair value through other comprehensive income	**12,459**	5,494
– Changes on remeasurement of defined benefit liabilities	**(9,825)**	(9,820)
Others	**8,149**	8,149
Total	**20,590,718**	20,583,321

Accumulated amount of other comprehensive income attributable to the equity shareholders of the Bank in the condensed consolidated statement of financial position:

	Net gains on financial assets measured at fair value through other comprehensive income	Changes on remeasurement of defined benefit liabilities	Total
1 January 2019 (Audited)	246,848	(8,844)	238,004
Changes in amount for the year	(146,473)	(976)	(147,449)
31 December 2019 and 1 January 2020 (Audited)	100,375	(9,820)	90,555
Changes in amount for the period	7,402	(5)	7,397
30 June 2020 (Unaudited)	107,777	(9,825)	97,952

(Expressed in thousands of Renminbi, unless otherwise stated)

41 Capital reserve *(continued)*

Transactions of other comprehensive income attributable to equity shareholders of the Bank:

	For the six-month period ended	
	30 June 2020 Unaudited	30 June 2019 Unaudited
Items that will be reclassified subsequently to profit or loss:		
– Debt instruments measured at fair value through other comprehensive income		
– Change in fair value	**(19,049)**	(140,167)
– Change in impairment provision	**9,288**	(6,452)
– Reclassified to the profit or loss upon disposal	**1,250**	(80,984)
– Related income tax effect	**2,128**	56,901
Subtotal	**(6,383)**	(170,702)
Items that will not be reclassified to profit or loss:		
– Remeasurement of defined benefit obligation	**(5)**	(6)
– Equity instruments designated at fair value through other comprehensive income		
– Change in fair value	**18,380**	(21,857)
– Related income tax effect	**(4,595)**	5,464
Subtotal	**13,780**	(16,399)
Total	**7,397**	(187,101)

(Expressed in thousands of Renminbi, unless otherwise stated)

42 Surplus reserve

	Statutory surplus reserve	Discretionary surplus reserve	Total
At 1 January 2019 (Audited)	2,982,653	12,026	2,994,679
Appropriation during the year	–	–	–
At 31 December 2019 and 1 January 2020 (Audited)	2,982,653	12,026	2,994,679
Appropriation during the period	–	–	–
At 30 June 2020 (Unaudited)	2,982,653	12,026	2,994,679

The Bank is 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. Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses of the Bank, if any, and may also be converted into capital of the Bank, provided that the balance of the statutory surplus reserve after this capitalisation is not less than 25% of the registered capital immediately before capitalisation.

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

(Expressed in thousands of Renminbi, unless otherwise stated)

43 General reserve

	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Balance at the beginning of the period/year	11,800,217	11,802,132
Reversal during the period/year	–	(1,915)
Balance at the end of the period/year	11,800,217	11,800,217

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.

44 Retained earnings

	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Balance at the beginning of the period/year	2,614,222	3,570,852
Net profit/(loss) for the period/year attributable to equity shareholders of the Bank	406,644	(958,545)
Net of:		
– Transfer to general reserve	–	1,915
Balance at the end of the period/year	3,020,866	2,614,222

(Expressed in thousands of Renminbi, unless otherwise stated)

45 Involvement with unconsolidated structured entities

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

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include entities set up for wealth management products and beneficial interest transfer plans. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of third-party investors. These vehicles are financed through the issue of units to investors.

The following table sets out an analysis of the carrying amounts of interests held by the Group in unconsolidated structured entities, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised at 30 June 2020 and 31 December 2019:

	At 30 June 2020		
	Financial assets at fair value through profit or loss (Unaudited)	Financial assets measured at amortised cost (Unaudited)	Total (Unaudited)
Investment management products managed by securities companies	**19,580,793**	**25,182,255**	**44,763,048**
Investment management products under trust scheme	**–**	**94,547,899**	**94,547,899**
Wealth management products issued by financial institutions	**202,718**	**–**	**202,718**
Total	**19,783,511**	**119,730,154**	**139,513,665**

	At 31 December 2019		
	Financial assets at fair value through profit or loss (Audited)	Financial assets measured at amortised cost (Audited)	Total (Audited)
Investment management products managed by securities companies	32,161,648	49,402,896	81,564,544
Investment management products under trust scheme	4,141,543	109,750,198	113,891,741
Wealth management products issued by financial institutions	200,129	–	200,129
Total	36,503,320	159,153,094	195,656,414

The maximum exposures to loss in the above investment management products and wealth management products are the carrying amounts of the assets held by the Group at the end of the Reporting Period in accordance with the line items of these assets recognised in the statement of financial position.

45 Involvement with unconsolidated structured entities *(continued)*

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

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Group includes investments in units issued by these structured entities and fees charged by providing management services.

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 RMB20,708 million (31 December 2019: RMB21,886 million).

46 Capital management

The Group's objectives on capital management are:

- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to support the Group's stability and growth;
- to allocate capital using an efficient and risk-based approach to optimise the risk adjusted return to the shareholders; and
- to maintain an adequate capital base to support the development of its business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust its profit distribution policy, issue or redeem own shares, long-term subordinated bonds, etc.

Capital adequacy ratios and the use of regulatory capital are monitored regularly by the Group's management based on regulations issued by the CBIRC. The required information is filed with the CBIRC by the Group and the Bank semi-annually and quarterly.

The capital adequacy ratios and related components of the Group are computed in accordance with the statutory financial statements of the Group prepared under PRC GAAP. The requirements pursuant to these regulations may have significant differences comparing to those applicable in Hong Kong and other countries.

(Expressed in thousands of Renminbi, unless otherwise stated)

46 Capital management *(continued)*

Since 1 January 2013, the Group has begun to disclose the capital adequacy ratio in accordance with the "Capital Rules for Commercial Banks (Provisional)" and will continue to promote the content of this disclosure. The regulatory requirements request a commercial bank to maintain its core tier-one capital adequacy ratio above 7.5%, the tier-one capital adequacy ratio above 8.5% and the capital adequacy ratio above 10.5%.

	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Total core tier-one capital		
– Share capital	**7,781,616**	7,781,616
– Qualifying portion of capital reserve	**20,585,585**	20,578,189
– Surplus reserve	**2,994,679**	2,994,679
– General reserve	**11,800,217**	11,800,217
– Retained earnings	**3,020,866**	2,614,222
– Qualifying portions of non-controlling interests	**456,772**	583,418
Core tier-one capital deductions:		
– Other intangible assets other than land use right	**(249,128)**	(255,880)
– Other net deferred tax assets that depend on the future bank earnings	**(8,467,327)**	(7,231,939)
Net core tier-one capital	**37,923,280**	38,864,522
Other tier-one capital	**9,949,935**	9,975,152
Net tier-one capital	**47,873,215**	48,839,674
Tier two capital		
– Instruments issued and share premium	**6,500,000**	6,500,000
– Surplus provision for loan impairment	**7,998,917**	5,553,557
– Qualifying portions of non-controlling interests	**101,442**	146,726
Net capital base	**62,473,574**	61,039,957
Total risk weighted assets	**689,427,069**	754,499,591
Core tier-one capital adequacy ratio	**5.50%**	5.15%
Tier-one capital adequacy ratio	**6.94%**	6.47%
Capital adequacy ratio	**9.06%**	8.09%

During the six-month period ended 30 June 2020, the capital adequacy ratios of the Group have fallen below the regulatory requirement. The CBIRC shall have the right of exercising regulations according to the Capitals Rules for Commercial Banks (Provisional).

(Expressed in thousands of Renminbi, unless otherwise stated)

47 Notes to consolidated cash flow statements

Cash and cash equivalents:

	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Cash on hand	**1,053,416**	945,499
Deposits with the central bank	**3,834,437**	60,266,060
Deposits with banks and other financial institutions	**26,863,008**	6,323,328
Financial assets held under resale agreements	**13,520,896**	–
Total	**45,271,757**	67,534,887

48 Related party disclosures

(a) Related parties of the Group

There is neither immediate nor ultimate controlling party of the Bank nor Shareholders of the Bank with ownership of 5% or above during the Reporting Period. Related parties of the Group during the Reporting Period which have transactions are disclosed as follows:

(i) Enterprises under the control or significant influence of supervisors

Beijing Urban Construction Investment Development Co., Ltd.
Beijing Urban Construction (Wuhu) Equity Investment Management Co., Ltd.

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Related party disclosures *(continued)*

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

(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 other related parties:

	For the six-month period ended 30 June	
	2020	2019
	Unaudited	Unaudited
Transactions during the period:		
Interest income	**–**	184,644
Interest expense	**4**	1,720

	At 30 June	At 31 December
	2019	2019
	Unaudited	Audited
Balance at end of the period/year:		
Deposits from customers	**2,151**	1,907

The balances are unsecured and on terms similar to those offered to the major customers of the Group.

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Related party disclosures *(continued)*

(c) Key management personnel

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

(i) Transactions between the Group and key management personnel

	For the six-month period ended 30 June 2020 Unaudited	2019 Unaudited
Transactions during the period:		
Interest income	**116**	–
Interest expense	**2,979**	24,162

	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Balances at the end of the period/year:		
Loans and advances to customers	**3,585**	6,923
Deposits from customers	**178,462**	30,331
Principal guaranteed wealth management products	**2,902**	5,350
Non-principal-guaranteed wealth management products	**11,351**	20,060
Interests payable	**8,006**	8,022

The balances are unsecured and on terms similar to those offered to the major customers of the Group.

(ii) Key management personnel compensation

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

	For the six-month period ended 30 June 2020 Unaudited	2019 Unaudited
Short-term staff benefits	**3,402**	17,563
Retirement benefits		
– Basic social pension insurance	**99**	2,672

49 Segment reporting

The Group manages its business by business lines and geographical areas. Interest income and expenses earned from third parties are referred to as "External net interest income/expense". Net interest income and expenses arising from internal charges and transfer pricing adjustments are referred to as "Internal net interest income/expense".

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 reportable segments based on the following operating segments:

Corporate banking business

Corporate banking business covers the provision of financial products and services to corporate customers. The products and services include deposits, loans, settlement and clearing and other products and services relating to the trading business.

Retail banking business

Retail banking business covers the provision of financial products and services to retail customers. The products and services include deposits, bank cards and credit cards services, personal loans and collateral loans, and personal wealth management services.

Treasury business

Treasury business covers money market placements, investments and repurchasing, foreign exchange transactions, for the Group's own accounts or on behalf of customers.

Other business

This represents business other than corporate banking business, retail banking business and treasury business, whose assets, liabilities, income and expenses are not directly attributable or cannot be allocated to a segment on a reasonable basis.

The transfer prices among segments are determined by the capital sources and due time which should match with the level of lending and deposit rates and interbank market rates announced by the People's Bank of China. Expenses are distributed.

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

(Expressed in thousands of Renminbi, unless otherwise stated)

49 Segment reporting *(Continued)*

(a) Segment results, assets and liabilities

	Corporate banking business Unaudited	Retail banking business Unaudited	Treasury business Unaudited	Other business and undistributed project Unaudited	Total Unaudited
For the six-month period ended 30 June 2020					
Operating income					
External net interest income/(expense)	12,118,196	(5,979,636)	(85,944)	–	6,052,616
Internal net interest (expense)/income	(7,437,974)	6,333,412	1,104,562	–	–
Net interest income	4,680,222	353,776	1,018,618	–	6,052,616
Net fee and commission income	31,370	79,618	(18,179)	–	92,809
Net trading gains	–	–	288,751	–	288,751
Net losses arising from investment securities	–	–	(153)	–	(153)
Net foreign exchange gains	–	–	1,790	–	1,790
Other net operating income	18	–	–	8,637	8,655
Total operating income	4,711,610	433,394	1,290,827	8,637	6,444,468
Operating expenses	(334,261)	(520,460)	(432,334)	(224,062)	(1,511,117)
Operating profit/(loss) before impairment	4,377,349	(87,066)	858,493	(215,425)	4,933,351
Impairment losses on assets	(2,364,009)	(1,181,356)	(1,078,462)	195,087	(4,428,740)
Segment profit/(loss) before tax	2,013,340	(1,268,422)	(219,969)	(20,338)	504,611
Other segment information:					
– Depreciation and amortisation	(93,225)	(58,048)	(109,466)	(27,324)	(288,063)
– Capital expenditure	9,958	5,607	12,526	2,946	31,037
At 30 June 2020					
Segment assets	397,213,149	8,728,394	271,371,573	130,846,050	808,159,166
Deferred tax assets					13,106,389
Total assets					821,265,555
Segment liabilities	128,170,167	284,475,358	344,441,020	3,916,823	761,003,368
Dividend payable	–	–	–	336,079	336,079
Total liabilities	128,170,167	284,475,358	344,441,020	4,252,902	761,339,447

(Expressed in thousands of Renminbi, unless otherwise stated)

49 Segment reporting *(Continued)*

(a) Segment results, assets and liabilities *(continued)*

	Corporate banking business Unaudited	Retail banking business Unaudited	Treasury business Unaudited	Other business and undistributed project Unaudited	Total Unaudited
For the six-month period ended 30 June 2019					
Operating income					
External net interest income/(expense)	11,043,338	(4,982,092)	5,782,110	–	11,843,356
Internal net interest (expense)/income	(4,428,856)	5,654,124	(1,225,268)	–	–
Net interest income	6,614,482	672,032	4,556,842	–	11,843,356
Net fee and commission income	43,297	104,520	5,006	–	152,823
Net trading gains	–	–	1,469,666	–	1,469,666
Dividend income	–	–	1,200	–	1,200
Net gains arising from investment securities	–	–	77,623	–	77,623
Net foreign exchange (losses)/gains	2,653	257	(8,302)	126	(5,266)
Other net operating income	–	–	–	7,786	7,786
Total operating income	6,660,432	776,809	6,102,035	7,912	13,547,188
Operating expenses	(896,012)	(104,509)	(822,336)	(1,048)	(1,823,905)
Operating profit before impairment	5,764,420	672,300	5,279,699	6,864	11,723,283
Impairment losses on assets	(9,536,654)	(256,790)	(2,980,831)	–	(12,774,275)
Segment (loss)/profit before tax	(3,772,234)	415,510	2,298,868	6,864	(1,050,992)
Other segment information:					
– Depreciation and amortisation	(97,530)	(51,456)	(110,050)	(15,540)	(274,576)
– Capital expenditure	202,128	106,641	228,077	32,208	569,054
At 31 December 2019 (Audited)					
Segment assets	450,446,832	10,995,608	350,691,133	12,719,033	824,852,606
Deferred tax assets					11,841,585
Total assets					836,694,191
Segment liabilities	164,813,489	246,595,913	364,358,588	1,074,753	776,842,743
Dividend payable	–	–	–	345,999	345,999
Total liabilities	164,813,489	246,595,913	364,358,588	1,420,752	777,188,742

(Expressed in thousands of Renminbi, unless otherwise stated)

49 Segment reporting *(Continued)*

(b) Geographical information

The Group operates principally in Jinzhou Region, Other Northeastern China Region and Northern China Region.

Non-current assets include property and equipment, intangible assets and right-of-use assets. In presenting 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 and the branches which generate income.

The distribution of the geographical areas is as follows:

– "Jinzhou Region" including headquarters of the Bank of Jinzhou, Jinzhou branch and the five subsidiaries of the Group.

– "Other Northeastern China Region" including the following areas serviced by branches of the Bank: Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin, Liaoyang, Huludao, Benxi, Yingkou and the three subsidiaries of the Group.

– "Northern China Region" including the following areas serviced by branches of the Bank: Beijing and Tianjin.

	Operating Income For the six-month period ended 30 June	
	2020 Unaudited	2019 Unaudited
Jinzhou Region	**4,558,111**	10,714,408
Other Northeastern China Region	**1,015,416**	1,539,525
Northern China Region	**870,941**	1,293,255
Total	**6,444,468**	13,547,188

	Non-current assets	
	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Jinzhou Region	**3,358,122**	3,206,652
Other Northeastern China Region	**3,436,189**	3,700,122
Northern China Region	**747,263**	889,230
Total	**7,541,574**	7,796,004

50 Risk management

(a) Credit risk

(i) Credit risk measurement

Measurement of ECL

The ECL is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all receivable contractual cash flows according to the contract and all cash flows expected to be received by the Group discounted to present value at the original effective interest rate, i.e. the present value of all cash shortfalls.

According to the changes of credit risk of financial instruments since the initial recognition, the Group calculates the ECL by three stages:

- Stage I: The financial instruments without significant increases in credit risk after initial recognition are included in Stage I to calculate their impairment allowance at an amount equivalent to the ECL of the financial instrument for the next 12 months;

- Stage II: Financial instruments that have had a significant increase in credit risk since initial recognition but are not considered credit-impaired are included in Stage II, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments; and

- Stage III: Financial assets that are considered credit-impaired at the end of the reporting period are included in Stage III, with their impairment allowance measured at the amount equivalent to the ECL for the lifetime of the financial instruments.

The Group shall measure ECL of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

- The time value of money; and

- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic condition.

50 Risk management *(continued)*

(a) Credit risk *(continued)*

(i) Credit risk measurement *(continued)*

Measurement of ECL *(continued)*

When measuring ECL, an entity need not necessarily identify every possible scenario. However, the Group shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

The Group conducted an assessment of ECL according to forward-looking information and used complex models and assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group adopts judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as:

- Criteria for judging significant increases in credit risk
- Definition of credit-impaired financial asset
- Parameters for measuring ECL
- Forward-looking information
- Modification of contractual cash flows

50 Risk management *(continued)*

(a) Credit risk *(continued)*

(i) Credit risk measurement *(continued)*

Criteria for judging significant increases in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at the end of the reporting period. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments at the end of the reporting period with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria

- At the reporting date, the rating or the probability of default (PD) of the financial instruments reaches a certain extent, comparing with the one at initial recognition.

Qualitative criteria

- The credit risk event of the debtor which is highly likely to lead to significant adverse effects;
- The debtor meets problems of cash flow or liquidity, i.e. overdue loans;
- The debtor is unwilling to repay the debt, i.e. debt dodge, fraud;
- The debtor defaults on loans outside the Group, resulting in non-performing assets in PBOC credit system;
- Credit spread increases significantly; and
- For collateralised and pledged loans, change of the value of collateral might incur a rise in credit risk.

Baseline criteria

- Be classified into Special-Mention category.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

50 Risk management *(continued)*

(a) Credit risk *(continued)*

(i) Credit risk measurement *(continued)*

Definition of default and credit-impaired financial asset

The standard adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- The debtor is more than 90 days past due on its contractual payments;
- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

The above criteria apply to all financial assets of the Group and they are consistent with the definition of "default" adopted by the internal management of credit risk.

Parameters of ECL measurement

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of ECL include PD, LGD and EAD. Based on the current New Basel Capital Accord used in risk management and the requirements of IFRS 9, the Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collaterals, repayments, etc.) and forward-looking information in order to establish the model of PD, LGD and EAD.

50 Risk management *(continued)*

(a) Credit risk *(continued)*

(i) Credit risk measurement *(continued)*

Parameters of ECL measurement *(continued)*

Relative definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the results of the Internal Rating-Based Approach under the New Basel Capital Accord, taking into account the forward-looking information and deducting the prudential adjustment to reflect the debtor's point-in-time (PIT) PD under the current macroeconomic environment;

- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, the LGD varies. The LGD is the percentage of loss of risk exposure at the time of default, calculated over the next 12 months or over the entire remaining lifetime;

- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime. As to the off-balance sheet credit commitments, the parameter of EAD is calculated using the current exposure method, and obtained from multiplying the nominal amount of the off-balance sheet items at the end of the reporting period by the credit conversion factor.

Forward-looking information

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various business types.

The impact of these economic indicators on the PD and the LGD varies according to different types of business. In this process, the Group mainly applies external data and supplements the internal experts' judgement. The Group determines the impact of these economic indicators on the PD and the LGD by conducting regression analysis.

In addition to providing a baseline economic scenario, internal experts of the Group determine the weight of other possible scenarios based on the baseline economic scenario. The Group measures the weighted average ECL of 12 months (stage I) or life time (stage II and stage III). The weighted average credit loss above is calculated by multiplying the ECL for each scenario by the weight of the corresponding scenario.

(Expressed in thousands of Renminbi, unless otherwise stated)

50 Risk management *(continued)*

(a) Credit risk *(continued)*

(ii) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets at the end of the Reporting Period.

(iii) Risk concentrations

By industry distribution

The credit risk exposures of the Group mainly comprise loans and advances to customers, finance lease receivables and investments in debt instruments. Details of the composition of the Group's investments in debt instruments are set out in note 50(a) to the interim financial information. The composition of the Group's gross loans and advances to customers by industry is analysed as follows:

	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Wholesale and retail trade	**175,582,491**	227,296,037
Manufacturing	**94,240,522**	97,315,189
Leasing and commercial services	**33,673,301**	43,653,896
Real estate	**29,493,980**	35,035,141
Education	**6,907,977**	7,197,553
Transportation, storage and postal services	**5,874,184**	10,793,156
Electricity, gas and water production and supply	**4,247,257**	6,600,856
Public management and social organisations	**4,020,320**	4,146,060
Scientific research and technical services	**3,573,215**	7,298,272
Construction	**3,226,003**	4,541,158
Water, environment and public utility management	**3,144,530**	3,602,950
Mining	**1,944,789**	5,139,382
Agriculture, forestry, animal husbandry and fishery	**897,608**	1,166,923
Others	**23,871,451**	24,271,667
Subtotal for corporate loans and advances	**390,697,628**	478,058,240
Personal loans and advances	**10,070,833**	10,832,280
Discounted bills	**11,175,760**	226,427
Total	**411,944,221**	489,116,947

(Expressed in thousands of Renminbi, unless otherwise stated)

50 Risk management *(continued)*

(a) Credit risk *(continued)*

(iv) Loans and advances to customers

The total credit risk exposures of loans and advances to customers are summarised as follows:

	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Neither overdue nor impaired	394,267,670	419,917,654
Overdue but not impaired	7,156,283	12,820,097
Impaired	10,520,268	56,379,196
Total loans and advances	411,944,221	489,116,947
Add: Interests receivable	14,884,338	6,916,601
Less: Provision for impairment losses	(19,498,769)	(43,338,037)
Net loans and advances	407,329,790	452,695,511

Neither overdue nor impaired

The management of the Group considers that these loans are exposed to normal business risk and there was no identifiable objective evidence of impairment for these loans which may incur losses to the Group at the end of the Reporting Period.

The following table presents the types of loans and advances to customers which are neither overdue nor impaired at the end of the Reporting Period:

	At 30 June 2020		
	Normal Unaudited	Special mention Unaudited	Total Unaudited
Unsecured loans	33,598,195	2,350	33,600,545
Guaranteed loans	177,846,359	11,554,880	189,401,239
Collateralised loans	100,064,288	146,502	100,210,790
Pledged loans	68,222,738	2,832,358	71,055,096
	379,731,580	14,536,090	394,267,670

(Expressed in thousands of Renminbi, unless otherwise stated)

50 Risk management *(continued)*

(a) Credit risk *(continued)*

(iv) Loans and advances to customers *(continued)*

Neither overdue nor impaired *(continued)*

	At 31 December 2019		
	Normal Audited	Special mention Audited	Total Audited
Unsecured loans	13,530,150	3,001,370	16,531,520
Guaranteed loans	193,873,280	33,872,966	227,746,246
Collateralised loans	100,279,120	4,641,003	104,920,123
Pledged loans	68,621,765	2,098,000	70,719,765
	376,304,315	43,613,339	419,917,654

Overdue but not impaired

The following tables present the ageing analysis of each type of loans and advances to customers of the Group that are subject to credit risk which are past due but not impaired as at the end of reporting period:

	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Overdue for:		
Less than three months	**6,975,965**	12,786,196
Three to six months	**87,299**	33,901
Over six months	**93,019**	–
Total	**7,156,283**	12,820,097

(Expressed in thousands of Renminbi, unless otherwise stated)

50 Risk management *(continued)*

(a) Credit risk *(continued)*

(iv) Loans and advances to customers *(continued)*

Impaired

Impaired loans and advances are defined as loans and advances which have objective evidence of impairment as a result of one or more events that occurred after initial recognition and that event has an impact on the estimated future cash flows of loans and advances that can be reliably estimated.

The fair value of related collateral held by the Group as security is as follows:

	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Fair value of collateral held against credit-impaired loans	13,607,481	37,008,171

The above collaterals mainly include real estate, land use rights and machinery and equipment etc. The fair value of collaterals was estimated by the Group based on the latest valuations available, adjusted in light of disposal experience and current market conditions.

Loans and advances to customers analysed by the five-tier loan classification and the three stage of the ECL as follows:

	As at 30 June 2020			
	Stage I (ECL over the next 12 months) Unaudited	Stage II (Lifetime ECL-not credit-impaired) Unaudited	Stage III (Lifetime ECL credit-Impaired) Unaudited	Total Unaudited
Normal	379,731,580	–	–	379,731,580
Special-mention	–	21,692,373	2,518,094	24,210,467
Substandard	–	–	6,602,475	6,602,475
Doubtful	–	–	1,313,057	1,313,057
Loss	–	–	86,642	86,642
Total loans and advances	379,731,580	21,692,373	10,520,268	411,944,221
Add: Interests receivable	14,884,338	–	–	14,884,338
Less: Provision for impairment losses	(12,091,256)	(2,485,857)	(4,921,656)	(19,498,769)
Loans and advances to customers, net	382,524,662	19,206,516	5,598,612	407,329,790

(Expressed in thousands of Renminbi, unless otherwise stated)

50 Risk management *(continued)*

(a) Credit risk *(continued)*

(iv) Loans and advances to customers *(continued)*

Impaired *(continued)*

	At 31 December 2019			
	Stage I (ECL over the next 12 months) Audited	Stage II (Lifetime ECL-not credit-impaired) Audited	Stage III (Lifetime ECL credit-impaired) Audited	Total Audited
Normal	374,981,556	1,322,759	–	376,304,315
Special-mention	–	56,433,436	18,694,160	75,127,596
Substandard	–	–	28,725,027	28,725,027
Doubtful	–	–	8,171,797	8,171,797
Loss	–	–	788,212	788,212
Total loans and advances	374,981,556	57,756,195	56,379,196	489,116,947
Add: Interests receivable	6,916,601	–	–	6,916,601
Less: Provision for impairment losses	(12,151,110)	(4,314,052)	(26,872,875)	(43,338,037)
Loans and advances to customers, net	369,747,047	53,442,143	29,506,321	452,695,511

(v) Finance lease receivables

	At 30 June 2020 Unaudited	At 31 December 2019 Audited
The lease amount		
Neither overdue nor impaired	**1,758,958**	4,690,019
Overdue but not impaired	**2,567,842**	1,613,718
Impaired	**678,345**	888,434
Subtotal	**5,005,145**	7,192,171
Less: Provision for impairment losses	**(822,517)**	(783,857)
Net balance	**4,182,628**	6,408,314

(Expressed in thousands of Renminbi, unless otherwise stated)

50 Risk management *(continued)*

(a) Credit risk *(continued)*

(v) Finance lease receivables *(continued)*

	At 30 June 2020			
	Stage I (ECL over the next 12 months) Unaudited	Stage II (Lifetime ECL-not credit-impaired) Unaudited	Stage III (Lifetime ECL credit-Impaired) Unaudited	Total Unaudited
Normal	1,758,958	–	–	1,758,958
Special-mention	–	2,567,842	–	2,567,842
Substandard	–	–	678,345	678,345
Subtotal	1,758,958	2,567,842	678,345	5,005,145
Less: Provision for impairment losses	(39,537)	(481,479)	(301,501)	(822,517)
Net balance	1,719,421	2,086,363	376,844	4,182,628

	At 31 December 2019			
	Stage I (ECL over the next 12 months) Audited	Stage II (Lifetime ECL-not credit-impaired) Audited	Stage III (Lifetime ECL credit-Impaired) Audited	Total Audited
Normal	4,690,019	–	–	4,690,019
Special-mention	–	1,613,718	–	1,613,718
Substandard	–	–	888,434	888,434
Subtotal	4,690,019	1,613,718	888,434	7,192,171
Less: Provision for impairment losses	(96,942)	(294,316)	(392,599)	(783,857)
Net balance	4,593,077	1,319,402	495,835	6,408,314

(Expressed in thousands of Renminbi, unless otherwise stated)

50 Risk management *(continued)*

(a) Credit risk *(continued)*

(vi) Debt instruments

Financial assets at amortised cost by five-tier loan classification and three-staging analysed as follows:

	At 30 June 2020			
	Stage I (ECL over the next 12 months) Unaudited	Stage II (Lifetime ECL-not credit-impaired) Unaudited	Stage III (Lifetime ECL credit-Impaired) Unaudited	Total Unaudited
Normal	103,620,377	–	–	103,620,377
Special-mention	–	14,626,500	–	14,626,500
Substandard	–	–	8,047,500	8,047,500
Doubtful	–	–	37,880	37,880
Subtotal	103,620,377	14,626,500	8,085,380	126,332,257
Add: Interests receivable	9,398,441	–	–	9,398,441
Less: Provision for impairment losses	(2,447,467)	(1,193,733)	(3,439,224)	(7,080,424)
Net balance	110,571,351	13,432,767	4,646,156	128,650,274

	At 31 December 2019			
	Stage I (ECL over the next 12 months) Audited	Stage II (Lifetime ECL-not credit-impaired) Audited	Stage III (Lifetime ECL credit-Impaired) Audited	Total Audited
Normal	108,788,789	–	–	108,788,789
Special-mention	–	59,502,480	–	59,502,480
Substandard	–	–	2,273,500	2,273,500
Doubtful	–	–	427,880	427,880
Subtotal	108,788,789	59,502,480	2,701,380	170,992,649
Add: Interests receivable	3,389,639	–	–	3,389,639
Less: Provision for impairment losses	(3,149,459)	(4,734,250)	(1,349,188)	(9,232,897)
Net balance	109,028,969	54,768,230	1,352,192	165,149,391

(Expressed in thousands of Renminbi, unless otherwise stated)

50 Risk management *(continued)*

(a) Credit risk *(continued)*

(vi) Debt instruments *(continued)*

Debt instruments at fair value through other comprehensive income by five-tier loan classification and three-staging analysed as follows:

	At 30 June 2020 Stage I (ECL over the next 12 months) Unaudited	Stage II (Lifetime ECL-not credit-impaired) Unaudited	Stage III (Lifetime ECL credit-Impaired) Unaudited	Total Unaudited
Normal	11,331,406	–	–	11,331,406
Special-mention	–	111,680	–	111,680
Substandard	–	–	–	–
Subtotal	11,331,406	111,680	–	11,443,086
Add: Interests receivable	216,580	–	–	216,580
Net balance	11,547,986	111,680	–	11,659,666
Provision for impairment losses	(2,552)	(8,927)	–	(11,479)

	At 31 December 2019 Stage I (ECL over the next 12 months) Audited	Stage II (Lifetime ECL-not credit-impaired) Audited	Stage III (Lifetime ECL credit-Impaired) Audited	Total Audited
Normal	11,196,501	–	–	11,196,501
Special-mention	–	–	–	–
Substandard	–	–	–	–
Subtotal	11,196,501	–	–	11,196,501
Add: Interests receivable	131,846	–	–	131,846
Net balance	11,328,347	–	–	11,328,347
Provision for impairment losses	(2,192)	–	–	(2,192)

50 Risk management *(continued)*

(b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

The Group's market risk management aims to manage and monitor market risk, control the potential losses associated with market risk within acceptable limits and maximise the Group's risk-adjusted income. The Group's credit and risk management department is responsible for monitoring, inspecting and assessing the adequacy and efficiency of the Group's market risk management system. The asset management department, interbank business department, financial management department, asset and liability management department and financial market department are responsible for the centralised management of interest rate risks and exchange rate risks.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile for each period with reference to the interest rate risks for different maturities.

Scenario analysis is a multi-factor analysis method which assesses the impact of multiple factors interacting simultaneously, taking into consideration of the probabilities of various scenarios

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on/off-balance sheet items.

Sensitivity gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorising each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

The results of stress testing are assessed against a set of forward-looking scenarios using stress moves in market variables. The results are used to estimate the impact on profit or loss.

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarising all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.

50 Risk management *(continued)*

(b) Market risk *(continued)*

(i) Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of treasury position. The interest rate risk is mainly reflected by the Group's exposure to overall revenue and economic value losses as a result of unfavorable changes in key elements such as interest rate and duration structure of various interest-earning assets and interest-bearing liabilities of the Group.

The finance management department is responsible for identifying, measuring, monitoring and managing interest rate risk. The Group regularly performs assessment on the interest rate sensitivity of the reset gap and impact on the net interest income and economic value results from the changes in interest rates. The primary objective of interest rate risk management is to minimise potential adverse effects on the net interest income and the economic value caused by interest rate volatility.

The Group classified the transactions as the banking book transactions and trading book transactions. The identification, measurement, monitoring and controls over the relevant market risks are based on the nature and characteristics of these books. The trading book transactions consist of the Group's investments which are acquired or incurred primarily for the purpose of selling in the near term, or for the purpose of short-term profit taking. The banking book transactions represent non-trading businesses. Sensitivity analysis, scenario analysis and foreign currency gap analysis are the major tools employed by the Group to measure and monitor the market risk in its trading book transactions. Sensitivity gap analysis, stress testing and effective duration analysis are the major tools used by the Group to measure and monitor the market risk of its non-trading businesses.

Repricing risk

Repricing risk, which is also known as "maturity mismatch risk", is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group's income or its inherent economic value to vary with the movement in interest rates.

Trading interest rate risk

Trading interest rate risk mainly arises from the treasury's investment portfolios. Interest rate risk is monitored using the effective duration analysis method. The Group employs other supplementary methods to measure its interest rate sensitivity, which is expressed as changes in the investment portfolios' fair value given a 100 basis points (1%) movement in the interest rates.

(Expressed in thousands of Renminbi, unless otherwise stated)

50 Risk management *(continued)*

(b) Market risk *(continued)*

(i) Interest rate risk *(continued)*

Trading interest rate risk *(continued)*

The following tables indicate the assets and liabilities at the end of each of the reporting periods by the expected next reset dates or by maturity dates, depending on which is earlier:

	At 30 June 2020					
	Total Unaudited	Non-interest bearing Unaudited	Less than three months Unaudited	Between three months and one year Unaudited	Between one year and five years Unaudited	More than five years Unaudited
Assets						
Cash and deposits with the central bank	45,970,983	1,071,753	44,899,230	–	–	–
Deposits with banks and other financial institutions	27,012,030	115,016	26,863,008	34,006	–	–
Placements with banks and other financial institutions	5,682,521	174,295	–	–	5,508,226	–
Financial assets held under resale agreements	13,521,683	787	13,520,896	–	–	–
Loans and advances to customers Note (i)	407,329,790	14,884,338	38,615,467	146,525,259	198,152,556	9,152,170
Investments Note (ii)	172,962,138	10,962,054	48,562,511	60,705,914	43,258,396	9,473,263
Finance lease receivables Note (iii)	4,182,628	–	416,153	943,264	2,695,107	128,104
Others	144,603,782	144,570,012	12,572	21,198	–	–
Total assets	821,265,555	171,778,255	172,889,837	208,229,641	249,614,285	18,753,537
Liabilities						
Borrowing from the central bank	102,180	70	300	101,810	–	–
Deposits from banks and other financial institutions	171,759,383	1,314,711	80,132,842	24,305,000	66,006,830	–
Placements from banks and other financial institutions	17,901,218	5,821	17,395,397	500,000	–	–
Financial assets sold under repurchase agreements	19,602,805	20,632	19,490,775	91,398	–	–
Deposits from customers	413,977,645	9,642,488	115,555,021	122,843,975	165,934,081	2,080
Debt securities payable	129,938,048	108,173	61,539,784	61,795,417	–	6,494,674
Others	8,058,168	3,465,538	2,232,808	2,177,394	134,955	47,473
Total liabilities	761,339,447	14,557,433	296,346,927	211,814,994	232,075,866	6,544,227
Asset-liability gap	59,926,108	157,220,822	(123,457,090)	(3,585,353)	17,538,419	12,209,310

(Expressed in thousands of Renminbi, unless otherwise stated)

50 Risk management *(continued)*

(b) Market risk *(continued)*

(i) Interest rate risk *(continued)*

***Trading interest rate risk** (continued)*

The following tables indicate the assets and liabilities at the end of each of the reporting periods by the expected next reset dates or by maturity dates, depending on which is earlier: *(continued)*

	At 31 December 2019					
	Total Audited	Non-interest bearing Audited	Less than three months Audited	Between three months and one year Audited	Between one year and five years Audited	More than five years Audited
Assets						
Cash and deposits with the central bank	105,176,537	966,997	104,209,540	–	–	–
Deposits with banks and other financial institutions	8,301,592	177,381	7,979,211	145,000	–	–
Placements with banks and other financial institutions	5,643,864	135,638	5,508,226	–	–	–
Loans and advances to customers Note (i)	452,695,511	6,916,601	52,051,669	123,315,312	260,520,603	9,891,326
Investments Note (ii)	232,866,405	4,752,980	52,387,494	84,041,890	79,266,709	12,417,332
Finance lease receivables Note (iii)	6,408,314	–	1,093,551	1,814,824	3,499,939	–
Others	25,601,968	25,516,999	82,746	2,223	–	–
Total assets	836,694,191	38,466,596	223,312,437	209,319,249	343,287,251	22,308,658
Liabilities						
Borrowing from the central bank	33,079,647	39,347	33,000,000	40,300	–	–
Deposits from banks and other financial institutions	178,117,754	1,439,006	126,495,918	45,572,830	4,610,000	–
Placements from banks and other financial institutions	27,731,363	225,017	22,541,005	4,965,341	–	–
Financial assets sold under repurchase agreements	10,106,602	26,575	10,080,027	–	–	–
Deposits from customers	407,112,779	10,802,393	133,243,139	103,793,678	159,264,472	9,097
Debt securities payable	110,108,837	160,243	49,961,503	53,492,981	–	6,494,110
Others	10,931,760	3,590,986	2,122,475	4,833,744	295,920	88,635
Total liabilities	777,188,742	16,283,567	377,444,067	212,698,874	164,170,392	6,591,842
Asset-liability gap	59,505,449	22,183,029	(154,131,630)	(3,379,625)	179,116,859	15,716,816

Notes:

(i) At 30 June 2020, for loans and advances to customers, the category "Less than three months" includes overdue amounts (net of provision for impairment losses) of RMB9,451 million (31 December 2019: RMB23,169 million).

(ii) Investments include debt or equity investments at fair value through profit or loss, at fair value through other comprehensive income and at amortised cost. At 30 June 2020, for investments, the category "Less than three months" includes overdue amounts (net of provision for impairment losses) of RMB14,916 million (31 December 2019: RMB18,489 million).

(iii) At 30 June 2020, for finance lease receivables, the category "Less than three months" includes overdue amounts (net of provision for impairment losses) of RMB46 million (31 December 2019: RMB316 million).

50 Risk management *(continued)*

(b) Market risk *(continued)*

(i) Interest rate risk *(continued)*

Interest rate sensitivity analysis

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group's net profit or loss and equity. As at 30 June 2020, assuming other variables remain unchanged, an increase in estimated interest rate of 100 basis points will cause the Group's net profit to decrease RMB2,316 million (31 December 2019: net loss to decrease RMB2,170 million), and the Group's equity to decrease RMB2,697 million (31 December 2019: increase RMB2,562 million); a decrease in estimated interest rate of 100 basis points will cause the Group's net profit to increase RMB2,318 million (31 December 2019: net loss to increase RMB2,181 million), and the Group's equity to increase RMB2,725 million (31 December 2019: decrease RMB2,602 million).

The sensitivity analysis above is based on a static interest rate risk profile of the Group's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualised net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

– Interest rate movements at the end of each of the Reporting Period apply to non-derivative financial instruments of the Group;

– At the end of the Reporting Period, an interest rate movement of 100 basis points is based on the assumption of interest rates movement over the next 12 months;

– There is a parallel shift in the yield curve with the changes in interest rates;

– There are no other changes to the assets and liabilities portfolio;

– Other variables (including exchange rates) remain unchanged; and

– The analysis does not take into account the effect of risk management measures taken by the management

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

(Expressed in thousands of Renminbi, unless otherwise stated)

50 Risk management *(continued)*

(b) Market risk *(continued)*

(ii) Foreign currency risk

The Group's foreign currency risk mainly arises from exchange rate fluctuation on its foreign exchange exposures. The Group manages foreign currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies and monitoring its foreign currency exposures on daily basis. The Group manages exchange rate risk by the following means: strict implementation of the process management of the foreign exchange business; strict management on the exchange business procedure, continuous improvement in the internal control system and operational procedures; and continuous improvement in the risk management capability of the foreign exchange business.

The Group's currency exposures at the end of each of the reporting periods are as follows:

	At 30 June 2020 RMB Equivalent			
	RMB Unaudited	USD Unaudited	Others Unaudited	Total Unaudited
Assets				
Cash and deposits with the central bank	45,834,031	136,769	183	45,970,983
Deposits with banks and other financial institutions	26,501,131	450,451	60,448	27,012,030
Placements with banks and other financial institutions	5,682,521	–	–	5,682,521
Loans and advances to customers	406,723,573	594,626	11,591	407,329,790
Others	330,928,230	4,342,001	–	335,270,231
Total assets	815,669,486	5,523,847	72,222	821,265,555
Liabilities				
Borrowing from the central bank	102,180	–	–	102,180
Deposits from banks and other financial institutions	171,759,383	–	–	171,759,383
Placements from banks and other financial institutions	17,865,702	35,516	–	17,901,218
Deposits from customers	411,208,652	2,748,441	20,552	413,977,645
Debt securities payable	129,938,048	–	–	129,938,048
Others	27,582,995	77,845	133	27,660,973
Total liabilities	758,456,960	2,861,802	20,685	761,339,447
Net position	57,212,526	2,662,045	51,537	59,926,108
Off-balance sheet credit commitments	86,248,955	384,609	27,785	86,661,349

(Expressed in thousands of Renminbi, unless otherwise stated)

50 Risk management *(continued)*

(b) Market risk *(continued)*

(ii) Foreign currency risk *(continued)*

	At 31 December 2019			
	RMB Equivalent			
	RMB	USD	Others	Total
	Audited	Audited	Audited	Audited
Assets				
Cash and deposits with the central bank	105,025,790	145,905	4,842	105,176,537
Deposits with banks and other financial institutions	7,451,347	729,388	120,857	8,301,592
Placements with banks and other financial institutions	5,643,864	–	–	5,643,864
Loans and advances to customers	452,217,365	463,449	14,697	452,695,511
Others	260,678,389	4,198,298	–	264,876,687
Total assets	831,016,755	5,537,040	140,396	836,694,191
Liabilities				
Borrowing from the central bank	33,079,647	–	–	33,079,647
Deposits from banks and other financial institutions	178,117,754	–	–	178,117,754
Placements from banks and other financial institutions	20,509,117	6,429,754	792,492	27,731,363
Deposits from customers	404,229,437	2,810,880	72,462	407,112,779
Debt securities payable	110,108,837	–	–	110,108,837
Others	21,035,933	2,399	30	21,038,362
Total liabilities	767,080,725	9,243,033	864,984	777,188,742
Net position	63,936,030	(3,705,993)	(724,588)	59,505,449
Off-balance sheet commitments	126,830,890	499,868	6,255	127,337,013

50 Risk management *(continued)*

(b) Market risk *(continued)*

(ii) Foreign currency risk *(continued)*

The Group uses sensitivity analysis to measure the potential effect of changes in the Group's exchange rates on the Group's net profit or loss and equity. At 30 June 2020, assuming other variables remain unchanged, an appreciation of one hundred basis points in the US dollar against the RMB would increase the Group's net profit by RMB10.16 million and the Group's equity by RMB12.54 million (31 December 2019: increase the Group's net loss and decrease the Group's equity by RMB7.23 million); a depreciation of one hundred basis points in the US dollar against the RMB would decrease the Group's net profit and the Group's equity by RMB10.16 million (31 December 2019: decrease the Group's net loss and increase the Group's the equity by RMB7.23 million).

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions:

– The foreign exchange sensitivity is the gain and loss recognised as a result of one hundred basis points fluctuation in the foreign currency exchange rates against RMB;

– The fluctuation of exchange rates by one hundred basis points is based on the assumption of exchange rates movement over the next 12 months;

– Due to the immaterial proportion of the Group's total assets and liabilities denominated in currencies other than US dollars, other foreign currencies are converted into US dollars in the above sensitivity analysis;

– The foreign exchange exposures calculated include spot and forward foreign exchange exposures and swaps;

– Other variables (including interest rates) remain unchanged; and

– The analysis does not take into account the effect of risk management measures taken by the management.

Due to the assumptions adopted, actual changes in the Group's net profit or loss and equity resulting from the increase or decrease in foreign exchange rates might vary from the estimated results of this sensitivity analysis.

(Expressed in thousands of Renminbi, unless otherwise stated)

50 Risk management *(continued)*

(c) Liquidity risk

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the reporting period:

	As at 30 June 2020							
	Indefinite Note (i) Unaudited	Repayable on demand Unaudited	Within one month Unaudited	Between one month and three months Unaudited	Between three months and one year Unaudited	Between one year and five years Unaudited	More than five years Unaudited	Total Unaudited
Assets								
Cash and deposits with the central bank	41,082,973	4,888,010	–	–	–	–	–	45,970,983
Deposits with banks and other financial institutions	43,589	23,865,974	75,957	2,992,385	34,125	–	–	27,012,030
Placements with banks and other financial institutions	–	–	–	–	–	5,682,521	–	5,682,521
Financial assets held under resale agreements	–	–	13,521,683	–	–	–	–	13,521,683
Loans and advances to customers Note (ii)	11,045,624	3,477,020	5,119,470	23,897,669	148,727,652	204,000,962	11,061,393	407,329,790
Investments Note (iii)	12,232,818	6,725,340	12,244,779	24,298,633	63,662,044	44,315,609	9,482,915	172,962,138
Finance lease receivables	844,846	–	–	416,153	943,264	1,850,261	128,104	4,182,628
Others	24,252,363	95,972	100	120,012,523	21,147	221,677	–	144,603,782
Total assets	89,502,213	39,052,316	30,961,989	171,617,363	213,388,232	256,071,030	20,672,412	821,265,555
Liabilities								
Borrowing from the central bank	–	–	–	300	101,880	–	–	102,180
Deposits from banks and other financial institutions	–	59,841,253	6,038,320	14,875,632	24,478,592	66,525,586	–	171,759,383
Placements from banks and other financial institutions	–	–	17,401,139	–	500,079	–	–	17,901,218
Financial assets sold under repurchase agreements	–	–	16,018,640	3,492,640	91,525	–	–	19,602,805
Deposits from customers	–	79,879,681	12,043,454	26,424,820	125,773,813	169,853,702	2,175	413,977,645
Debt securities payable	–	–	29,622,339	31,918,511	61,902,524	–	6,494,674	129,938,048
Others	–	3,399,470	938,285	1,222,025	2,249,478	137,685	111,225	8,058,168
Total liabilities	–	143,120,404	82,062,177	77,933,928	215,097,891	236,516,973	6,608,074	761,339,447
Asset-liability gap	89,502,213	(104,068,088)	(51,100,188)	93,683,435	(1,709,659)	19,554,057	14,064,338	59,926,108

(Expressed in thousands of Renminbi, unless otherwise stated)

50 Risk management *(continued)*

(c) Liquidity risk *(continued)*

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the reporting period: *(continued)*

	At 31 December 2019							
	Indefinite Note (i) Audited	Repayable on demand Audited	Within one month Audited	Between one month to three months Audited	Between three months to one year Audited	Between one year to five years Audited	More than five years Audited	Total Audited
Assets								
Cash and deposits with the central bank	43,964,829	61,211,708	–	–	–	–	–	105,176,537
Deposits with banks and other financial institutions	128,804	6,021,912	638	2,082,821	67,417	–	–	8,301,592
Placements with banks and other financial institutions	3,161,237	–	–	2,482,627	–	–	–	5,643,864
Loans and advances to customers Note (ii)	35,193,152	1,098,899	8,663,217	15,844,425	120,662,161	260,318,811	10,914,846	452,695,511
Investments Note (iii)	12,774,133	5,734,673	14,800,756	20,919,316	85,315,108	81,337,170	11,985,249	232,866,405
Finance lease receivables	601,709	–	–	902,114	1,986,796	2,917,695	–	6,408,314
Others	25,187,097	100,804	4,196	78,550	222,223	9,098	–	25,601,968
Total assets	121,010,961	74,167,996	23,468,807	42,309,853	208,253,705	344,582,774	22,900,095	836,694,191
Liabilities								
Borrowing from the central bank	–	–	33,039,326	–	40,321	–	–	33,079,647
Deposits from banks and other financial institutions	–	45,739,966	14,298,595	67,458,683	45,971,701	4,648,809	–	178,117,754
Placements from banks and other financial institutions	–	–	17,187,677	5,856,149	4,687,537	–	–	27,731,363
Financial assets sold under repurchase agreements	–	–	3,563,991	6,542,611	–	–	–	10,106,602
Deposits from customers	–	69,156,300	24,708,466	41,549,549	107,202,902	164,486,041	9,521	407,112,779
Debt securities payable	–	–	22,251,421	27,782,897	53,570,944	9,465	6,494,110	110,108,837
Others	–	3,474,918	679,590	1,442,884	4,833,744	298,889	201,735	10,931,760
Total liabilities	–	118,371,184	115,729,066	150,632,773	216,307,149	169,443,204	6,705,366	777,188,742
Asset-liability gap	121,010,961	(44,203,188)	(92,260,259)	(108,322,920)	(8,053,444)	175,139,570	16,194,729	59,505,449

Notes:

(i) Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amounts of deposits with banks and other financial institutions and placements with banks and other financial institutions represents impaired deposits or balances or those overdue more than one month. Indefinite amount of investments represents impaired investments or those overdue more than one month. Equity investments are listed in the category of indefinite.

(ii) Indefinite amount of loans and advances to customers includes all the impaired loans, as well as those overdue more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of repayable on demand.

(iii) Investments with no impairment but overdue within one month are classified into the category of repayable on demand.

(Expressed in thousands of Renminbi, unless otherwise stated)

50 Risk management *(continued)*

(c) Liquidity risk *(continued)*

The following tables provide an analysis on utilisation of the contractual undiscounted cash flow of the non-derivative financial liabilities, loan commitments and credit card commitments and derivative financial instruments at the end of the reporting period:

	As at 30 June 2020							
	Carrying amount Unaudited	Contractual undiscounted cash flow Unaudited	Repayable on demand Unaudited	Within one month Unaudited	Between one month and three months Unaudited	Between three months and one year Unaudited	Between one year and five years Unaudited	Move than five years Unaudited
Non-derivative financial liabilities								
Borrowing from the central bank	102,180	104,466	–	–	305	104,161	–	–
Deposits from banks and other financial institutions	171,759,383	194,115,211	59,841,253	6,646,012	15,725,085	27,747,062	84,155,799	–
Placements from banks and other financial institutions	17,901,218	17,911,323	–	17,403,952	–	507,371	–	–
Financial assets sold under repurchase agreements	19,602,805	19,623,437	–	16,035,695	3,496,089	91,653	–	–
Deposits from customers	413,977,645	453,915,454	79,879,681	12,105,226	27,018,207	130,434,789	204,475,090	2,461
Debt securities payable	129,938,048	134,611,365	–	30,206,720	32,491,841	63,204,463	1,516,240	7,192,101
Other financial liabilities	4,662,971	4,702,503	496,221	868,827	1,120,349	1,913,335	167,930	135,841
Total non-derivative financial liabilities	757,944,250	824,983,759	140,217,155	83,266,432	79,851,876	224,002,834	290,315,059	7,330,403
Loan commitments and credit card commitments	–	1,408,438	1,344,272	17,890	25,573	703	20,000	–

	Within three months Unaudited	Between three months and one year Unaudited	Total Unaudited
Derivative cash flows			
Derivative financial instruments settled on gross basis			
Cash outflow	(1,056,542)	(5,309,359)	(6,365,901)
Cash inflow	1,067,341	5,261,449	6,328,790

(Expressed in thousands of Renminbi, unless otherwise stated)

50 Risk management *(continued)*

(c) Liquidity risk *(continued)*

The following tables provide an analysis on utilisation of the contractual undiscounted cash flow of the non-derivative financial liabilities, loan commitments and credit card commitments and derivative financial instruments at the end of the reporting period: *(continued)*

	At 31 December 2019							
	Carrying amount Audited	Contractual undiscounted cash flow Audited	Repayable on demand Audited	Within one month Audited	Between one month and three months Audited	Between three months and one year Audited	Between one year and five years Audited	Move than five years Audited
Non-derivative financial liabilities								
Borrowing from the central bank	33,079,647	33,151,146	–	33,110,825	–	40,321	–	–
Deposits from banks and other financial institutions	178,117,754	197,273,235	45,739,966	14,595,802	81,882,591	49,275,051	5,779,825	–
Placements from banks and other financial institutions	27,731,363	27,827,228	–	17,190,876	5,921,539	4,714,813	–	–
Financial assets sold under repurchase agreements	10,106,602	10,133,176	–	3,576,574	6,556,602	–	–	–
Deposits from customers	407,112,779	442,158,075	69,156,300	25,063,199	42,186,176	109,351,446	196,390,178	10,776
Debt securities payable	110,108,837	113,092,666	–	22,280,000	27,955,159	54,641,213	870,184	7,346,110
Other financial liabilities	7,089,956	7,138,870	344,163	559,906	1,213,574	4,490,399	441,432	89,396
Total non-derivative financial liabilities	773,346,938	830,774,396	115,240,429	116,377,182	165,715,641	222,513,243	203,481,619	7,446,282
Loan commitments and credit card commitments	–	3,197,415	3,165,968	5,848	21,180	4,419	–	–

	Within three months Audited	Between three months and one year Audited	Total Audited
Derivative cash flows			
Derivative financial instruments settled on gross basis			
Cash outflow	(7,284,568)	(3,898,561)	(11,183,129)
Cash inflow	7,322,038	3,837,917	11,159,955

This analysis of contractual undiscounted cash flow might diverge from actual results.

51 Fair value of financial instruments

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for the determination and disclosure of the fair values of financial instruments:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Group has established policies and internal controls with respect to the measurement of fair values, specify the framework of fair value measurement of financial instrument, fair value measurement methodologies and procedures. Fair value measurement policies specify valuation techniques, parameter selection and relevant concepts, models and parameter solutions. Operating procedures specify measurement operating procedures, valuation date, market parameter selection and corresponding allocation of responsibilities. In the process of fair value measurement, front office is responsible for daily transactions management. Financial accounting department plays a lead role of developing accounting policies of fair value measurement, valuation methodologies and system implementation. The management of the Group is responsible for verifying trade details and valuation models.

(Expressed in thousands of Renminbi, unless otherwise stated)

51 Fair value of financial instruments *(continued)*

Determination of fair value and fair value hierarchy *(continued)*

The following tables show the fair value hierarchy of financial instruments measured or disclosed at fair value:

	At 30 June 2020			
	Level 1 Unaudited	Level 2 Unaudited	Level 3 Unaudited	Total Unaudited
Financial assets measured at fair value				
Financial assets at fair value through profit or loss – debt instruments	–	3,250,396	24,289,323	27,539,719
Financial assets designated at fair value through profit or loss	–	–	3,765,446	3,765,446
Financial assets at fair value through other comprehensive income				
– debt instruments	–	11,443,086	–	11,443,086
– equity instruments	188,283	–	1,158,750	1,347,033
Loans and advances to customers	–	11,175,760	–	11,175,760
Positive fair value of derivatives – foreign currency derivatives	–	33,770	–	33,770
Total	188,283	25,903,012	29,213,519	55,304,814
Financial liabilities measured at fair value				
Financial liabilities designated at fair value through profit or loss	–	–	3,773,853	3,773,853
Negative fair value of derivatives – derivative financial liability	–	(75,998)	–	(75,998)
Total	–	(75,998)	3,773,853	3,697,855
Financial assets disclosed at fair value				
Financial assets measured at amortised cost	–	128,713,939	–	128,713,939
Financial liabilities disclosed at fair value				
Tier two capital bonds issued	–	6,367,086	–	6,367,086
Negotiable certificates of deposit issued	–	122,196,874	–	122,196,874
Total	–	128,563,960	–	128,563,960

(Expressed in thousands of Renminbi, unless otherwise stated)

51 Fair value of financial instruments *(continued)*

Determination of fair value and fair value hierarchy *(continued)*

	At 31 December 2019			
	Level 1	Level 2	Level 3	Total
	Audited	Audited	Audited	Audited
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
– debt instruments	–	3,629,931	45,239,988	48,869,919
Financial assets designated at fair value through profit or loss	–	–	6,287,252	6,287,252
Financial assets at fair value through other comprehensive income				
– debt instruments	–	11,196,501	–	11,196,501
– equity instruments	66,469	–	1,165,027	1,231,496
Loans and advances to customers	–	226,427	–	226,427
Positive fair value of derivatives				
– foreign currency derivatives	–	84,969	–	84,969
Total	66,469	15,137,828	52,692,267	67,896,564
Financial liabilities measured at fair value				
Financial liabilities designated at fair value through profit or loss	–	–	6,282,210	6,282,210
Negative fair value derivatives				
– derivative financial liability	–	100,011	–	100,011
Total	–	100,011	6,282,210	6,382,221
Financial assets disclosed at fair value				
Financial assets measured at amortised cost	–	165,206,726	–	165,206,726
Financial liabilities disclosed at fair value				
Tier two capital bonds issued	–	6,802,961	–	6,802,961
Negotiable certificates of deposit issued	–	102,767,017	–	102,767,017
Total	–	109,569,978	–	109,569,978

During the Reporting Period, there were no significant transfers among instruments in Level 1, Level 2 and Level 3.

(Expressed in thousands of Renminbi, unless otherwise stated)

51 Fair value of financial instruments *(continued)*

Determination of fair value and fair value hierarchy *(continued)*

Debt instruments are stated at fair value by reference to the quoted market prices when available. If quoted market prices are not available, fair values are estimated on the basis of discounted cash flows or pricing models. For level 2 debt instruments, the fair values of these debts are determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data.

The movement during this period and 2019 in the balance of level 3 fair value measurements are as follows:

	Financial assets at fair value through profit or loss Unaudited	Financial assets designated at fair value through profit or loss Unaudited	Financial assets at fair value through other comprehensive income instruments Unaudited	Derivative financial assets Unaudited	Total Unaudited	Financial liabilities designated at fair value through profit or loss Unaudited	Derivative financial liabilities Unaudited	Total Unaudited
1 January 2020	45,239,988	6,287,252	1,165,027	–	52,692,267	(6,282,210)	–	(6,282,210)
Total gains or losses:								
– in profit or loss for the period (included in net trading gains/(losses))	153,877	143,325	–	–	297,202	(101,318)	–	(101,318)
– in other comprehensive income	–	–	(6,277)	–	(6,277)	–	–	–
Purchases/Issues	13,738,306	3,133,510	–	–	16,871,816	(3,133,510)	–	(3,133,510)
Settlements	(34,842,848)	(5,798,641)	–	–	(40,641,489)	5,743,185	–	5,743,185
At 30 June 2020	24,289,323	3,765,446	1,158,750	–	29,213,519	(3,773,853)	–	(3,773,853)
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the period (included in net trading gains/(losses))	(69,177)	41,673	–	–	(27,504)	(27,225)	–	(27,225)

(Expressed in thousands of Renminbi, unless otherwise stated)

51 Fair value of financial instruments *(continued)*

Determination of fair value and fair value hierarchy *(continued)*

	Financial assets at fair value through profit or loss Audited	Financial assets designated at fair value through profit or loss Audited	Financial assets at fair value through other comprehensive income instruments Audited	Derivative financial assets Audited	Total Audited	Financial liabilities designated at fair value through profit or loss Audited	Derivative financial liabilities Audited	Total Audited
1 January 2019	41,482,355	16,586,787	609,330	339	58,678,811	(16,512,712)	(2)	(16,512,714)
Total gains or losses:								
– in profit or loss for the period (included in net trading gains/(losses))	2,238,368	527,599	–	(339)	2,765,628	(479,216)	2	(479,214)
– in other comprehensive income	–	–	(27,875)	–	(27,875)	–	–	–
Purchases/Issues	45,458,247	13,542,178	583,572	–	59,583,997	(13,542,178)	–	(13,542,178)
Settlements	(43,938,982)	(24,369,312)	–	–	(68,308,294)	24,251,896	–	24,251,896
At 31 December 2019	45,239,988	6,287,252	1,165,027	–	52,692,267	(6,282,210)	–	(6,282,210)
Total gains or losses for the year included in profit or loss for assets and liabilities held at the end of the period (included in net trading gains/(losses))	991,848	142,742	–	–	1,134,590	(147,474)	–	(147,474)

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain of the financial assets and liabilities held and issued by the Group, the discounted cash flow method or other valuation methods described below are adopted to determine the fair values of these assets and liabilities:

(i) The debt instruments are not quoted in an active market. In the absence of any other relevant observable market data, the fair values of debt instruments are estimated on the basis of pricing models or discounted cash flows. The significant unobservable inputs are price to earnings ratio and discount rate. The higher the price to earnings ratio and the lower the discount rate, the higher the fair value.

(ii) The fair values of tier two capital bonds, financial assets measured at amortised cost and negotiable certificates of deposit are determined with reference to the available market values. If quoted market prices are not available, fair values are estimated on the basis of pricing models or discounted cash flows. The significant unobservable inputs are price to earnings ratio and discount rate.

(iii) The fair value of equity instrument is determined with reference to the available market values. If quoted market prices are not available, fair values are estimated on the basis of recent transaction prices or discounted cash flow, where the significant input is discount rate. The higher the discount rate, the lower the fair value.

(Expressed in thousands of Renminbi, unless otherwise stated)

51 Fair value of financial instruments *(continued)*

Determination of fair value and fair value hierarchy *(continued)*

All of the above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's assets and liabilities. However, other financial institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

At 30 June 2020, the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were immaterial.

52 Entrusted lending business

The entrusted lending business of the Group includes the entrusted loans issued with funds entrusted by legal persons, unincorporated organisations, individual business and natural persons with full civil capacity. The funds exclude entrusted loans under cash management and entrusted loans under housing accumulation fund. The Group's entrusted loan business is not subject to any credit risk. The Group only holds and manages these assets and liabilities as an agent in accordance with the instructions of the entrusting party, and charges a handling fee for the services provided. Since the entrusted assets are not assets of the Group, they are not recognised in the statement of financial position.

	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Entrusted loans	**56,836,988**	61,263,282
Entrusted funds	**56,836,988**	61,263,282

(Expressed in thousands of Renminbi, unless otherwise stated)

53 Commitments and contingent liabilities

(a) Credit commitments

The Group's credit commitments mainly includes loans commitments, credit card commitments, acceptances, letters of credit and letters of guarantees.

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

	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Loan commitments		
– Original contractual maturity within one year	113,845	2,359,907
– Original contractual maturity more than one year (inclusive)	20,000	–
Credit card commitments	1,274,593	837,508
Subtotal	1,408,438	3,197,415
Acceptances	84,017,537	119,543,175
Letters of guarantees	102,372	99,443
Letters of credit	1,133,002	4,496,980
Total	86,661,349	127,337,013

The Group may be exposed to credit risk in all the above credit businesses. The management of the Group 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.

(Expressed in thousands of Renminbi, unless otherwise stated)

53 Commitments and contingent liabilities *(continued)*

(b) Capital commitments

As at the end of the period/year, the Group's authorised capital commitments are as follows:

	At 30 June 2020 Unaudited	At 31 December 2019 Audited
Contracted but not provided for		
– Purchase of property and equipment	**50,769**	47,169

(c) Outstanding litigations and disputes

At 30 June 2020, the Group had no material outstanding litigation and disputes with gross claims.

54 Transfers of financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose entities. In some cases where these transferred financial assets qualify for derecognition, the transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognise the transferred assets.

Repurchase agreements

Transferred financial assets that do not qualify for derecognition mainly include debt instruments held by counterparties as collateral under repurchase. The counterparties are allowed to sell or repledge those securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may in certain circumstances require or be required to pay additional cash collateral. The Group has determined that the Group retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, the Group recognised a financial liability for cash received.

At 30 June 2020 and 31 December 2019, none of the above-mentioned financial assets which did not qualify for derecognition was transferred to third parties.

55 Non-adjusting events after the reporting period

1. On 23 January 2020, the Bank and Beijing Chengfang Huida Enterprise Management Co.,Ltd.* (北京成方匯達企業管理有限公司) and Liaoning Financial Holding Group Co., Ltd. (the "Subscribers"), parties independent from the Bank and its connected persons, entered into a subscription agreement ("Subscription Agreement"), pursuant to which the Bank has conditionally agreed to issue and allot and the Subscribers have conditionally agreed to subscribe in cash for an aggregate of 6.2 billion of ordinary shares at a subscription price of RMB1.950 (subject to the Price Adjustment) per share ("Proposed Private Placement").

   On 10 July 2020, the Bank held an extraordinary general meeting at which the Subscription Agreement was considered and approved.

   On 10 August 2020, the Bank announced that the Bank has received the approvals from the CBIRC Liaoning Regulatory Bureau, pursuant to which, the CBIRC Liaoning Regulatory Bureau has approved on the plan of the Proposed Private Placement.

   On 14 August 2020, the Bank supplemented the announcement in relation to the approval from the CBIRC Liaoning Regulatory Bureau in relation to the Proposed Private Placement (the "CBIRC Approval Announcement") that as a result of obtaining the relevant approvals from the CBIRC Liaoning Regulatory Bureau, as at the date hereof, save as conditions precedent (i), (ii), (iii), (iv), (ix) and (x) under the Subscription Agreement relating to the compliance, representations and warranties by the Bank and the Subscribers as they shall be repeated at the closing date, all conditions precedent have been satisfied. The Bank is proceeding with the procedures to complete the Proposed Private Placement, including the registration of the Subscribers as shareholders of the Bank and handling the business changes registration. For details, please refer to announcements of the Bank dated 10 March 2020, 10 July 2020, 10 August 2020 and 14 August 2020.

2. On 10 July 2020, the Bank held an extraordinary general meeting to consider and approve the Framework Disposal Agreement, the disposal of the Disposal Assets and all the transactions contemplated thereunder. Therefore, all conditions precedent as set out in the Framework Disposal Agreement had been fulfilled. For details, please refer to the announcements of the Bank dated 3 April 2020, 10 July 2020 and 27 July 2020.

3. According to the resolution on the distribution of dividends for offshore preference shares passed at the Board of Directors' meeting held on 20 August 2020, dividend to be distributed amounts to USD91 million (including tax). The dividend payment date is 27 October 2020.

56 Approval of the condensed consolidated interim financial information

The financial statements were approved and authorised for issue by the Board of Directors on 20 August 2020.

(Expressed in thousands of Renminbi, unless otherwise stated)

1. Liquidity coverage ratio and leverage ratio (%)

(a) Liquidity coverage ratio

	At 30 June 2020	Average for the year ended 30 June 2020
Liquidity coverage ratio (RMB and foreign currency)	**18.30%**	**46.58%**

	At 31 December 2019	Average for the year ended 31 December 2020
Liquidity coverage ratio (RMB and foreign currency)	74.86%	113.59%

(b) Leverage ratio

	At 30 June 2020	At 31 December 2019
Leverage ratio	**5.35%**	5.14%

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

The above liquidity coverage ratio and leverage ratio are calculated in accordance with the formula promulgated by the CBRC and based on the financial information prepared in accordance with PRC GAAP.

(Expressed in thousands of Renminbi, unless otherwise stated)

2. Currency concentration

	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
At 30 June 2020				
Spot assets	5,486,463	27,220	198,157	5,711,840
Spot liabilities	(2,849,501)	(4,117)	(7,485,958)	(10,339,576)
Net long position	2,636,962	23,103	(7,287,801)	(4,627,736)
Net structural position	–	–	–	–
At 31 December 2019				
Spot assets	5,533,760	33,527	144,553	5,711,840
Spot liabilities	(9,470,010)	(3,342)	(866,224)	(10,339,576)
Net long position	(3,936,250)	30,185	(721,671)	(4,627,736)
Net structural position	–	–	–	–

(Expressed in thousands of Renminbi, unless otherwise stated)

3. International claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as international claims. International claims include loans and advances to customers, deposits with the central bank, amounts due from banks and other financial institutions.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account 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 30 June 2020		
	Bank and other financial institutions	**Non-bank private sector**	**Total**
Asia Pacific	**452,034**	**2,530,985**	**2,983,019**
of which: Hong Kong	**228,678**	**1,949,251**	**2,177,929**
Europe	**2,167,623**	**–**	**2,167,623**
North and South America	**392,126**	**–**	**392,126**
Total	**3,011,783**	**2,530,985**	**5,542,768**

	At 31 December 2019		
	Bank and other financial institutions	Non-bank private sector	Total
Asia Pacific	602,174	2,345,054	2,947,228
of which: Hong Kong	242,899	1,873,434	2,116,333
Europe	2,141,197	–	2,141,197
North and South America	596,746	–	596,746
Total	3,340,117	2,345,054	5,685,171

(Expressed in thousands of Renminbi, unless otherwise stated)

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

	At 30 June 2020	At 31 December 2019
Jinzhou Region	**4,907,668**	15,760,176
Other Northeastern Region	**3,562,288**	21,343,186
Northern China Region	**1,985,717**	13,960,442
Total	**10,455,673**	51,063,804

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

	At 30 June 2020	At 31 December 2019
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	**1,645,610**	31,803,148
– between 6 months and 1 year (inclusive)	**3,289,159**	12,698,969
– between 1 year and 3 years (inclusive)	**4,963,160**	5,512,097
– over 3 years	**557,744**	1,049,590
Total	**10,455,673**	51,063,804
As a percentage of total gross loans and advances:		
– between 3 and 6 months (inclusive)	**0.40%**	6.50%
– between 6 months and 1 year (inclusive)	**0.80%**	2.60%
– between 1 year and 3 years (inclusive)	**1.20%**	1.13%
– over 3 years	**0.14%**	0.21%
Total	**2.54%**	10.44%

The above analysis includes loans and advances overdue for more than 90 days. Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

At 30 June 2020, the gross amount of overdue loans and advances overdue more than 90 days of the Group were RMB10,456 million (31 December 2019: RMB51,064 million). The covered portion of these overdue loans and advances were RMB4,357 million (31 December 2019: RMB15,750 million).

6. Non-bank Mainland China exposure

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

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