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泸州银行股份有限公司
LUZHOU BANK CO., LTD.

Luzhou Bank Co., Ltd.*
泸州银行股份有限公司*

(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1983)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board of directors (the “**Board**”) of Luzhou Bank Co., Ltd (the “**Bank**”) hereby announces the unaudited interim results of the Bank for the six months ended 30 June 2020. This interim results announcement, containing the full text of the 2020 interim report of the Bank, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of interim results.

The printed version of the Bank’s 2020 interim report will be dispatched to the shareholders of the Bank and available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Bank at www.lzccb.cn in due course.

By order of the Board
Luzhou Bank Co., Ltd.*
YOU Jiang
Chairman

Luzhou, the PRC, August 26, 2020

As at the date of this announcement, the Board comprises Mr. YOU Jiang, Mr. XU Xianzhong and Mr. LIU Shirong as executive Directors, Ms. PAN Lina, Mr. XIONG Guoming, Mr. LIU Qi, Mr. DAI Zhiwei and Ms. LIU Anyuan as non-executive Directors and Mr. GU Mingan, Mr. HUANG Yongqing, Mr. YE Changqing and Mr. TANG Baoqi as independent non-executive Directors.

* *Luzhou Bank 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/deposit-taking business in Hong Kong.*

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Corporate Overview

I. CORPORATE PROFILE

- (i) Legal Names
 - 1. Legal Chinese name: 泸州银行股份有限公司
(Abbreviation: “泸州银行”)
 - 2. Legal English name: LUZHOU BANK CO., LTD.
(Abbreviation: “LUZHOU BANK”)
- (ii) Registered Capital: RMB2,264,793,385
- (iii) Legal Representative: Mr. YOU Jiang
- (iv) Authorized Representatives: Mr. LIU Shirong, Ms. SO Shuk Yi Betty
- (v) Joint Company Secretaries: Mr. LIU Shirong, Ms. SO Shuk Yi Betty
- (vi) Listing Stock Exchange of H shares: The Stock Exchange of Hong Kong Limited
- (vii) Abbreviated Stock Name and Stock Code: LUZHOU BANK (1983.HK)
- (viii) Registered Address: Building 1, No. 18, Section 3 Jiucheng Avenue, Jiangyang District, Luzhou City, Sichuan Province, PRC
- (ix) Principal Place of Business in Hong Kong: 40th Floor, Sunlight Tower, No. 248 Queen’s Road East, Wanchai, Hong Kong
- (x) Contact Address:
Building 1, No. 18, Section 3 Jiucheng Avenue, Jiangyang District, Luzhou City, Sichuan Province, PRC
Post Code: 646000
Website: www.lzccb.cn
- (xi) Auditor: PricewaterhouseCoopers
- (xii) PRC Legal Advisor: JunHe LLP
- (xiii) Hong Kong Legal Advisor: King & Wood Mallesons
- (xiv) H Share Registrar and Transfer Office: Computershare Hong Kong Investor Services Limited

- (xv) Other Relevant Information of the Company
Registration Date: 15 September 1997
Registration Authority: Market Supervision and Administration Bureau of Luzhou
Unified Social Credit Code: 91510500708926271U
Financial License Institution Number: B0210H251050001
Customer Service and Complaints Hotline: 0830-96830
Tel: 0830-2362606
Fax: 0830-3100625
E-mail: ir@lzccb.cn

II. CORPORATE INFORMATION

Headquartered in Luzhou, the PRC, Luzhou Bank Co., Ltd. was established on 15 September 1997 as approved by the PBoC. The Bank has one branch in Chengdu, eight primary sub-branches and 28 secondary sub-branches in total. The Bank is preparing to build one branch in Meishan and three sub-branches in Jinniu District, Qingyang District and Jintang County, Chengdu. As at the end of the Reporting Period, our total assets amounted to RMB109,464 million, our total customers loans amounted to RMB53,531 million, and our total customer deposits amounted to RMB76,898 million.

Financial Summary

Unit: RMB' 000

For the six months ended 30 June			
Item	2020	2019	Year-on year change
Operating results			change (%)
Net interest income	1,474,073	1,354,602	8.82
Net fee and commission income	2,250	782	187.72
Operating income	1,644,275	1,403,630	17.14
Operating expenses	(458,612)	(459,073)	(0.10)
Expected credit losses	(610,286)	(329,276)	85.34
Profit before income tax	578,003	617,416	(6.38)
Net profit	449,115	490,353	(8.41)
Net profit attributable to shareholders of the Bank	449,115	490,353	(8.41)
Per share (RMB)			change
Net assets per share attributable to our shareholders ⁽¹⁾	3.12	2.97	0.15
Basic earnings per share ⁽²⁾	0.20	0.22	(0.02)
Diluted earnings per share	0.20	0.22	(0.02)
Item	30 June 2020	31 December 2019	Year-on year change
Scale indicators (RMB' 000)			change (%)
Total assets	109,463,569	91,680,621	19.40
Of which: net customers loans ⁽³⁾	51,517,861	43,298,734	18.98
Total liabilities	100,692,039	84,791,112	18.75
Of which: customer deposits	76,898,256	61,436,960	25.17
Share capital	2,264,793	2,264,793	0.00
Equity attributable to our shareholders	8,771,530	6,889,509	27.32
Total equity	8,771,530	6,889,509	27.32
Asset quality indicators (%)			change
NPL ratio	1.53	0.94	0.59
Allowance coverage ratio	246.35	349.78	(103.43)
Allowance to gross loan ratio	3.78	3.28	0.50
Capital adequacy indicators (%)			change
Core tier-one capital adequacy ratio ⁽⁴⁾	8.77	9.31	(0.54)
Tier-one capital adequacy ratio ⁽⁴⁾	10.89	9.31	1.58
Capital adequacy ratio ⁽⁴⁾	13.23	12.09	1.14
Other indicators (%)			change
Liquidity ratio	91.40	83.72	7.68

Financial Summary

Item	For the six months ended 30 June		Year-on
	2020	2019	Year change
Profitability indicators (%)			change
Return on average total assets ⁽⁵⁾	0.89	1.13	(0.24)
Return on average equity ⁽⁶⁾	11.87	14.54	(2.67)
Net interest spread ⁽⁷⁾	2.84	2.94	(0.10)
Net interest margin ⁽⁸⁾	3.01	3.14	(0.13)
Cost-to-income ratio ⁽⁹⁾	26.93	31.66	(4.73)

Notes:

- (1) Net assets per share attributable to our shareholders = (equity attributable to our shareholders – other equity instruments)/the number of ordinary shares at the end of the period.
- (2) Basic earnings per share are calculated by dividing the net profit for the year/period attributable to shareholders of the Bank by the weighted average number of ordinary shares during the period.
- (3) Net customers loans = total customers loans – impairment allowance on customers loans.
- (4) The capital adequacy ratio related indicators in the above table were calculated in accordance with the Capital Administrative Measures for Commercial Banks (Provisional) 《商業銀行資本管理辦法(試行)》 and other relevant regulatory requirements.
- (5) Return on average total assets = net profit/the average balance of total assets at the beginning and the end of the period.
- (6) Return on average equity = net profit attributable to our shareholders of ordinary shares/the weighted average balance of equity attributable to our shareholders of ordinary shares at the beginning and the end of the period.
- (7) Net interest spread = the average yield on interest-earning assets – the average cost of interest-bearing liabilities.
- (8) Net interest margin = net interest income/the average balance of interest-earning assets.
- (9) Cost-to-income ratio = (operating expenses – tax and surcharges)/operating income.

Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

1. ENVIRONMENT AND PROSPECT

The Chinese economy has shown remarkable resilience. According to the statistics provided by National Bureau of Statistics, China's GDP was RMB45,661.4 billion in the first half of the year due to the impact of the COVID-2019 epidemic. On a quarterly basis, the GDP decreased by 6.8% year-on-year in the first quarter and increased by 3.2% in the second quarter. The economy moved from negative growth to positive growth, demonstrating steady improvements in the development quality, while significant progress was made in epidemic prevention and control and economic development. In the long run, the fundamentals of Chinese economy remain favorable for long-term growth and will not change.

Sichuan Province is the fourth largest province in terms of population and the sixth largest province in terms of economy in China. Driven by the important policies such as the Yangtze River Economic Belt, a new round of Large-Scale Development of the Western Region, Sichuan Pilot Free Trade Zone, Sichuan has saw rapid economic development in recent years with GDP growing at a rate of over 7% for the fifth consecutive year, ranking at the forefront among all provinces (autonomous regions and municipalities) across the country. At the sixth meeting of the Central Financial and Economic Affairs Commission in January 2020, Xi Jinping, President of China, delivered an important speech, emphasizing the importance of “to promote the construction of a two-city economic circle in Chengdu-Chongqing region and forge an important growth driver for high-quality development in the west” which is the highest-level, most influential and most valuable national positioning of Chengdu, the capital of Sichuan Province after being identified as the national central city in 2016. Such positioning provided access point and integrating point for Chengdu and Sichuan to acquire national policy support at home and gather high-quality elements and resources from abroad, and enabling Chengdu and Sichuan to undertake a new mission and seize immense opportunities in the new era.

Luzhou, located between the two cities of Chengdu and Chongqing, is easily accessible and rich in resources, has enormous advantage in the two-city economic circle of Chengdu-Chongqing region. Since 2020, Luzhou Party and government delegation frequently communicated with governments of neighboring Rongchang, Jiangjin, Yongchuan and other places of Chongqing as well as with Chengdu Municipal Government and signed a number of cooperation agreements. The construction of important infrastructures in connection with Luzhou, such as the Inter-city Railway of Southern Sichuan and Chongqing-Kunming High Speed Rail also has been accelerated. Currently, Luzhou is actively integrating itself into the construction of a two-city economic circle in Chengdu-Chongqing region, and is striving to move towards the goals of building itself into an economic sub-center of Sichuan Province, an important node city in the two-city economic circle in Chengdu-Chongqing region, and a regional key city in the junction of Sichuan, Chongqing, Yunnan and Guizhou (川渝滇黔).

Benefiting from the rapid development of economy in Sichuan and Luzhou, various businesses of the Bank witnessed stable growth in the first half of 2020. The Bank issued capital bonds without a fixed term of RMB1.7 billion successfully and is also efficiently advancing the issuance of 360 million H shares and tier-2-capital debt of RMB1.5 billion. At the same time, the second sub-branch of the Bank located in Chengdu, Jinjiang sub-branch, was official opening in March this year. The Bank are expediting the establishment of three sub-branches located in Jintang County, Jinniu District and Qingyang District of Chengdu City, respectively and a branch located in Meishan City. In addition, the Bank has also established business partnerships with some high-quality enterprises which operated across Sichuan and Chongqing and some financial institutions in Chongqing. Then, the Bank will, in strict compliance with the business objectives set by the Board, coordinate the prevention and control of various risks, seize the opportunities brought by the “construction of a two-city economic circle in Chengdu-Chongqing region” to accelerate the development of various businesses, and strive to build itself into a first-class listed bank with distinctive characteristics in China.

Management Discussion and Analysis

2. DEVELOPMENT STRATEGIES

In 2020, as our Bank's basic operation guideline continued with "first-class management, excellent operations, competitive compensation and best brand recognition" of establishing a bank, we will, by focusing on strategic orientation, improve management, explore transformation and innovation, enhance risk control and compliance and actively grasp new opportunities with a new look in the new era to promote our new development and continuously make new breakthroughs.

3. ANALYSIS OF STATEMENTS OF PROFITS

3.1 Financial Results Highlights

Unit: RMB' 000

Item	For the six months ended 30 June	
	2020	2019
Net interest income	1,474,073	1,354,602
Net fee and commission income	2,250	782
Net gains on trading activities, net gains on financial investments and other operating income	167,952	48,246
Operating expenses	(458,612)	(459,073)
Expected credit losses	(610,286)	(329,276)
Share of profits of an associate	2,626	2,135
Profit before income tax	578,003	617,416
Income tax expenses	(128,888)	(127,063)
Net profit	449,115	490,353
Of which: net profit attributable to shareholders of the Bank	449,115	490,353

For the six months ended 30 June 2020, the Bank's profit before income tax amounted to RMB578 million, representing a decrease of RMB39 million or 6.38% as compared to the same period of the previous year and the net profit of RMB449 million, representing a decrease of RMB41 million or 8.41% as compared to the same period of the previous year. The following table sets forth the impacts of changes in the Bank's major profit or loss items on profit before income tax.

Unit: RMB' 000

Item	Amount
Profit before income tax for the six months ended 30 June 2019	617,416
Changes in 2020	
Changes in net interest income	119,471
Changes in net fee and commission income	1,468
Changes in net gains on trading activities, net gains on financial investments and other operating income	119,706
Changes in operating expenses	461
Changes in expected credit losses	(281,010)
Changes in share of profits of an associate	491
Profit before income tax for the six months ended 30 June 2020	578,003

Management Discussion and Analysis

3.2 Operating Income

In the first half of 2020, the Bank's operating income amounted to RMB1,644 million, representing an increase of RMB241 million or 17.14% as compared to the same period of the previous year. Among which, net interest income accounted for 89.65%, representing a decrease of 6.86 percentage points as compared to the same period of the previous year. Net non-interest income amounted to RMB170 million, accounting for 10.35%. The following table sets forth the components of the Bank's operating income and its comparison with the same period of the previous year.

Unit: %

Item	For the six months ended 30 June	
	2020	2019
Net interest income	89.65	96.51
Net fee and commission income	0.14	0.05
Net gains on trading activities, net gains on financial investments and other operating income	10.21	3.44
Total	100.00	100.00

3.3 Net Interest Income

For the six months ended 30 June 2020, the Bank's net interest income amounted to RMB1,474 million, representing an increase of RMB119 million or 8.82% as compared to the same period of the previous year, mainly due to the increase of the scale of interest-earning assets. The following table sets forth the average balance, interest income/expense and average yield/cost rate of the assets and liabilities of the Bank for the periods indicated. The average balances of interest-earning assets and interest-bearing liabilities are daily average balances.

Unit: RMB' 000

Item	For the six months ended 30 June					
	Average balance	2020 Interest income/expense	Average yield/cost rate (%)	Average balance	2019 Interest income/expense	Average yield/cost rate (%)
Interest-earning assets						
Customer loans	50,767,684	1,811,745	7.14	37,464,987	1,389,326	7.42
Investment ⁽¹⁾	32,803,411	1,124,872	6.86	34,627,818	1,140,407	6.59
Amounts due from banks and other financial institutions ⁽²⁾	6,848,618	55,063	1.61	7,394,098	93,961	2.54
Balances with central bank	7,405,034	48,297	1.30	6,913,176	50,939	1.47
Total	97,824,747	3,039,977	6.22	86,400,078	2,674,633	6.19

Management Discussion and Analysis

Item	For the six months ended 30 June					
	Average balance	2020 Interest income/expense	Average yield/cost rate (%)	Average balance	2019 Interest income/expense	Average yield/cost rate (%)
Interest-bearing liabilities						
Customer deposits	67,093,071	1,085,821	3.24	56,912,454	854,413	3.00
Amounts due to banks and other financial institutions ⁽³⁾	5,517,536	96,276	3.49	6,872,511	138,612	4.03
Debt securities issued	19,507,112	375,905	3.85	16,428,818	313,506	3.82
Others	567,818	7,902	2.78	881,906	13,500	3.06
Total	92,685,537	1,565,904	3.38	81,095,690	1,320,031	3.26
Net interest income	-	1,474,073	-	-	1,354,602	-
Net interest spread	-	-	2.84	-	-	2.94
Net interest margin	-	-	3.01	-	-	3.14

Notes:

- (1) Investments indicated in section 3.3 include credit related financial assets, financial assets at fair value through other comprehensive income and financial assets measured at amortized cost.
- (2) Amounts due from banks and other financial institutions indicated in section 3.3 include financial assets held under resale agreements.
- (3) Amounts due to banks and other financial institutions indicated in section 3.3 include financial assets sold under repurchase agreements.

As of 30 June 2020, the average balance of interest-earning assets was RMB97,825 million, representing an increase of RMB11,425 million or 13.22% as compared to the same period of the previous year, mainly due to an increase in the volume of customer loans. Net interest margin was 3.01%, representing a decrease of 0.13 percentage point as compared to the same period of the previous year; and net interest spread was 2.84%, representing a decrease of 0.1 percentage point as compared to the same period of the previous year, mainly because the increase of interest expense on interest-bearing liabilities outpaced the increase of interest income from interest-earning assets.

Management Discussion and Analysis

The following table sets forth the distribution of changes in the Bank's interest income and interest expense due to volume and interest rate changes for the periods indicated: the volume changes were measured by changes in average balance; interest rate changes were measured by changes in average interest rate, and changes in interest income and expense due to volume and interest rate changes were included in the changes in interest income and expense due to volume changes.

Unit: RMB' 000

Item	30 June 2020 vs. 30 June 2019		
	Due to volume	Due to interest rate	Net increase (decrease)
Assets			
Customer loans	474,733	(52,314)	422,419
Investments	(62,561)	47,026	(15,535)
Amounts due from banks and other financial institutions	(4,386)	(34,512)	(38,898)
Balances with central bank	3,208	(5,850)	(2,642)
Changes in interest income	410,994	(45,650)	365,344
Liabilities			
Customer deposits	164,761	66,647	231,408
Amounts due to banks and other financial institutions	(23,643)	(18,693)	(42,336)
Debt securities issued	59,319	3,080	62,399
Others	(4,371)	(1,226)	(5,598)
Changes in interest expense	196,066	49,807	245,873
Changes in net interest income	214,928	(95,457)	119,471

3.4 Interest Income

For the six months ended 30 June 2020, the Bank's interest income amounted to RMB3,040 million, representing an increase of RMB365 million or 13.66% as compared to the same period of the previous year, mainly due to an increase in the volume of interest-earning assets. The interest income from customer loans and investments constituted the major part of the interest income of the Bank.

Management Discussion and Analysis

3.4.1 Interest income from customer loans

For the six months ended 30 June 2020, the Bank's interest income from customer loans amounted to RMB1,812 million, representing an increase of RMB422 million or 30.40% as compared to the same period of the previous year. The following table sets forth the average balance, interest income and average yield of each component of the customer loans of the Bank for the periods indicated.

Unit: RMB' 000

Item	Average balance	For the six months ended 30 June			2019 Interest income	Average yield (%)
		2020 Interest income	Average yield (%)	Average balance		
Corporate loans	44,636,585	1,615,441	7.24	31,749,161	1,215,646	7.66
Personal loans	6,131,099	196,304	6.40	5,715,826	173,680	6.08
Total customer loans	50,767,684	1,811,745	7.14	37,464,987	1,389,326	7.42

3.4.2 Interest income from investments

For the six months ended 30 June 2020, the Bank's interest income from investments amounted to RMB1,125 million, representing a decrease of RMB16 million or 1.36% as compared to the same period of the previous year, mainly due to a decrease in the investment volume.

3.4.3 Interest income due from banks and other financial institutions

For the six months ended 30 June 2020, the Bank's interest income due from banks and other financial institutions amounted to RMB55 million, representing a decrease of RMB39 million or 41.40% as compared to the same period of the previous year, mainly due to a decrease in the market interest rate, the Bank reduced the allocation of inter-bank asset.

3.4.4 Interest income from balances with central bank

For the six months ended 30 June 2020, the Bank's interest income from balances with central bank amounted to RMB48 million, representing a decrease of RMB3 million or 5.19% as compared to the same period of the previous year, mainly due to a decrease in the statutory deposit reserves ratios and the rate of surplus deposit reserves with the People's Bank of China ("PBoC") as required, but the decline in interest income was partially offset by an increase in the volume of deposit reserve with central bank.

Management Discussion and Analysis

3.5 Interest Expense

For the six months ended 30 June 2020, the Bank's interest expense amounted to RMB1,566 million, representing an increase of RMB246 million or 18.63% as compared to the same period of the previous year, mainly due to an increase in the volume of interest-bearing liabilities. Interest expenses on customer deposits and debt securities issued constituted the major part of the interest expense of the Bank.

3.5.1 Interest expense on customer deposits

For the six months ended 30 June 2020, the Bank's interest expense on customer deposits amounted to RMB1,086 million, representing an increase of RMB231 million or 27.08% as compared to the same period of the previous year. The following table sets forth the average balance, interest expense and average cost rate of each component of the Bank's customer deposits for the periods indicated.

Unit: RMB' 000

Item	For the six months ended 30 June					
	2020			2019		
	Average balance	Interest expense	Average Cost rate (%)	Average balance	Interest expense	Average cost rate (%)
Corporate deposits						
Demand	26,294,586	274,967	2.09	23,975,907	221,979	1.85
Time	7,025,489	86,128	2.45	7,651,775	93,562	2.45
Subtotal	33,320,075	361,095	2.17	31,627,682	315,541	2.00
Personal deposits						
Demand	3,635,374	10,246	0.56	2,927,036	7,083	0.48
Time	30,137,622	714,480	4.74	22,357,736	531,789	4.76
Subtotal	33,772,996	724,726	4.29	25,284,772	538,872	4.26
Total customer deposits	67,093,071	1,085,821	3.24	56,912,454	854,413	3.00

3.5.2 Interest expense due to banks and other financial institutions

For the six months ended 30 June 2020, the interest expense due to banks and other financial institutions was RMB96 million, representing a decrease of RMB42 million or 30.54% as compared to the same period of the previous year, mainly due to a decrease both in the volume and average cost of amounts due to banks and other financial institutions.

3.5.3 Interest expense on debt securities issued

For the six months ended 30 June 2020, the Bank's interest expense on debt securities issued amounted to RMB376 million, representing an increase of RMB62 million or 19.90% as compared to the same period of the previous year, mainly because the amount of interbank certificates of deposit due in the first half of this year is more than that as compared to the same period of the previous year, therefore, the interest expense of interbank certificates of deposit increases higher on year-on-year basis.

Management Discussion and Analysis

3.6 Net Non-interest Income

In the first half of 2020, the Bank's net non-interest income amounted to RMB170 million, representing an increase of RMB121 million or 247.15% as compared to the same period of the previous year. The following table sets forth the major components of the Bank's net non-interest income for the periods indicated and the same period of the previous year.

Unit: RMB' 000

Item	For the six months ended 30 June	
	2020	2019
Fee and commission income	4,570	3,293
Less: fee and commission expense	2,320	2,511
Net fee and commission income	2,250	782
Net gains on trading activities, net gains on financial investments and other operating income	167,952	48,246
Total net non-interest income	170,202	49,028

3.7 Net Fee and Commission Income

In the first half of 2020, the Bank's net fee and commission income amounted to RMB2.25 million, representing an increase of RMB1.468 million as compared to the same period of the previous year.

Unit: RMB' 000

Item	For the six months ended 30 June	
	2020	2019
Fee and commission income		
Commission income from settlement services	779	946
Commission income from bank card services	868	1,068
Commission income from agency services	541	722
Commission income from guarantees and credit commitments services	1,147	455
Commission income from wealth management agency services	399	—
Commission income from investment banking services	817	—
Other commission income	19	102
Total	4,570	3,293
Fee and commission expense	(2,320)	(2,511)
Net fee and commission income	2,250	782

Management Discussion and Analysis

3.8 Net Gains on Trading Activities, Net Gains on Financial Investments and Other Operating Income

In the first half of 2020, the Bank's net gains on trading activities, net gains on financial investments and other operating income amounted to a total gain of RMB168 million, representing an increase of RMB120 million or 248.12% as compared to the same period of the previous year. Among them, net gains on trading activities increased by RMB47 million as compared to the same period of the previous year. Net gains on financial investments increased by RMB61 million as compared to the same period of the previous year. The following table sets forth the major components of the Bank's net gains on trading activities, net gains on financial investments and other operating income for the periods indicated.

Unit: RMB' 000

Item	For the six months ended 30 June	
	2020	2019
Net gains on trading activities	77,951	30,647
Net gains on financial investments	77,882	16,425
Other operating income	12,119	1,174
Total	167,952	48,246

3.9 Operating Expenses

In the first half of 2020, the Bank's operating expenses amounted to RMB459 million, remained relatively stable as compared to the same period of the previous year. Among them, staff costs (including Directors' and Supervisors' emoluments (allowance inclusive)) decreased by RMB12 million or 3.96% as compared to the same period of the previous year. Business and administrative expenses decreased by RMB3 million or 3.71% as compared to the same period of the previous year; taxes and surcharges increased by RMB1 million or 7.17% as compared to the same period of the previous year. The following table sets forth the major components of the Bank's operating expenses for the periods indicated.

Unit: RMB' 000

Item	For the six months ended 30 June	
	2020	2019
Staff costs (including Directors' and Supervisors' emoluments (allowance inclusive))	279,241	290,755
Business and administrative expenses	76,835	79,795
Depreciation and amortization	68,915	55,558
Professional service fees	12,581	12,066
Taxes and surcharges	15,752	14,698
Other non-operating expenses	1,720	1,290
Other business expenses	3,568	4,911
Total	458,612	459,073

Management Discussion and Analysis

3.10 Expected Credit Losses

In the first half of 2020, the Bank's expected credit losses amounted to RMB610 million, representing an increase of RMB281 million or 85.34% as compared to the same period of the previous year. The following table sets forth the major components of the Bank's expected credit losses for the periods indicated.

Unit: RMB' 000

Item	For the six months ended 30 June	
	2020	2019
ECL for customer loans at amortised cost	518,770	245,073
ECL for customer loans – FVOCI	41,790	246
ECL for financial investments - credit related financial assets	7,807	30,187
ECL for other financial investments	35,292	2,855
ECL for guarantee commitments	4,288	(8,674)
Other impairment losses	2,339	59,589
Total	610,286	329,276

Expected credit losses on loans constituted the largest part of impairment losses on assets. In the first half of 2020, the expected credit losses on loans (including discounted bills) amounted to RMB561 million, representing an increase of RMB315 million or 128.50% as compared to the same period of the previous year.

Management Discussion and Analysis

4. ANALYSIS OF MAJOR ITEMS OF THE STATEMENT OF FINANCIAL POSITION

4.1 Assets

As of the end of June 2020, the Bank's total assets amounted to RMB109,464 million, representing an increase of RMB17,783 million or 19.40% as compared to the end of the previous year, mainly due to the increase of the Bank's customer loans. The following table sets forth the components of the Bank's total assets as of the dates indicated.

Unit: RMB' 000

Item	30 June 2020		31 December 2019	
	Amount	% of total	Amount	% of total
Total customer loans	53,531,233	48.90	44,758,718	48.82
ECL allowance				
on loans at amortized cost	(2,013,372)	(1.84)	(1,459,984)	(1.59)
Net customer loans	51,517,861	47.06	43,298,734	47.23
Cash and balances with central bank	8,964,041	8.19	9,401,511	10.25
Financial assets held under resale agreements, due from other banks and financial institutions	8,274,104	7.56	3,284,840	3.58
Derivative financial assets	607	0.00	–	–
Financial investments – credit related financial assets	5,247,204	4.79	4,186,800	4.57
Financial investments – fair value through profit or loss	8,149,034	7.44	1,860,243	2.03
Financial investments – fair value through other comprehensive income	7,819,048	7.14	5,755,246	6.28
Financial investments – amortized cost	17,882,912	16.34	22,499,936	24.54
Investment in an associate	43,364	0.04	40,738	0.04
Property, plant and equipment	741,140	0.68	744,552	0.81
Deferred income tax assets	535,868	0.49	386,436	0.43
Other assets	288,386	0.27	221,585	0.24
Total assets	109,463,569	100.00	91,680,621	100.00

Management Discussion and Analysis

Customer loans

As of the end of June 2020, the Bank's total customer loans amounted to RMB53,531 million, representing an increase of RMB8,773 million or 19.60% as compared to the end of the previous year; net customer loans amounted to RMB51,518 million, representing an increase of RMB8,219 million or 18.98% as compared to the end of the previous year. The following table sets forth the customer loans of the Bank by product type as of the dates indicated.

Unit: RMB' 000

Item	30 June 2020		31 December 2019	
	Amount	% of total	Amount	% of total
Corporate loans	43,719,913	81.67	36,902,397	82.45
Discounted bills	3,033,473	5.67	1,499,648	3.35
Personal loans	6,546,842	12.23	6,175,779	13.80
Accrued interest	231,005	0.43	180,894	0.40
Total customer loans	53,531,233	100.00	44,758,718	100.00
Less: ECL allowance on loans at amortised cost	(2,013,372)	/	(1,459,984)	/
Net customer loans	51,517,861	/	43,298,734	/

Corporate loans

As of the end of June 2020, the Bank's total corporate loans amounted to RMB43,720 million, representing an increase of RMB6,818 million or 18.47% as compared to the end of the previous year, accounting for 81.67% of the total customer loans, representing a decrease of 0.78 percentage point as compared to the end of the previous year.

Discounted bills

As of the end of June 2020, the Bank's total discounted bills amounted to RMB3,033 million, representing an increase of RMB1,534 million or 102.28% as compared to the end of the previous year, accounting for 5.67% of the total customer loans, representing an increase of 2.32 percentage points as compared to the end of the previous year.

Personal loans

As of the end of June 2020, the Bank's personal loans amounted to RMB6,547 million, representing an increase of RMB371 million or 6.01% as compared to the end of the previous year, accounting for 12.23% of the total customer loans, representing a decrease of 1.57 percentage points as compared to the end of the previous year. The continual increase in the Bank's personal loans was primarily due to the Bank's successful development and marketing of its personal loan business, in particular, personal business loans and personal consumption loans.

Management Discussion and Analysis

Investments

As of the end of June 2020, the carrying value of the Bank's investments amounted to RMB39,098 million, representing an increase of RMB4,796 million or 13.98% as compared to the end of the previous year. The following table sets forth the components of the Bank's investment portfolio as of the dates indicated.

Unit: RMB' 000

Item	30 June 2020		31 December 2019	
	Amount	% of total	Amount	% of total
Financial investments – credit related financial assets	5,247,204	13.42	4,186,800	12.21
Financial investments – fair value through profit or loss	8,149,034	20.84	1,860,243	5.42
Financial investments – fair value through other comprehensive income	7,819,048	20.00	5,755,246	16.78
Financial investments – amortized cost	17,882,912	45.74	22,499,936	65.59
Total	39,098,198	100.00	34,302,225	100.00

The Bank has adopted International Financial Reporting Standards 9 – Financial Instruments (IFRS 9) since 1 January 2018. Prior to 1 January 2018, the Bank adopted International Accounting Standards 39 – Financial Instruments: Recognition and Measurement (IAS 39). The implementation of IFRS 9 has resulted in changes in the recognition, classification and measurement of the Bank's financial assets and financial liabilities, as well as related accounting policies for impairment of financial assets.

According to IFRS 9, the Bank's financial investments – available-for-sale were re-classified to financial investments – fair value through profit or loss, financial investments – fair value through other comprehensive income and financial investments – amortized cost. Meanwhile, financial investments – investments classified as receivables were re-classified to financial investments – amortized cost.

In addition, the Bank's accounting treatment of financial investments – credit related financial assets was the same as financial investments – investments classified as receivables under IAS 39 adopted prior to 1 January 2018 and financial investments – amortized cost under IFRS 9 adopted after 1 January 2018.

Management Discussion and Analysis

Financial investments – credit related financial assets

The Bank's credit related financial assets are corporate loans extended through consolidated structured entities (trust plans and asset management plans). The following table sets forth the components of the Bank's credit related financial assets as of the dates indicated.

Unit: RMB' 000

Item	30 June 2020	31 December 2019
Financial investments – credit related financial assets		
– Trust plans	5,281,850	3,712,600
– Asset management plans	–	525,000
Less : ECL allowance	(69,011)	(61,204)
Accrued interest	34,365	10,404
Total	5,247,204	4,186,800

Financial investments – fair value through profit or loss

The following table sets forth the components of the Bank's financial assets at fair value through profit or loss as of the dates indicated.

Unit: RMB' 000

Item	30 June 2020	31 December 2019
Financial investments – fair value through profit or loss		
– Listed outside Hong Kong	3,088,515	1,218,540
– Unlisted	5,060,519	641,703
Total	8,149,034	1,860,243

Management Discussion and Analysis

Financial investments – fair value through other comprehensive income

The following table sets forth the components of the Bank's financial assets at fair value through other comprehensive income as of the dates indicated.

Unit: RMB' 000

Item	30 June 2020	31 December 2019
Financial investments – FVOCI		
– Listed outside Hong Kong	3,907,882	3,360,526
– Unlisted	3,752,030	2,277,936
Subtotal	7,659,912	5,638,462
Accrued interest	159,136	116,784
Total	7,819,048	5,755,246

Financial investments – amortized cost

The following table sets forth the components of the Bank's financial assets measured at amortized cost as of the dates indicated.

Unit: RMB' 000

Item	30 June 2020	31 December 2019
Financial investments – amortized cost		
– Listed outside Hong Kong	988,711	986,320
– Unlisted	16,813,754	21,453,695
Subtotal	17,802,465	22,440,015
Accrued interest	409,891	358,328
Less: expected credit impairment provision	(329,444)	(298,407)
Total	17,882,912	22,499,936

Management Discussion and Analysis

4.2 Liabilities

As of the end of June 2020, the Bank's total liabilities amounted to RMB100,692 million, representing an increase of RMB15,901 million or 18.75% as compared to the end of the previous year, mainly due to the stable increase in customer deposits. The following table sets forth the components of the Bank's total liabilities as of the dates indicated.

Unit: RMB' 000

Item	30 June 2020		31 December 2019	
	Amount	% of total	Amount	% of total
Customer deposits	76,898,256	76.37	61,436,960	72.45
Due to banks and other financial institutions	5,396,090	5.36	3,949,580	4.66
Borrowings from central bank	550,487	0.55	540,760	0.64
Current tax liabilities	228,630	0.23	191,408	0.23
Debt securities issued	16,831,401	16.71	18,225,596	21.49
Derivative financial liabilities	3,386	0.00	–	–
Other liabilities	783,789	0.78	446,808	0.53
Total liabilities	100,692,039	100.00	84,791,112	100.00

Customer deposits

As of the end of June 2020, the Bank's total customer deposits amounted to RMB76,898 million, representing an increase of RMB15,461 million or 25.17% as compared to the end of the previous year, accounting for 76.37% of the Bank's total liabilities, being the Bank's primary source of funding. The following table sets forth the components of the Bank's customer deposits by product type and customer type as of the dates indicated.

Unit: RMB' 000

Item	30 June 2020		31 December 2019	
	Amount	% of total	Amount	% of total
Corporate deposits	39,657,364	51.57	29,811,957	48.52
Demand deposits	30,814,421	40.07	23,266,641	37.87
Time deposits	8,842,943	11.50	6,545,316	10.65
Personal deposits	36,224,642	47.11	30,812,483	50.15
Demand deposits	3,838,454	4.99	3,286,002	5.35
Time deposits	32,386,188	42.12	27,526,481	44.80
Accrued interest	1,016,250	1.32	812,520	1.33
Total customer deposits	76,898,256	100.00	61,436,960	100.00

As of the end of June 2020, the Bank's corporate demand deposits accounted for 40.07% of total customer deposits, representing an increase of 2.20 percentage points as compared to the end of the previous year. Among those deposits, corporate demand deposits accounted for 77.70% of corporate deposits, representing a decrease of 0.34 percentage point as compared to the end of the previous year; and personal demand deposits accounted for 10.60% of personal deposits, representing a decrease of 0.06 percentage point as compared to the end of the previous year.

Management Discussion and Analysis

Amounts due to banks and other financial institutions

As of the end of June 2020, the Bank's amounts due to banks and other financial institutions amounted to RMB5,396 million, representing an increase of RMB1,447 million or 36.62% as compared to the end of the previous year.

Debt securities issued

As of the end of June 2020, the Bank's bonds payable amounted to RMB16,831 million, representing a decrease of RMB1,394 million or 7.65% as compared to the end of the previous year.

Proposed issuance of bonds

Upon the resolution of the Board and approval from Shareholders at the 2018 annual general meeting held on 28 May 2019, the Bank has obtained the approval from CBIRC Sichuan Office on 15 November 2019, which approved the Bank to issue Tier 2 Capital Bonds not exceeding RMB2.0 billion and also has obtained the administrative license decisions from PBoC on 3 July 2020, which approved the Bank to issue tier-2-capital debt not exceeding RMB1.5 billion, and the Bank has obtained all the necessary approvals of the Issuance now. The bank will issue tier-two capital bonds with an aggregate principal amount not exceeding RMB1.5 billion (inclusive) to members of the national inter-bank bond market within the validity period. The maturity of the issuing is not more than 10 years (inclusive). The bond interest rate will be determined by reference to the market interest rate. The proceeds from the bond issuance will be used to replenish the Bank's tier-two capital.

4.3 Equity Attributable to Shareholders

As of the end of June 2020, the Bank's equity attributable to shareholders amounted to RMB8,772 million, representing an increase of RMB1,882 million or 27.32% as compared to the end of the previous year.

Unit: RMB' 000

Item	30 June 2020	31 December 2019
Share capital	2,264,793	2,264,793
Other equity instruments	1,696,824	—
Capital surplus	2,239,314	2,239,314
Other reserves	1,642,757	1,441,641
Retained earnings	927,842	943,761
Total equity attributable to shareholders	8,771,530	6,889,509

5. OTHER FINANCIAL INFORMATION

5.1 Analysis of Off-balance Sheet Items

The Bank's off-balance sheet items include credit commitments, operating lease commitments and capital commitments. Credit commitments are the most important parts and as of the end of the Reporting Period, the balance of credit commitments amounted to RMB1,726 million.

Management Discussion and Analysis

5.2 Overdue and Outstanding Debts

As of the end of the Reporting Period, the Bank had no overdue or outstanding debts.

5.3 Assets Pledged

As of the end of the Reporting Period, some of the Bank's assets were pledged as collaterals under repurchase agreements with other banks and financial institutions. For details, please refer to note 36 to the financial statements.

6. ANALYSIS OF LOAN QUALITY

During the Reporting Period, the Bank strengthened its dynamic monitoring on changes in and mitigation of risks in relation to credit asset quality, implemented credit policies and enhanced risk management in key industries. As a result, the credit assets scale-maintained growth. Due to our collection of non-performing loans ("NPLs") through multiple ways and channels, the allowance coverage ratio has met the regulatory requirements. As at the end of the Reporting Period, the Bank's total loans amounted to RMB53,300 million, representing an increase of 19.57% as compared to the end of the previous year, total NPLs amounted to RMB817 million, representing an increase of RMB400 million as compared to the end of the previous year, and the NPL ratio was 1.53%, representing an increase of 0.59 percentage point as compared to the end of the previous year.

Distribution of Loans by Five-Category Classification

Unit: RMB' 000

Item	30 June 2020		31 December 2019	
	Amount	% of total	Amount	% of total
Normal loans	51,285,757	96.22	42,528,501	95.40
Special mention loans	1,197,195	2.25	1,631,919	3.66
Substandard loans	580,362	1.09	217,320	0.49
Doubtful loans	236,914	0.44	200,084	0.45
Loss loans	-	-	-	-
Total customer loans	53,300,228	100.00	44,577,824	100.00
Total NPLs	817,276	1.53	417,404	0.94

Pursuant to the regulatory requirements on risk-based classification of loans, the Bank adopted the five-category classification to manage the quality of loans. NPLs include loans classified as substandard, doubtful and loss. During the Reporting Period, the Bank strictly controlled the quality of loans and accelerated disposal of existing NPLs. The percentage of substandard loans increased by 0.6 percentage point to 1.09% as compared to the end of the previous year, the percentage of doubtful loans decreased by 0.01 percentage point to 0.44% as compared to the end of the previous year, and the percentages of loss loans, which are remained unchanged as compared to the end of the previous year, are 0.00%.

Management Discussion and Analysis

Distribution of Loans and NPLs by Industry

Unit: RMB' 000

Item	30 June 2020				31 December 2019			
	Amount of loans	% of total	Amount of NPLs	NPL ratio %	Amount of loans	% of total	Amount of NPLs	NPL ratio %
Corporate loans	43,719,913	82.03	754,629	1.73	36,902,397	82.79	373,746	1.01
Leasing and business services	16,563,210	31.08	-	-	14,023,090	31.46	-	-
Construction	10,430,300	19.57	44,400	0.43	7,544,089	16.92	6,400	0.08
Wholesale and retail	3,296,522	6.18	158,200	4.80	2,940,201	6.60	21,647	0.74
Manufacturing	2,927,503	5.49	364,900	12.46	2,795,517	6.27	255,630	9.14
Real estate	4,987,380	9.36	145,610	2.92	6,003,260	13.47	-	-
Accommodation and catering	593,878	1.11	-	-	517,428	1.16	-	-
Education	1,289,250	2.42	-	-	946,100	2.12	-	-
Administration of water conservancy, environment and public facilities	1,516,209	2.84	-	-	858,719	1.93	-	-
Transportation, warehousing and express services	249,069	0.47	25,669	10.31	250,339	0.56	25,669	10.25
Others	1,866,592	3.51	15,850	0.85	1,023,654	2.30	64,400	6.29
Discounted bills	3,033,473	5.69	-	-	1,499,648	3.36	-	-
Retail loans	6,546,842	12.28	62,647	0.96	6,175,779	13.85	43,658	0.71
Total customer loans	53,300,228	100.00	817,276	1.53	44,577,824	100.00	417,404	0.94

In 2020, the Bank actively optimized the allocation of risk-bearing assets and served the real economy, increased credit extension to further support small and micro enterprises, agriculture-related economy, livelihood projects and urban infrastructure construction. The Bank also actively adjusted its credit structure and strictly controlled credit granted to industries with overcapacity and uncertain prospects, to improve the risk resistance for new credit assets continually. The amount of our non-performing corporate loans has increased as a result of the deteriorated financial condition and weakened repayment abilities of certain corporate borrowers in construction, manufacturing, and wholesale and retail industries. By industry, the Bank's non-performing corporate loans mainly involved manufacturing, transportation, warehousing and express services, wholesale and retail, and real estate, which accounted for 92.02% of our total non-performing corporate loans.

Management Discussion and Analysis

Distribution of Loans and NPLs by Product Type

Unit: RMB' 000

Item	Amount of loans	30 June 2020			Amount of loans	31 December 2019		
		% of total	Amount of NPLs	NPL ratio %		% of total	Amount of NPLs	NPL ratio %
Corporate loans	43,719,913	82.03	754,629	1.73	36,902,397	82.79	373,746	1.01
Working capital loans	22,954,247	43.07	593,619	2.59	16,190,046	36.33	285,616	1.76
Fixed asset loans	20,765,666	38.96	161,010	0.78	20,712,351	46.46	88,130	0.43
Others	-	-	-	-	-	-	-	-
Discounted bills	3,033,473	5.69	-	-	1,499,648	3.36	-	-
Retail loans	6,546,842	12.28	62,647	0.96	6,175,779	13.85	43,658	0.71
Individual housing loans	1,937,540	3.63	28,782	1.49	1,968,716	4.41	19,257	0.98
Personal business loans	3,785,361	7.10	31,236	0.83	3,441,444	7.72	22,257	0.65
Personal consumption loans	823,941	1.55	2,629	0.32	765,619	1.72	2,144	0.29
Others	-	-	-	-	-	-	-	-
Total customer loans	53,300,228	100.00	817,276	1.53	44,577,824	100.00	417,404	0.94

Against the backdrop of replacement of old drivers with new ones and constant advance of the supply-side reform, the Bank actively responded to the changes of demand for effective credits and maintained a relatively rapid growth in the scale of corporate loans while adhering to the principle of prudent credit extension. As at the end of the Reporting Period, the proportion of the Bank's corporate loans decreased by 0.76 percentage point to 82.03% as compared to the end of the previous year. The NPL ratio of corporate loans increased by 0.72 percentage point to 1.73% as compared to that at the end of the previous year as a result of the deteriorated financial condition and weakened repayment abilities of certain corporate borrowers.

The Bank steadily developed its retail loans and actively innovated retail business products. The balance of retail loans increased by RMB371 million as compared to that at the beginning of the year, while the proportion of retail loans decreased by 1.57 percentage points to 12.28% due to the relatively large proportion of the growth in corporate business. The amount of our NPLs increased and the NPL ratio increased by 0.25 percentage point to 0.96% as compared to the end of the previous year as a result of the deteriorated financial condition and weakened repayment abilities of certain borrowers of personal business loans under the retail loans.

Management Discussion and Analysis

Distribution of Loans and NPLs by Geographical Region

Unit: RMB' 000

Geographical Region	Amount of loans	30 June 2020			Amount of loans	31 December 2019		
		% of total	Amount of NPLs	NPL ratio %		% of total	Amount of NPLs	NPL ratio %
Luzhou	42,154,257	79.09	806,400	1.91	39,967,975	89.66	415,703	1.04
Outside Luzhou	11,145,971	20.91	10,876	0.10	4,609,849	10.34	1,701	0.04
Total customer loans	53,300,228	100.00	817,276	1.53	44,577,824	100.00	417,404	0.94

The Bank continuously optimized the regional allocation of credit resources and enhanced risk management and control in key industries by serving the economy of Luzhou and actively expanding its cross-regional business. Under the situation of domestic economic restructuring with mounting pressure of non-performing during the year, the Bank strengthened the assessment and incentive measures for its branches and implemented review and approval mechanism with hierarchical authorisation on credit extension to corporate customers. Due to regional economic difference and other factors, the increase of NPLs was mainly attributable to Luzhou.

Distribution of Loans and NPLs by Type of Collateral

Unit: RMB' 000

Item	Amount of loans	30 June 2020			Amount of loans	31 December 2019		
		% of total	Amount of NPLs	NPL ratio %		% of total	Amount of NPLs	NPL ratio %
Unsecured loans	4,904,132	9.20	15,253	0.31	3,572,538	8.01	4,127	0.12
Guaranteed loans	24,703,696	46.35	544,428	2.20	18,298,585	41.05	343,482	1.88
Collateralized loans	14,584,166	27.36	253,507	1.74	15,610,001	35.02	66,505	0.43
Pledged loans	9,108,234	17.09	4,088	0.04	7,096,700	15.92	3,290	0.05
Total customer loans	53,300,228	100.00	817,276	1.53	44,577,824	100.00	417,404	0.94

The Bank enhanced risk prevention and control through risk mitigation measures such as adding in guarantors and collaterals, with guaranteed loans and collateralized loans accounting for 73.71%.

Management Discussion and Analysis

Loans to Our Ten Largest Single Borrowers

Unit: RMB' 000

Name of borrowers	Industry	Amount of loans as at the end of the Reporting Period	% of net capital base	% of total loans
A	Leasing and business services	742,500.00	6.97	1.39
B	Leasing and business services	695,000.00	6.52	1.30
C	Real estate	668,000.00	6.27	1.25
D	Construction	660,000.00	6.19	1.24
E	Leasing and business services	580,000.00	5.44	1.09
F	Information transmission, software and information technology services	574,000.00	5.39	1.08
G	Construction	571,000.00	5.36	1.07
H	Real estate	570,000.00	5.35	1.07
I	Manufacturing	563,072.59	5.28	1.06
J	Leasing and business services	550,000.00	5.16	1.03
Total		6,173,573	57.94	11.58

As at the end of the Reporting Period, the total loans of our ten largest single borrowers amounted to RMB6,174 million, accounting for 57.94% of the Bank's net capital base and 11.58% of the Bank's total loans. The loan balance of the largest single borrower was RMB743 million, accounting for 6.97% of the Bank's net capital base.

Distribution of Loans by Period Overdue (Excluding Interest Receivable)

Unit: RMB' 000

Period overdue	30 June 2020		31 December 2019	
	Amount	% of total loans	Amount	% of total loans
Overdue for up to 3 months (inclusive)	159,228	0.30	358,512	0.80
Overdue for over 3 months up to 1 year (inclusive)	758,571	1.42	271,078	0.61
Overdue for over 1 year up to 3 years (inclusive)	40,996	0.08	30,376	0.07
Overdue for over 3 years	1,035	0.00	343	0.00
Total overdue loans	959,830	1.80	660,309	1.48
Total customer loans	53,300,228	100.00	44,577,824	100.00

Management Discussion and Analysis

As at the end of the Reporting Period, the Bank's overdue loans amounted to RMB960 million, representing an increase of RMB300 million as compared to the end of the previous year. The percentage of overdue loans in the Bank's total loans was 1.80%, representing an increase of 0.32 percentage point as compared to the end of the previous year. Among them, loans overdue for up to 3 months (inclusive) amounted to RMB159 million, accounting for 16.59% of overdue loans. The Bank adopted a relatively strict classification criteria, under which the loans whose principal or interest has been overdue for over 1 day (inclusive) shall be deemed as overdue loans.

Foreclosed Assets and Provision for Its Impairment Allowance

As at the end of the Reporting Period, the Bank's total foreclosed assets amounted to RMB54.56 million with a provision for impairment allowance of RMB18.26 million, and the net foreclosed assets amounted to RMB36.30 million.

Changes in Loans/Expected Credit Losses

The following table sets forth the changes in the Bank's allowance for expected credit losses of loans: (Unit: RMB' 000)

Item	30 June 2020	31 December 2019
Balance at the beginning of the year	1,459,984	792,833
Provision/reversal for the year	518,770	796,889
Reversal of discounted	15,815	5,402
Written-off and transfers for the year	(11,333)	(151,610)
Reversal from recoveries of written-off loans and others	30,136	16,470
Balance at the end of the Period	2,013,372	1,459,984

As at the end of the Reporting Period, the Bank's balance of allowance for expected credit losses of loans amounted to RMB2,013 million, representing an increase of RMB553 million or 37.90% as compared to the end of the previous year.

Corresponding Measures Taken against Non-performing Assets

During the Reporting Period, the Bank mainly adopted the following measures for management of non-performing assets to enhance management and control on the asset quality and ensure its stability:

Management Discussion and Analysis

Strengthening the monitoring of overdue loans and loans that were showing other early warning signs, and properly collecting and disposing non-performing loans. Firstly, we have ensured in-advance intervention; specifically, we have strengthened asset quality screening and management of loans associated with risk warnings, formulated risk prevention and control measures in a timely manner, and firmly prevented loans from turning into non-performing loans; secondly, we have worked out “one-customer, one-policy” risk mitigation plan in light of the specific situations of non-performing loans, and enhanced collection efforts and efficiency and reduced collection costs through non-litigation collection, litigation or arbitration collection, and enforcement of notarization; thirdly, we have explored possibilities of resolving non-performing assets through multiple channels including assignment of creditor’s rights based on the traditional collection means; fourthly, we have wrote off loans which could be written-off, if appropriate, to optimize the credit asset structure; fifthly, we have established good communication mechanisms with relevant government departments and peer institutions to maintain an open channel to convey information, and jointly address potential problems arising from corporate operations by concerted efforts.

Credit Extension to Group Customers and Risk Management

The Bank adhered to the principles of “implementing unified credit extension, providing an appropriate amount and conducting real-time monitoring” in extending credit to group customers. Firstly, to prevent large-sum credit risk, the Bank implemented unified management of credit extension to group customers and consolidated the total credit amount extended to group members to determine the authority of credit review and approval. Secondly, the Bank strengthened the identification of group customers and invisible relationship among enterprises and identified the invisible relationship among corporate customers by such dimensions as corporate product flow, corporate capital flow, corporate guarantee circle and family ties of actual controllers. Thirdly, the Bank strengthened and timely monitored unified management of credit extension to group customers. The Bank controlled the credit limit through establishing credit account of group customers, combed and updated the list of group customers in a timely manner and prudently approved credit limit to prevent concentration risk and improve its group customer management level on an ongoing basis.

Discount Loans Representing over 20% (Inclusive) of the Total Loans as at the end of the Reporting Period

As at the end of the Reporting Period, the Bank did not have discount loans representing over 20% (inclusive) of the total loans.

7. ANALYSIS OF CAPITAL ADEQUACY RATIOS

The capital management of the Bank is targeted to meet regulatory requirements, constantly enhance the ability to resist risk of capital and boost return on capital, and reasonably set the capital adequacy ratio target and guide business development with a comprehensive application of means such as performance appraisal and capital allocation in a bid to achieve the coordinated development of its overall strategy, business development and capital management strategy.

Management Discussion and Analysis

We conduct regular internal capital evaluation and evaluate our capital adequacy and risk resistance ability by reference to stress testing. According to our internal capital evaluation and risk profile, we timely adjust our capital plans, optimize resource allocation and guide branches and management departments to carry out more capital-saving businesses to ensure the realization of the set capital adequacy ratio target.

We calculate our capital adequacy ratio in accordance with the Capital Administrative Measures for Commercial Banks (Provisional) (CBIRC Order [2012] No. 1) 《商業銀行資本管理辦法(試行)》(中國銀行保險監督管理委員會令2012年第1號)) issued by the CBIRC and other relevant regulatory provisions. The on-balance-sheet credit risk weighted assets are calculated with different risk weights determined in accordance with each asset, credit of the counterparty, market and other relevant risks and by considering the effects of qualified pledge and guarantee; the same method is also applied to the calculation of off-balance-sheet credit risk exposure. Market risk-weighted assets are calculated with the standard method, and the operational risk-weighted assets are calculated with the basic indicator method. During the Reporting Period, we complied with the capital requirements prescribed by regulatory authorities.

The following table sets forth the information of our capital adequacy ratio as at the dates indicated.

Unit: RMB' 000

	30 June 2020	31 December 2019
Total capital before deductions	10,647,400	8,932,089
Of which: Core tier-one capital	7,074,706	6,889,509
Tier-two capital	1,875,870	2,042,580
 Total net capital	 10,604,035	 8,891,351
 Net core tier-one capital	 7,031,341	 6,848,771
Net tier-one capital	8,728,165	6,848,771
 Total risk-weighted assets	 80,148,200	 73,539,932
 Core tier-one capital adequacy ratio	 8.77%	 9.31%
Tier-one capital adequacy ratio	10.89%	9.31%
Capital adequacy ratio	13.23%	12.09%

At the end of the Reporting Period, the Bank had a capital adequacy ratio of 13.23%, representing an increase of 1.14 percentage points as compared to the end of the previous year, which was 2.73 percentage points higher than the regulatory requirement; a tier-one capital adequacy ratio of 10.89%, representing an increase of 1.58 percentage points as compared to the end of the previous year, which was 2.39 percentage points higher than the regulatory requirement; and a core tier-one capital adequacy ratio of 8.77%, representing a decrease of 0.54 percentage point as compared to the end of the previous year, which was 1.27 percentage points higher than the regulatory requirement. The change in our capital adequacy ratio during the Reporting Period was primarily due to our Bank's successful issuance of capital bonds with no fixed maturity of RMB1.7 billion and the growth rate of net capital was higher than the growth rate of risk-weighted assets, which resulted in an increase in capital adequacy ratio compared with the end of the previous year, and our capital adequacy ratio at each tier was higher than regulatory standards.

Management Discussion and Analysis

Liquidity Ratios

	As of 31 December 2019
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RMB current assets to RMB current liabilities	83.72%
Foreign currency current assets to foreign currency current liabilities	N/A

	As of 30 June 2020
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RMB current assets to RMB current liabilities	91.40%
Foreign currency current assets to foreign currency current liabilities	N/A

8. RISK MANAGEMENT

Credit Risk

Credit risk refers to the risk arising from the failure of an obligor or a party concerned to fulfill relevant obligations in accordance with agreed terms. We are exposed to credit risks primarily arising from our loan business, acceptance business, letters of guarantee business and financial market business.

Pursuant to regulatory requirements, we managed our on-and-off balance sheet credit assets by implementing five-category classification based on the obligor's repayment abilities and intention, taking into account various factors including the guarantor, pledges and collaterals and overdue period. The classification is successively subject to preliminary opinions of the responsible management institution, initial review of the Credit Business Department at our head office, re-examination of the Risk Management Department at our head office and consideration and confirmation by the Centralized Risk Management Committee.

The Credit Business Department at our head office takes a leading role in our credit risk management and regularly reports our risk management to the Credit Risk Management Committee, the Centralized Risk Management Committee and the Board. During the Reporting Period, we adhered to the risk control principle of comprehensiveness, balance, centralization and compliance and kept intensifying efforts for credit risk management through credit disbursement structure optimization and credit system improvement, credit staff cultivation and internal examination enhancement, non-performing loan reduction, etc. During the Reporting Period, we intensified credit risk management mainly in the following aspects:

1. Optimizing credit structure and strengthening policy guidance. Adhering to the credit industry distribution policy of "in line with national macroeconomic policies and industrial policies and our credit risk appetite, and realizing risk control in a scientific and rational manner", we formulated the Guidelines for Credit Disbursement of Luzhou Bank in 2020 《泸州银行2020年信贷投向指引》 in a bid to scientifically and rationally allocate our credit resources, effectively guide industry credit disbursement, promote optimization and adjustment of our credit structure, and rapidly improve our ability to prevent credit risks.

Management Discussion and Analysis

2. Strengthening risk screening and enhancing risk control in key areas. We intensified efforts for risk monitoring and screening against customers with large amount of credit and potential risk, strengthened credit risk signal management, formulated management measures on the customers that had risk signals, strictly controlled the deterioration of asset quality, conducted specialized investigation on market mess and key risk areas, and further found out the risk coefficient through self-inspection and correction, to strengthen our risk management and control and ensure the stability of our asset quality.
3. Sparing no effort in the control of non-performing and overdue loans and disposing of non-performing loans in a timely manner. We established overdue loan tracking and monitoring accounts, strengthened early warning management, and responsively formulated risk disposal plans and took necessary protective measures against alert credit customers; for businesses involved non-performing loans, we worked out risk dissolution plans based on “one customer one scheme”, and dissolved and disposed of risks by stepping up collection, transferring foreclosed assets and other measures so as to control our asset quality within a reasonable range; and took advantage of the communication and cooperation mechanism established with peer institutions and government departments to achieve information sharing and jointly deal with problems arising from corporate operations by unified actions.
4. Conducting self-examination and self-correction on business compliance and providing cooperation for regulatory inspection and making active rectifications. In accordance with the relevant requirements of regulatory authorities, we actively organized the rectification of market chaos, with a normal focus on rectifying the chaos in the banking market, and studied, deployed and put in place our business operation and management, system restructuring and compliance culture building at the same time to transform chaos rectification into self-conscious internal control management, and conducted compliance operation truly in line with rules by adhering to inspection, rectification, accountability, education, standard and improvement.
5. Strengthening credit review and approval, and strictly implementing hierarchical authorization management for credit business. We strengthened unified credit extension and unified management, and implemented hierarchical authorization for credit business according to our business development needs; enhanced credit risk review and strictly implemented the independent review and approval mechanism based on the principle of “objectivity and fairness, legal review, independent credit granting/approval, and responsibility for risks”, with a focus on the review of industrial policies, credit policies, use of loan, repayment ability and guarantee ability. We reinforced credit management of the Group and laid emphasis on prevention of customer risks associated with long position financing and excessive credit extension. We also effectively identified high-risk customers and proposed risk prevention measures to strictly control risks.
6. Improving the quality of credit team and promoting healthy and rapid development of the credit business. We enhanced training and guidance to improve business ability and risk awareness. We conducted follow-up training for our branch credit staff, invited internal business backbones to launch intensive themed training for our credit line staff, strengthened the pre-service training for new staff, kept improving the business ability and risk compliance awareness of our credit line staff across the bank and established an enterprise risk training culture that controls substantial risks to put an end to risk cases from the source.

Management Discussion and Analysis

Operational Risk

Operational risk refers to the risk of loss arising from inadequate or problematic internal procedures, employees and information technology systems, as well as external events.

We incorporate operational risks into the overall risk management system, with the focus on preventing systematic operational risks and major operational risk losses. As the supreme decision-making body of our operational risk management, our Board bears the ultimate responsibility for monitoring the effectiveness of operational risk management, works out operational risk management strategies and general policies that are consistent with our strategic objectives and applicable to the Bank, and regularly reviews the operational risk reports submitted by our senior management to fully understand our overall operational risk management and the effectiveness of major operational risk events handled by our senior management. Our Board of Supervisors is responsible for supervising the performance of duties by our Board and senior management on operational risk management and providing relevant supervision opinions. Our senior management is responsible for implementing the operational risk management strategies determined by our Board, formulating systematic systems, processes and methods, and adopting corresponding risk control measures to comprehensively prevent and control operational risks. Our subordinate Operational Risk Management Committee is responsible for specific operational risk prevention and control. Moreover, we applied effective risk prevention and control means to ensure effective identification, evaluation and supervision of operational risks, constantly improved our operational risk management capability, and gradually elevated our risk prevention and control level. During the Reporting Period, we intensified operational risk management mainly in the following aspects:

1. Centering on the bank-wide strategic business, we strengthened internal control and carried out special inspection and risk evaluation from multiple perspectives including systems, processes and employee behaviors, and collected and analyzed key indicators of operational risks and gave early warnings by giving play to the key role of “three lines of defense” including business departments and foreground business personnel, the Risk Management Department and Internal Audit Department so as to cut off operational risks in an all-round manner.
2. We innovated work ideas and continuously promoted the building of operational risk-related system and publicity of compliance culture to ensure the integrity, rationality and effectiveness of our internal control system; and strictly prevented operational risks by strengthening personnel and position management, enhancing compliance awareness among the employees and instructing the employees to operate in compliance with regulations through inspection on abnormal behaviors of the employees holding key positions, continuous training, onsite inspection, off-site supervision and other means.
3. We effectively integrated “manual prevention” and “technical prevention” to enhance the system background’s ability in preventing non-compliant operation by upgrading the system dynamics, strategically promoting the construction of and innovation in information technology, implementing a model with foreground business handled according to centralized authorization from the background, reducing the frequency of manual operation, and raising the level of automation and hard control ability of our system.
4. We greatly improved business continuity management and IT risk management, strengthened the safety guarantee for information technology system, paid attention to the construction relating to disaster backup and emergencies, and intensified the management over the safety of information of outsourcing service providers and personnel.

Management Discussion and Analysis

Market Risk

Market risk refers to the risk of any loss in our on-balance-sheet and off-balance-sheet activities caused by any adverse change in market prices (interest rates, exchange rates, stock prices and commodity prices). The market risks we face mainly include interest rate risk and exchange rate risk. Our market risk management aims at controlling market risks at an acceptable and reasonable level to achieve sustained and healthy development of various businesses.

We formulated the operation-suiting basic system of market risk appetite and bank book interest rate risk appetite, market risk management and bank book interest rate risk management according to the Guidelines on Market Risk Management of Commercial Banks 《商業銀行市場風險管理指引》(CBIRC Order 2004 No.10), Guidelines for the Internal Control of Commercial Banks 《商業銀行內部控制指引》 and Guidelines of Bank Book Interest Rate Risk Management of Commercial Banks 《商業銀行銀行賬簿利率風險管理指引》, set up market risk and bank book interest rate risk limit indicators, and conducted classification management on transaction accounts and bank accounts. We optimized market risk management system and continued to improve risk management efficiency through such measures as authorization, credit extension, limit, inspection and report.

Our organizational system for market risk management is jointly constituted by the Board and its committees, the Board of Supervisors, senior management and its Centralized Risk Management Committee and Market Risk Management Committee, Risk Management Department, Internal Audit Department, Assets and Liabilities Management Department, International Business Department, Financial Markets Department, each business department and branches of head office. The senior management assumes implementation responsibility of market risk management and organizes bank-wide market risk management. With a sound and compliant internal control system for market risk management, we carry out a special internal audit on market risk every year and form an audit report which is submitted to the Board.

1. Interest rate risk analysis

Our interest rate risks arise primarily from the mismatch in the repricing periods of interest rates on assets and liabilities and the impact of changes in market interest rates on asset trading positions. We adopted corresponding measures such as identification, measure, inspection and control according to different nature and feature of bank accounts and transaction accounts.

With respect to the repricing risk in assets and liabilities businesses, we mainly measured the interest rate sensitivity gap periodically, analyzed the interest rate risk we could bear through the gap and further evaluated the impacts of changes in interest rates on net interest incomes and net values. We took measures in a timely manner to adjust the asset-liability product portfolio and term structure and the pricing method of deposit and loan interest rate to ensure the risk level is controlled within the acceptable range in line with internal and external management needs, so as to guard against interest rate risks.

Regarding the interest rate risk of asset trading positions, we paid close attention to the domestic and oversea macro economy conditions and market liquidity changes and conducted market risk control through such measures as position setting and limit control. We used system to conduct measurement, inspection and daily management on market risk, implemented daily valuation to transaction positions, continuously inspected transaction limits, stop-loss limits and other indicators, and regularly and effectively monitored, managed and reported the implementation of risk limits.

Management Discussion and Analysis

2. Exchange rate risk analysis

Exchange rate risk refers to the risk arising from the mismatch in the currencies of assets and liabilities. Currently, our exchange rate risk arises primarily from the temporary risk of conversion of proceeds from overseas H Share offering due to exchange rate fluctuations, and the percentage of such capital is low, therefore, the adverse effect of exchange rate risk has been kept under our control. As we have not yet conducted the foreign exchange business, there is no exchange rate risk in business transactions or operations at this stage.

Liquidity Risk

Liquidity risk refers to the risk that the commercial banks cannot timely obtain sufficient funds at reasonable costs to repay mature debts, perform other payment obligations, and meet other funding needs for normal business development.

Our liquidity risk management aims at fully identifying, measuring and monitoring the liquidity risk in our business lines and links by establishing and continuously improving the strategies, policies, procedures and systems for managing liquidity risk; ensuring sufficient funds to meet the needs for paying debts due and funding business operation in normal operation and stressful situations; and achieving the coordination and unity between safety, liquidity and profitability in business development to promote our sustainable and healthy operation.

To improve the effectiveness of liquidity risk management, we have established a governance structure for liquidity risk management according to the principle of separating the functions of formulating, implementing and supervising liquidity risk management policies, which provides the duties and reporting lines of the Board and its committees, the Board of Supervisors, senior management and its Centralized Risk Management Committee, Liquidity Risk Management Committee and our related departments, branches and sub-branches in respect of liquidity risk management. As we have implemented a stable liquidity risk appetite better suiting our current development. Currently, our liquidity risk management policies and systems are in line with regulatory requirements and our management needs.

We implement centralized management of liquidity risk. We fully identify, accurately measure, continuously monitor, effectively control liquidity risk and timely reporting from two aspects: short-term provision and mid-and-long term structure through the establishment of a scientific and complete liquidity risk management system and the information system for liquidity risk management, continuously monitor and analyze the future cash flow and various limits and indexes, and periodically conduct stress testing to judge whether we have the ability to meet the liquidity needs in extreme cases. In addition, we have formulated a liquidity risk contingency plan which we regularly test and evaluate.

We hold adequate high-quality liquid assets to ensure our liquidity needs, and have sufficient funds to meet unforeseeable potential payment needs in daily operation. Most of our funds are from customer deposits, which constituted a stable fund resource due to their rapid growth, wide varieties and diversified terms during the Reporting Period.

With a sound and compliant internal control system for liquidity risk management, we carry out special internal audit on liquidity risk every year and form an audit report which will be submitted to the Board.

Management Discussion and Analysis

While paying close attention to changes in macro finance and economy, we continuously enhanced fine management of liquidity risk. During the Reporting Period, we intensified liquidity risk management mainly in the following aspects:

1. We continuously optimized liquidity risk management and improved the liquidity risk management system.
2. We strengthened the marketing of deposits, particularly the marketing of personal savings and stable deposits from quality small and medium-sized customers, to promote the growth of various deposits and gradually improve the overall stability of our liabilities.
3. We paid close attention to changes in financial and economic situations and market liquidity, and make prudent and reasonable predictions, and adjust our asset and liability management strategy in a timely manner; continuously monitored various index of liquidity risk and limits management through the information system for liquidity risk management and made fund arrangements in advance to ensure sufficient provisions and controllable liquidity risks.
4. We continuously optimized asset-liability structure by constantly intensifying the bidirectional management of assets and liabilities, improving the stability of liabilities through multiple channels, rationally arranging for asset issuance and avoiding centralized maturity of liabilities.
5. We designed several stress scenarios and conducted periodic liquidity risk-related stress testing in strict accordance with relevant provisions under the Administrative Measures on Liquidity Risk Management of Commercial Banks 《商業銀行流動性風險管理辦法》 issued by China Banking and Insurance Regulatory Commission, various macro and micro factors which could affect our liquidity and features, scale, properties, complexity and risk status of our business.

As of 30 June 2020, we witnessed a liquidity ratio of 91.40%, 66.40 percentage points higher than relevant regulatory standards; a high-quality liquidity asset adequacy ratio of 174.71%, 74.71 percentage points higher than relevant regulatory requirements; and a liquidity matching ratio of 130.86%, 30.86 percentage points higher than relevant regulatory requirements, which reflected that our major liquidity indexes met and were much higher than regulatory requirements.

Management Discussion and Analysis

Information Technology Risk Management

Attaching great importance to information technology governance and financial technology building, we built an open information technology structure by leveraging the distributed cloud computing platform and vigorously promoted the transformation of outlets by capitalizing on videos, voice, biometrics, cloud computing, big data, smart devices, mobile terminals and other technologies. We established and continued to improve the “three lines of defense” system for information technology risk management. This year, under the overall risk management system, we reconfirmed and improved the information technology risk appetite and risk limits, and further improved the top-level design of information technology risk management. The functional departments of information technology risk management identified problems through multiple means such as continuous monitoring, evaluation and internal and external audits. The problems-related departments worked out plans to rectify problems. The Risk Management Department and the Internal Audit Department kept track of and verified the effectiveness of problem rectification, forming a complete closed loop, thus achieving continuous improvement on information technology risk management.

In terms of business continuity management, we continuously optimized and improved the disaster recovery and backup system structure of the “two cities and three centers (兩地三中心)”, which has been further improved in terms of physical security, system stability, and redundancy security guarantee. In addition, continuous disaster recovery drills for important information systems have verified the effectiveness of the disaster recovery and backup system.

Regarding information security, with a view to enhancing technology security, in the year, we improved our ability to guarantee information security in an all-round way by setting up and improving norms and standards of information security, strengthening information technology outsourcing security management, enhancing terminal information security management and perfecting in-depth network defense system. We kept increasing investment in information security to further ensure safe and stable operation of the information system.

Management Discussion and Analysis

9. SEGMENT REPORTING

The following segment operating results are presented by business segment. The Bank's main businesses include corporate banking business, retail banking business, financial market business, unallocated items and others. The following table sets forth a summary of the operating results of each business segment of the Bank for the periods indicated.

Unit: RMB' 000

Item	For the six months ended 30 June			
	2020		2019	
	Segment profit before income tax	Ratio %	Segment profit before income tax	Ratio %
Corporate banking business	196,062	33.92	295,648	47.89
Retail banking business	104,185	18.03	125,358	20.30
Financial market business	265,134	45.87	193,370	31.32
Others	12,622	2.18	3,040	0.49
Total	578,003	100.00	617,416	100.00

Unit: RMB' 000

Item	For the six months ended 30 June			
	2020		2019	
	Segment operating income	Ratio %	Segment operating income	Ratio %
Corporate banking business	948,540	57.69	777,873	55.42
Retail banking business	184,103	11.19	154,381	11.00
Financial market business	499,494	30.38	470,099	33.49
Others	12,138	0.74	1,277	0.09
Total	1,644,275	100.00	1,403,630	100.00

Management Discussion and Analysis

10. BUSINESS REVIEW

Corporate Banking Business

Adhering to the management tenet of “basing on local conditions, serving small and medium-sized enterprises, paying attention to the people’s livelihood and caring for the citizens”, taking “serving the real economy” as the focus of implementing the scientific concept of development and transforming the mode of economic growth, we actively participate in economic construction and social development of Luzhou, and provide our corporate customers with diversified financial products and services to support their business needs.

Corporate loans

As of 30 June 2020, the balance of our corporate loans amounted to RMB43,720 million, accounting for 81.67% of our total customer loans as of the same date, and representing an increase of 18.47% as compared to the end of the previous year. In particular, our loans to medium to large enterprises amounted to RMB13,727 million, accounting for 31.40% of our total corporate loans as of the same date; our loans to micro and small enterprises amounted to RMB29,838 million, accounting for 68.25% of our total corporate loans as of the same date. Our other corporate loans amounted to RMB155 million, accounting for 0.35% of our total corporate loans as of the same date. The majority of our corporate loan customers are enterprises incorporated or otherwise having their primary operations in Sichuan Province, in particular Luzhou. Corporate loans have been the largest component of our loan portfolio.

Bill discounting

Bill discounting refers to the bank acceptance bills and commercial acceptance bills purchased by the Bank from our corporate customers at prices lower than the par value. We only buy bank acceptance bills and commercial acceptance bills from corporate customers which meet our credit requirements, which is a form of providing short-term financing for such customers.

We also operate interbank bill discounting and rediscounting businesses in our financial markets business segment. Based on the said businesses, we can resell discounted bills to the PBoC or other commercial banks at a lower price, which will bring us extra current assets and additional revenue in interest spread.

As of 30 June 2020, our discounted bills amounted to RMB3,033 million, accounting for 5.67% of our total customer loans as of the same date. During the Reporting Period, the majority of our discounted bills were bank acceptance bills.

Management Discussion and Analysis

Corporate deposits

As of 30 June 2020, the balance of our corporate customer deposits amounted to RMB39,657 million, accounting for 51.57% of the total deposit balance. We offer our corporate customers RMB time and demand deposits. The RMB time deposits we offer to corporate customers have maturities ranging from three months to five years. We also offer negotiated deposit products that have customized interest rates and maturities and other terms. Besides, we provide call deposit products, which have higher interest rates than demand deposits and reserve certain flexibility of demand deposits (customers may send a notice in advance to draw the deposits). Our corporate deposit customers primarily include government agencies such as financial, transportation and social security institutions, public institutions, state-owned enterprises and large private corporations.

Corporate products

For the financing needs of corporate customers, we innovated many customized products by giving full play to the agile decision-making advantage of the local legal-person institution, in order to meet customers' different needs.

We have rolled out “Tian Tian Dai” featuring one-time credit extension, recycling and a favourable treatment of interest-free repayment in the first seven days during each extension, where its customers can realize instant withdrawal and repayment within 24 hours through our short message services (SMS), so as to maximize the efficiency of capital use; “Zhi Rong Dai” customized for electronic and information industry, featuring recycling, instant withdrawal and repayment and accrued interest on daily basis; “Shui Jin Dai”, an unsecured product which takes the average amount of the total tax paid during the latest two years as its main basis of credit extension; “Piao Bao Tong”, which is designed for discounting the electronic commercial acceptance bills issued by the core enterprises to their upstream and downstream enterprises; “Rong e Dai”, a pure online application and a pure credit way; “Piao e Dai”, with the value-added tax invoicing amount as the main basis of credit extension; “Chuang Ke Dai”, an unsecured loan product with a low fixed interest rate introduced for young entrepreneurs who are in an early stage of their business without sufficient capital.

In the year, to give full play to the major role of “Bank-Tax Interaction” in supporting inclusive finance and promoting development of the real economy, we approved the credit line mainly based on the corporate taxation data provided by the “Bank-Tax Interaction” platform of Sichuan Provincial Tax Service, State Taxation Administration and leveraged the advanced Internet finance technology to launch personal business loan product “Shui e Dai”, so as to realize full online application, approval and release of loans for customers and enable customers to enjoy efficient and convenient financing services at home via mobile APP.

Corporate banking customer

The rapid growth of our corporate banking business is underpinned by our strong customer base. By studying the specific financial needs of corporate banking customers, we have launched a broad range of products and services with specific features targeting selected groups of customers. At the same time, we have also established a special customer relationship management system, which allows us to closely track our customers' and their partners' business transactions with our Bank, enabling us to offer tailored financial services for them.

As of 30 June 2020, we had a total of 17,997 corporate banking customers (including individual customers with personal business loans), representing an increase of 2,286 or 14.55% as compared to the end of the previous year.

Management Discussion and Analysis

Financial services of micro and small enterprises

Guided by the spirit of the 19th national congress of the communist party of China, the central economic work council and the national financial work council, we have earnestly implemented the requirements of the PBOC and CBIRC, and taken measures to enhance the quality and effectiveness of financial services for small and micro enterprises by innovating products, streamlining procedures, reducing fees and profits, and deepening the assessment. At the end of the Reporting Period, the balance of our inclusive finance loans to micro and small enterprises amounted to RMB6,018 million. The number of micro and small customers was 5,786, with a weighted average loan interest rate of 7.38%.

In order to better meet the financing requirements of micro and small enterprises, we have also set up a special team, namely Huirongtong Small Micro Loan Center, which launched the “Xiao Lu e Loan” series products by introducing the IPC technology for loans to micro and small enterprises from Germany, integrating the advantages of the “credit plant” process management and taking advantage of financial technology. We adopted the combination of online application and offline survey, relied on the mobile terminal and Internet, and shortened the loan processing time to 2-3 days, to provide convenient and efficient financing services for small and micro enterprise customers. Meanwhile, we fully leveraged the PBOC’s policies such as relending to support development of micro and small enterprises and targeted cuts to required reserve ratios to enhance support for financing of micro and small enterprises.

Retail Banking Business

We provide our retail customers with a wide range of financial products and services, including deposits, loans, card services as well as wealth management and other intermediary businesses. We have a broad retail customer base.

As of 30 June 2020, we had 836,800 retail banking customers with total deposits of RMB36,225 million and total loans of RMB6,547 million.

We classify our retail customers into basic customers (with deposits balance of less than RMB500,000), value customers (with deposits balance of RMB500,000 (inclusive) to RMB1,000,000), high-end customers (with deposits balance of RMB1,000,000 (inclusive) to RMB3,000,000), and high-net-worth customers (with deposits balance exceeding RMB3,000,000). As of 30 June 2020, we had 3,565 high-end customers and 505 high-net-worth customers.

Retail deposits

The balance of retail deposits was RMB36,225 million, representing an increase of RMB5,412 million or 17.56% as compared to the end of the previous year. Particularly, the balance of demand deposits amounted to RMB3,838 million, representing an increase of RMB552 million or 16.81% as compared to the end of the previous year and accounting for 10.60% of the retail deposits.

Retail loans

We provide our retail customers with personal business loans, personal consumption loans as well as personal residential and commercial mortgage loans. As of 30 June 2020, the total retail loans were RMB6,547 million.

Management Discussion and Analysis

Bank cards

As of 30 June 2020, the number of historical accumulated cards issued to retail banking customers was 1,033,900 and the stock of cards was 865,700, representing an increase of 56,900 or 7.04% as compared to the end of the previous year.

Wealth management

We provide our customers with Jin Gui Hua series and Zhi Zun Dao series wealth management products based on their risk and return appetites. Our wealth management funds are mainly invested in assets such as debt securities and money market instruments.

In the first half of 2020, the total amount of the wealth management products sold by us was RMB1,454 million. As of 30 June 2020, we had 9,653 customers for our wealth management products, of which 9,647 are retail customers and 6 are institution customers, with a balance on current products of RMB2,550 million and yields on wealth management products ranging from 4.0% to 4.8%.

Precious metal services

We provide our retail customers with precious metal products and services. We commenced sales agency service for precious metal from October 2018. As of 30 June 2020, our agency sales of precious metal amounted to RMB1,049,100.

Interbank Business Department of Financial Market Business

During the Reporting Period, in the face of the macro-economic regulation policy of “strong regulation, deleveraging and risk prevention (強監管、去槓桿、防風險)”, we made adjustments in compliance with the policy positively, fully analyzed the macroeconomic and financial regulatory situation when carrying out financial market business, fully implemented a series of regulatory requirements and effectively prevented and controlled credit risk to prevent and control financial risks and develop steadily.

Our financial market business mainly consists of money market transactions business, investment business and asset management business.

Money market transactions business

Our money market transactions include: interbank deposits, interbank lending, bond repurchase, bill rediscount, and issuance of interbank certificates of deposit. During the Reporting Period, we focused on the management and maintenance of interbank clients, maintained credit sustainability with them, and strived to increase loyalty of interbank clients while maintaining the diversification and dispersion of our counterparties.

Management Discussion and Analysis

1. Interbank deposits

During the Reporting Period, the balance of deposits from banks and other financial institutions was RMB1,125 million, representing a decrease of RMB325 million or 22.41% as compared to the end of the previous year, of which the balance of time deposits from banks was RMB1,070 million, representing a decrease of 21.61% as compared to the end of the previous year, and the balances of demand deposits from banks and settlement accounts were RMB55 million, representing a decrease of 35.29% as compared to the end of the previous year. The balance of deposits with other banks was RMB995 million, representing an increase of RMB83 million or 9.15% as compared to the end of the previous year, of which the balance of time deposits with other banks was RMB800 million, representing an increase of 0.13% as compared to the end of the previous year. The balances of demand deposits with other banks and settlement accounts were RMB195 million, representing an increase of 72.57% as compared to the end of the previous year.

2. Interbank lending

During the Reporting Period, the balance of our interbank placement was RMB4,213 million, representing an increase of RMB1,750 million or 71.05% as compared to the end of the previous year; the balance of interbank lending was RMB713 million, representing an increase of RMB599 million or 528.31% as compared to the end of the previous year. The main reasons were: on the one hand, in order to stabilize our long-term interbank debt, we increased the integration of interbank lending business, resulting in a larger increase in the balance of interbank placement at the end of the Reporting Period; on the other hand, under the premise that our basic deposits grew well and short-term funds were relatively abundant, we increased its interbank lending business financing, but due to the smaller base of the interbank lending balance at the end of 2019, the balance of interbank lending transactions at the end of the Reporting Period increased significantly.

3. Bond repurchase

During the Reporting Period, the balance of our positive buy-back was nil; the balance of counter buy-back was RMB6,578 million, representing an increase of RMB4,305 million or 189.47% as compared to the end of the previous year, mainly because our basic deposits grew well and short-term available funds increased, which led to an increase in the amount of counter buy-back during the Reporting Period.

4. Bill rediscount

During the Reporting Period, we held rediscounted bills amount to RMB719 million, representing a decrease of RMB150 million or 17.26% as compared to the end of the previous year, mainly due to transfer of normal interbank business and settlement of certain matured bills.

5. Issuance of interbank certificates of deposit

During the Reporting Period, the balance of our interbank certificates of deposit was RMB15,811 million, representing a decrease of RMB1,367 million or 7.96% as compared to the end of the previous year, mainly because the interbank certificates of deposit due increased in the first half of this year and the Bank gradually decreased the issuance of interbank certificates of deposit in May and June 2020, leading to a decrease in the balance at the end of the period as compared to the end of the previous year.

Management Discussion and Analysis

Investment business

1. *Bond investment*

Since 2020, the outbreak of COVID-19 and the ensuing restrictions have caused a severe setback in the global economy. Subsequently, China was the first to get rid of the epidemic, the economy quickly returned to normal order, and swing trading opportunities appeared in the bond market.

As of the end of the Reporting Period, we adjusted the total amount and structure of bond investment according to the bond market conditions and our needs of asset allocation. At the end of the Reporting Period, our bond investment amounted to RMB18,972 million, representing an increase of RMB4,487 million or 31.00% as compared to the end of the previous year, among which, the balance of treasury bonds was RMB1,547 million, representing an increase of RMB188 million or 13.85% as compared to the end of the previous year; the balance of policy financial bonds was RMB5,175 million, representing an increase of RMB1,124 million or 27.75% as compared to the end of the previous year; the balance of debt securities issued by local governments was RMB1,286 million, representing an increase of RMB164 million or 14.65% as compared to the end of the previous year; and the balance of credit bonds was RMB10,463 million, representing an increase of RMB3,039 million or 40.56% as compared to the end of the previous year; the balance of bonds issued by commercial banks was RMB503 million, representing an increase of RMB4 million or 0.8% as compared to the end of the previous year.

2. *SPV investment*

During the Reporting Period, we actively promoted business diversification, deepened cooperation with interbank organizations, revitalized existing assets, and made a good use of incremental investment. At the end of Reporting Period, our SPV investment was RMB19,010 million, including RMB314 million for public offering bond funds, RMB9,339 million for trust plans, RMB5,145 million for asset management plans, RMB3,719 million for public offering monetary funds, RMB603 million for wealth management products purchased from financial institutions, and RMB30 million for other investments. Our SPV investment decreased by RMB346 million or 1.79% as compared to the beginning of the year, showing a slight decrease amid stability, mainly due to our new investment in public offering monetary funds with stable returns and controllable risks as well as investments in non-guaranteed wealth management products of banks, and moderately recovered investments in trust plans and asset management plans on a stock basis during the Reporting Period.

Asset management business

During the Reporting Period, we issued open-end wealth management products to meet customers' financial needs for liquidity and security, contributing to the steady growth in the scale of wealth management business. At the end of the Reporting Period, the balance of our wealth management products was RMB2,550 million, representing a year-on-year increase of RMB621 million or 32.17%. During the Reporting Period, the total amount of wealth management products sold by the Bank was RMB1,454 million, representing a year-on-year increase of RMB639 million or 78.4%. All wealth management products were non-principal protected with floating interests and achieved expected returns. At the end of the Reporting Period, we had 9,653 customers of wealth management products, of which 9,647 were retail customers, and 6 were institutional customers.

Management Discussion and Analysis

Financial Consumer Rights Protection

During the Reporting Period, we closely followed the new developments in regulation in our work on consumer rights protection. Starting with the basic work, we gave full play to the legal entity's institutional advantages, and optimized organizational structure, reinforced our awareness of responsibility, and strengthened supervision and inspection responsibilities by focusing on product and service design, with promotional and educational campaigns on financial knowledge as innovative spots, so the overall level of our work on consumer rights protection continued to improve.

1. Establishing full-time organization and strengthening organizational leadership

We set up a consumer rights protection committee under the Board of Directors to make unified plans and overall arrangements for the bank-wide work on consumer rights protection; and set up a consumer rights protection division under the Internal Control and Compliance Department to take up the specific work concerning consumer rights protection throughout the Bank. We continuously improved our organizational structure and effectively enhanced our consumer rights protection work.

2. Optimizing institutional system and consolidating management foundation

By combing the consumer rights protection system, we established and improved a consumer protection system matching with our organizational structure and business development.

3. Highlighting brand reputation and popularizing public education

Adhering to the concept of “customer-orientated” and “service-creating value”, we provided “standard, rigorous, honest and reliable” financial services to protect consumers’ rights and interests. During the Reporting Period, we carried out consistently “3.15 Consumer Rights Protection Day”, “Prevention of Illegal Fund Raising”, “Publicity on Prevention of Telecommunication Network Fraud”, “Financial Literacy to Thousands of Families”, “Financial Knowledge Popularization Month”, anti-money laundering, anti-counterfeiting, personal credit and other public education and publicity campaigns.

4. Enhancing the concept of consumer protection and improving the level of consumer protection

We strictly abided by national laws and regulations, actively adapted to adjustments in regulatory policies, and strictly implemented relevant industry standards and operating guidelines. During the Reporting Period, we continuously intensified the relevant staff's sense of responsibility, strengthened the concept of consumer protection, and made complaint handling flexible in product design, services, pricing management, agreement formulation, examination and approval, marketing and publicity, after-sales management, etc., to achieve whole-process, full-coverage and all-round management of consumer rights protection.

Changes in Share Capital and Information on Shareholders

I. CHANGES IN SHARE CAPITAL

During the Reporting Period, the Bank's share capital remains unchanged. As of the end of the Reporting Period, the total issued share capital of the Bank was 2,264,793,385 shares, consisting of 627,600,000 H Shares and 1,637,193,385 Domestic Shares.

II. STATEMENT OF SHAREHOLDING STRUCTURE

Unit: Share, %

	1 January 2020		Increase (decrease) during the Reporting Period	30 June 2020	
	Quantity	Percentage		Quantity	Percentage
Total share capital	2,264,793,385	100.00	0	2,264,793,385	100.00
Domestic Shares held by legal person	1,593,116,644	70.34	0	1,593,116,644	70.34
Domestic Shares held by natural person	44,076,741	1.95	0	44,076,741	1.95
H Shares	627,600,000	27.71	0	627,600,000	27.71

III. PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE BANK

The Bank had not purchased, sold or redeemed any listed securities of the Bank during the Reporting Period.

IV. DETAILS OF SHAREHOLDERS

As of the end of the Reporting Period, the total number of shares of the Bank was 2,264,793,385 shares, consisting of 1,637,193,385 Domestic Shares and 627,600,000 H Shares.

(I) Shareholding of Top 10 Holders of Domestic Shares of the Bank

Shareholding of top 10 holders of Domestic Shares of the Bank is as follows:

Unit: Share

No.	Name of Shareholder	Number of Shares held	Shareholding percentage
1	Luzhou Laojiao Group Co., Ltd.	325,440,000	14.37%
2	Sichuan Jiale Enterprise Group Co., Ltd.	271,200,000	11.97%
3	Luzhou Xinfu Mining Industry Group Co., Ltd.	271,200,000	11.97%
4	Luzhou Municipal Finance Bureau	161,544,800	7.13%
5	Luzhou State-owned Assets Operation Co., Ltd.	144,640,000	6.39%
6	Luzhou Xinglu Jutai Real Estate Co., Ltd.	91,715,862	4.05%
7	Chengdu Modern Agricultural Development Investment Co., Ltd.	81,043,600	3.58%
8	Luzhou Industrial Investment Group Co., Ltd.	73,462,268	3.24%
9	Luzhou Xinglu Investment Group Co., Ltd.	40,549,462	1.79%
10	Luzhou Laojiao Co., Ltd.	36,160,000	1.60%

Changes in Share Capital and Information on Shareholders

(II) Interests and Short Positions of Substantial Shareholders and Other Persons in Shares and Underlying Shares under the Regulations of Hong Kong

To the knowledge of the Directors or chief executive of the Bank, as at 30 June 2020, interests and short positions of the following persons (other than the Directors, Supervisors and chief executives of the Bank) had or were deemed to have in the Shares and underlying Shares of the Bank which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept pursuant to Section 336 of the SFO, were as follows:

Name of Shareholder	Nature of interest	Class of Shares	Long position/short position	Number of Shares directly or indirectly held (share)	Number of Shares owned with derivative interest (share)	Approximate % of interest in the Bank	Approximate % of the relevant class of Shares in the Bank
Luzhou Laojiao Group Co., Ltd. ⁽¹⁾	Beneficial owner	Domestic Shares	Long Position	325,440,000	–		
	Interest in controlled corporation	Domestic Shares	Long Position	36,160,000	–		
				361,600,000		15.97%	22.09%
Sichuan Jiale Enterprise Group Co., Ltd. ⁽²⁾	Beneficial owner	Domestic Shares	Long Position	271,200,000	–		
	Interest in controlled corporation	Domestic Shares	Long Position	7,232,000	–		
				278,432,000		12.29%	17.01%
JIANG Xiaoying (姜曉英) ⁽³⁾	Interest in spouse	Domestic Shares	Long Position	278,432,000	–	12.29%	17.01%
Luzhou Xinfu Mining Industry Group Co., Ltd.	Beneficial owner	Domestic Shares	Long Position	271,200,000	–	11.97%	16.56%
Sichuan Xinfu Industrial Group Co., Ltd. (四川鑫福產業集團有限公司) ⁽⁴⁾	Interest in controlled corporation	Domestic Shares	Long Position	271,200,000	–	11.97%	16.56%
LAI Dafu (賴大福) ⁽⁵⁾	Interest in controlled corporation	Domestic Shares	Long Position	271,200,000	–	11.97%	16.56%
GE Xiuqiong (葛修瓊) ⁽⁶⁾	Interest in controlled corporation	Domestic Shares	Long Position	271,200,000	–	11.97%	16.56%
Luzhou Industrial Investment Group Co., Ltd. ⁽⁴⁾	Beneficial owner	Domestic Shares	Long Position	73,462,268	–		
	Interest in controlled corporation	Domestic Shares	Long Position	144,640,000	–		
				218,102,268		9.63%	13.32%
Luzhou Xinglu Investment Group Co., Ltd. (瀘州市興瀘投資集團有限公司) ⁽⁴⁾	Beneficial owner	Domestic Shares	Long Position	40,549,462	–		
	Interest in controlled corporation	Domestic Shares	Long Position	154,128,384	–		
				194,677,846		8.60%	11.89%
Luzhou Municipal Finance Bureau	Beneficial owner	Domestic Shares	Long Position	161,544,800	–	7.13%	9.87%
Luzhou State-owned Assets Operation Co., Ltd.	Beneficial owner	Domestic Shares	Long Position	144,640,000	–	6.39%	8.83%
JNR SPC	Beneficial owner	H Shares	Long Position	111,291,000	–	4.91%	17.73%
JNR Capital ⁽⁶⁾	Beneficial owner	H Shares	Long Position	111,291,000	–	4.91%	17.73%
ZHENG Zhicheng ⁽⁶⁾	Interest in controlled corporation	H Shares	Long Position	111,291,000	–	4.91%	17.73%
Luzhou Fundamental Infrastructure Construction Investment Co., Ltd. (瀘州市基礎建設投資有限公司) ⁽⁷⁾	Beneficial owner	Domestic Shares	Long Position	15,006,400	–		
	Interest in controlled corporation	Domestic Shares	Long Position	91,715,862	–		
				106,722,262		4.71%	6.52%

Changes in Share Capital and Information on Shareholders

Name of Shareholder	Nature of interest	Class of Shares	Long position/short position	Number of Shares directly or indirectly held (share)	Number of Shares owned with derivative interest (share)	Approximate % of interest in the Bank	Approximate % of the relevant class of Shares in the Bank
Luzhou Xinglu Jutai Real Estate Co., Ltd.	Beneficial owner	Domestic Shares	Long Position	91,715,862	–	4.05%	5.60%
Luzhou Chengnan Construction Investment Co., Ltd. (瀘州市城南建設投資有限公司) ⁽¹⁾	Interest in controlled corporation	Domestic Shares	Long Position	91,715,862	–	4.05%	5.60%
China Development Fund Co., Ltd. (國開發基金有限公司) ⁽¹⁾	Interest in controlled corporation	Domestic Shares	Long Position	91,715,862	–	4.05%	5.60%
Wudaokou Capital Limited (五道口資本有限公司) ⁽⁸⁾	Beneficial owner	H Shares	Long Position	105,000,000	–	4.64%	16.73%
ZHOU Min (周敏) ⁽⁸⁾	Interest in controlled corporation	H Shares	Long Position	105,000,000	–	4.64%	16.73%
Luzhou High-tech Investment Group Co., Ltd. (瀘州市高新投資集團有限公司)	Beneficial owner	H Shares	Long Position	100,000,000	–	4.42%	15.93%
OTX ADVISORY HOLDINGS, INC. ⁽⁹⁾	Beneficial owner	H Shares	Long Position	89,246,000	–	3.94%	14.22%
LUO Zhipeng (羅志鵬) ⁽⁹⁾	Interest in controlled corporation	H Shares	Long Position	89,246,000	–	3.94%	14.22%
Luzhou Liquor Golden Triangle Wine Industry Development Co., Ltd. (瀘州白酒金三角酒業發展有限公司)	Beneficial owner	H Shares	Long Position	70,000,000	–	3.09%	11.15%

Notes:

- (1) Luzhou Laojiao Group Co., Ltd. is wholly-owned by Luzhou State-owned Assets Supervision and Administration Commission (瀘州市國有資產監督管理委員會). Luzhou Laojiao Group Co., Ltd. directly held 325,440,000 Domestic Shares and indirectly held 36,160,000 Domestic Shares through its controlled company Luzhou Laojiao Co., Ltd. (瀘州老窖股份有限公司). By virtue of the SFO, Luzhou Laojiao Group Co. Ltd. is deemed to be interested in the Domestic Shares held by Luzhou Laojiao Co., Ltd.
- (2) Mr. XIONG Guoming (熊國銘) and Ms. JIANG Xiaoying held 80% and 20% equity interest in Sichuan Jiale Enterprise Group Co., Ltd., respectively. Sichuan Jiale Enterprise Group Co., Ltd. directly held 271,200,000 Domestic Shares and indirectly held 7,232,000 Domestic Shares through its indirectly owned subsidiary, Sichuan Luzhou Jiale Real Estate Co., Ltd. (四川省瀘州市佳樂房地產有限責任公司). Luzhou Yijia Real Estate Development Co., Ltd. (瀘州益佳房地產開發有限公司) had approximately 92.68% equity interest in Sichuan Luzhou Jiale Real Estate Co., Ltd., and Sichuan Jiale Enterprise Group Co., Ltd. had approximately 70.44% equity interest in Luzhou Yijia Real Estate Development Co., Ltd. By virtue of the SFO, Sichuan Jiale Enterprise Group Co., Ltd. is deemed to be interested in the Domestic Shares held by Sichuan Luzhou Jiale Real Estate Co., Ltd. Mr. XIONG Guoming is deemed to be interested in the Domestic Shares held by Sichuan Jiale Enterprise Group Co., Ltd. and Sichuan Luzhou Jiale Real Estate Co., Ltd. for the purpose of the SFO. Ms. JIANG Xiaoying is the spouse of Mr. XIONG Guoming and is deemed to be interested in the Domestic Shares held by Mr. XIONG Guoming under the SFO.

Changes in Share Capital and Information on Shareholders

- (3) Mr. LAI Dafu and Ms. GE Xiuqiong held 60% and 40% equity interest in Sichuan Xinfu Industrial Group Co., Ltd., respectively. Sichuan Xinfu Industrial Group Co., Ltd. held 92% equity interest in Luzhou Xinfu Mining Industry Group Co., Ltd. By virtue of the SFO, each of Mr. LAI Dafu, Ms. GE Xiuqiong and Sichuan Xinfu Industrial Group Co., Ltd. is deemed to be interested in the Domestic Shares held by Luzhou Xinfu Mining Industry Group Co., Ltd.
- (4) Luzhou Industrial Investment Group Co., Ltd. directly held 73,462,268 Domestic Shares and indirectly held 144,640,000 Domestic Shares through its wholly-owned subsidiary, Luzhou State-owned Assets Operation Co., Ltd. By virtue of the SFO, Luzhou Industrial Investment Group Co., Ltd. is deemed to be interested in the Domestic Shares held by Luzhou State-owned Assets Operation Co., Ltd.
- (5) Luzhou Xinglu Investment Group Co., Ltd. directly held 40,549,462 Domestic Shares and (i) indirectly held 91,715,862 Domestic Shares through its controlled corporation Luzhou Xinglu Jutai Real Estate Co., Ltd., in which Luzhou Chengnan Construction Investment Co., Ltd. and Luzhou Xinglu Investment Group Co., Ltd. had 47% and 53% equity interest, respectively. Luzhou Fundamental Infrastructure Construction Investment Co., Ltd. had approximately 50.82% equity interest in Luzhou Chengnan Construction Investment Co., Ltd., and Luzhou Xinglu Investment Group Co., Ltd. had approximately 55.11% equity interest in Luzhou Fundamental Infrastructure Construction Investment Co., Ltd.; (ii) indirectly held 36,160,000 Domestic Shares through its controlled corporation Luzhou Laojiao Co., Ltd., in which Luzhou Xinglu Investment Group Co., Ltd. had approximately 24.99% equity interest. Luzhou Laojiao Group Co., Ltd. and Luzhou Xinglu Investment Group Co., Ltd. entered into an agreement on action in concert valid from 31 December 2015 to 1 June 2021 in respect of their respective equity in Luzhou Laojiao Co., Ltd.; (iii) indirectly held 11,246,122 Domestic Shares through its controlled corporation Luzhou Xinglu Financing Guarantee Group Co., Ltd. (瀘州市興瀘融資擔保集團有限公司), in which Luzhou Xinglu Investment Group Co., Ltd. had approximately 37.26% equity interest; and (iv) indirectly held 15,006,400 Domestic Shares through its controlled corporation Luzhou Fundamental Infrastructure Construction Investment Co., Ltd. By virtue of the SFO, Luzhou Xinglu Investment Group Co., Ltd. is deemed to be interested in Domestic Shares held by Luzhou Xinglu Jutai Real Estate Co., Ltd., Luzhou Laojiao Co., Ltd., Luzhou Xinglu Financing Guarantee Group Co., Ltd. and Luzhou Fundamental Infrastructure Construction Investment Co., Ltd.
- (6) JNR SPC is wholly-owned by JNR Capital, which is held as to approximately 66.67% equity interest by ZHENG Zhicheng. By virtue of the SFO, both JNR Capital and ZHENG Zhicheng are deemed to be interested in the H Shares held by JNR SPC.
- (7) Luzhou Xinglu Jutai Real Estate Co., Ltd. is held as to 53% equity interest by Luzhou Xinglu Investment Group Co., Ltd. and as to 47% equity interest by Luzhou Chengnan Construction Investment Co., Ltd., in which Luzhou Fundamental Infrastructure Construction Investment Co., Ltd. and China Development Fund Co., Ltd. held approximately 50.82% and 41.18% equity interest, respectively. By virtue of the SFO, each of Luzhou Xinglu Investment Group Co., Ltd., Luzhou Fundamental Infrastructure Construction Investment Co., Ltd., China Development Fund Co., Ltd. and Luzhou Chengnan Construction Investment Co., Ltd. is deemed to be interested in the Domestic Shares held by Luzhou Xinglu Jutai Real Estate Co., Ltd.
- (8) Wudaokou Capital Limited is wholly-owned by ZHOU Min. By virtue of the SFO, ZHOU Min is deemed to be interested in the H Shares held by Wudaokou Capital Limited.
- (9) OTX ADVISORY HOLDINGS, INC. is wholly-owned by LUO Zhipeng. By virtue of the SFO, LUO Zhipeng is deemed to be interested in the H Shares held by OTX ADVISORY HOLDINGS, INC.

Save as disclosed above, to the knowledge of the Directors, the Bank is not aware of any other person (other than a Director, Supervisor and chief executive of the Bank) having any interests or short positions in the Shares or underlying Shares of the Bank as at 30 June 2020 which are required to be recorded in the register pursuant to section 336 of the SFO.

Changes in Share Capital and Information on Shareholders

(III) Holders of 5% or More Shares

Please refer to IV. Details of Shareholders above for information on Shareholders holding 5% or more shares of the Bank.

V. DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN THE BANK

As of 30 June 2020, based on the information available to the Bank and as far as our Directors are aware, the interests and short positions of our Directors, Supervisors and chief executives in the Shares, underlying Shares or debentures of our Bank or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register of interests kept by the Bank pursuant to 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 (the "Model Code") as set out in Appendix 10 to the Listing Rules were set out as follows:

Interests in the Bank held by our Directors, Supervisors and chief executives							
Name	Position	Nature of interests	Class of Shares	Long position/ short position	Number of Shares directly or indirectly held (shares)	Approximate % of interest in our Bank	Approximate % of the relevant class of Shares of our Bank
XIONG Guoming (熊國銘)	Non-executive Director	Interest in controlled corporations	Domestic Shares	Long position	278,432,000	12.29%	17.01%
LIU Shirong (劉仕榮)	Executive Director	Beneficial owner	Domestic Shares	Long position	10,848	0.0005%	0.0007%
CHEN Yong (陳勇) ⁽¹⁾	Supervisor	Interest of spouse	Domestic Shares	Long position	16,272	0.0007%	0.001%

Note:

- (1) The Domestic Shares are held by Ms. LAN Ying (蘭英), the spouse of Mr. CHEN Yong. Mr. CHEN Yong is deemed to be interested in the Domestic Shares held by Ms. LAN Ying under the SFO.

Save as disclosed above, to the knowledge of the Directors, as at 30 June 2020, none of our Directors, Supervisors and chief executive had any interests or short positions in the Shares, underlying Shares or debentures of our Bank or any associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register kept by the Bank pursuant to section 352 of the SFO or which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code.

Directors, Supervisors, Senior Management and Employees

I. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(I) Directors

The Bank has completed the re-election of the seventh session of the Board at the employee representatives meeting and 2018 AGM held on 28 May 2019; and elected Mr. ZHONG Jin as an independent non-executive Director of the Bank at the 2019 AGM held on 26 May 2020, with the qualification of Director of Mr. ZHONG Jin to be approved by the CBIRC Sichuan Office. On 13 July 2020, Mr. JIANG Bo, a non-executive Director of the Bank, resigned as the non-executive Director of the Bank for work reasons. As of the Latest Practicable Date, the Board of the Bank consists of twelve Directors, including three executive Directors, namely, Mr. YOU Jiang, Mr. XU Xianzhong and Mr. LIU Shirong; five non-executive Directors, namely, Ms. PAN Lina, Mr. XIONG Guoming, Mr. LIU Qi, Mr. DAI Zhiwei, and Ms. LIU Anyuan; and four independent non-executive Directors, namely, Mr. GU Mingan, Mr. HUANG Yongqing, Mr. YE Changqing and Mr. TANG Baoqi, respectively.

The Board established six special committees, the specific names and members are as follows:

Development and strategy committee: Ms. PAN Lina (chairperson), Mr. YOU Jiang, Mr. XIONG Guoming, Mr. LIU Qi and Mr. DAI Zhiwei

Risk management committee: Mr. XIONG Guoming (chairperson), Mr. YOU Jiang, Mr. LIU Shirong and Mr. YE Changqing

Audit committee: Mr. YE Changqing (chairperson), Ms. PAN Lina, Ms. LIU Anyuan, Mr. GU Mingan and Mr. TANG Baoqi

Nomination and remuneration committee: Mr. TANG Baoqi (chairperson), Mr. YOU Jiang, Mr. XIONG Guoming, Mr. GU Mingan and Mr. ZHONG Jin

Related party (connected) transactions control committee: Mr. GU Mingan (chairperson), Mr. LIU Shirong, Mr. HUANG Yongqing, Mr. YE Changqing and Mr. ZHONG Jin

Consumer rights protection committee: Mr. HUANG Yongqing (chairperson), Mr. XU Xianzhong, Mr. LIU Qi and Ms. LIU Anyuan

Among which, the qualification of Director of Mr. ZHONG Jin is to be approved by the CBIRC Sichuan Office.

Directors, Supervisors, Senior Management and Employees

(II) Supervisors

The Bank has completed the re-election of the seventh session of the Board of Supervisors at the employee representatives meeting and the 2018 AGM held on 28 May 2019. During the Reporting Period and up to the Latest Practicable Date, the Board of Supervisors of the Bank consists of five Supervisors, including one Shareholders' representative Supervisor, namely Ms. YUAN Shihong; two external Supervisors, namely Mr. DUAN Xuebin and Mr. GUO Bing; and two employees' representative Supervisors, namely Ms. LIU Yongli and Mr. CHEN Yong.

(III) Senior Management

There are ten senior managements in the Bank, namely, president Mr. XU Xianzhong; vice president (responsible for executive work of the Bank) and secretary of the Board Mr. LIU Shirong; vice president Ms. XIA Yilun; vice president Ms. XUE Xiaoqin; vice president Mr. WU Ji; vice president and chief information officer Mr. CHENG Anhua; vice president Mr. YANG Bing; vice president Mr. TONG Qiang; assistant to president Mr. AI Yong; and assistant to president and president of the key customers business department Mr. HU Jia.

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Changes in Directors

The Bank elected Mr. ZHONG Jin as an independent non-executive Director of the Bank at the 2019 AGM held on 26 May 2020, and his appointment shall officially take effect from the day on which the approval of the CBIRC Sichuan Office is obtained; on 13 July 2020, Mr. JIANG Bo resigned as the non-executive Director of the Bank for work reasons. Please refer to the relevant announcement of the Bank issued for details of the above changes.

2. Changes in Supervisors

During the Reporting Period, there were no changes in members of Supervisors.

3. Changes in Senior Management

On 10 August 2020, the Bank received the reply from China Banking and Insurance Regulatory Commission Sichuan Office regarding its approval of the eligibility of Mr. WU Ji to act as the vice-president of Luzhou Bank Co., Ltd.

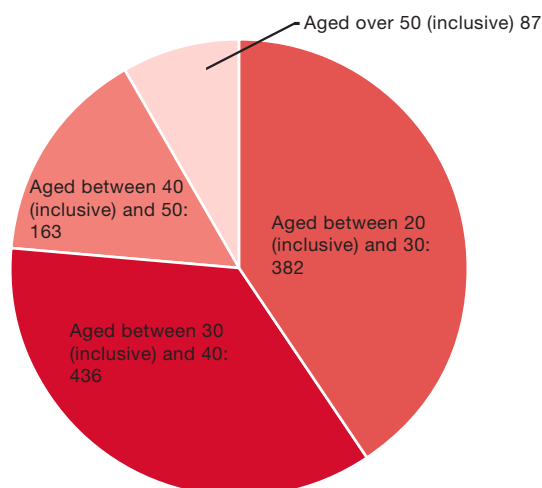
III. SECURITIES TRANSACTION BY DIRECTORS AND SUPERVISORS

Our Bank has adopted the Model Code as its code for regulating securities transactions by Directors and Supervisors of the Bank. Having made specified enquiry with all Directors and Supervisors of the Bank, our Directors and Supervisors confirmed that they have been in compliance with the Model Code throughout the Reporting Period.

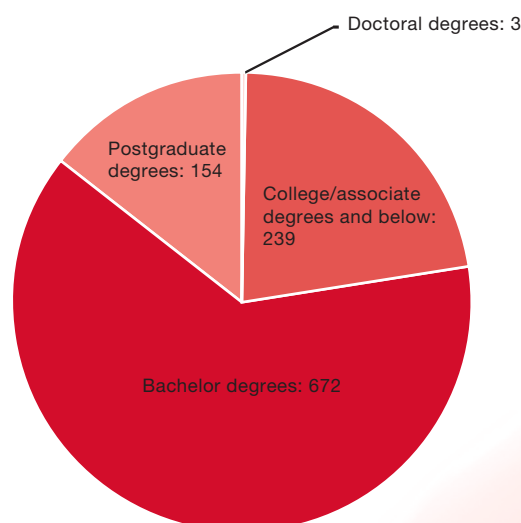
Directors, Supervisors, Senior Management and Employees

IV. DETAILS OF EMPLOYEES

As at the end of the Reporting Period, the Bank had 1,068 employees (including dispatched workers) in total, with an average age of 34. Of them, 382 employees aged between 20 (inclusive) and 30, accounting for 35.77%; 436 employees aged between 30 (inclusive) and 40, accounting for 40.82%; 163 employees aged between 40 (inclusive) and 50, accounting for 15.26%; and 87 employees aged over 50 (inclusive), accounting for 8.15%.



By education background, the Bank had 157 employees with postgraduate degrees and above (including 3 doctoral candidates), accounting for 14.7%; 672 employees with bachelor degrees, accounting for 62.92%; 239 employees with college/associate degrees and below, accounting for 22.38%.



Directors, Supervisors, Senior Management and Employees

V. TRAINING FOR EMPLOYEES

Our Bank attached great importance to the training of employee team, took building a comprehensive talent team as the goal, centering on the actual demands of business and continuously strengthening its efforts in talent cultivation, as well as exploring multi-channel new modes for talent training. In the first half of this year, our Bank organized its employees to participate in international and domestic authoritative tests for financial certificates and conducted special trainings for mid-class management members and business backbones to strengthen their leadership as well as trainings for new employees, the total number of various internal and external training activities of the Bank reached approximately 40 and the number of participants reached over 2,500.

VI. REMUNERATION POLICIES FOR EMPLOYEES

The Bank has implemented an incentive and restrictive performance-based remuneration appraisal mechanism based on the principle of “placing the efficiency as priority”, in which the remuneration of employees is determined individually on merits on the basis of their salary of posts. The Bank has also established a market-based remuneration allocation system under which the income depends on the contribution by closely connecting the employees’ remuneration with their work performance, so as to give a continual play to the incentive and guiding effects of remuneration, arouse employees’ enthusiasm and thereby to improve the overall efficiency. The Bank has maintained various social insurances and supplementary medical insurance in accordance with the relevant laws to provide a comprehensive security system for its employees. In respect of payment of remuneration, the Bank has strictly complied with relevant regulatory requirements and deferred payment for middle and senior management and employees holding positions with material impact on risks.

Our Bank offers our executive Directors, Supervisors who are also our employees and senior management members, compensation in the form of salaries, social security, housing provident fund, enterprise annuity and other benefits. Our independent non-executive Directors and external Supervisors receive fixed compensation.

Important Events

CORPORATE GOVERNANCE

During the Reporting Period, the Bank continued to refine its corporate governance structure and improved its corporate governance in strict compliance with laws and regulations such as the Company Law of the PRC, the Commercial Banking Law of the PRC as well as the Listing Rules and in line with the actual conditions of the Bank. We have also adopted the Corporate Governance Code (the “Code”) set out in Appendix 14 to the Listing Rules, and have reached the requirements of the administrative measures and corporate governance for domestic commercial bank, and have established a good corporate governance system.

Since Mr. ZHOU Kai, a proposed independent non-executive Director for the seventh session of the Board passed away, the appointment did not come into effect and the Bank has four independent non-executive Directors only. Therefore, the Bank failed to fully comply with the requirements of Rule 3.10A, Rule 3.25 of the Listing Rules and Code Provision A.5.1, namely the requirement that the independent non-executive Directors shall represent at least one-third of the Board and the requirement regarding the composition of the nomination and remuneration committee, for details please see the announcement of the Bank dated 31 December 2019. The Bank also issued an announcement dated 26 March 2020, in relation to, among other things, the proposed appointment of Mr ZHONG Jin as independent non-executive Director and as a member of the nomination and remuneration committee of the Bank by the Board has been considered and approved by the shareholders of the Bank at the 2019 Annual General Meeting, but the appointment of Mr. ZHONG is subject to the approval from the CBIRC Sichuan Office. The Bank issued an announcement dated 13 July 2020, in relation to, the resignation of Mr. JIANG Bo as non-executive Director and the member of risk management committee under the Board of the Bank. After the resignation of Mr. JIANG, the Board was comprised of 12 Directors, four of which are independent non-executive Directors, hence, the Bank has complied with the requirements of Rule 3.10A of the Listing Rules. The Bank will make further announcement of the appointment of Mr ZHONG Jin and the Bank’s compliance with the composition of the nomination and remuneration committee as soon as practicable. Save as disclosed above, we have strictly complied with the principles and code provisions as well as some of the recommended best practices set out in the Code during the Reporting Period. We are committed to maintaining a high standard of corporate governance.

IMPLEMENTATION OF DIVIDENDS DISTRIBUTION

The 2019 profit distribution plan of the Bank was reviewed and approved at the 2019 Annual General Meeting held on 26 May 2020, so as to distribute the final dividends for 2019 in an aggregate amount of RMB294.42 million (tax inclusive) to all shareholders. The Bank did not distribute and does not propose to distribute any interim dividend for the six months ended 30 June 2020.

MATERIAL LITIGATIONS AND ARBITRATIONS

During the Reporting Period, there were no litigations or arbitrations which had a material impact on the operation activities of the Bank.

Important Events

PENALTIES IMPOSED ON THE BANK AND DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE BANK

During the Reporting Period, the Bank and all the Directors, Supervisors and senior management had no record of being subject to inspections, administrative penalties and circulating criticisms by the CSRC or public censures by the Hong Kong Stock Exchange, or penalties by other regulatory bodies that posed significant impact on the Bank's operation.

PERFORMANCE OF UNDERTAKINGS BY THE BANK AND SHAREHOLDERS HOLDING MORE THAN 5% OF SHARES

Please refer to "Changes in Share Capital and Information on Shareholders" in this report for further details about the Shareholders holding 5% or more of the share capital of the Bank.

MATERIAL CONTRACTS AND THEIR PERFORMANCE

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

REVIEW OF INTERIM RESULTS

The Bank's interim consolidated financial statements for 2020 (unaudited) prepared in accordance with International Financial Reporting Standards have been reviewed by PricewaterhouseCoopers, who has issued an unqualified review report.

The Bank's 2020 interim report and 2020 interim consolidated financial statement (unaudited) have been reviewed by the Audit Committee of the Board and the Board of Directors of the Bank.

MATERIAL ACQUISITION AND DISPOSAL OF ASSETS AND MERGER OF ENTERPRISES

During the Reporting Period, the Bank had no material acquisition and disposal of assets or merger of enterprises.

SUBSEQUENT MATERIAL EVENTS

The Bank has no subsequent material events from the end of the Reporting Period to the issuance date of this report.

Independent Auditor's Report

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF LUZHOU BANK CO., LTD., *(incorporated in the People's Republic of China with limited liability)*

INTRODUCTION

We have reviewed the interim financial information set out on pages 58 to 142, which comprises the interim condensed statement of financial position of Luzhou Bank Co., Ltd. (the "Bank") as at 30 June 2020 and the interim condensed statement of comprehensive income, the interim condensed statement of changes in equity and the interim condensed statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other 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". The directors of the Bank are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 August 2020

Interim Condensed Statement of Comprehensive Income

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	For the six months ended 30 June	
		2020	2019
Interest income		3,039,977	2,674,633
Interest expenses		(1,565,904)	(1,320,031)
Net interest income	4	1,474,073	1,354,602
Fee and commission income		4,570	3,293
Fee and commission expenses		(2,320)	(2,511)
Net fee and commission income	5	2,250	782
Net gains on trading activities	6	77,951	30,647
Net gains on financial investments	7	77,882	16,425
Other operating income	8	12,119	1,174
Operating income		1,644,275	1,403,630
Operating expenses	9	(458,612)	(459,073)
Expected credit losses	10	(610,286)	(329,276)
Operating profit		575,377	615,281
Share of profit of an associate	21	2,626	2,135
Profit before income tax		578,003	617,416
Income tax expenses	11	(128,888)	(127,063)
Net profit attributable to shareholders of the Bank		449,115	490,353

Interim Condensed Statement of Comprehensive Income

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	For the six months ended 30 June	
		2020	2019
Other comprehensive income/(losses)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value change of financial assets at fair value through other comprehensive income		(13,836)	(12,388)
Expected credit losses of financial assets at fair value through other comprehensive income		54,510	2,841
Less: Related income tax impact		(10,169)	2,387
Subtotal	37	30,505	(7,160)
Total comprehensive income attributable to the shareholders of the Bank		479,620	483,193
Earnings per share for profit attributable to the shareholders of the Bank (expressed in RMB per share)			
– basic and diluted	12	0.20	0.22

The accompanying notes form a part of this interim condensed financial information.

Interim Condensed Statement of Financial Position

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	30 June 2020	31 December 2019
ASSETS			
Cash and balances with central bank	13	8,964,041	9,401,511
Financial assets held under resale agreements, due from other banks and financial institutions	14	8,274,104	3,284,840
Derivative financial assets	15	607	–
Customer loans	16	51,517,861	43,298,734
Financial investments – credit related financial assets	17	5,247,204	4,186,800
Financial investments – fair value through profit or loss	18	8,149,034	1,860,243
Financial investments – fair value through other comprehensive income	19	7,819,048	5,755,246
Financial investments – amortised cost	20	17,882,912	22,499,936
Investment in an associate	21	43,364	40,738
Property, plant and equipment	22	741,140	744,552
Deferred income tax assets	23	535,868	386,436
Other assets	24	288,386	221,585
Total assets		109,463,569	91,680,621
LIABILITIES			
Borrowings from central bank		550,487	540,760
Due to other banks and financial institutions	25	5,396,090	3,949,580
Derivative financial liabilities	15	3,386	–
Customer deposits	26	76,898,256	61,436,960
Debt securities issued	27	16,831,401	18,225,596
Current tax liabilities		228,630	191,408
Other liabilities	29	783,789	446,808
Total liabilities		100,692,039	84,791,112
EQUITY			
Equity attributable to shareholders of the Bank			
Share capital	30	2,264,793	2,264,793
Other equity instruments	31	1,696,824	–
Capital surplus	30	2,239,314	2,239,314
Other reserves	32	1,642,757	1,441,641
Retained earnings		927,842	943,761
Total equity		8,771,530	6,889,509
Total liabilities and equity		109,463,569	91,680,621

The accompanying notes form a part of this interim condensed financial information.

Chairman and Executive Director:
You Jiang

Executive Director and President:
Xu Xianzhong

Interim Condensed Statement of Changes in Equity

(All amounts expressed in thousands of RMB unless otherwise stated)

	Equity attributable to shareholders of the Bank								
	Share capital Note 30	Other equity instruments Notes 31	Capital surplus Note 30	Surplus reserve Note 32	Other reserves			Retained earnings	Total
					General reserve Note 32	Revaluation reserve Note 32	Subtotal		
Balance at 1 January 2020	2,264,793	-	2,239,314	399,731	977,442	64,468	1,441,641	943,761	6,889,509
Net profit for the period	-	-	-	-	-	-	-	449,115	449,115
Changes recognised in other comprehensive income	-	-	-	-	-	30,505	30,505	-	30,505
Total comprehensive income	-	-	-	-	-	30,505	30,505	449,115	479,620
Capital contributions by other equity instruments holders (Notes 31)	-	1,696,824	-	-	-	-	-	-	1,696,824
Transfer to general reserve	-	-	-	-	170,611	-	170,611	(170,611)	-
Cash dividends (Note 33)	-	-	-	-	-	-	-	(294,423)	(294,423)
Balance at 30 June 2020	2,264,793	1,696,824	2,239,314	399,731	1,148,053	94,973	1,642,757	927,842	8,771,530
Balance at 1 January 2019	2,182,933	-	2,094,444	336,340	847,549	62,669	1,246,558	842,851	6,366,786
Net profit for the period	-	-	-	-	-	-	-	490,353	490,353
Changes recognised in other comprehensive income	-	-	-	-	-	(7,160)	(7,160)	-	(7,160)
Total comprehensive income	-	-	-	-	-	(7,160)	(7,160)	490,353	483,193
Transfer to general reserve	-	-	-	-	129,893	-	129,893	(129,893)	-
Issue of shares (Note 30)	81,860	-	144,870	-	-	-	-	-	226,730
Cash dividends (Note 33)	-	-	-	-	-	-	-	(339,719)	(339,719)
Balance at 30 June 2019	2,264,793	-	2,239,314	336,340	977,442	55,509	1,369,291	863,592	6,736,990

The accompanying notes form a part of this interim condensed financial information.

Interim Condensed Statements of Cash Flows

(All amounts expressed in thousands of RMB unless otherwise stated)

	For the six months ended 30 June	
	2020	2019
Cash flows from operating activities:		
Profit before income tax	578,003	617,416
Adjustments:		
Depreciation and amortisation	68,915	55,558
Expected credit losses on customer loans	518,770	236,645
Expected credit losses on other assets	91,516	92,631
Net (gains)/losses on disposal of long-term assets	(878)	3,889
Net gains arising from derecognition of financial investments	(152,616)	(93,915)
Changes in fair value of financial assets at fair value through profit or loss	(3,217)	46,843
Interest income from financial investments	(1,166,269)	(1,188,859)
Interest expenses on debt securities	375,905	313,506
Net increase in operating assets:		
Net (increase)/decrease in balances with central bank	(196,863)	384,048
Net increase in financial assets held under resale agreements, due from banks and other financial institutions	(4,304,606)	(359,854)
Net increase in customer loans	(8,722,404)	(8,806,827)
Net (increase)/decrease in other operating assets	(4,116,968)	968,268
Net increase in operating liabilities:		
Net increase in balances due to central bank	10,112	10,000
Net increase/(decrease) in financial assets sold under repurchase agreements, due to banks and other financial institutions	1,425,016	(4,844,622)
Net increase in customer deposits	15,257,566	8,307,613
Net increase in other operating liabilities	324,234	441,424
Income tax paid	(243,416)	(236,003)
Net cash used in operating activities	(257,200)	(4,052,239)

Interim Condensed Statements of Cash Flows

(All amounts expressed in thousands of RMB unless otherwise stated)

	For the six months ended 30 June	
	2020	2019
Cash flows from investing activities:		
Purchase of property, plant and equipment, and other long-term assets	(64,069)	(40,526)
Interest income arising from financial investment securities	1,735,293	1,386,608
Purchase of investment securities	(21,839,480)	(12,910,280)
Proceeds from sale and redemption of financial investments	20,508,597	11,467,237
Net cash from/(used in) investing activities	340,341	(96,961)
Cash flows from financing activities:		
Proceeds from issuance of shares	–	230,998
Proceeds from issuance of debt securities	8,880,000	12,860,000
Repayment of debt securities upon maturity	(10,246,563)	(8,962,902)
Interest paid on debt securities	(375,905)	(313,506)
Dividends paid to shareholders	(67)	(336,731)
Proceeds from issuance of other equity instruments	1,696,824	–
Others paid for financing activities	–	(4,268)
Net cash (used in)/from financing activities	(45,711)	3,473,591
Impact of exchange rate fluctuation on cash and cash equivalents	11,710	6,174
Net increase/(decrease) in cash and cash equivalents	49,140	(669,435)
Cash and cash equivalents at the beginning of the period	5,275,477	4,924,745
Cash and cash equivalents at the end of the period (Note 38)	5,324,617	4,255,310

The accompanying notes form a part of this interim condensed financial information.

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

1 GENERAL INFORMATION

Luzhou Bank Co., Ltd. (the “Bank”), with the approval of the People’s Bank of China, was established on 15 September 1997 as a joint-stock commercial bank under the name of “Luzhou City United Bank” in accordance with the Company Law of China. The Bank was jointly sponsored by Luzhou Finance Bureau, the shareholders of eight urban credit cooperatives, two rural credit cooperatives and other new corporate shareholders.

On 8 May 1998, the Sichuan Branch of the People’s Bank of China approved the renaming of the Bank from “Luzhou City United Bank” to “Luzhou City Commercial Bank Co., Ltd.”. On 4 June 2019, in accordance with the approval of the Sichuan Supervisory Bureau of China Banking and Insurance Regulatory Commission (“CBIRC”) and the approval of Luzhou City Market Supervision and Administration Bureau, the Bank was formally renamed to “Luzhou Bank Co., Ltd.”. The Bank issued 545,740,000 shares (H shares) to investors on 17 December 2018, and listed on the main board of Stock Exchange of Hong Kong on 17 December 2018. As at 30 June 2020, the total share capital of the Bank is RMB2,264,793,385, with a par value of RMB1 per share.

The main lines of business of the Bank include corporate banking, retail banking and financial markets operations.

This financial information was authorised for issue by the Board of Directors of the Bank on 26 August 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed financial information of the Bank has been prepared in accordance with the International Accounting Standard 34 ‘Interim Financial Reporting’.

The Bank adopted the going concern basis in preparing this interim condensed financial information.

The interim condensed financial information should be read in conjunction with the audited financial statements for the year ended 31 December 2019.

Taxes on income in interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Except as described below, the Bank’s accounting policies applied in preparing this unaudited interim condensed financial information are consistent with those policies applied in preparing the 2019 annual financial statements.

The Bank’s structured entities (Note 34) are the Bank’s only consolidated subsidiaries and are already measured according to accounting policies applicable to financial instruments. So there is no difference between the Bank’s consolidated financial information and its standalone financial information.

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 New and amended standards adopted by the Bank

A number of new or amended standards became applicable for the current reporting period. The adoption of the new IFRSs and amendments to IFRSs did not have a material impact on the Bank's operating results, financial position or other comprehensive income. The Bank did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

2.1.2 Impact of standards issued but not yet applied by the Bank

There are no other standards that are not yet effective and that would be expected to have a material impact on the Bank in the current or future reporting periods and on foreseeable future transactions.

2.2 Critical accounting estimates and judgments in applying accounting policies

The preparation of interim condensed financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense.

In preparing this interim condensed financial information, the significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2019.

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT

The Bank's activities expose it to a variety of financial risks, primarily including credit risk, market risk (including currency risk, interest risk and other price risk), and liquidity risk. Those activities involve analysis, evaluation, acceptance and management of some degree of risks or combination of risks. Managing risks are core to the financial business, and operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is the highest authority for the Bank's overall risk management. It provides strategy and risk preference for overall risk management and decides the risk tolerance and monitor risk management and internal control system. It assesses overall risk based on monitoring information and risk management reported by the senior management. Senior management is responsible for overseeing the Bank's overall risk management, including the formulation and implementation of risk management policies and procedures, covering credit risk, interest rate risk, liquidity risk and foreign exchange risk. The risk management committee is in charge of the Bank's overall risk management structure, policies and tools, and monitors the risk management. The assets and liabilities management department is primarily in charge of managing the Bank's liquidity risk and banking account interest rate risk.

3.1 Credit risk

The Bank is exposed to credit risk, which is the risk that a customer or counterparty will be unable to or unwilling to meet its obligations under a contract. Changes in the economy or those in credit quality of a particular industry segment or concentration in the Bank's portfolio, could result in losses that are different from those provided for at the balance sheet date. Credit risk increases when the counterparties are in the similar geographical or industry segments. Credit exposures arise principally from customer loans, debt securities and due from banks and other financial institutions. There are also credit risk exposures in off-balance sheet financial arrangements such as loan commitments, guarantees, acceptances and letters of credit.

Exposure to credit risk is managed through regular analysis of the ability of borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.1 Credit risk measurement

(a) Credit business

The Bank measures and manages the quality of its credit assets in accordance with the CBIRC's Guidelines of Risk Classification of Loans and Guidelines of Risk Classification of Micro Enterprises loans (Trial Implementation). The classification of loans is based on the borrowers' repayment ability, payment history, willing of repayment, guarantee of loans, legal responsibility and loan administration. The Guidelines of Risk Classification of Loans require financial institutions to classify their credit assets into five categories, namely pass, special mention, substandard, doubtful and loss, of which the last three categories are non-performing loans. The Bank monitors the overdue status of its loans to retail customers in managing credit risk.

The core definitions of credit asset classifications in 'Loan Risk Classifications Guiding Principles' are as follows:

Pass: The borrower can fulfil the contracts, and there is insufficient reason to suspect that the principal and interest of loans cannot be repaid in full on time.

Special mention: The borrower has the ability to make current payments, but there may be some potential issues that could have adverse impact on the future payments.

Substandard: The borrower's repayment ability has been impaired and their normal income cannot repay the loan principal plus interest in full. Even with execution of guarantee, there may be certain level of loss.

Doubtful: The borrower cannot repay the principal plus the interest in full. Even with the execution of guarantee, there will be a significant loss.

Loss: After taking consideration of all possible recovery actions or all necessary legal proceedings, the future outcome of recovery is likely to be little or no recovery.

Risk management department coordinates the classification of loans. The classification of loans is performed quarterly and adjusted timely. Risk management department summarises the reclassification information justified by related department quarterly and reports to risk management committee for approval. The classification of loans is monitored through credit management system.

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.1 Credit risk measurement (continued)

(b) Financial market business

The Bank manages the credit quality of due from, placements with and loans to banks and other financial institutions considering the size, financial position and the external credit rating of the banks and financial institutions. The head office monitors and reviews the credit risk of loans to banks and other financial institutions by counterparties periodically. Limits are placed on different counterparties. For debt securities and other financial market business, the Bank manages the credit risk exposures by setting limits to the external credit ratings of its investments.

3.1.2 Risk limit control and mitigation policies

(a) Credit business

The Bank takes the same credit risk management control procedure for on and off-balance sheet risk exposures. The risk control procedure of the Bank's credit risk includes the following: credit policy stipulating, pre-credit investigation, risk assessment, collateral assessment, examination and approval of credit loans, draw-down, post-loan management, management on non-performing loans, due-diligence on non-performing loans.

The Bank has established a mechanism of risk warning for credit business, mainly including single customer credit authorisation risk and systematic risk. Unified credit authorisation management is implemented for key customers. Once the maximum exposure of a single customer is determined, the customer's exposure limit should not exceed its credit limit in the Bank at any time before it achieved new credit limit.

The Bank takes action to strengthen controls over credit risk in relation to group customer and related party customer. The Bank places limits in relation to key group customers to control credit risk. The committee of related party transactions is set up under the Board to manage controls on related party transaction.

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is taking collateral, which is common practice.

Except for few customers with excellent quality, the Bank requires the borrowers provide collateral for loans. The type of collateral mainly includes collateral, pledge and guarantee. The Bank employs property appraisal companies with certificates to evaluate the collateral. The detailed collateral type and amount is determined by credit risk of counterparty or customers.

The Bank employs a range of asset evaluation companies to value the collaterals. The Bank generally accepts assets whose value are clear as collaterals, such as deposit receipt and real estate.

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.2 Risk limit control and mitigation policies (continued)

(b) Financial market business

Financial Interbank Department centralises control over financial market business with hierarchical authorisation from department heads to the president for different business types such as sale, distribution, trade and repurchase of debt securities.

The Bank invests in debt securities with hierarchical authorisation under the guidelines of asset and liability committee. The Bank sets stop-loss point based on analysis of trend of macroeconomic situation and monetary policy. The Bank places limits for interbank borrowing and lending. The Bank manages the credit risk exposures of interbank borrowing and lending strictly within the limit of regulation and credit authorisation.

The debt securities traders regularly review and monitor the changes of market interest and report the market value of debt securities to Financial Interbank Department and Assets Liabilities Management Department. If there is any violation of interest rate in the market or any significant credit risk encountered to debtors, the business department responsible for security investment will ask for holding extraordinary asset and liability management meeting to conclude an emergency plan. The debt trader will react according to the plan.

3.1.3 Collateral and guarantee

The Bank has a range of policies and practices intended to mitigate credit risk. The most useful practice is to accept collaterals. The Bank implements guidelines on the acceptability of specific classes of collateral. The maximum loan-to-value ratio is determined by the credit business department. The follow-up management of the collateral is carried out by the related business management department. The principal types of collateral for corporate loans and personal loans are as follows:

Type of Collateral	Maximum loan-to-value ratio
Collaterals	
Residential and commercial properties	60%
Land use rights for commercial, residential and comprehensive use	50%
Land use rights for industrial use	40%
Plants, workshops and factories or office and warehouse in non-urban area	40%
Forestry, trees and woodland usage rights	40%
Construction in progress	50%
Pledges	
Security deposits and certificates of deposit (including electronic certificates of deposits) issued by the Bank	100%
Certificates of deposit issued by other banks	90%
Treasury bonds, bank cheques and bank acceptance bills	90%
Commercial acceptance bills	80%
Debt securities issued by corporations with rating of AA or above	50%
Shares and equities	50%
Warehouse receipts and bills of lading	50%
Receivables	50%
Property right from intellectual properties rights including patents and copyrights	30%

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Collateral and guarantee (continued)

Mortgage loans to retail customers are generally collateralised by residential properties. Other loans are collateralised according to the nature of the loan.

For loans guaranteed by a third party guarantor, the Bank will assess the guarantor's credit rating, financial condition, credit history and ability to meet obligations.

Collateral held as security for financial assets other than customer loans is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of certain asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

Collateral is also held as part of reverse repurchase agreements. Details of collateral accepted and which the Bank is obligated to return are disclosed in Note 36.

3.1.4 Measurement of expected credit losses

In accordance with IFRS 9, the Bank classified the financial instruments into three stages. Stage 1 includes performing financial instruments that are "not credit-impaired on initial recognition". 12-month expected credit losses ("ECL") are recognized and calculated for those financial instruments in stage 1. Stage 2 includes financial instruments that have had significant increase in credit risk since initial recognition and stage 3 includes credit-impaired financial assets. ECL for the entire life cycle are recognized for those financial instruments in stage 2 and stage 3.

3-stage classification

According to IFRS 9, 3-stage classification criteria need to be clearly specified. For financial instruments, that are "not credit-impaired on initial recognition" will be classified in stage 1 and calculate the 12-month ECL. If "a significant increase in credit risk" is identified, the financial instrument will be moved to stage 2 and calculate the lifetime ECL. If the financial instrument is credit-impaired, the financial instrument will be moved to stage 3. The detailed classification criteria has been set up, and take into consideration of overdue days, etc.

The stages are transferable. For example, when the credit risk of financial instruments classified in stage 1 significantly increase, they will be transferred to stage 2.

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Measurement of expected credit losses (continued)

(1) Financial assets with significant increase in credit risk

When triggering one or more of the following quantitative or qualitative criteria, the Bank considers that the credit risk of financial instruments has increased significantly.

Quantitative criteria

- The principal or interest of the contract is overdue for more than 30 days, but less than 90 days.
- The debtor's external credit rating (bond rating or issuer rating) is lower than BBB.

Qualitative criteria

- The economic, technological or legal environment in which the debtor is situated will change at the present time or in the near future, thereby adversely affecting the debtor.
- The debtor violated the terms of the contract, such as overdue payment of interest or principal or default.

(2) Definition of default and loss incurred.

When a financial instrument meets one or more of the following conditions, the Bank considers the financial asset as being defaulted, and the criteria are consistent with the definition of loss incurred.

Quantitative criteria

- The principal or interest of the contract is overdue for more than 90 days.
- The debtor's external credit rating (bond rating or issuer rating) is C.

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Measurement of expected credit losses (continued)

(2) Definition of default and loss incurred (continued)

Qualitative criteria

- The debtor is likely to go bankrupt or carry out other financial restructuring.
- The issuer of financial instruments assets held by the Bank has serious financial difficulties.
- The Bank has made concessions to the debtor in financial difficulty for economic or legal reasons.
- The market of related financial instruments is deserted due to the debtor's financial difficulty.
- It is becoming probable that the obligor will enter bankruptcy.

The above criteria apply to all financial instruments of the Bank; the definition of default is consistently applied to the calculation of expected credit losses of the Bank, including default probability (PD), exposure at default (EAD) and loss given default (LGD) modeling.

When a financial instrument does not meet any definition of default for six consecutive months, the Bank no longer regards it as an asset in default (reversal). According to the relevant analysis, the Bank has considered the possibility that the financial instruments will be in default again from the reversal under various circumstances, and decided to adopt the six-month observation period.

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Measurement of expected credit losses (continued)

- (3) Measurement of expected credit loss: explanation of parameters, assumptions and estimation techniques.

Depending on whether there is a significant increase in credit risk and whether the assets have been impaired, the Bank will measure the loss provision for different assets by expected credit losses for 12 months or entire life of the asset. Expected credit loss is the product of probability of default (PD), exposure at default (EAD) and loss given default (LGD) after term adjustment and discount. Related definitions are as follows:

Probability of default (PD) refers to the possibility that the borrower will not be able to fulfil his obligations in the next 12 months or throughout the remaining period of existence. The Bank builds the migration matrix based on historical data to calculate the 12-month probability of default, and derives the default probability of the entire duration from the 12-month probability of default through the Markov chain model.

Loss given default (LGD) is the percentage of risk exposure loss at the time of default. The default loss rate varies depending on the type of counterparty and the availability of collateral or other credit support.

Exposure at default (EAD) refers to the amount that the Bank should pay when the default occurs in the next 12 months or throughout the remaining life. The Bank's exposure at default is determined by the expected repayment arrangements, and different types of products will vary. For installments and one-time repayments, the Bank determines the exposure at default according to the repayment plan stipulated in the contract.

The Bank determines the expected credit losses by forecasting the probability of default, loss given default and exposure at default of single debt. The Bank multiplies the three items and adjusts their duration (if there is no early repayment or breach of contract). This approach can effectively calculate the expected credit losses for future periods, and then discount the results of each period to the report date and add up. The discount rate used in the calculation of expected credit loss is the real interest rate or its approximate value.

- (4) Establishment of impairment model

The Bank has established macro-economic forecast model, along with adjustments from external economic experts. The Bank conducts forecasts regularly and establishes three possible economic scenarios, optimistic, basic and pessimistic. Basic scenario is defined as the most probable situation, which will become benchmark for other scenarios. Optimistic and pessimistic scenarios are possible scenarios which are better and worse than basic scenario respectively.

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Measurement of expected credit losses (continued)

(4) Establishment of impairment model (continued)

The impairment model is established through a top down approach. The Bank has developed several corporate and retail impairment models, including regression models for different macro-economic indicators such as Macro-economic Climate Index, Enterprise Climate Index, National Housing Climate Index and the Ratio of Non-performing Loans of Commercial Banks etc. and use MERTON formula and historical default information to make 'forward looking' adjustments to probability of default to achieve "forward-looking" calculation of provision.

For asset portfolios that regression model cannot be established, for example, customers' default rate is extremely low or assets without an appropriate internal rating method, the Bank mainly applies expected loss rate from similar portfolios which regression model have been established so as to increase coverage range of existing impairment models.

(a) Forwarding-looking information included in ECL model

The assessment of significant increases in credit risk and the calculation of expected credit losses involve forward-looking information. The Bank identifies the key economic indicators affecting the credit risk and expected credit loss of each asset portfolio, through historical data analysis,

Coverage	
Macro-economic Climate Index	Corporate loans, Discounted bills, Retail loans, Financial investments – credit related financial assets, Off-balance sheet business
National Housing Climate Index	Retail loans

These economic indicators and their impact on PD, EAD and LGD depend on different financial instruments, which involved expert judgments. The Bank annually makes forecasts on these economic indicators ("basic economic scenarios") and provides the best estimation of the economics for the next two years. The Bank believes that the economic indicators from two years later to the end of the maturity of financial instruments tend to maintain average or average growth for a long time in the following period through the mean regression method. The Bank finds the relationship between these economic indicators and their impact of historical changes on PD, EAD and LGD.

As at 30 June 2020, the significant assumptions used to estimate expected credit losses are presented as three economic scenarios, including "Optimistic scenario", "Basic scenario", and "Pessimistic scenario", which are applicable to the Bank. The weighting of "Basic scenario" adopted by the Bank overweights the aggregated weightings of other scenarios.

As affected by the COVID-19, some macroeconomic indicators fluctuated greatly in the first half of 2020. The Bank evaluated the model and reviewed forward-looking information in a comprehensive manner. Similar to other economic predictions, there is inherent uncertainty to the prediction and estimation of probability. Therefore, the actual results may significantly differ from the prediction. The Bank believes that these predictions reflect the best estimation of possible outcomes, and the chosen scenarios can represent possible scenarios appropriately.

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.5 Maximum exposure to credit risk before collateral held or other credit enhancements:

	As at 30 June 2020			
	Stage 1	Stage 2	Stage 3	Total
Assets				
Balances with central bank	8,878,089	–	–	8,878,089
Financial assets held under resale agreements, due from other banks and financial institutions	8,274,104	–	–	8,274,104
Derivative financial assets	607	–	–	607
Customer loans	50,341,039	809,334	367,488	51,517,861
Financial investments- credit related financial assets	5,247,204	–	–	5,247,204
Financial investments – fair value through profit or loss	8,149,034	–	–	8,149,034
Financial investments – fair value through other comprehensive income	7,819,048	–	–	7,819,048
Financial investments – amortized cost	17,762,718	–	120,194	17,882,912
Other financial assets	79,794	–	–	79,794
Subtotal	106,551,637	809,334	487,682	107,848,653
Off balance sheet guarantees and commitments	1,705,181	–	–	1,705,181

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.5 Maximum exposure to credit risk before collateral held or other credit enhancements (continued):

	As at 31 December 2019			Total
	Stage 1	Stage 2	Stage 3	
Assets				
Balances with central bank	9,324,826	–	–	9,324,826
Financial assets held under resale agreements, due from other banks and financial institutions	3,284,840	–	–	3,284,840
Customer loans	41,962,199	1,144,756	191,779	43,298,734
Financial investments- credit related financial assets	4,144,954	41,846	–	4,186,800
Financial investments – fair value through profit or loss	1,860,243	–	–	1,860,243
Financial investments – fair value through other comprehensive income	5,755,246	–	–	5,755,246
Financial investments – amortized cost	22,335,811	164,125	–	22,499,936
Other financial assets	32,718	–	–	32,718
Subtotal	88,700,837	1,350,727	191,779	90,243,343
Off balance sheet guarantees and commitments	1,828,589	–	–	1,828,589

The above table represents a case scenario of the maximum credit risk exposure to the Bank at 30 June 2020 and 31 December 2019, without taking into account of any related collateral or other credit enhancements. For on-balance sheet assets, the exposures above are based on net carrying amounts as reported in the statement of financial position.

As shown above, as at 30 June 2020, the total on-balance sheet exposure which were derived from customer loans and financial investments were 84.03% (31 December 2019: 85.99%).

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.6 Customer loans

	As at 30 June 2020			
	Corporate loans	Personal loans	Discounted bills	Total
Stage 1	41,881,064	6,371,220	3,033,473	51,285,757
Stage 2	1,074,220	112,975	–	1,187,195
Stage 3	764,629	62,647	–	827,276
Total	43,719,913	6,546,842	3,033,473	53,300,228
Accrued Interest	187,788	43,217	–	231,005
Less : ECL allowance	(1,898,530)	(114,842)	–	(2,013,372)
Net amount	42,009,171	6,475,217	3,033,473	51,517,861

	As at 31 December 2019			
	Corporate loans	Personal loans	Discounted bills	Total
Stage 1	35,010,431	6,018,422	1,499,648	42,528,501
Stage 2	1,518,220	113,699	–	1,631,919
Stage 3	373,746	43,658	–	417,404
Total	36,902,397	6,175,779	1,499,648	44,577,824
Accrued Interest	142,320	38,574	–	180,894
Less : ECL allowance	(1,389,389)	(70,595)	–	(1,459,984)
Net amount	35,655,328	6,143,758	1,499,648	43,298,734

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.6 Customer loans (continued)

(a) Stage-3 loans

As at 30 June 2020	Collateralised loans				Non-collateralised loans		
Credit-impaired assets (Stage 3)	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held	Gross exposure	Impairment allowance	Carrying amount
customer loans							
– Corporate loans	210,810	(116,583)	94,227	153,895	553,819	(348,437)	205,382
– Retail loans	46,785	(22,241)	24,544	42,813	15,862	(10,397)	5,465
Total	257,595	(138,824)	118,771	196,708	569,681	(358,834)	210,847

As at 31 December 2019	Collateralised loans				Non-collateralised loans		
Credit-impaired assets (Stage 3)	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held	Gross exposure	Impairment allowance	Carrying amount
customer loans							
– Corporate loans	30,647	(14,232)	16,415	27,711	343,099	(202,100)	140,999
– Retail loans	35,857	(15,674)	20,183	29,982	7,801	(3,631)	4,170
Total	66,504	(29,906)	36,598	57,693	350,900	(205,731)	145,169

The amount of the fair value of the collaterals are limited to the credit risk exposure of each loan and advance payment secured.

The fair value of collaterals is estimated based on the latest available external valuations, the realization experience of the current collaterals and the market conditions.

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.6 Customer loans (continued)

(b) Restructured customer loans

Restructuring activities include approved debt repayment plans, modification and deferral of payments. Following restructuring, deferred customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of local management, indicate that payment will most likely continue to be made. These policies are under regular review. Restructuring is most commonly applied to term loans, in particular mid-term and long-term loans.

	As at 30 June 2020	As at 31 December 2019
Restructured customer loans	441,971	127,432

(c) Overdue customer loans by security and overdue date

	As at 30 June 2020				Total
	Overdue up to 90 days	Overdue 90 days – 1 year	Overdue 1 – 3 years	Overdue over 3 years	
Guaranteed loans	43,132	515,785	35,943	–	594,860
Collateralised loans	88,525	229,015	3,801	951	322,292
Unsecured loans	19,001	13,073	1,252	84	33,410
Pledged loans	8,570	698	–	–	9,268
Total	159,228	758,571	40,996	1,035	959,830

	As at 31 December 2019				Total
	Overdue up to 90 days	Overdue 90 days – 1 year	Overdue 1 – 3 years	Overdue over 3 years	
Guaranteed loans	102,829	224,228	25,825	–	352,882
Collateralised loans	245,741	42,986	4,372	260	293,359
Unsecured loans	5,252	3,864	179	83	9,378
Pledged loans	4,690	–	–	–	4,690
Total	358,512	271,078	30,376	343	660,309

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.6 Customer loans (continued)

(d) Industry analysis

Concentration risks analysis for customer loans(gross) by industry sectors:

	As at 30 June 2020		As at 31 December 2019	
	Amount	%	Amount	%
Corporate loans				
Leasing and commercial services	16,563,210	30.94	14,023,090	31.33
Construction	10,430,300	19.48	7,544,089	16.86
Real estate	4,987,380	9.32	6,003,260	13.41
Wholesale and retail trade	3,296,522	6.16	2,940,201	6.57
Manufacturing	2,927,503	5.47	2,795,517	6.25
Administration of water conservancy, environment and public facilities	1,516,209	2.83	858,719	1.92
Education	1,289,250	2.41	946,100	2.11
Health and social work	863,750	1.61	150,300	0.34
Accommodation and catering	593,878	1.11	517,428	1.16
Transportation, warehousing and express service	249,069	0.47	250,339	0.56
Financial	220,000	0.41	–	–
Agriculture, forestry, animal husbandry and fishery	211,262	0.39	221,774	0.50
Culture, sports and entertainment	146,300	0.27	120,600	0.27
Electricity, heat, gas and water production and supply	143,000	0.27	235,000	0.53
Scientific research and technology services	102,000	0.19	104,300	0.23
Household services, repairs and other services	90,000	0.17	83,900	0.19
Information transmission, software and information technology services	67,780	0.13	41,280	0.09
Mining	22,500	0.04	66,500	0.15
Total corporate loans	43,719,913	81.67	36,902,397	82.47
Personal business loans	3,785,361	7.07	3,441,444	7.69
Residential mortgage loans	1,937,540	3.62	1,968,716	4.40
Personal consumption loans	823,941	1.54	765,619	1.71
Total personal loans	6,546,842	12.23	6,175,779	13.80
Discounted bills	3,033,473	5.67	1,499,648	3.33
Accrued Interest	231,005	0.43	180,894	0.40
Total customer loans excluding ECL allowance	53,531,233	100.00	44,758,718	100.00

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.6 Customer loans (continued)

(e) Type of collateral analysis

Analysis for customer loans(gross) by type of collateral:

	As at 30 June 2020	As at 31 December 2019
Guaranteed loans	24,703,696	18,298,585
Collateralised loans	14,584,166	15,610,001
Pledged loans	9,108,234	7,096,700
Unsecured loans	4,904,132	3,572,538
Accrued interest	231,005	180,894
Total	53,531,233	44,758,718

3.1.7 Investment securities

As at 30 June 2020 and 31 December 2019, RMB securities are rated by major domestic rating agencies.

The rating results of investment securities as following:

30 June 2020	Derivative financial assets	Financial investments – fair value through profit or loss	Financial investments- FVOCI	Financial investments – amortized cost	Financial investment- credit related financial assets	Total
RMB securities						
AAA	–	247,566	965,878	479,913	–	1,693,357
AA- to AA+	–	1,178,872	849,712	139,955	–	2,168,539
Unrated ^(a)	607	6,722,596	5,844,322	17,182,597	5,281,850	35,031,972
Less: expected credit impairment provision	–	–	–	(329,444)	(69,011)	(398,455)
Accrued Interest	–	–	159,136	409,891	34,365	603,392
Total	607	8,149,034	7,819,048	17,882,912	5,247,204	39,098,805

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.7 Investment securities (continued)

(a) Unrated securities

30 June 2020	Derivative financial assets	Financial investments – fair value through profit or loss	Financial investments – FVOCI	Financial investments – amortized cost	Financial investment – credit related financial assets	Total
Local government bonds	-	-	-	1,258,444	-	1,258,444
National bonds	-	-	489,636	1,041,066	-	1,530,702
Policy bank bonds	-	-	1,915,743	3,202,189	-	5,117,932
Certificates of deposit	-	-	296,724	-	-	296,724
Private placement notes	-	263,574	573,464	780,000	-	1,617,038
Equity investments at fair value	-	13,293	-	-	-	13,293
Funds	-	4,033,039	-	-	-	4,033,039
Joint-investment projects	-	30,012	-	-	-	30,012
Wealth management products purchased from financial institutions	-	603,047	-	-	-	603,047
Industry funds (Senior tranche)	-	-	-	870,000	-	870,000
Privately raised company bonds	-	1,779,631	2,568,755	8,944,898	-	13,293,284
Trust plans	-	-	-	1,086,000	5,281,850	6,367,850
Foreign exchange agreements	607	-	-	-	-	607
Total	607	6,722,596	5,844,322	17,182,597	5,281,850	35,031,972

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.7 Investment securities (continued)

31 December 2019	Financial investments – fair value through profit or loss	Financial investments – FVOCI	Financial investments – amortized cost	Financial investment – credit related financial assets	Total
RMB securities					
AAA	233,921	613,659	479,906	–	1,327,486
AA- to AA+	622,157	646,332	139,939	–	1,408,428
Unrated (a)	1,004,165	4,378,471	21,820,170	4,237,600	31,440,406
Less: expected credit impairment provision	–	–	(298,407)	(61,204)	(359,611)
Accrued Interest	–	116,784	358,328	10,404	485,516
Total	1,860,243	5,755,246	22,499,936	4,186,800	34,302,225

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.7 Investment securities (continued)

(a) Unrated securities

31 December 2019	Financial investments – fair value through profit or loss	Financial investments – FVOCI	Financial investments – amortized cost	Financial investment – credit related financial assets	Total
Local government bonds	–	–	1,101,208	–	1,101,208
National bonds	–	263,995	1,080,872	–	1,344,867
Policy bank bonds	–	756,394	3,192,725	–	3,949,119
Certificates of deposit	–	498,650	–	–	498,650
Private placement notes	–	380,182	780,000	–	1,160,182
Super short-term commercial paper	–	19,996	–	–	19,996
Equity investments at fair value	15,625	–	–	–	15,625
Funds	610,707	–	–	–	610,707
Joint-investment projects	30,000	–	–	–	30,000
Industry funds(Senior tranche)	–	–	5,756,330	–	5,756,330
Privately raised company bonds	347,833	2,459,254	9,309,035	–	12,116,122
Trust plans	–	–	600,000	3,712,600	4,312,600
Asset management plans	–	–	–	525,000	525,000
Total	1,004,165	4,378,471	21,820,170	4,237,600	31,440,406

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.7 Investment securities (continued)

Financial investments-amortised cost are summarised as follows:

	As at 30 June 2020	As at 31 December 2019
Stage 1	17,552,465	22,190,015
Stage 2	–	250,000
Stage 3	250,000	–
Less: ECL allowance	(329,444)	(298,407)
Add: Accrued interest	409,891	358,328
Net amount	17,882,912	22,499,936

Financial investments- credit related financial assets are summarised as follows:

	As at 30 June 2020	As at 31 December 2019
Stage 1	5,281,850	4,187,600
Stage 2	–	50,000
Less: ECL allowance	(69,011)	(61,204)
Add: Accrued Interest	34,365	10,404
Net amount	5,247,204	4,186,800

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.7 Investment securities (continued)

Concentration risks analysis for financial investments – credit related financial assets by industry sectors:

	As at 30 June 2020		As at 31 December 2019	
	amount	%	amount	%
Financial assets- credit related financial assets				
Leasing and commercial services	2,141,850	40.29	2,225,350	52.24
Wholesale and retail trading	1,500,000	28.22	–	0.00
Construction	720,000	13.54	1,082,000	25.40
Real estate	470,000	8.84	636,500	14.94
Public administration, social security and social organizations	450,000	8.46	–	0.00
Administration of water conservancy, environment and public facilities	–	0.00	243,750	5.72
Manufacturing	–	0.00	50,000	1.17
Accrued interest	34,365	0.65	10,404	0.53
Total	5,316,215	100.00	4,248,004	100.00

3.1.8 Foreclosed assets

	As at 30 June 2020	As at 31 December 2019
Business properties	54,561	50,490
Provision for foreclosed assets	(18,264)	(19,461)
Total	36,297	31,029

Foreclosed assets are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. The Bank does not generally occupy foreclosed properties for its business use. Foreclosed assets are classified in the statement of financial position as other assets.

3.1.9 Concentration risk analysis for financial assets with credit risk exposure

The Bank's geographical risk is primarily concentrated in Mainland China.

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

4 NET INTEREST INCOME

	For the six months ended 30 June	
	2020	2019
Interest income		
Balances with central bank	48,297	50,939
Financial assets held under resale agreements, due from other banks and financial institutions	55,063	93,961
Customer loans	1,811,745	1,389,326
Financial investments – credit related financial assets	175,663	350,135
Financial investments	949,209	790,272
Subtotal	3,039,977	2,674,633
Including: Interest income from impaired financial assets	12,230	4,974
Interest expenses		
Due to central bank	(6,948)	(13,012)
Financial assets sold under repurchase agreements, due to other banks and financial institutions	(96,276)	(138,612)
Customer deposits	(1,085,821)	(854,413)
Debt securities issued	(375,905)	(313,506)
Others	(954)	(488)
Subtotal	(1,565,904)	(1,320,031)
Net interest income	1,474,073	1,354,602

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For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

5 NET FEE AND COMMISSION INCOME

	For the six months ended 30 June	
	2020	2019
Fee and commission income		
Commission income from settlement services	779	946
Commission income from bank card services	868	1,068
Commission income from agency services	541	722
Commission income from guarantees and credit commitments	1,147	455
Commission income from wealth management agency services	399	–
Commission income from investment banking services	817	–
Other commission income	19	102
Total	4,570	3,293
Fee and commission expenses	(2,320)	(2,511)
Net fee and commission income	2,250	782

6 NET GAINS ON TRADING ACTIVITIES

	For the six months ended 30 June	
	2020	2019
Debt securities	78,731	–
Funds	–	26,981
Equity investments	–	3,354
Foreign exchange (losses)/gains	(780)	312
Total	77,951	30,647

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For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

7 NET GAINS ON FINANCIAL INVESTMENTS

	For the six months ended 30 June	
	2020	2019
Net gains arising from de-recognition of FVOCI	64,106	16,425
Net gains of financial assets at FVPL	13,776	–
Total	77,882	16,425

8 OTHER OPERATING INCOME

	For the six months ended 30 June	
	2020	2019
Net gains/(losses) on disposal of non-current assets	878	(3,889)
Net gains on disposal of fixed assets	–	54
Incentive and subsidy funds	2,993	5
Compensation on breach of contracts	3,937	3,071
Rental income from investment properties	2,203	1,782
Other miscellaneous income ⁽¹⁾	2,108	151
Total	12,119	1,174

(1) Other miscellaneous income mainly includes penalty and confiscatory income.

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

9 OPERATING EXPENSES

	For the six months ended 30 June	
	2020	2019
Staff costs (including directors' and supervisors' emoluments (allowance inclusive)) (i)	279,241	290,755
Business and administrative expenses	76,835	79,795
Professional service fees	12,581	12,066
Depreciation and amortisation	68,915	55,558
Taxes and surcharges	15,752	14,698
Other non-operating expenses	1,720	1,290
Other business expenses	3,568	4,911
Total	458,612	459,073

(1) Staff costs

	For the six months ended 30 June	
	2020	2019
Salaries and bonuses	230,849	233,559
Pension cost – defined contribution plan	2,271	14,811
Other social security and benefit costs	4,087	5,397
Housing benefits and subsidies	11,070	10,416
Corporate annuity	14,643	10,937
Staff benefits	12,230	9,394
Staff education expenses	1,474	2,708
Other staff costs	2,617	3,533
Total	279,241	290,755

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

10 EXPECTED CREDIT LOSSES

	For the six months ended 30 June	
	2020	2019
ECL for customer loans at amortised cost (Note 16(b))	518,770	245,073
ECL for customer loans – FVOCI (Note 16(b))	41,790	246
ECL for financial investments – credit related financial assets (Note 17)	7,807	30,187
ECL for other financial investments	35,292	2,855
ECL for guarantee commitments	4,288	(8,674)
Other impairment losses (Note 24(3))	2,339	59,589
Total	610,286	329,276

11 INCOME TAX EXPENSE

	For the six months ended 30 June	
	2020	2019
Current income tax	288,489	236,312
Deferred income tax (Note 23)	(159,601)	(109,249)
Total	128,888	127,063

Current income tax is calculated the statutory tax rate of 25% based on the taxable income of estimated assessable profit of the Bank for the respective period as stipulated in PRC tax laws.

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

11 INCOME TAX EXPENSE (continued)

The difference between the actual income tax charge in the profit or loss and the amounts which would result from applying the enacted tax rate 25% (for the six months ended 30 June 2019: 25%) to profit before income tax can be reconciled as follows:

	For the six months ended 30 June	
	2020	2019
Profit before income tax	578,003	617,416
Tax calculated at a tax rate of 25%	144,501	154,354
Tax effect arising from non-taxable income ^(a)	(16,709)	(28,554)
Tax effect of expenses that are not deductible for tax purposes ^(b)	791	759
Income tax adjustment for prior years	305	504
Income tax expenses	128,888	127,063

(a) The Bank's non-taxable income mainly represents interest income arising from national bonds, local government bonds and investment return on monetary funds, which are non-taxable in accordance with the PRC tax laws.

(b) The Bank's expenses that are not tax deductible for tax purposes mainly represent certain expenditures, such as entertainment expenses etc., which exceed the tax deduction limits pursuant to the PRC tax laws.

12 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the period attributable to shareholders of the Bank by the weighted average number of ordinary shares in issue during the period.

	For the six months ended 30 June	
	2020	2019
Net profit attributable to shareholders of the Bank (RMB' 000)	449,115	490,353
Weighted average number of ordinary shares issued (' 000)	2,264,793	2,258,462
Basic earnings per share (RMB)	0.20	0.22

On 14 January 2019, the Bank completed its over-allotment of 81,860,000 H shares. After this issue, the share capital of the Bank is RMB2,264,793,385, divided into 2,264,793,385 shares of RMB1 each, including 627,600,000 H shares.

The Bank issued non-cumulative perpetual bonds on 18 March 2020 and 11 June 2020 under the terms and conditions as detailed in Note 31.1 Perpetual Bonds. For the purpose of calculating basic earnings per share, distributions on non-cumulative perpetual bonds declared in respect of the period should be deducted from the amounts attributable to shareholders of the Bank. The Bank has not declared any distributions on perpetual bonds for the six months ended 30 June 2020.

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020
(All amounts expressed in thousands of RMB unless otherwise stated)

13 CASH AND BALANCES WITH CENTRAL BANK

	30 June 2020	31 December 2019
Cash	85,952	76,685
Mandatory reserve deposits with central bank	5,216,999	5,137,868
Surplus reserve deposits with central bank	3,540,240	4,068,398
Fiscal deposits with central bank	117,732	115,592
Accrued interest	3,118	2,968
Total	8,964,041	9,401,511

The Bank is required to place mandatory reserve deposits with central bank. The deposits are calculated based on the amount of deposits placed with the Bank by its customers.

As at the end of the reporting period, the mandatory reserve deposits rates of the Bank were set out below:

	30 June 2020	31 December 2019
Mandatory reserve rate for deposits denominated in RMB	7.00%	8.50%

Mandatory reserve deposits with central bank are not available for use by the Bank in its day to day operation.

Surplus reserve deposits are maintained with central bank mainly for liquidity purpose.

14 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS, DUE FROM OTHER BANKS AND FINANCIAL INSTITUTIONS

	30 June 2020	31 December 2019
Securities purchased under resale agreements	6,577,600	2,272,280
Placements with other banks and financial institutions	712,770	113,442
Deposits with other banks and financial institutions	995,327	911,896
Less: ECL allowance	(13,438)	(13,606)
Accrued interest	1,845	828
Total	8,274,104	3,284,840

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

15 DERIVATIVE FINANCIAL INSTRUMENTS

30 June 2020	Notional amount	Fair value Assets	Liabilities
Foreign exchange agreements	707,950	607	(3,386)

16 CUSTOMER LOANS

(a) Customer loans

	30 June 2020	31 December 2019
Customer loans at amortised cost		
Corporate loans	43,719,913	36,902,397
Personal loans	6,546,842	6,175,779
Accrued interest	231,005	180,894
Gross amount of loans at amortised cost	50,497,760	43,259,070
Less: ECL allowance	(2,013,372)	(1,459,984)
Net customer loans at amortised cost	48,484,388	41,799,086
Customer loans – FVOCI		
Discounted bills	3,033,473	1,499,648
Net customer loans – FVOCI	3,033,473	1,499,648
Net customer loans	51,517,861	43,298,734

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

16 CUSTOMER LOANS (continued)

(b) Movements on ECL allowance

Corporate loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 January 2020	663,570	509,487	216,332	1,389,389
Provision for impairment	357,716	104,741	7,526	469,983
Written-off	-	-	(3,367)	(3,367)
Transfers:				
Transfer from Stage 1 to Stage 2	(3,271)	3,271	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 3	-	(202,004)	202,004	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 2 to Stage 1	3,013	(3,013)	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Recoveries of loans written-off in previous years	-	-	27,570	27,570
Unwinding of discount	-	-	14,955	14,955
Loss allowance as at 30 June 2020	1,021,028	412,482	465,020	1,898,530

Personal loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 January 2020	26,068	25,222	19,305	70,595
Provision for impairment	29,803	4,900	14,084	48,787
Written-off	-	-	(7,966)	(7,966)
Transfers:				
Transfer from Stage 1 to Stage 2	(343)	343	-	-
Transfer from Stage 1 to Stage 3	(147)	-	147	-
Transfer from Stage 2 to Stage 3	-	(4,286)	4,286	-
Transfer from Stage 3 to Stage 2	-	375	(375)	-
Transfer from Stage 2 to Stage 1	921	(921)	-	-
Transfer from Stage 3 to Stage 1	269	-	(269)	-
Recoveries of loans written-off in previous years	-	-	2,566	2,566
Unwinding of discount	-	-	860	860
Loss allowance as at 30 June 2020	56,571	25,633	32,638	114,842

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For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

16 CUSTOMER LOANS (continued)

(b) Movements on ECL allowance (continued)

Corporate loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 January 2019	517,143	122,222	87,824	727,189
Provision for impairment	172,291	370,812	195,820	738,923
Written-off	–	–	(91,940)	(91,940)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(19,237)	19,237	–	–
<i>Transfer from Stage 1 to Stage 3</i>	(6,627)	–	6,627	–
<i>Transfer from Stage 2 to Stage 3</i>	–	(2,784)	2,784	–
<i>Transfer from Stage 3 to Stage 2</i>	–	–	–	–
<i>Transfer from Stage 2 to Stage 1</i>	–	–	–	–
<i>Transfer from Stage 3 to Stage 1</i>	–	–	–	–
Recoveries of loans written-off in previous years	–	–	10,273	10,273
Unwinding of discount	–	–	4,944	4,944
Loss allowance as at 31 December 2019	663,570	509,487	216,332	1,389,389

Personal loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 January 2019	18,082	16,913	30,649	65,644
Provision for impairment	6,199	10,089	41,678	57,966
Written-off	–	–	(59,670)	(59,670)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(82)	82	–	–
<i>Transfer from Stage 1 to Stage 3</i>	(83)	–	83	–
<i>Transfer from Stage 2 to Stage 3</i>	–	(1,105)	1,105	–
<i>Transfer from Stage 3 to Stage 2</i>	–	290	(290)	–
<i>Transfer from Stage 2 to Stage 1</i>	1,047	(1,047)	–	–
<i>Transfer from Stage 3 to Stage 1</i>	905	–	(905)	–
Recoveries of loans written-off in previous years	–	–	6,197	6,197
Unwinding of discount	–	–	458	458
Loss allowance as at 31 December 2019	26,068	25,222	19,305	70,595

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For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

16 CUSTOMER LOANS (continued)

(b) Movements on ECL allowance (continued)

Discounted bills	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2020	21,166	–	–	21,166
Provision for impairment	41,790	–	–	41,790
As at 30 June 2020	62,956	–	–	62,956

Discounted bills	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2019	7,712	–	–	7,712
Provision for impairment	13,454	–	–	13,454
As at 31 December 2019	21,166	–	–	21,166

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For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

16 CUSTOMER LOANS (continued)

(c) Movements on gross amount (excluding accrued interest) of customer loans

The following table further illustrates the changes in the gross amounts of the corporate and personal loans portfolios to explain the impact of these changes on the portfolio's ECL.

Corporate loans	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	35,010,431	1,518,220	373,746	36,902,397
Transfers:				
Transfer from Stage 1 to Stage 2	(173,300)	173,300	–	–
Transfer from Stage 1 to Stage 3	–	–	–	–
Transfer from Stage 2 to Stage 3	–	(494,060)	494,060	–
Transfer from Stage 3 to Stage 2	–	–	–	–
Transfer from Stage 2 to Stage 1	22,900	(22,900)	–	–
Transfer from Stage 3 to Stage 1	–	–	–	–
Derecognition of financial assets in the current period	(5,546,841)	(100,340)	(99,810)	(5,746,991)
New financial assets occurred or purchased	12,567,874	–	–	12,567,874
Written-off	–	–	(3,367)	(3,367)
As at 30 June 2020	41,881,064	1,074,220	764,629	43,719,913
Personal loans	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	6,018,422	113,699	43,658	6,175,779
Transfers:				
Transfer from Stage 1 to Stage 2	(40,612)	40,612	–	–
Transfer from Stage 1 to Stage 3	(15,697)	–	15,697	–
Transfer from Stage 2 to Stage 3	–	(15,095)	15,095	–
Transfer from Stage 3 to Stage 2	–	946	(946)	–
Transfer from Stage 2 to Stage 1	5,398	(5,398)	–	–
Transfer from Stage 3 to Stage 1	679	–	(679)	–
Derecognition of financial assets in the current period	(1,294,878)	(21,789)	(2,212)	(1,318,879)
New financial assets occurred or purchased	1,697,908	–	–	1,697,908
Written-off	–	–	(7,966)	(7,966)
As at 30 June 2020	6,371,220	112,975	62,647	6,546,842

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For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

16 CUSTOMER LOANS (continued)

(c) Movements on gross amount (excluding accrued interest) of customer loans (continued)

Corporate loans	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	24,174,699	435,088	174,688	24,784,475
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(1,411,237)	1,411,237	–	–
<i>Transfer from Stage 1 to Stage 3</i>	(336,930)	–	336,930	–
<i>Transfer from Stage 2 to Stage 3</i>	–	(12,000)	12,000	–
<i>Transfer from Stage 3 to Stage 2</i>	–	–	–	–
<i>Transfer from Stage 2 to Stage 1</i>	–	–	–	–
<i>Transfer from Stage 3 to Stage 1</i>	–	–	–	–
Derecognition of financial assets in the current period	(12,319,666)	(316,105)	(57,932)	(12,693,703)
New financial assets occurred or purchased	24,903,565	–	–	24,903,565
Written-off	–	–	(91,940)	(91,940)
As at 31 December 2019	35,010,431	1,518,220	373,746	36,902,397
Personal loans	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	5,572,367	90,211	73,566	5,736,144
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(53,614)	53,614	–	–
<i>Transfer from Stage 1 to Stage 3</i>	(46,854)	–	46,854	–
<i>Transfer from Stage 2 to Stage 3</i>	–	(7,716)	7,716	–
<i>Transfer from Stage 3 to Stage 2</i>	–	2,773	(2,773)	–
<i>Transfer from Stage 2 to Stage 1</i>	6,372	(6,372)	–	–
<i>Transfer from Stage 3 to Stage 1</i>	2,678	–	(2,678)	–
Derecognition of financial assets in the current period	(2,097,416)	(18,811)	(19,357)	(2,135,584)
New financial assets occurred or purchased	2,634,889	–	–	2,634,889
Written-off	–	–	(59,670)	(59,670)
As at 31 December 2019	6,018,422	113,699	43,658	6,175,779

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For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

16 CUSTOMER LOANS (continued)

(c) Movements on gross amount (excluding accrued interest) of customer loans (continued)

Discounted bills	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	1,499,648	–	–	1,499,648
New financial assets originated or purchased	2,697,812	–	–	2,697,812
Proceeds received	(1,163,987)	–	–	(1,163,987)
As at 30 June 2020	3,033,473	–	–	3,033,473
Discounted bills	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	644,908	–	–	644,908
New financial assets originated or purchased	1,499,648	–	–	1,499,648
Proceeds received	(644,908)	–	–	(644,908)
As at 31 December 2019	1,499,648	–	–	1,499,648

(d) Customer loans listed by stages

As at 30 June 2020	Stage 1	Stage 2	Stage 3	Total
Total customer loans	51,285,757	1,187,195	827,276	53,300,228
– Corporate loans	44,914,537	1,074,220	764,629	46,753,386
– Personal loans	6,371,220	112,975	62,647	6,546,842
Less: ECL allowance	(1,077,599)	(438,115)	(497,658)	(2,013,372)
Accrued interest	132,881	60,254	37,870	231,005
Net customer loans	50,341,039	809,334	367,488	51,517,861
As at 31 December 2019	Stage 1	Stage 2	Stage 3	Total
Total customer loans	42,528,501	1,631,919	417,404	44,577,824
– Corporate loans	36,510,079	1,518,220	373,746	38,402,045
– Personal loans	6,018,422	113,699	43,658	6,175,779
Less: ECL allowance	(689,638)	(534,709)	(235,637)	(1,459,984)
Accrued interest	123,336	47,546	10,012	180,894
Net customer loans	41,962,199	1,144,756	191,779	43,298,734

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17 FINANCIAL INVESTMENTS – CREDIT RELATED FINANCIAL ASSETS

The Bank's financial investments – credit related financial assets are corporate loans issued through consolidated structured entities (trust and asset management plans).

	30 June 2020	31 December 2019
Financial investments – credit related financial assets		
– Trust plans ⁽¹⁾	5,281,850	3,712,600
– Asset management plans ⁽²⁾	–	525,000
Less: ECL allowance	(69,011)	(61,204)
Accrued interest	34,365	10,404
Total	5,247,204	4,186,800

(1) Trust plans

Analysis by type of collateral:

	30 June 2020	31 December 2019
Pledged	2,669,000	1,370,750
Collateralised	470,000	561,500
Guaranteed	1,658,350	1,278,350
Unsecured	484,500	502,000
Total	5,281,850	3,712,600

(2) Asset management plans

Analysis by type of collateral:

	30 June 2020	31 December 2019
Collateralised	–	475,000
Guaranteed	–	50,000
Total	–	525,000

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17 FINANCIAL INVESTMENTS – CREDIT RELATED FINANCIAL ASSETS (continued)

The movement of ECL of financial investments – credit related financial assets is as follows:

	For the six months ended 30 June 2020			
	Financial investments – credit related financial assets			
	12-month ECL for Stage 1	Lifetime ECL for Stage 2	Lifetime ECL for Stage 3	Total
As at 1 January 2020	52,933	8,271	–	61,204
Provision/(Reversal) in the current period	16,078	(8,271)	–	7,807
As at 30 June 2020	69,011	–	–	69,011

	For the year ended 31 December 2019			
	Financial investments – credit related financial assets			
	12-month ECL for Stage 1	Lifetime ECL for Stage 2	Lifetime ECL for Stage 3	Total
As at 1 January 2019	88,410	–	–	88,410
Provision/(Reversal) in the current period	(34,308)	7,102	–	(27,206)
Transfer:				
Transfer from Stage 1 to Stage 2	(1,169)	1,169	–	–
As at 31 December 2019	52,933	8,271	–	61,204

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17 FINANCIAL INVESTMENTS – CREDIT RELATED FINANCIAL ASSETS (continued)

The movement on gross amount (excluding accrued interest) of financial investments – credit related financial assets is as follows:

	For the six months ended 30 June 2020			
	Financial investments – credit related financial assets			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	4,187,600	50,000	–	4,237,600
New financial assets originated or purchased	1,590,000	–	–	1,590,000
Derecognition of financial assets in the current period	(495,750)	(50,000)	–	(545,750)
As at 30 June 2020	5,281,850	–	–	5,281,850

	For the year ended 31 December 2019			
	Financial investments – credit related financial assets			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	5,896,000	–	–	5,896,000
New financial assets originated or purchased	1,851,500	–	–	1,851,500
Derecognition of financial assets in the current period	(3,509,900)	–	–	(3,509,900)
Transfer:				
Transfer from Stage 1 to Stage 2	(50,000)	50,000	–	–
As at 31 December 2019	4,187,600	50,000	–	4,237,600

Notes to the Unaudited Condensed Interim Financial Information

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(All amounts expressed in thousands of RMB unless otherwise stated)

18 FINANCIAL INVESTMENTS – FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020	31 December 2019
Financial assets – fair value through profit or loss		
– Listed outside Hong Kong	3,088,515	1,218,540
– Unlisted	5,060,519	641,703
Total	8,149,034	1,860,243

Unlisted financial investments measured at fair value through profit or loss are set out below:

	30 June 2020	31 December 2019
Financial assets – fair value through profit or loss (Unlisted)		
– Funds	4,033,039	610,707
– Wealth management products purchased from financial institutions	603,047	–
– Joint-investment projects	30,012	30,000
– Corporate entity bonds	393,425	–
– Equity investments at fair value	996	996
Total	5,060,519	641,703

The Bank's unlisted corporate entity bonds are traded in the interbank bond market in Mainland China.

As at 30 June 2020, no trading securities of the Bank were pledged to third parties under repurchase agreements (as at 31 December 2019: nil).

Financial investments measured at fair value through profit or loss by the issuer are set out below:

	30 June 2020	31 December 2019
Financial assets – fair value through profit or loss		
– Fund companies	4,033,039	610,707
– Corporate companies	3,469,643	1,203,911
– Commercial banks	633,059	30,000
– Equity investments at fair value	13,293	15,625
Total	8,149,034	1,860,243

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For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

19 FINANCIAL INVESTMENTS – FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2020	31 December 2019
Financial investments – FVOCI		
– Listed outside Hong Kong	3,907,882	3,360,526
– Unlisted	3,752,030	2,277,936
Subtotal	7,659,912	5,683,462
Accrued interest	159,136	116,784
Total	7,819,048	5,755,246

Unlisted financial investments measured at fair value through other comprehensive income are set out below:

	30 June 2020	31 December 2019
Financial investments – FVOCI (unlisted)		
– Policy bank bonds	1,915,743	756,394
– Commercial bank bonds	497,255	498,650
– National bonds	489,636	263,995
– Corporate entity bonds	849,396	758,897
Total	3,752,030	2,277,936

The Bank's unlisted bonds are traded in the interbank bond market in Mainland China.

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19 FINANCIAL INVESTMENTS – FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

Financial investments measured at fair value through other comprehensive income by the issuer are set out below:

	30 June 2020	31 December 2019
Financial investments – FVOCI		
– Government	489,636	263,995
– Policy banks	1,915,743	756,394
– Commercial banks	497,255	498,650
– Corporate companies	4,757,278	4,119,423
Total	7,659,912	5,638,462

The movement of ECL allowance of financial investments – FVOCI is as follows:

	For the six months ended 30 June 2020 Financial investments – FVOCI 12-month ECL for Stage 1
As at 1 January 2020	12,228
Provision for ECL	12,720
As at 30 June 2020	24,948

	For the year ended 31 December 2019 Financial investments – FVOCI 12-month ECL for Stage 1
As at 1 January 2019	5,935
Provision for ECL	6,293
As at 31 December 2019	12,228

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For the six months ended 30 June 2020

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20 FINANCIAL INVESTMENTS – AMORTISED COST

	30 June 2020	31 December 2019
Financial investments – amortised cost		
– Listed outside Hong Kong	988,711	986,320
– Unlisted	16,813,754	21,453,695
Subtotal	17,802,465	22,440,015
Accrued interest	409,891	358,328
Less: ECL allowance	(329,444)	(298,407)
Total	17,882,912	22,499,936

Unlisted financial investments measured at amortised cost are set out below:

	30 June 2020	31 December 2019
Financial investments – amortised cost (unlisted)		
– Collective Trust plans	1,086,000	600,000
– Industry funds (Senior tranche)	870,000	5,756,330
– Corporate entity bonds	9,356,055	9,722,560
– Policy bank bonds	3,202,189	3,192,725
– Local government bonds	1,258,444	1,101,208
– National bonds	1,041,066	1,080,872
Total	16,813,754	21,453,695

Financial investments – amortised cost are analysed by issuer as follows:

	30 June 2020	31 December 2019
Financial investments – amortised cost		
– Trust companies	1,086,000	600,000
– Fund companies	870,000	5,756,330
– Governments	2,299,510	2,182,080
– Corporate companies	10,344,766	10,708,880
– Policy banks	3,202,189	3,192,725
Total	17,802,465	22,440,015

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For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

20 FINANCIAL INVESTMENTS – AMORTISED COST (continued)

The movement of ECL allowance of financial investments – amortised cost is as follows:

	For the six months ended 30 June 2020			
	Financial investments – amortised cost			
	12-month ECL for Stage 1	Lifetime ECL for Stage 2	Lifetime ECL for Stage 3	Total
As at 1 January 2020	206,645	91,762	–	298,407
Provision/(Reversal) in the current period	(22,987)	–	45,727	22,740
Transfer:				
Transfer from Stage 2 to Stage 3	–	(91,762)	91,762	–
Unwinding of discount	–	–	8,297	8,297
As at 30 June 2020	183,658	–	145,786	329,444

	For the year ended 31 December 2019			
	Financial investments – amortised cost			
	12-month ECL for Stage 1	Lifetime ECL for Stage 2	Lifetime ECL for Stage 3	Total
As at 1 January 2019	213,163	–	–	213,163
Provision/(Reversal) in the current period	(1,988)	87,232	–	85,244
Transfer:				
Transfer from Stage 1 to Stage 2	(4,530)	4,530	–	–
As at 31 December 2019	206,645	91,762	–	298,407

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For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

20 FINANCIAL INVESTMENTS – AMORTISED COST (continued)

The movement on gross amount (excluding accrued interest) of financial investments- amortised cost is as follows:

	For the six months ended 30 June 2020			
	Financial investments – amortised cost			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	22,190,015	250,000	–	22,440,015
New financial assets originated or purchased	1,564,490	–	–	1,564,490
Derecognition of financial assets in the current period	(6,202,040)	–	–	(6,202,040)
Transfers:				
<i>Transfer from Stage 2 to Stage 3</i>	–	(250,000)	250,000	–
As at 30 June 2020	17,552,465	–	250,000	17,802,465

	For the year ended 31 December 2019			
	Financial investments – amortised cost			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	21,203,832	–	–	21,203,832
New financial assets originated or purchased	3,911,426	–	–	3,911,426
Derecognition of financial assets in the current period	(2,675,243)	–	–	(2,675,243)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(250,000)	250,000	–	–
As at 31 December 2019	22,190,015	250,000	–	22,440,015

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For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

21 INVESTMENT IN AN ASSOCIATE

	30 June 2020	31 December 2019
Balance at the beginning of the year	40,738	36,651
Share of profit after tax	2,626	4,087
Balance at the end of the year	43,364	40,738

The Bank invested in Luxian Yuantong Rural Bank Co., Ltd. on 8 April 2009. The registered capital of the invested enterprise was RMB30 million, and the Bank invested RMB9 million, accounting for 30%.

Investment in the associate of the Bank is in unlisted company equity interest. Assets, liabilities, revenue and profit of the associate are as follows:

	Place of incorporation	Assets	Liabilities	Revenue	Net profit	Shareholding (%)
30 June 2020						
Luxian Yuantong Rural Bank Co., Ltd. (瀘縣元通村鎮銀行)	PRC	1,043,200	898,651	18,699	7,704	30%
31 December 2019						
Luxian Yuantong Rural Bank Co., Ltd. (瀘縣元通村鎮銀行)	PRC	1,012,115	876,320	34,216	13,898	30%

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

22 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Electronic equipment	Office equipment	Construction in progress (a)	Total
Cost						
As at 1 January 2020	652,811	8,148	117,005	31,602	106,090	915,656
Additions	401	650	2,513	4,069	43,680	51,313
Transfer in/(out)	-	-	20	-	(20)	-
Less: Disposal in the current period	-	-	-	-	-	-
Transfer to long-term prepaid expenses	-	-	-	-	(29,231)	(29,231)
As at 30 June 2020	653,212	8,798	119,538	35,671	120,519	937,738
Accumulated depreciation						
As at 1 January 2020	(74,005)	(4,761)	(79,943)	(12,395)	-	(171,104)
Depreciation in the current period	(13,691)	(576)	(8,579)	(2,648)	-	(25,494)
Disposals	-	-	-	-	-	-
As at 30 June 2020	(87,696)	(5,337)	(88,522)	(15,043)	-	(196,598)
Net book value						
As at 30 June 2020	565,516	3,461	31,016	20,628	120,519	741,140

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

22 PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings	Motor vehicles	Electronic equipment	Office equipment	Construction in progress (a)	Total
Cost						
As at 1 January 2019	612,349	6,985	96,151	25,210	48,360	789,055
Additions	7,874	1,163	12,596	6,158	144,652	172,443
Transfer in/(out)	32,588	–	8,258	234	(41,080)	–
Less: Disposal in the current year	–	–	–	–	–	–
Transfer to long-term prepaid expenses	–	–	–	–	(45,842)	(45,842)
As at 31 December 2019	652,811	8,148	117,005	31,602	106,090	915,656
Accumulated depreciation						
As at 1 January 2019	(43,951)	(3,916)	(57,630)	(8,200)	–	(113,697)
Depreciation in the current year	(30,054)	(845)	(22,313)	(4,195)	–	(57,407)
Disposals	–	–	–	–	–	–
As at 31 December 2019	(74,005)	(4,761)	(79,943)	(12,395)	–	(171,104)
Net book value						
As at 31 December 2019	578,806	3,387	37,062	19,207	106,090	744,552

As at 30 June 2020, the net amount of buildings, for which registrations for the property ownership certificates had not been completed, were RMB32,147 thousand (31 December 2019: RMB35,768 thousand). However, directors are of the view that this does not have significant impact on the rights of the Bank to use these assets.

None of the land or property the Bank owned is located in Hong Kong.

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

22 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Construction in progress

	30 June 2020	31 December 2019
Software engineering	64,015	73,750
Business building and decoration projects	25,717	6,499
Others	30,787	25,841
Total	120,519	106,090

23 DEFERRED INCOME TAX

Deferred income taxes were calculated on all temporary differences under the liability method using an effective tax rate of 25% as at 30 June 2020 and 31 December 2019 for transactions in the PRC (2019: 25%).

Movements in the deferred income tax account are as follows:

	30 June 2020	31 December 2019
Balance at the beginning of the period/year	386,436	186,871
Income tax expenses (Note 11)	159,601	200,165
Changes in fair value of financial assets at FVOCI	3,459	4,337
Changes in ECL allowance of financial assets at FVOCI	(13,628)	(4,937)
Balance at the end of the period/year	535,868	386,436

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

23 DEFERRED INCOME TAX (continued)

Deferred income tax assets and liabilities are attributable to the following items:

	30 June 2020		31 December 2019	
	Temporary differences	Deferred income tax assets/(liabilities)	Temporary differences	Deferred income tax assets/(liabilities)
Deferred income tax assets				
Asset impairment allowances	1,911,726	477,932	1,419,266	354,816
Losses on changes in fair value of financial assets at FVPL	–	–	2,059	515
Payroll payable	271,633	67,908	176,982	44,246
Subtotal	2,183,359	545,840	1,598,307	399,577
Deferred tax liabilities				
Gains on changes in fair value of financial assets at FVPL	(1,159)	(290)	–	–
Gains on changes in fair value of financial assets at FVOCI	(38,728)	(9,682)	(52,564)	(13,141)
Subtotal	(39,887)	(9,972)	(52,564)	(13,141)
Net deferred income tax assets	2,143,472	535,868	1,545,743	386,436

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For the six months ended 30 June 2020

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24 OTHER ASSETS

	30 June 2020	31 December 2019
Interest receivable from customer loans	1,442	2,724
Advances to suppliers	19,786	13,243
Other receivables	52,342	43,195
Investment properties(1)	1,188	1,330
Foreclosed assets(2)	54,561	50,490
Less: Impairment allowance (3)	(18,264)	(19,461)
Right-of-use assets(4)	41,912	42,138
Long-term prepaid expenses	71,247	72,454
Settlement fund(5)	64,172	15,472
Total	288,386	221,585

(1) Investment properties

	30 June 2020	31 December 2019
Cost		
Balance at the beginning of the period/year	11,453	11,453
Disposals	–	–
Balance at the end of the period/year	11,453	11,453
Accumulated depreciation		
Balance at the beginning of the period/year	(10,123)	(9,839)
Provision	(142)	(284)
Disposals	–	–
Balance at the end of the period/year	(10,265)	(10,123)
Net book value		
Balance at the end of the period/year	1,188	1,330

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For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

24 OTHER ASSETS (continued)

(1) Investment properties (continued)

The analysis of the value of investment properties by remaining leasehold period are as follows:

	30 June 2020	31 December 2019
Located in PRC		
Short-term lease (within 10 years)	1,078	1,174
Held for operating lease	110	156
Total	1,188	1,330

(2) Foreclosed assets

	Properties and plants
1 January 2020	50,490
Additions	15,859
Disposals	(11,788)
30 June 2020	54,561
1 January 2019	152,877
Additions	21,632
Disposals	(124,019)
31 December 2019	50,490

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For the six months ended 30 June 2020

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24 OTHER ASSETS (continued)

(3) Impairment for foreclosed assets

	Properties and plants
1 January 2020	19,461
Additions	2,339
Disposals	(3,536)
30 June 2020	18,264
1 January 2019	23,446
Additions	73,432
Disposals	(77,417)
31 December 2019	19,461

(4) Right-of-use assets

	Buildings	Office equipment	Total
Cost			
As at 31 December 2019	57,048	110	57,158
Additions	7,851	–	7,851
Decreases	(5,224)	–	(5,224)
As at 30 June 2020	59,675	110	59,785
Accumulated depreciation			
As at 31 December 2019	(15,009)	(11)	(15,020)
Depreciation in the period	(8,066)	(11)	(8,077)
Decreases	5,224	–	5,224
As at 30 June 2020	(17,851)	(22)	(17,873)
Net book value			
As at 30 June 2020	41,824	88	41,912

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For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

24 OTHER ASSETS (continued)

(4) Right-of-use assets (continued)

	Buildings	Office equipment	Total
Cost			
As at 31 December 2018	–	–	–
Changes in accounting policies	41,234	–	41,234
As at 1 January 2019	41,234	–	41,234
Additions	15,814	110	15,924
As at 31 December 2019	57,048	110	57,158
Accumulated depreciation			
As at 31 December 2018	–	–	–
Changes in accounting policies	–	–	–
As at 1 January 2019	–	–	–
Depreciation in the year	(15,009)	(11)	(15,020)
As at 31 December 2019	(15,009)	(11)	(15,020)
Net book value			
As at 31 December 2019	42,039	99	42,138

(5) The settlement funds are balances in the large payment system and UnionPay settlement funds.

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25 DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

	30 June 2020	31 December 2019
Deposits from other banks	1,125,312	1,450,296
Placements from other banks and financial institutions	4,213,000	2,463,000
Accrued interest	57,778	36,284
Total	5,396,090	3,949,580

26 CUSTOMER DEPOSITS

	30 June 2020	31 December 2019
Corporate demand deposits	30,814,421	23,266,641
Including:		
Pledged deposits held as collateral	1,256,636	1,103,121
Corporate time deposits	8,842,943	6,545,316
Individual demand deposits	3,838,454	3,286,002
Individual time deposits	32,386,188	27,526,481
Accrued interest	1,016,250	812,520
Total	76,898,256	61,436,960

27 DEBT SECURITIES ISSUED

	30 June 2020	31 December 2019
Interbank certificates of deposit	15,810,664	17,177,226
Fixed rate tier-2 capital debt – 2027	1,000,000	1,000,000
Accrued interest	20,737	48,370
Total	16,831,401	18,225,596

The Bank issued RMB1 billion tier-2 capital debt in February 2017. The term of these debt lasts for 10 years, and the fixed interest rate is 5.50%. The Bank, as an issuer, can choose to redeem the debt in part or for all on 14 February 2022 at the face value. If the capital level of the Bank still meets the CBIRC requirement after exercising the right of redemption and subject to the CBIRC approval, the Bank can choose to redeem the debt in part or for all on the interest-accruing last value day of the pre-determined redemption year.

As at 30 June 2020, the Bank did not have overdue on debt issued or certificates of deposit, or any other default (As at 31 December 2019: Nil).

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28 RETIREMENT BENEFIT OBLIGATIONS

Employees who retire after 8 November 2016 can voluntarily participate in an annuity plan set up by the Bank pursuant to related state corporate annuity regulations. The Bank contributes to the annuity plan based on certain percentage of the employees' gross salary of previous year and the contribution is recognised in profit or loss as incurred.

The amount recognised in profit or loss is as follows:

	For the six months ended 30 June	
	2020	2019
Expenses incurred for retirement benefit	2,271	14,811
Expenses incurred for corporate annuity plan	14,643	10,937
Total	16,914	25,748

The amount payable at the end of the period/year is as follows:

	As at 30 June 2020	As at 31 December 2019
Consolidated statement of financial position obligations for:		
Expenses incurred for retirement benefit	–	3
Expenses incurred for corporate annuity plan	–	–
Total	–	3

29 OTHER LIABILITIES

	30 June 2020	31 December 2019
Employee benefits payable	271,633	250,682
Dividends payable	377,940	83,584
Deposit of financial guarantee	18,080	17,161
Advances from customers	227	238
Provisions	20,801	16,513
Deferred income	1,363	1,383
Lease liabilities	36,433	36,466
Others	57,312	40,781
Total	783,789	446,808

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For the six months ended 30 June 2020

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30 SHARE CAPITAL AND CAPITAL SURPLUS

All shares of the Bank issued are fully paid ordinary shares. The par value per share is RMB1.00. The Bank's number of shares is as follows:

	30 June 2020	31 December 2019
Number of shares	2,264,793	2,264,793

The movement of share capital is as follows:

Share capital	30 June 2020	31 December 2019
Balance at the beginning of the period/year	2,264,793	2,182,933
Capital increase by shareholders	–	81,860
Balance at the end of the period/year	2,264,793	2,264,793

Generally, transactions of the following nature are recorded in the capital surplus:

- (a) Share premium arising from the issue of shares at prices in excess of their par value;
- (b) Donations received from shareholders; and
- (c) Any other items required by the PRC regulations to be so treated.

Capital surplus can be utilised for the issuance of bonus shares or for increasing paid-in capital as approved by the shareholders.

As at 31 December 2019 and 30 June 2020, the Bank's capital surplus was shown as follow:

	31 December 2019	Additions	30 June 2020
Share premium	2,239,314	–	2,239,314

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31 OTHER EQUITY INSTRUMENTS

31.1 Perpetual bonds

31.1.1 Perpetual bonds outstanding at the end of the period

	Issue date	Accounting classification	Original interest rate	Issue price	Amount in shares	In RMB (in thousands)	Maturity
Perpetual bonds in RMB	18 March 2020	Equity	5.80%	RMB100/bond	10,000,000	1,000,000	No fixed maturity date
Perpetual bonds in RMB	11 June 2020	Equity	5.30%	RMB100/bond	7,000,000	700,000	No fixed maturity date
Total						1,700,000	
Less: Issue fees						3,176	
Carrying amount						1,696,824	

31.1.2 Main clauses

With the approval of relevant Chinese regulatory authorities, the Bank issued perpetual bonds in the inter-bank bond market on 18 March 2020 and 11 June 2020, with a total face value of RMB1.7 billion and each face value of RMB100. The interest rate of the perpetual bonds does not contain any interest rate step-up mechanism or any other redemption incentives. The coupon rate is determined by a benchmark rate plus a fixed spread, and it will be adjusted every 5 years, the coupon rate for the first 5 years is respectively 5.8% and 5.30%.

The perpetual bonds will continue to be outstanding so long as the Bank's business continues to operate. After five years from the issuance of the perpetual bonds, the Bank may redeem the perpetual bonds in whole or in part on each distribution payment date. Upon the occurrence of Write-down Event, the Bank has the right, subject to the approval of the China Banking and Insurance Regulatory Commission but without the need for the consent of the bondholders, to write down whole or part of the aggregate amount of the perpetual bonds. The claims in respect of the perpetual bonds are subordinated to the claims of depositors, general creditors, and subordinated indebtedness that rank senior to the perpetual bonds; and will rank in priority to all classes of equity shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other Additional Tier 1 Capital instruments of the Bank that rank pari passu with the perpetual bonds.

The distributions on the perpetual bonds are non-cumulative, the Bank shall have the right to cancel, in whole or in part, distributions on the bonds and any such cancellation shall not constitute an event of default. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. However, the Bank will not distribute income to ordinary shareholders until it decides to start paying full distributions to the bondholders.

The net proceeds from the Bank's issuance of the above bonds, after deducting offering related expenses, will be used to replenish the Additional Tier 1 Capital of the Bank.

Notes to the Unaudited Condensed Interim Financial Information

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32 OTHER RESERVES

	Surplus reserve(a)	General reserve(b)	Revaluation reserve of financial assets at FVOCI	Impairment allowances for financial assets at FVOCI	Total
Balance at 1 January 2020	399,731	977,442	39,422	25,046	1,441,641
Other comprehensive income	–	–	(10,378)	40,883	30,505
Addition	–	170,611	–	–	170,611
Balance at 30 June 2020	399,731	1,148,053	29,044	65,929	1,642,757
Balance at 1 January 2019	336,340	847,549	52,433	10,236	1,246,558
Other comprehensive income	–	–	(13,011)	14,810	1,799
Addition	63,391	129,893	–	–	193,284
Balance at 31 December 2019	399,731	977,442	39,422	25,046	1,441,641

(a) Surplus reserve

In accordance with “the Company Law of the People’s Republic of China” and the Bank’s Articles of Association, 10% of the net distributable profit of the Bank, is required to be transferred to a non-distributable statutory reserve until such time when this reserve represents 50% of the share capital of the Bank. With approval, statutory surplus reserve can be used for making up losses, or increasing the share capital.

(b) General reserve

The Bank follows “the management methods of financial institutions reserve” (CAIJIN [2012] No. 20) issued by the Ministry of Finance. According to these requirements, the general reserve should not be lower than the 1.5% of the year end risk assets. For financial institutions with difficulty meeting the 1.5% threshold, they can take years to gradually meet this requirement, but principally it should not exceed 5 years.

On 26 March 2020, the Board of Directors of the Bank proposed that 1.5% of the risk assets at the end of 2019 should be accrued for general risk reserve amounted to RMB170,611 thousand. This proposal had been approved by the Annual General Meeting held on 26 May 2020. As at 30 June 2020, the ending balance of general reserve was RMB1,148,053 thousand (as at 31 December 2019: RMB977,442 thousand).

Notes to the Unaudited Condensed Interim Financial Information

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(All amounts expressed in thousands of RMB unless otherwise stated)

33 DIVIDENDS

	30 June 2020	31 December 2019
Dividends declared during the period/year	294,423	339,718
Dividend per share (in RMB)	0.13	0.15

Under the PRC Company Law and the Bank's Articles of Association, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowances for the following:

- (i) Making up prior year's cumulative losses, if any;
- (ii) Allocations to the non-distributable statutory accumulation reserve of 10% of the net profit of the Bank.

In accordance with relevant regulations, after the Bank's initial public offering, the net profit after tax of the Bank for the purpose of profit distribution is deemed to be the lower of (i) the retained profits determined in accordance with the China Accounting Standards and (ii) the retained profit determined in accordance with IFRS.

On 26 March 2020, the Board of Directors of the Bank proposed the distribution of cash dividends of RMB294,423 thousand (including tax) to its shareholders, which was calculated at RMB1.3 (including tax) dividend per 10 shares based on the total 2,264,793,385 share issued. The 2019 annual dividend distribution plan has been approved by the Annual General Meeting on 26 May 2020.

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

34 STRUCTURED ENTITIES

(a) Unconsolidated structured entities

(i) Unconsolidated structured entities managed by the Bank

The unconsolidated structure entities managed by the Bank are mainly wealth management products issued and managed by the Bank acting as an agent. Based on the analysis and research on the potential targeted clients, the Bank designs and sells capital investment and management plan to specific targeted clients, and the raised funds are then put into related financial market or invested in related wealth management products according to the product contracts. Gains would be allocated to investors. The Bank receives corresponding wealth management commission fee income as the asset manager. The Bank had recognised net commission income from asset management service of nonguaranteed wealth management products with the amount of RMB399 thousand for the six months ended 30 June 2020 (For the six months ended 30 June 2019: Nil). The Bank has not provided any liquidity support to the wealth management products for the six months ended 30 June 2020 (For the six months ended 30 June 2019: Nil).

The Bank issues and manages non-guaranteed wealth management products to individual investors. The funds raised from the individual investors are mainly invested in the open market bonds and money market instruments.

The Bank assesses its control on the non-guaranteed wealth management products. The Bank takes a fiduciary role on these wealth management products and has no contractual obligation to repay the principal or interest. The risk exposure of the products is mainly from the fluctuation of the expected return of the bonds market, the performance of trust plans and the performance of targeted asset management plans. The risk of loss is borne by the investors. The Bank earns the net fee and commission income from the products.

As at 30 June 2020, the balance of unconsolidated wealth management products issued and managed by the Bank was RMB2,549,879 thousand (As at 31 December 2019: RMB1,929,193 thousand).

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

34 STRUCTURED ENTITIES (continued)

(a) Unconsolidated structured entities (continued)

(ii) Unconsolidated structured entities invested by the Bank

In order to make better use of capital for profit, the unconsolidated structured entities invested by the Bank for the six months ended 30 June 2020 mainly included the wealth management products, trust schemes and directed asset management plans issued and managed by third parties. The Bank classified the unconsolidated structured entities as financial assets at FVPL and amortised cost (For the six months ended 30 June 2019: same).

The table below lists the book value and maximum loss risk exposure of the assets due to the holdings of profits from unconsolidated structured entities (including accrued interest).

30 June 2020	Book value	Maximum risk exposure
Financial investments – amortised cost	1,067,441	(1,067,441)
Financial investments – fair value through profit or loss	4,666,098	(4,666,098)
Total	5,733,539	(5,733,539)

31 December 2019	Book value	Maximum risk exposure
Financial investments – amortised cost	592,474	(592,474)
Financial investments – fair value through profit or loss	640,707	(640,707)
Total	1,233,181	(1,233,181)

For the six months ended 30 June 2020 and 2019, the interest income and fee and commission income from the above unconsolidated structured entities were:

	For the six months ended 30 June	
	2020	2019
Interest income	32,412	–
Net gains on financial investments	12,228	25,733
Fee and commission income	399	–
Total	45,039	25,733

For the six months ended 30 June 2020, there was no related loss from the above unconsolidated structured entities (For the six months ended 30 June 2019: Nil).

For the six months ended 30 June 2020, the Bank had not provided any financial or other support to unconsolidated structured entities (For the six months ended 30 June 2019: Nil).

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

34 STRUCTURED ENTITIES (continued)

(b) Consolidated structured entities

30 June 2020	Book value	Maximum loss exposure
Financial investments – credit related financial assets	5,247,204	(5,247,204)
Financial investments – amortised cost	8,029,725	(8,029,725)
Total	13,276,929	(13,276,929)

31 December 2019	Book value	Maximum loss exposure
Financial investments – credit related financial assets	4,186,800	(4,186,800)
Financial investments – amortised cost	13,936,458	(13,936,458)
Total	18,123,258	(18,123,258)

The Bank's interest income obtained from the above-mentioned incorporated structured entities are as follows:

	For the six months ended 30 June	
	2020	2019
Interest income	655,242	820,215

35 FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES

Financial guarantees and credit related commitments

The following tables indicate the contractual amounts of the Bank's financial guarantees and credit related commitments which the Bank commits to extend to customers:

	30 June 2020	31 December 2019
Bank acceptance notes	1,554,772	955,805
Guarantees	171,210	889,297
Total	1,725,982	1,845,102

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

35 FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES (continued)

The credit risk weighted amount refers to the amount calculated in accordance with the formula promulgated by the CBIRC and depends on the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities and credit commitments.

Capital expenditure commitments

	30 June 2020	31 December 2019
Contracted but not provided for		
– Capital expenditure commitments for buildings	5,569	9,722
– Acquisition of IT system	100,786	74,581
Total	106,355	84,303

Legal proceedings

The Bank has involved as defendants in certain lawsuits arising from its normal business operations. The Bank had no significant outstanding legal claims as at 30 June 2020 (As at 31 December 2019: Nil).

36 COLLATERALS

(a) Assets pledged:

As at 30 June 2020 and 31 December 2019, no assets of the Bank have been pledged to financial institutions as collateral in accordance with the repurchase agreement.

(b) Collateral accepted:

The Bank received debt securities and bills as collateral in connection with the purchase of assets under resale agreements, the Bank has not accepted collateral that can be resold or repledged. The fair value of the collateral is RMB6,577,600 thousand as at 30 June 2020 (As at 31 December 2019: RMB2,272,980 thousand). The Bank did not resale or repledge such collateral.

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

37 OTHER COMPREHENSIVE INCOME/(LOSSES) FOR THE YEAR

	Before tax amount	Tax (benefit)/ expense	Net of tax amount
For the six months ended 30 June 2020			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net gains on valuation of financial assets measured at FVOCI	(13,836)	3,459	(10,377)
Credit loss provision of financial assets measured at FVOCI	54,510	(13,628)	40,882
Other comprehensive income for the period	40,674	(10,169)	30,505
For the six months ended 30 June 2019			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net gains on valuation of financial assets measured at FVOCI	(12,388)	3,097	(9,291)
Credit loss provision of financial assets measured at FVOCI	2,841	(710)	2,131
Other comprehensive losses for the period	(9,547)	2,387	(7,160)

38 NOTES TO STATEMENTS OF CASH FLOWS

For the purposes of the statements of cash flow, cash and cash equivalents comprise the following balances with original maturities of less than three months used for the purpose of meeting short-term cash commitments:

	30 June 2020	31 December 2019
Cash and balances with central bank	3,629,310	2,766,420
Financial assets held under resale agreements, due from other banks and financial institutions	1,695,307	1,488,890
Total	5,324,617	4,255,310

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

39 RELATED PARTY TRANSACTIONS

39.1 Related party relationships

The related parties of the Bank mainly include: the major shareholders as well as the entities controlled by them, the key management personnel (including the Bank's directors and senior management) and their family members who have close relationships with them as well as the entities which are controlled, joint controlled or can be significantly influenced by the Bank's key management personnel or their family members.

As at 30 June 2020 and 31 December 2019, the major shareholders of the Bank were as follows:

Name of shareholders	Number of shares held (share '000)	Shareholding (%)
Luzhou Laojiao Group Co., Ltd.	325,440	14.37
Luzhou Laojiao Co., Ltd.	36,160	1.60
Sichuan Jiale Enterprise Group Co., Ltd.	271,200	11.97
Sichuan Luzhou Jiale Real Estate Co., Ltd.	7,232	0.32
Luzhou Xinfu Mining Group Co., Ltd.	271,200	11.97
Luzhou Finance Bureau	161,545	7.13
Luzhou Industrial Investment Group Co., Ltd.	73,462	3.24
Luzhou State Owned Assets Management Co., Ltd.	144,640	6.39
Luzhou Xinglu Investment Group Co., Ltd.	40,549	1.79
Luzhou Xinglu Jutai Real Estate Co., Ltd.	91,716	4.05
Luzhou Fundamental Infrastructure Construction Investment Co., Ltd.	15,006	0.66
Luzhou Xinglu Financing Guarantee Group Co., Ltd.	11,246	0.50
Total	1,449,396	63.99

Notes:

- (1) Luzhou Laojiao Group Co., Ltd. indirectly holds 36,160 thousand domestic shares of the Bank through its holding company Luzhou Laojiao Co., Ltd., accounting for 1.60% of the Bank's equity. The combined shareholding ratio of the two shareholders is 15.97%.
- (2) Sichuan Jiale Enterprise Group Co., Ltd. indirectly holds 7,232 thousand domestic shares of the Bank through its holding company, Sichuan Luzhou Jiale Real Estate Co., Ltd., accounting for 0.32% of the Bank's equity. The combined shareholding ratio of the two shareholders is 12.29%.
- (3) Luzhou Industrial Investment Group Co., Ltd. indirectly holds 144,640 thousand domestic shares of the Bank through its subsidiary Luzhou State Owned Assets Management Co., Ltd., accounting for 6.39% of the Bank's equity. The combined shareholding ratio of the two shareholders is 9.63%.
- (4) Luzhou Xinglu Investment Group Co., Ltd. indirectly holds 117,968 thousand domestic shares of the Bank through its holding companies Luzhou Xinglu Jutai Real Estate Co., Ltd., Luzhou Fundamental Infrastructure Construction Investment Co., Ltd., and Luzhou Xinglu Financing Guarantee Group Co., Ltd., accounting for 5.21% of the Bank's equity. Besides, Luzhou Laojiao Group Co., Ltd. and Luzhou Xinglu Investment Group Co., Ltd. entered into an acting-in-concert agreement (the "Concert Parties Agreement") with respect to their respective shareholdings in Luzhou Laojiao Co., Ltd. By virtue of the Concert Parties Agreement, Luzhou Xinglu Investment Group Co., Ltd. indirectly holds shares of the Bank through Luzhou Laojiao Co., Ltd. The combined shareholding ratio of the five shareholders (Luzhou Xinglu Investment Group Co., Ltd., Luzhou Xinglu Jutai Real Estate Co., Ltd., Luzhou Infrastructure Investment Co., Ltd., Luzhou Xinglu Finance Guarantee Group Co., Ltd., and Luzhou Laojiao Co., Ltd.) is 8.60%.

In addition to the above notes, the Bank does not aware any other shareholders are related or acting in concert.

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

39 RELATED PARTY TRANSACTIONS (continued)

39.2 Related party transactions

Transactions between the Bank and related parties are conducted in accordance with general commercial terms and normal business procedures. The pricing principle is consistent with that of an independent third party transaction. The related party transactions of the Bank are as follows:

(1) Related party customer loans (including discounted bills)

	30 June 2020	31 December 2019
Other legal related parties	2,711,897	1,778,936
Key management personnel or their family members	60,257	63,984
Total	2,772,154	1,842,920

(2) Related party loan interest income (including discounted bills)

	For the six months ended 30 June	
	2020	2019
Other legal related parties	80,990	72,977
Key management personnel or their family members	1,642	1,490
Total	82,632	74,467

(3) Related party deposits:

	30 June 2020	31 December 2019
Major shareholders	5,500,720	4,506,141
Other legal related parties	887,127	1,067,339
Key management personnel or their family members	369,584	323,917
Total	6,757,431	5,897,397

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

39 RELATED PARTY TRANSACTIONS (continued)

39.2 Related party transactions (continued)

(4) Related party deposit interest expense:

	For the six months ended 30 June	
	2020	2019
Major shareholders	34,106	61
Other legal related parties	8,576	12,852
Key management personnel or their family members	177	98
Total	42,859	13,011

(5) Related party other receivables

	30 June 2020	31 December 2019
Major shareholders	70	70
Other legal related parties	1,325	611
Total	1,395	681

(6) Related party financial investments – fair value through other comprehensive income

	30 June 2020	31 December 2019
Major shareholders	191,010	193,590
Other legal related parties	104,179	147,032
Total	295,189	340,622

(7) Related party interest income from financial investments – fair value through other comprehensive income

	For the six months ended 30 June	
	2020	2019
Major shareholders	6,941	–
Other legal related parties	3,658	–
Total	10,599	–

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

39 RELATED PARTY TRANSACTIONS (continued)

39.2 Related party transactions (continued)

(8) Related party fees commission and income

	For the six months ended 30 June	
	2020	2019
Major shareholders	5	1
Other legal related parties	34	24
Key management personnel or their family members	3	1
Total	42	26

(9) Key management compensation:

Key management personnel refer to those who are entitled to plan, direct and control the activities of the Bank. The Bank conducts normal banking transactions with key management personnel in its daily operations.

The remuneration of directors and other key management personnel during the periods are as follows:

	For the six months ended 30 June	
	2020	2019
Remuneration, salary, allowances and benefits	3,453	2,931
Discretionary bonuses	1,650	1,638
Contribution to pension schemes	82	116
Total	5,185	4,685

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

39 RELATED PARTY TRANSACTIONS (continued)

39.2 Related party transactions (continued)

(10) Balance of loan guarantee from related parties to the Bank

	As at 30 June 2020		
	Corporate loans	Personal loans	Total
Luzhou Xinglu Financing Guarantee Group Co., Ltd.	3,033,608	7,917	3,041,525
Luzhou Xinglu Agricultural Financing Guarantee Co., Ltd.	92,678	–	92,678
Luzhou Jintong Financing Guarantee Co., Ltd.	87,200	8,000	95,200
Luzhou Xingyang Financing Guarantee Co., Ltd.	5,000	–	5,000
Sichuan Hongxin Financing Guarantee Co., Ltd.	385,481	114,000	499,481
Luzhou Industrial Investment and Financing Guarantee Co., Ltd.	387,910	19,500	407,410
Total	3,991,877	149,417	4,141,294

	As at 31 December 2019		
	Corporate loans	Personal loans	Total
Luzhou Xinglu Financing Guarantee Group Co., Ltd.	2,887,308	23,768	2,911,076
Luzhou Xinglu Agricultural Financing Guarantee Co., Ltd.	99,524	–	99,524
Luzhou Jintong Financing Guarantee Co., Ltd.	96,950	–	96,950
Luzhou Xingyang Financing Guarantee Co., Ltd.	5,000	–	5,000
Sichuan Hongxin Financing Guarantee Co., Ltd.	472,216	132,200	604,416
Luzhou Industrial Investment and Financing Guarantee Co., Ltd.	272,080	20,790	292,870
Total	3,833,078	176,758	4,009,836

For the six months ended 30 June 2020 and 2019, the fees for the guarantee services provided by the related parties to the borrowers of the Bank shall be paid by the borrowers, and the Bank does not pay any fees to the related parties.

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

39 RELATED PARTY TRANSACTIONS (continued)

39.2 Related party transactions (continued)

(11) Property leasing

Luzhou Jiangnan New Area Construction Investment Co., Ltd., an related party of the Bank, leases a property located in Luzhou City, Sichuan Province to the Bank. The lease term starts from 1 May 2016 until 1 May 2021, for a period of five years. The total rent is RMB864,000 (The subject of the contract was changed to Luzhou Xinglu Asset Management Co., Ltd. On 22 November 2017).

Yijia Real Estate Development Co., Ltd., an related party of the Bank, leases a property located in Luzhou City, Sichuan Province to the Bank. The lease term starts from 1 August 2016 until 31 July 2026, for a period of ten years. The total rent is RMB840,499.

Luzhou Xinglu Jutai Real Estate Co., Ltd., an related party of the Bank, leases a property located in Luzhou City, Sichuan Province to the Bank. The lease term starts from 1 September 2014 until 31 August 2022, for a period of eight years. The annual rent in the first year was RMB270,600, and the annual rent increase by 5% annually. The total rent is RMB2,584,044.

Luzhou Guohua Asset Management Co, Ltd., an related party of the Bank, leases a property located in Luzhou City, Sichuan Province to the Bank. The lease term starts from 1 May 2020 until 30 April 2023, for a period of three years. The annual rent in the first and second year were RMB888,396 separately, and the annual rent increase by 3% in the third year. The total rent is RMB2,691,840.

Luo Jie, an related party of the Bank, leased two properties located in Luzhou City, Sichuan Province to the Bank. The lease term starts from 18 April 2016 until 17 April 2021, for a period of five years. The annual rent of one property is RMB499,540 for the first year and the second year, and the annual rent for the another is RMB73,730 for the first and second year. Since then, the rent of the two properties has increased by 10% every two years, and the total rent is RMB3,101,391.

These related party transactions are conducted in accordance with general commercial terms and normal business procedures, and their pricing principles are consistent with those of independent third party transactions.

(12) Government related entities

The transactions between the Bank and the government authorities proceed under normal commercial terms and conditions. These transactions mainly include provision of deposits and agency service. The Bank considers that transactions with these entities are activities conducted in the ordinary course of business. The Bank has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government authorities.

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

39 RELATED PARTY TRANSACTIONS (continued)

39.2 Related party transactions (continued)

(13) Others

The above range of transaction interest rates with related parties is listed as follows:

	30 June 2020	31 December 2019
Customer loans	3.43%-8.50%	3.25%-9.135%
Customer deposits	0.455%-5.50%	0.385%-5.50%
Financial investments – fair value through other comprehensive income	6.92%-7%	6.92%-7%

40 SEGMENT ANALYSIS

The Bank's operating segments are business units which provide different financial products and service and are engaged in different types of financial transactions. As different operating segments face different clients and counterparties supported by specific techniques and market strategies, they operate independently.

The Bank has 4 operating segments: corporate banking, retail banking, financial markets, and other categories.

Corporate banking mainly provides corporate customers with financial products and services including deposits and loans.

Retail banking mainly provides individual customers with financial products and services including deposits and loans.

Financial markets mainly performs inter-bank lending and borrowing, bonds investment and re-purchasing activities.

Others are those businesses not included in the above three segments or cannot be allocated with appropriate basis.

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

40 SEGMENT ANALYSIS (continued)

	For the six months ended 30 June 2020				
	Corporate banking	Retail banking	Financial market	Others	Total
Net interest income/(expense) from external customers	1,253,391	(528,422)	749,104	–	1,474,073
Inter-segment net interest income/(expenses)	(306,535)	712,377	(405,842)	–	–
Net interest income	946,856	183,955	343,262	–	1,474,073
Net fee and commission income	1,684	148	399	19	2,250
Net gains on trading activities	–	–	77,951	–	77,951
Net gains arising from financial investments	–	–	77,882	–	77,882
Other operating income	–	–	–	12,119	12,119
Operating income	948,540	184,103	499,494	12,138	1,644,275
Operating expenses	(227,875)	(30,546)	(198,060)	(2,131)	(458,612)
– Depreciation and amortisation	(31,726)	(6,718)	(30,131)	(340)	(68,915)
– Others	(196,149)	(23,828)	(167,929)	(1,791)	(389,697)
Impairment losses	(524,603)	(49,372)	(36,300)	(11)	(610,286)
Share of profit of an associate	–	–	–	2,626	2,626
Profit before income tax	196,062	104,185	265,134	12,622	578,003
Capital expenditure	73,505	15,564	69,810	789	159,668
Segment assets	50,392,919	10,670,132	47,859,918	540,600	109,463,569
Segment liabilities	(40,630,583)	(36,828,870)	(23,223,991)	(8,595)	(100,692,039)

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

40 SEGMENT ANALYSIS (continued)

	For the six months ended 30 June 2019				
	Corporate banking	Retail banking	Financial market	Others	Total
Net interest income/(expense) from external customers	900,103	(365,191)	819,690	–	1,354,602
Inter-segment net interest income/(expenses)	(123,046)	519,709	(396,663)	–	–
Net interest income	777,057	154,518	423,027	–	1,354,602
Net fee and commission income/(expenses)	816	(137)	–	103	782
Net gains on trading activities	–	–	30,647	–	30,647
Net gains arising from financial investments	–	–	16,425	–	16,425
Other operating income	–	–	–	1,174	1,174
Operating income	777,873	154,381	470,099	1,277	1,403,630
Operating expenses	(203,846)	(31,731)	(223,124)	(372)	(459,073)
– Depreciation and amortisation	(23,558)	(6,018)	(25,800)	(182)	(55,558)
– Others	(180,288)	(25,713)	(197,324)	(190)	(403,515)
Impairment losses	(278,379)	2,708	(53,605)	–	(329,276)
Share of profit of an associate	–	–	–	2,135	2,135
Profit before income tax	295,648	125,358	193,370	3,040	617,416
Capital expenditure	72,340	18,492	79,287	563	170,682
Segment assets	38,453,542	9,830,088	42,147,070	299,032	90,729,732
Segment liabilities	(33,392,245)	(27,903,979)	(22,695,937)	(581)	(83,992,742)

There is no high reliance of the Bank to any of the major external customers.

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

41 FIDUCIARY ACTIVITIES

The Bank provides custody and trustee services to third parties. Those assets that are held in a fiduciary capacity are not included in the financial information.

	30 June 2020	31 December 2019
Entrusted loans	3,480,050	3,657,341

42 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(a) Financial instruments not measured at fair value

Financial assets and liabilities that are not measured at fair value in the statement of financial position mainly include: balances with central bank, due from other banks and financial institutions, financial assets held under resale agreements, customer loans, credit related financial assets, financial assets-amortised cost, due to other banks and financial institutions, financial assets sold under repurchase agreements, customer deposits, debt securities issued. Except for the following financial assets and financial liabilities, the carrying amounts of financial assets and liabilities that are not measured at fair value are quite small from the fair value.

The table below summarised the financial assets and liabilities that have difference between book value (include accrued interest) and fair value as at 30 June 2020 and 31 December 2019.

	Book value	30 June 2020			Total
		Level 1	Fair value Level 2	Level 3	
Financial assets					
Financial investments – amortised cost	17,882,912	–	7,716,855	10,274,456	17,991,311
Financial investments – credit related financial assets	5,247,204	–	–	5,285,703	5,285,703
Financial liabilities					
Debt securities issued	16,831,401	–	16,910,861	–	16,910,861

	Book value	31 December 2019			Total
		Level 1	Fair value Level 2	Level 3	
Financial assets					
Financial investments – amortised cost	22,499,936	–	7,569,536	15,224,835	22,794,371
Financial investments – credit related financial assets	4,186,800	–	–	4,225,093	4,225,093
Financial liabilities					
Debt securities issued	18,225,596	–	18,271,313	–	18,271,313

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

42 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(continued)

(a) Financial instruments not measured at fair value (continued)

Financial investments – credit related financial assets

The fair value for financial investments – credit related financial assets is determined based on discounted cash flow model using unobservable discount rates that reflect credit risk and liquidity.

Financial investments – amortised cost

The fair value for financial investments – amortised cost (excluding bonds) is determined based on discounted cash flow model using unobservable discount rates that reflect credit risk and liquidity.

The fair value for bonds measured at amortised cost are based on market prices or broker/dealer price quotations. Where the information is not available, fair value is estimated using quoted market prices for securities with similar credit risk, maturity and yield characteristics.

Debt securities issued

The fair value of fixed interest-bearing debt securities issued is calculated using a discounted cash flow model which is based on a current yield curve appropriate for the remaining term to maturity.

Other than above, the carrying values of those financial assets and liabilities not presented at their fair value in the statement of financial position are a reasonable approximation of their fair values. Those financial assets and liabilities include balances with central bank, due from other banks and financial institutions, customer loans, due to other banks and financial institutions, customer deposits, etc. Fair value is measured using a discounted future cash flow model.

(b) Fair value hierarchy

IFRS 7 specifies the levels of valuation techniques that based on the inputs of valuation techniques that are observable or not. The observable inputs reflect the market data obtained from independent sources. These two inputs lead to the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities, debt instruments in house (e.g. Hong Kong Stock Exchange).
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly. This level includes the debt instruments dealing in the interbank market. For example, the input parameters of bond yield curves and counterparty credit risk stem from China bond information website and Bloomberg.
- Level 3 – Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs). This level includes equity instruments and structural financial instruments.

The Bank determines the fair value of the financial instrument by valuation techniques when it is difficult to obtain quotations from the open market.

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

42 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(continued)

(b) Fair value hierarchy (continued)

The main parameters of valuation techniques used in financial instruments includes the price of the bond, interest rate, exchange rate, stock and equity price, volatility level, correlation, prepayment rates, and the credits spreads of counterparty. All of these parameters can be observed and obtained from the open market.

The measurement of the fair value of those asset-backed securities and unlisted equity (private equity) held by the Bank adopts unobservable parameters that may have significant impact on the valuations. Thus, the Bank would better classify these financial instruments to the third level. Management has assessed the influence of macroeconomic factors, the valuation by external appraiser, loss coverage, and many other parameters, so as to examine the correlation between the fair value of third level financial instruments and the above parameters. The Bank has established an internal control system to supervise the exposure of the financial instrument above.

Fair values of assets and liabilities are as below

30 June 2020	Level 1	Level 2	Level 3	Total
Customer loans – discounted bills	–	–	3,033,473	3,033,473
Financial investments – fair value through profit or loss	4,045,336	3,469,643	634,055	8,149,034
Financial investments – FVOCI	–	7,819,048	–	7,819,048
Derivative financial assets	–	607	–	607
Total	4,045,336	11,289,298	3,667,528	19,002,162
31 December 2019	Level 1	Level 2	Level 3	Total
Customer loans – discounted bills	–	–	1,499,648	1,499,648
Financial investments – fair value through profit or loss	1,829,247	–	30,996	1,860,243
Financial investments – FVOCI	–	5,755,246	–	5,755,246
Total	1,829,247	5,755,246	1,530,644	9,115,137

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

42 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(continued)

(b) Fair value hierarchy (continued)

Movement of Level – 3 valuation methodology

	Financial investments – fair value through profit or loss	Customer loans – discounted bills
Balance at 1 January 2020	30,996	1,499,648
Total gains or losses		
– Current profit and loss	12	–
– Other comprehensive income	–	–
Purchase of Level 3	603,047	2,697,812
Maturity of Level 3	–	(1,163,987)
Balance at 30 June 2020	634,055	3,033,473
Total gains for the year included in statement of profit and loss for assets/liabilities held at 30 June 2020	5,282	–
	Financial investments – fair value through profit or loss	Customer loan –discounted bills
Balance at 1 January 2019	30,996	644,907
Total gains or losses		
– Current profit and loss	–	–
– Other comprehensive income	–	–
Purchase of Level 3	–	1,499,648
Maturity of Level 3	–	(644,907)
Balance at 31 December 2019	30,996	1,499,648
Total gains for the year included in statement of profit and loss for assets/liabilities held at 31 December 2019	–	–

43 SUBSEQUENT EVENTS

Up to the date of this report, the Bank has no material event for disclosure after the reporting date.

Definitions

“Articles of Association” or “Articles”	the articles of association of the Bank, as amended from time to time
“Board of Supervisors”	the board of Supervisors of the Bank
“Board” or “Board of Directors”	the board of Directors of our Bank
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“China” or “PRC”	the People’s Republic of China, but for the purpose of this report, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Bank” or “our Bank”	Luzhou Bank Co., Ltd. (泸州银行股份有限公司)
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of our Bank
“Domestic Shares”	ordinary shares in our share capital with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“Global Offering”	the Hong Kong Public Offering and the International Offering, details are set out in the Prospectus
“HK\$” or “HKD” or “Hong Kong Dollars”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“H Shares”	the overseas listed foreign shares in the ordinary share capital of the Bank with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong Dollars and listed and traded on the Hong Kong Stock Exchange
“IAS”	International Accounting Standards and its interpretations
“IFRS”	International Financial Reporting Standards issued by the International Accounting Standards Board
“Latest Practicable Date”	27 August 2019, being the latest practicable date for the purpose of containing certain information in this report before the interim report is printed
“Listing”	the listing of the H Shares on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

Definitions

“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“Prospectus”	the prospectus of the Global Offering of the Bank
“Reporting Period”	the six months ended 30 June 2020
“RMB” or “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 Shares
“Shares”	the domestic shares and H shares of the Bank
“Supervisor(s)”	the supervisor(s) of the Bank