晉商银行
Jinshang Bank

JINSHANG BANK CO., LTD.*

晉商銀行股份有限公司*

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

(Stock code: 2558)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2020

The Board of Directors (the "**Board**") of Jinshang Bank Co., Ltd.* (the "**Bank**") is pleased to announce the unaudited consolidated interim results of the Bank and its subsidiary (the "**Group**") for the six months ended June 30, 2020 (the "**Reporting Period**"). The content of this results announcement has been prepared in accordance with applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**") in relation to preliminary announcements of interim results. The Bank prepared the interim financial statements for the six months ended June 30, 2020, in accordance with the International Accounting Standard 34, Interim Financial Reporting, which has been reviewed by Ernst & Young(1), in accordance with the International Standards on Review Engagements. Such interim results have also been reviewed and confirmed by the Board and the audit committee of the Board. Unless otherwise indicated, the financial information set out in this announcement is on consolidated basis and presented in Renminbi.

1. CORPORATE INFORMATION

1.1 Basic Information

Legal Chinese Name	晉商銀行股份有限公司
Abbreviation in Chinese	晉商銀行
Legal English Name	Jinshang Bank Co., Ltd.
Abbreviation in English	Jinshang Bank
Legal Representative	YAN Junsheng(2)
Authorized Representatives	TANG Yiping, YEUNG Ching Man
Listing Place of H shares	The Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**")
Stock Name	JINSHANG BANK
Stock Code	2558

Notes:

(1) Pursuant to relevant regulations of the Ministry of Finance, state-owned financial enterprises shall not continuously appoint the same accounting firm for more than eight years. KPMG has been consecutively appointed as the auditing agency for the financial statements of the Bank for eight years as of 2019. Approved by the resolution of the 2019 Annual General Meeting, the auditor of the Bank was changed from KPMG to Ernst & Young in 2020. For details, please refer to the announcements of the Bank on March 26, 2020, April 23, 2020 and June 9, 2020, respectively.

(2) On January 8, 2020, Mr. YAN Junsheng has tendered his resignation as the chairman of the Board of Directors and legal representative of the Company. Procedures will be followed to make changes to the industrial and commercial registration with the Shanxi Administration for Market Regulation (山西市場監督管理局).

1.2 Contact Persons and Contact Details

Secretary to the Board of Directors	LI Weiqiang
Joint Company Secretaries	HAO Qiang, YEUNG Ching Man
Registered Address and Address of Head Office	No. 59 Changfeng Street, Xiaodian District, Taiyuan City, Shanxi Province, the PRC
Principal Place of Business in Hong Kong	40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong
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2. SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

	For the six months ended June 30,		
	2020	2019	Rate of change (%)
	(Expressed in millions of RMB, unless otherwise stated)		
Results of operations			
Interest income	**4,503.6**	4,376.6	2.9
Interest expense	**(2,856.5)**	(2,709.6)	5.4
Net interest income	**1,647.1**	1,667.0	(1.2)
Fee and commission income	**457.2**	328.2	39.3
Fee and commission expense	**(76.5)**	(20.2)	278.7
Net fee and commission income	**380.7**	308.0	23.6
Net trading gains	**48.5**	45.2	7.3
Net gains arising from investment securities	**512.7**	428.3	19.7
Other operating income	**11.9**	23.4	(49.1)
Operating income	**2,600.9**	2,471.9	5.2
Operating expense	**(776.6)**	(799.2)	(2.8)
Impairment losses on assets	**(1,054.1)**	(898.5)	17.3
Share of profits of associate	**14.3**	13.0	10.0

	For the six months ended June 30,		
	2020	2019	Rate of change (%)
	(Expressed in millions of RMB, unless otherwise stated)		
Profit before tax	**784.5**	787.2	(0.3)
Income tax	**(9.6)**	(44.9)	(78.6)
Net profit for the period	**774.9**	742.3	4.4
Net profit attributable to:			
Equity shareholders of the Bank	**779.8**	745.4	4.6
Non-controlling interests	**(4.9)**	(3.1)	58.1
Earnings per share attributable to equity shareholders of the Bank (RMB per share)			
—Basic	**0.13**	0.15	(13.3)
—Diluted	**0.13**	0.15	(13.3)

	As of June 30, 2020	As of December 31, 2019	Rate of change (%)
	(Expressed in millions of RMB, unless otherwise stated)		
Key indicators for assets/liabilities			
Total assets	**267,154.8**	247,571.2	7.9
Of which: net loans and advances to customers	**130,880.8**	111,712.6	17.2
Total liabilities	**246,870.7**	227,411.9	8.6
Of which: deposits from customers	**171,491.7**	155,322.2	10.4
Share capital	**5,838.7**	5,838.7	0
Equity attributable to equity holders of the Bank	**20,264.8**	20,135.2	0.6
Total equity	**20,284.1**	20,159.3	0.6

	For the six months ended June 30, 2020	2019	Change
Profitability indicators (%)			
Return on average assets [(1)]	**0.60**	0.64	(0.04)
Return on average equity [(2)]	**7.66**	9.21	(1.55)
Net interest spread [(3)]	**1.61**	1.80	(0.19)
Net interest margin [(4)]	**1.54**	1.70	(0.16)
Net fee and commission income to operating income	**14.64**	12.46	2.18
Cost-to-income ratio [(5)]	**28.56**	30.99	(2.43)

	As of June 30, 2020	As of December 31, 2019	Change
Asset quality indicators (%)			
NPL ratio [(6)]	**1.93**	1.86	0.07
Allowance coverage ratio [(7)]	**194.74**	199.92	(5.18)
Allowance to gross loan ratio [(8)]	**3.75**	3.71	0.04

	As of June 30, 2020	As of December 31, 2019	Change
Capital adequacy indicators (%) [(9)]			
Core tier-one capital adequacy ratio [(10)]	**10.36**	11.47	(1.11)
Tier-one capital adequacy ratio [(11)]	**10.36**	11.47	(1.11)
Capital adequacy ratio [(12)]	**12.39**	13.60	(1.21)
Total equity to total assets	**7.59**	8.14	(0.55)

	As of June 30, 2020	As of December 31, 2019	Change
Other indicators (%)			
Loan-to-deposit ratio [(13)]	**80.28**	75.49	4.79
Liquidity coverage ratio [(14)]	**215.32**	252.85	(37.53)
Liquidity ratio [(15)]	**81.28**	90.01	(8.73)

	As of June 30, 2020	As of March 31, 2020	As of December 31, 2019
	(Expressed in millions of RMB, unless otherwise stated)		
Net stable funding ratio (16)			
Total available stable funding	**164,877.3**	152,991.7	147,133.4
Total required stable funding	**117,965.4**	110,075.6	107,250.6
Net stable funding ratio (%)	**139.77**	138.99	137.19

Notes:

(1) Calculated by dividing net profit for the period by the average balance of total assets at the beginning and the end of the period, and adjusted on an annualized basis.

(2) Calculated by dividing net profit for the period by the average balance of total equity at the beginning and the end of the period, and adjusted on an annualized basis.

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

(4) Calculated by dividing net interest income by the average balance of total interest-earning assets.

(5) Calculated by dividing total operating expenses (excluding tax and surcharges) by total operating income.

(6) Calculated by dividing total NPLs by gross loans and advances to customers. Except as otherwise stated, the "gross loans and advances" referred to in this announcement exclude interests accrued.

(7) Calculated by dividing total allowance for impairment losses on loans and advances to customers (including the provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income) by total NPLs.

(8) Calculated by dividing total allowance for impairment losses on loans and advances to customers (including the provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income) by gross loans and advances to customers.

(9) Calculated in accordance with the Capital Administrative Measures for Commercial Banks (Provisional).

(10) Calculated by dividing core tier-one capital, net of core tier-one capital deductions, by risk-weighted assets.

(11) Calculated by dividing tier-one capital, net of tier-one capital deductions, by risk-weighted assets.

(12) Calculated by dividing total capital, net of capital deductions, by risk-weighted assets.

(13) Calculated by dividing total loans and advances to customers by total deposits from customers (excluding interests accrued).

(14) Liquidity coverage ratio is calculated in accordance with the formula promulgated by the China Banking and Insurance Regulatory Commission (the CBIRC). Liquidity coverage ratio = high-quality liquid assets/net cash outflows for the next 30 days × 100%.

(15) Liquidity ratio is calculated in accordance with the formula promulgated by the CBIRC. Liquidity ratio = balance of current assets/balance of current liabilities × 100%.

(16) Net stable funding ratio is calculated in accordance with the formula promulgated by the CBIRC. Net stable funding ratio = available stable funding/required stable funding × 100%. According to the Measures for Disclosure of Information on the Net Stable Funding Ratio of Commercial Banks (Yin Bao Jian Fa [2019] No. 11) (《商業銀行淨穩定資金比例信息披露辦法》(銀保監發[2019]11號)) issued by the CBIRC in 2019, information relating to the net stable funding ratio as at the end of 2019, end of March 2020 and end of June 2020 should be disclosed here.

3. MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Review of the Economic, Financial and Policy Environment

In the first half of 2020, facing the severe challenge brought by Coronavirus Disease 2019 ("**COVID-19**") and complicated and changeable domestic and foreign environments, China's economy went up after dropping, during which the main indicators renewed growth, economic operation recovered steadily, people's basic livelihood was well guaranteed, expectations for market were strong overall, and social development remained stable as a whole. For the six months ended June 30, 2020, the gross domestic product (GDP) reached RMB45,661.4 billion, representing a decrease of 1.6% year-on-year at constant prices; the added value of above-scale industries in China decreased by 1.3% year-on-year; fixed asset investment (excluding peasant household) recorded a year-on-year decrease of 3.1%; the total retail sales of consumer goods decreased by 11.4% year-on-year; and domestic consumer price rose 3.8% year-on-year.

In the first half of 2020, domestic money supply, social financing scale and RMB loans all maintained rapid growth. As of the end of June 2020, the broad money (M2) balance saw a year-on-year increase of 11.1%, maintaining the same growth rate as that at the end of last month. In the first half of 2020, the increment of social financing amounted to RMB20.83 trillion in aggregate, representing a year-on-year increase of RMB6.22 trillion; RMB loans grew by RMB12.09 trillion, representing a year-on-year increase of RMB2.42 trillion. In the first half of 2020, Shanxi province coordinated regular epidemic prevention and control as well as economic and social development in a scientific manner. The resumption of work, production, business and market was advanced steadily, production demands continued to improve, employment and commodity prices remained stable in general, and major economic indicators witnessed accelerated rebounded growth. Economy in the whole province recovered steadily, adding to the stable and good development momentum. Among other things, the provincial GDP reached approximately RMB782.164 billion, representing a year-on-year decrease of 1.4%, 3.2 percentage points lower than that in the first quarter; the added value of above-scale industries in the province decreased by 0.3%, 1 percentage point lower than the national average, among which the added value of the manufacturing decreased by 1.4%; fixed asset investment (excluding peasant household) increased by 8.3%, 11.4 percentage points higher than the national average; total retail sales of consumer goods decreased by 16.3%, 9.4 percentage points lower than that in the first quarter.

3.2 Business Overview and Development Strategies

In the first half of 2020, facing the adverse impact of COVID-19, the Bank maintained the strategic focus of steady advancement and earnestly implemented the general idea and requirement of "Comprehensive Development, Four Modernizations and Four-Efficiency (一全四化四高效)", thus achieving its new development.

We adhered to strategic focus and significantly improved our comprehensive strength. As of the end of June 2020, the total assets of the Bank amounted to RMB267.15 billion, representing an increase of RMB19.58 billion or 7.9% as compared to that at the beginning of the year; the balance of various loans amounted to RMB135.33 billion, representing an increase of RMB19.85 billion or 17.2% as compared to that at the beginning of the year; the balance of various deposits amounted to RMB171.49 billion, representing an increase of RMB16.17 billion or 10.4% as compared to that at the beginning of the year. In the first half of this year, we realized a net profit of RMB770 million, representing a year-on-year increase of RMB30 million or 4.4%.

The major regulatory indicators such as the NPL ratio and capital adequacy ratio met the regulatory requirements. We ranked 378th among the Top 1000 World Banks by The Banker, having moved up 43 places from our ranking in the previous year.

We kept to our responsibilities and notably improved our service efficiency. First, regarding epidemic prevention and control and financial services, we made corresponding arrangements, deployments and implemented them simultaneously, worked out a series of thinking for improving online and offline financial services, and implemented a package of effective measures for supporting micro, small and medium-sized enterprises to overcome difficulties, so as to ensure unremitting epidemic prevention and control and continuous financial services. Second, we actively fulfilled the requirements of local governments and financial management departments on supporting enterprises in resumption of work and production, and increased financial support in stabilizing enterprises and ensuring employment through such measures as active visits, active docking, “green lanes”, and special approvals for special issues to contribute to stable operation of local enterprises in Shanxi Province. Third, by studying opinions and measures of serving and supporting local economic development, we formulated implementation plans for supporting the construction of the Comprehensive Reform Demonstration Zone, energy revolution, green finance, major projects, basic industries, private economy and other fields, making active contribution to promoting high quality transformation and development of the local economy. Fourth, focusing on financial poverty alleviation, we kept strengthening support for poverty alleviation through industrial development, and continuously increased investment in targeted poverty alleviation, effectively helping poverty-stricken households get rid of poverty and become better off.

We kept improving our development efficiency by adherence to the innovation-driven mode. First, we sought new breakthroughs in corporate businesses. We launched on full scale businesses relating to energy revolution and green finance, established a trade financing product line, and fully demonstrated the efficiency of Jinshang Bank in green product innovation, key customer docking, and major project implementation by establishing concepts, expanding channels, gathering customers, and building platforms. Second, we added new momentum for the retail business. The wealth management business underwent continuously accelerated transformation, the residential mortgage business developed rapidly, “Ka Yi Loan (卡易貸)” was optimized and upgraded to “Ying Cai Loan (英才貸)”, credit card types and equity systems were continuously enriched, and the trend of online and offline channels advancing side by side and integrated development became more and more obvious. Third, we optimized new services for micro and small enterprises. We innovatively optimized products such as “Yi Bao Dui (醫保兑)”, “Government Procurement Loan (政採貸)” and entrepreneurship guaranteed loan under financial services for micro and small enterprises and sorted out and adjusted relevant business processes, which enhanced the quality and efficiency of and promoted healthy development of the financial services for micro and small enterprises. Fourth, financial market business was further expanded. We actively applied for the qualifications for new businesses and became a member of CDB bond underwriting syndicate in 2020. We also adjusted asset structure in a reasonable manner, timely adjusted market financing strategies, paid close attention to changes in counterparties and risks, and continued to deepen market participation.

We adhered to stepping up our internal efforts, with management level improved steadily. First, adhering to the optimization of industrial and customer structures, we reduced the proportion of industries with overcapacity, actively supported strategic emerging industries and livelihood projects, and took multiple measures to reduce non-performing assets. Second, we promoted the upgrade of core systems, optimized risk-related systems and conducted such works as building of data standardization system and data quality assessment, which provided advanced tools and sound data foundation for comprehensive risk management. Third, we strengthened inspection and management of staff behaviours, promoted construction of compliance culture, and organized such activities as writing contest and speech contest to sharpen the compliance awareness of all the staff. We formulated and revised 127 systems and measures, basically forming a full coverage institutionalized normative system with focal points, clear process and scientific management. Fourth, we further improved the market-based mechanism for talent selection and employment, actively built teams highlighting high-level and high-skilled talents, made more efforts to introduce excellent talents engaging in the same industry with us and cultivate talents in the industry, and established a sound incentive and safeguard mechanism of remuneration adjustment, professional sequence and other aspects to strengthen the cohesiveness of all employees of the Bank and the market competitiveness of talent teams.

3.3 Income Statement Analysis

	Six months ended June 30,		
	2020	2019	Rate of change (%)
	(Expressed in millions of RMB, unless otherwise stated)		
Interest income	**4,503.6**	4,376.6	2.9
Interest expense	**(2,856.5)**	(2,709.6)	5.4
Net interest income	**1,647.1**	1,667.0	(1.2)
Fee and commission income	**457.2**	328.2	39.3
Fee and commission expenses	**(76.5)**	(20.2)	278.7
Net fee and commission income	**380.7**	308.0	23.6
Net trading gains	**48.5**	45.2	7.3
Net gains arising from investment securities	**512.7**	428.3	19.7
Other operating income [(1)]	**11.9**	23.4	(49.1)
Operating income	**2,600.9**	2,471.9	5.2
Operating expenses	**(776.6)**	(799.2)	(2.8)
Impairment losses on assets	**(1,054.1)**	(898.5)	17.3
Share of profits of associate	**14.3**	13.0	10.0
Profit before tax	**784.5**	787.2	(0.3)
Income tax	**(9.6)**	(44.9)	(78.6)
Net profit	**774.9**	742.3	4.4

Note:

(1) Consists primarily of income from asset inventory surplus, rental income from owned properties and penalty income.

For the six months ended June 30, 2020, the profit before tax of the Group decreased by 0.3% to RMB784.5 million from RMB787.2 million for the six months ended June 30, 2019, and net profit for the same period increased to RMB774.9 million from RMB742.3 million for the six months ended June 30, 2019, representing a year-on-year growth of 4.4%.

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

For the six months ended June 30, 2020, the net interest income of the Group decreased by 1.2% to RMB1,647.1 million from RMB1,667.0 million for the six months ended June 30, 2019, mainly due to the 5.4% increase in interest expense, which was partially offset by the 2.9% increase in interest income.

The net interest spread of the Group decreased from 1.80% for the six months ended June 30, 2019 to 1.61% for the six months ended June 30, 2020, and the net interest margin decreased from 1.70% for the six months ended June 30, 2019 to 1.54% for the six months ended June 30, 2020, mainly due to a decrease of 24 basis points in the average yield on total interest-earning assets from 4.46% for the six months ended June 30, 2019 to 4.22% for the six months ended June 30, 2020, which was partially offset by a decrease of 5 basis points in the average cost on total interest-bearing liabilities from 2.66% for the six months ended June 30, 2019 to 2.61% for the six months ended June 30, 2020.

The following table sets forth the average balances of the Group's interest-earning assets and interest-bearing liabilities, the related interest income or expense, and the related average yields on assets or related average cost on liabilities for the six months ended June 30, 2019 and 2020, respectively.

	For the six months ended June 30,					
	2020			2019		
	Average balance	**Interest income/ expense**	**Average yield/cost (%) (1)**	Average balance	Interest income/ expense	Average yield/cost (%) (1)
	(in millions of RMB, except percentages)					
Interest-earning assets						
Loans and advances to customers	**122,334.0**	**2,905.6**	**4.75**	108,784.2	2,798.2	5.14
Financial investments (2)	**61,186.6**	**1,315.3**	**4.30**	54,775.3	1,231.0	4.49
Placements with banks and other financial institutions	**2,754.5**	**24.6**	**1.79**	2,566.6	30.9	2.41
Financial assets held under resale agreements	**9,536.5**	**121.3**	**2.54**	10,978.9	169.4	3.09
Deposits with the central bank (3)	**15,806.6**	**112.9**	**1.43**	18,124.6	131.2	1.45
Deposits with banks and other financial institutions	**1,699.0**	**23.9**	**2.81**	1,216.3	15.9	2.61
Total interest-earning assets	**213,317.2**	**4,503.6**	**4.22**	196,445.9	4,376.6	4.46
Interest-bearing liabilities						
Deposits from customers	**155,075.6**	**1,870.0**	**2.41**	144,665.5	1,616.4	2.23
Deposits from banks and other financial institutions	**3,767.6**	**59.6**	**3.16**	2,971.4	52.5	3.53
Placements from banks and other financial institutions	**1,111.4**	**17.9**	**3.22**	626.2	8.1	2.59
Financial assets sold under repurchase agreements	**11,022.9**	**94.1**	**1.71**	6,332.8	74.9	2.37
Debt securities issued (4)	**47,136.9**	**801.8**	**3.40**	48,201.8	935.6	3.88
Borrowing from the central bank	**962.6**	**13.1**	**2.72**	722.9	10.5	2.90
Lease liabilities	**–**	**–**	**–**	508.8	11.6	4.56
Total interest-bearing liabilities	**219,077.0**	**2,856.5**	**2.61**	204,029.4	2,709.6	2.66
Net interest income		**1,647.1**			1,667.0	
Net interest spread (5)			**1.61**			1.80
Net interest margin (6)			**1.54**			1.70

Notes:

(1) Calculated by dividing interest income/expense by average balance and adjusted on an annualized basis.

(2) Consist of financial investments measured at amortized costs and financial investments measured at fair value through other comprehensive income.

(3) Consists primarily of statutory deposit reserves and surplus deposit reserves.

(4) Consists of certificates of interbank deposit, financial bonds and tier-two capital debts.

(5) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities, and adjusted on an annualized basis.

(6) Calculated by dividing net interest income by the average balance of total interest-earning assets and adjusted on an annualized basis.

3.3.2 Interest income

For the six months ended June 30, 2020, interest income increased by 2.90% to RMB4,503.6 million from RMB4,376.6 million for the six months ended June 30, 2019, primarily due to an increase of 8.6% in average balance of total interest-earning assets from RMB196,445.9 million for the six months ended June 30, 2019 to RMB213,317.2 million for the six months ended June 30, 2020, which was partially offset by a decrease of 24 basis points in the average yield on total interest-earning assets from 4.46% for the six months ended June 30, 2019 to 4.22% for the six months ended June 30, 2020.

Interest income from loans and advances to customers

For the six months ended June 30, 2020, interest income from loans and advances to customers increased by 3.8% from RMB2,798.2 million for the six months ended June 30, 2019 to RMB2,905.6 million. Among the above, the average balance of loans and advances to customers increased by 12.5% from RMB108,784.2 million for the six months ended June 30, 2019 to RMB122,334.0 million for the six months ended June 30, 2020, which was partially offset by a decrease in the average yield on loans and advances to customers. The increase in the average balance of loans and advances to customers was primarily due to the continued expansion of the Bank's credit businesses. The decrease in the yield on loans and advances to customers was because since this year, in positive response to the effect of COVID-19 and supported the micro, small and medium-sized enterprises in epidemic control, ensuring operation and overcoming difficulties, the Bank has taken such measures as returning interest and reducing interest rate to make profit transfer to micro, small and medium-sized enterprises; meanwhile, the discount rate for bills business decreased due to the impact of market condition.

Interest income from financial investments

For the six months ended June 30, 2020, interest income from financial investments increased by 6.8% to RMB1,315.3 million from RMB1,231.0 million for the six months ended June 30, 2019, primarily due to an increase of 11.7% in the average balance of financial investments from RMB54,775.3 million for the six months ended June 30, 2019 to RMB61,186.6 million for the six months ended June 30, 2020, which was partially offset by a decrease in the average yield on financial investments. The increase in the average balance of financial investments was primarily due to the increase in the Bank's investment in bond assets; the decrease in the yield on financial investments was primarily due to a decrease in the yield on newly allocated debt securities.

Interest income from placements with banks and other financial institutions

For the six months ended June 30, 2020, interest income from placements with banks and other financial institutions decreased by 20.4% to RMB24.6 million from RMB30.9 million for the six months ended June 30, 2019, primary due to a decrease in the average yield on placements with banks and other financial institutions from 2.41% for the six months ended June 30, 2019 to 1.79% for the six months ended June 30, 2020, which was partially offset by an increase of 7.3% in the average balance from RMB2,566.6 million for the six months ended June 30, 2019 to RMB2,754.5 million for the six months ended June 30, 2020. The decrease in the yield was primarily due to the abundant market liquidity and the decline in market interest rates in the first half of 2020 as compared to the same period of 2019. The increase in average balance was primarily due to the increase in short-term placements with non-deposit-taking financial institutions.

Interest income from financial assets held under resale agreements

For the six months ended June 30, 2020, interest income from financial assets held under resale agreements decreased by 28.4% to RMB121.3 million from RMB169.4 million for the six months ended June 30, 2019, primarily due to a 13.1% decrease in the average balance of financial assets held under resale agreements from RMB10,978.9 million for the six months ended June 30, 2019 to RMB9,536.5 million, and the yield decreased from 3.09% to 2.54%. The decrease in average balance of financial assets held under resale agreements was primarily due to an increase in the funds used as loan assets. The decrease in the yield was primarily due to the easing market liquidity and the decline in market interest rates affected by monetary policies.

Interest income from deposits with the central bank

For the six months ended June 30, 2020, interest income from deposits with the central bank decreased by 13.9% from RMB131.2 million for the six months ended June 30, 2019 to RMB112.9 million, primarily attributable to a decrease of 12.8% in the average balance of reserve deposits with the central bank from RMB18,124.6 million for the six months ended June 30, 2019 to RMB15,806.6 million for the six months ended June 30, 2020 as a result of a decrease in the statutory deposit reserve ratio.

Interest income from deposits with banks and other financial institutions

For the six months ended June 30, 2020, interest income from deposits with banks and other financial institutions increased by 50.3% from RMB15.9 million for the six months ended June 30, 2019 to RMB23.9 million, which was primarily due to an increase of 39.7% in the average balance of deposits with banks and other financial institutions from RMB1,216.3 million for the six months ended June 30, 2019 to RMB1,699.0 million for the six months ended June 30, 2020, and an increase in the average yield from 2.61% for the six months ended June 30, 2019 to 2.81% for the six months ended June 30, 2020. The increases in the average balance and the yield were primarily due to the increased size of interbank assets with a longer duration.

3.3.3 Interest expense

The Group's interest expense increased by 5.4% from RMB2,709.6 million for the six months ended June 30, 2019 to RMB2,856.5 million for the six months ended June 30, 2020, primarily due to an increase of 7.4% in the average balance of total interest-bearing liabilities from RMB204,029.4 million for the six months ended June 30, 2019 to RMB219,077.0 million for the six months ended June 30, 2020, which was partially offset by a decrease of 5 basis points in its cost from 2.66% to 2.61%.

Interest expense on deposits from customers

Interest expense on deposits from customers increased by 15.7% from RMB1,616.4 million for the six months ended June 30, 2019 to RMB1,870.0 million for the six months ended June 30, 2020, primarily due to the Bank's commitment to developing its deposit business, which resulted in a corresponding 7.2% increase in the average balance of deposits from customers from RMB144,665.5 million for the six months ended June 30, 2019 to RMB155,075.6 million for the six months ended June 30, 2020. Meanwhile, the average cost on deposits from customers increased from 2.23% to 2.41%, mainly due to the increased proportion of time deposits, which carry higher cost, in the average balance of deposits.

Interest expense on deposits from banks and other financial institutions

Interest expense on deposits from banks and other financial institutions increased by 13.5% from RMB52.5 million for the six months ended June 30, 2019 to RMB59.6 million for the six months ended June 30, 2020, primarily due to an increase of 26.8% in the average balance of deposits from banks and other financial institutions from RMB2,971.4 million for the six months ended June 30, 2019 to RMB3,767.6 million for the six months ended June 30, 2020. The increase in the average balance was primarily due to the optimization of liability structure and taking of interbank deposits carrying a lower cost by the Bank given the downward market interest rates, and the cost decreased from 3.53% for the six months ended June 30, 2019 to 3.16% for the six months ended June 30, 2020.

Interest expense on placements from banks and other financial institutions

Interest expense on placements from banks and other financial institutions increased by 121.0% from RMB8.1 million for the six months ended June 30, 2019 to RMB17.9 million for the six months ended June 30, 2020, primarily due to an increase of 77.5% in average balance of placements from banks and other financial institutions from RMB626.2 million for the six months ended June 30, 2019 to RMB1,111.4 million for the six months ended June 30, 2020. The cost increased from 2.59% to 3.22%, primarily due to the Bank's taking some interbank liabilities with a long duration from banks and other financial institutions in the second half of 2019, resulting in an increase in both average balance and cost in the first half of 2020.

Interest expense on financial assets sold under repurchase agreements

Interest expense on financial assets sold under repurchase agreements increased by 25.6% from RMB74.9 million for the six months ended June 30, 2019 to RMB94.1 million for the six months ended June 30, 2020, primarily because the average balance of financial assets sold under repurchase agreements increased by 74.1% from RMB6,332.8 million for the six months ended June 30, 2019 to RMB11,022.9 million for the six months ended June 30, 2020, which was partially offset by a decrease of 66 basis points in its average cost from 2.37% to 1.71%. The increase in the average balance and the decrease in cost were primarily due to an increase in the number of repurchase transaction contracts the Bank entered into in order to reduce financing costs and lower interest rates of market funds resulting from the impact of monetary policies and easing market liquidity.

Interest expense on debt securities issued

Interest expense on debt securities issued decreased by 14.3% from RMB935.6 million for the six months ended June 30, 2019 to RMB801.8 million for the six months ended June 30, 2020, primarily due to a 2.2% decrease in the average balance of debt securities issued from RMB48,201.8 million for the six months ended June 30, 2019 to RMB47,136.9 million for the six months ended June 30, 2020, and a decrease in the average interest rate of debt securities issued from 3.88% to 3.40%. The decline in the average interest rate of debt securities issued was primarily due to a decline in the issuance rate resulting from the impact of monetary policies and the abundance of market funds.

Interest expense on borrowing from the central bank

Interest expense on borrowing from the central bank significantly increased by 24.8% from RMB10.5 million for the six months ended June 30, 2019 to RMB13.1 million for the six months ended June 30, 2020, primarily due to a 33.2% increase in the average balance of borrowing from the central bank from RMB722.9 million for the six months ended June 30, 2019 to RMB962.6 million for the six months ended June 30, 2020, which was partially offset by a decrease in the average cost of borrowing from the central bank from 2.90% to 2.72%. The increase in the average balance and the decrease in the average cost was primarily because the Bank obtained through the central bank a higher allotment of relending loans (the proceeds from which are designated for supporting the development of micro and small enterprises), which bear a cost lower than the cost of the same period last year.

3.3.4 Net fee and commission income

The following table sets forth, for the six months ended June 30, 2019 and 2020, the principal components of net fee and commission income of the Group.

	For the six months ended June 30,			
	2020	2019	Amount change	Rate of Change (%)
	(in millions of RMB, except percentages)			
Fee and commission income				
Agency service fees and others	**186.5**	111.6	74.9	67.1
Wealth management service fees	**74.3**	82.0	(7.7)	(9.4)
Acceptance and guarantee business fees	**91.6**	73.4	18.2	24.8
Settlement and clearing fees	**31.7**	32.6	(0.9)	(2.8)
Bank card service fees	**73.1**	28.6	44.5	155.6
Subtotal	**457.2**	328.2	129.0	39.3
Fees and commission expenses				
Settlement and clearing fees	**(52.2)**	(9.9)	(42.3)	427.3
Bank card services fees expenses	**(15.2)**	(0.6)	(14.6)	2,433.3
Agency services fees	**(7.0)**	(6.3)	(0.7)	11.1
Others	**(2.1)**	(3.4)	1.3	(38.2)
Subtotal	**(76.5)**	(20.2)	(56.3)	278.7
Net fee and commission income	**380.7**	308.0	72.7	23.6

The net fee and commission income increased by 23.6% from RMB308.0 million for the six months ended June 30, 2019 to RMB380.7 million for the six months ended June 30, 2020, primarily because of the Bank's active and effective development of agency business, acceptance and guarantee, bank card services and other intermediary services, resulting in a significant increase in the fee and commission income. Meanwhile, fee and commission expenses increased by 278.7% from RMB20.2 million for the six months ended June 30, 2019 to RMB76.5 million for the six months ended June 30, 2020, mainly due to the substantial increase in credit card and internet finance business, resulting in an increase in the corresponding fee expenses.

3.3.5 Net trading gains

The net trading gains of the Group increased by 7.3% from RMB45.2 million for the six months ended June 30, 2019 to RMB48.5 million for the six months ended June 30, 2020, mainly due to an increase in the net realized gains of the funds and investment management products held by the Bank.

3.3.6 Net gains arising from investment securities

Net gains arising from investment securities of the Group increased by 19.7% from RMB428.3 million for the six months ended June 30, 2019 to RMB512.7 million for the six months ended June 30, 2020, mainly due to an increase in the dividends the Bank received from the funds it invested in compared with the same period in 2019.

3.3.7 Operating expenses

The following table sets forth, for the six months ended June 30, 2019 and 2020, the principal components of operating expenses of the Group.

	For the six months ended June 30,			
	2020	2019	Amount change	Rate of Change (%)
	(in millions of RMB, except percentages)			
Staff costs	**480.8**	498.7	(17.9)	(3.6)
Rental and property management expenses	**20.1**	47.6	(27.5)	(57.8)
Depreciation and amortization	**131.7**	128.3	3.4	2.7
Taxes and surcharges	**33.8**	33.2	0.6	1.8
Other general and administrative expenses [(1)]	**110.2**	91.4	18.8	20.6
Total operating expenses	**776.6**	799.2	(22.6)	(2.8)
Cost-to-income ratio [(2)]	**28.56**	30.99		

Notes:

(1) Consist primarily of deposit insurance premium, banknote shipping fee, security expenses, electronic equipment operating costs, and interest expense on lease liabilities.

(2) Calculated by dividing total operating expenses by total operating income (net of taxes and surcharges).

Operating expenses decreased by 2.8% from RMB799.2 million for the six months ended June 30, 2019 to RMB776.6 million for the six months ended June 30, 2020, mainly because the Bank enjoyed partial reduction and exemption of social insurance premiums according to the Notice on the Temporary Reduction and Exemption of Social Insurance Premiums Payable by Enterprises issued by relevant national departments; the Bank newly purchased some office buildings, which reduced the leasing expense of office buildings.

The Group's cost-to-income ratio for the six months ended June 30, 2019 and 2020 (excluding taxes and surcharges) were 30.99% and 28.56%, respectively. The decrease in cost-to-income ratio was primarily due to the increase in operating income and the decrease in operating expenses compared to the same period.

Staff Costs

Staff costs were the largest component of the Group's operating expenses. Staff costs decreased by 3.6% from RMB498.7 million for the six months ended June 30, 2019 to RMB480.8 million for the six months ended June 30, 2020, mainly due to our periodic reduction and exemption of basic pension, unemployment insurance and other social security premiums by social security institutions in accordance with relevant policies. The following table sets forth the main components of staff costs for the period indicated.

	For the six months ended June 30,			
	2020	2019	Amount change	Rate of Change (%)
	(in millions of RMB, except percentages)			
Salaries, bonuses and allowances	**335.3**	318.3	17.0	5.3
Social insurance and annuity	**87.7**	110.5	(22.8)	(20.6)
Housing allowances	**32.1**	33.6	(1.5)	(4.5)
Staff welfare	**9.7**	9.5	0.2	2.1
Employee education expenses and labor union expenses	**13.8**	17.4	(3.6)	(20.7)
Supplementary retirement benefits	**1.5**	3.6	(2.1)	(58.3)
Others	**0.7**	5.8	(5.1)	(87.9)
Total staff costs	**480.8**	498.7	(17.9)	(3.6)

Rental and Property Management Expenses

Rental and property management expenses decreased by 57.8% from RMB47.6 million for the six months ended June 30, 2019 to RMB20.1 million for the six months ended June 30, 2020, mainly because the Bank purchased some office buildings, thus reducing the leasing of office buildings accordingly.

Depreciation and Amortization

Depreciation and amortization expenses increased by 2.7% from RMB128.3 million for the six months ended June 30, 2019 to RMB131.7 million for the six months ended June 30, 2020, mainly because the Bank purchased some office buildings, resulting in an increase in depreciation charge, which was partly offset by the decrease in amortization of long-term deferred expenses and depreciation charge of right-of-use assets.

Taxes and Surcharges

Taxes and surcharges increased by 1.8% from RMB33.2 million for the six months ended June 30, 2019 to RMB33.8 million for the six months ended June 30, 2020, mainly due to the Bank's business development and expansion.

Other General and Administrative Expenses

Other general and administrative expenses primarily consist of deposit insurance premiums, banknote shipping fee, security expenses, electronic equipment operating costs, and interest expense on lease liabilities. The Group's other general and administrative expenses increased by 20.6% from RMB91.4 million for the six months ended June 30, 2019 to RMB110.2 million for the six months ended June 30, 2020, mainly because the Bank adjusted and presented the interest expense on lease liabilities in other general and administrative expenses.

3.3.8 Impairment losses on assets

The following table sets forth the principal components of the Group's impairment losses on assets for the period indicated.

	For the six months ended June 30,			
	2020	2019	Amount change	Rate of Change (%)
	(in millions of RMB, except percentages)			
Impairment losses/(reversals) on assets				
Financial investments	**47.7**	713.5	(665.8)	(93.3)
Loans and advances to customers	**824.9**	97.7	727.2	744.3
Credit commitments	**167.8**	85.5	82.3	96.3
Deposits with banks and other financial institutions	**–**	0.1	(0.1)	(100)
Others	**13.7**	1.7	12.0	705.9
Total	**1,054.1**	898.5	155.6	17.3

The Group's impairment losses on assets was RMB1,054.1 million for the six months ended June 30, 2020, representing an increase of 17.3% from RMB898.5 million for the six months ended June 30, 2019.

3.3.9 Income tax

The following table sets forth the reconciliation between the income tax calculated at the statutory income tax rate applicable to the Group's profit before tax and the Group's actual income tax for the period indicated.

	For the six months ended June 30,			
	2020	2019	Amount change	Rate of Change (%)
	(in millions of RMB, except percentages)			
Profit before tax	**784.5**	787.2	(2.7)	(0.3)
Income tax calculated at applicable statutory tax rate of 25%	**196.1**	196.8	(0.7)	(0.4)
Non-deductible expenses	**15.0**	4.9	10.1	206.1
Non-taxable income [(1)]	**(201.5)**	(156.8)	(44.7)	28.5
Income tax	**9.6**	44.9	(35.3)	(78.6)

Note:

(1) Non-taxable income mainly represents the interest income arising from the PRC government bonds and dividends from domestic enterprises.

Income tax decreased by 78.6% from RMB44.9 million for the six months ended June 30, 2019 to RMB9.6 million for the six months ended June 30, 2020, mainly attributable to an increase in the non-taxable income for the six months ended June 30, 2020, mainly due to the Bank's increased investment in debt securities issued by PRC government and in funds, the interest income arising from the PRC government bonds and dividends from fund investment are tax free according to relevant PRC laws and regulations.

3.4 Financial Statement Analysis

3.4.1 Assets

The following table sets forth the components of the Group's total assets as of the dates indicated.

	As of June 30, 2020		As of December 31, 2019	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Cash and deposits with the central bank	**18,828.0**	**7.1**	19,108.3	7.7
Deposits with banks and other financial institutions	**1,945.7**	**0.7**	1,303.7	0.5
Placements with banks and other financial institutions	**500.0**	**0.2**	1,300.4	0.5
Financial assets held under resale agreements	**17,247.4**	**6.5**	16,630.0	6.7
Net loans and advances to customers	**130,880.8**	**49.0**	111,712.6	45.1
Net financial investments	**93,279.7**	**34.9**	92,912.6	37.5
Interest in associate	**286.9**	**0.1**	272.6	0.1
Property and equipment	**1,406.8**	**0.5**	1,464.7	0.7
Deferred tax assets	**1,678.8**	**0.6**	1,441.1	0.6
Other assets [(1)]	**1,100.7**	**0.4**	1,425.2	0.6
Total assets	**267,154.8**	**100.0**	247,571.2	100.0

Note:

(1) Consist primarily of right-to-use assets, interests receivables and accounts receivable and prepayments.

The Group's total assets increased by 7.9% from RMB247,571.2 million as of December 31, 2019 to RMB267,154.8 million as of June 30, 2020, mainly due to an increase of net loans and advances to customers by 17.2% from RMB111,712.6 million as of December 31, 2019 to RMB130,880.8 million as of June 30, 2020.

Loans and Advances to Customers

The following table sets forth the distribution of the Group's loans by business line as of the dates indicated.

	As of June 30, 2020		As of December 31, 2019	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Corporate loans	**85,685.3**	**63.3**	72,937.8	63.2
Personal loans	**19,093.3**	**14.1**	17,835.4	15.4
Discounted bills	**30,548.9**	**22.6**	24,709.3	21.4
Gross loans and advances to customers	**135,327.5**	**100.0**	115,482.5	100.0
Interests accrued	**617.6**		491.0	
Less: Provision for loans and advances to customers measured at amortised cost	**(5,064.3)**		(4,260.9)	
Net loans and advances to customers	**130,880.8**		111,712.6	

Corporate Loans

As of June 30, 2020, the Group's corporate loans amounted to RMB85,685.3 million, representing an increase of 17.5% from RMB72,937.8 million as of December 31, 2019, mainly because the granted amount of corporate loans has increased under the background of the gradual economic recovery in Shanxi Province, the increase of credit extension to comprehensive reform and transformation projects in Shanxi Province and the demand of deepening reformation of energy economy in Shanxi Province.

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

	As of June 30, 2020		As of December 31, 2019	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Short-term loans and advances (one year or below)	**29,282.2**	**34.2**	25,571.1	35.1
Medium- and long-term loans (one year above)	**56,403.1**	**65.8**	47,366.7	64.9
Total corporate loans	**85,685.3**	**100.0**	72,937.8	100.0

Short-term loans and advances as a percentage of total corporate loans decreased from 35.1% as of December 31, 2019 to 34.2% as of June 30, 2020, while medium- and long-term loans as a percentage of total corporate loans increased from 64.9% as of December 31, 2019 to 65.8% as of June 30, 2020. The percentage change of the above-mentioned corporate loan portfolio was mainly due to the fact that the Bank actively carried out credit structure adjustment work in accordance with the national macro credit policy and the requirements of Shanxi's energy economic transformation reform, and issued additional medium- and long-term loans to quality enterprises whose cash liquidity can meet their routine production and operation needs, to support their long-term development.

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

	As of June 30, 2020		As of December 31, 2019	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Working capital loans	**57,748.0**	**67.4**	49,474.2	67.8
Fixed asset loans	**26,133.3**	**30.5**	21,854.4	30.0
Others [(1)]	**1,804.0**	**2.1**	1,609.2	2.2
Total corporate loans	**85,685.3**	**100.0**	72,937.8	100.0

Note:

(1) Consist primarily of syndicated loans.

The percentage of working capital loans to total corporate loans decreased from 67.8% as of December 31, 2019 to 67.4% as of June 30, 2020, and the percentage of fixed asset loans to total corporate loans increased from 30.0% as of December 31, 2019 to 30.5% as of June 30, 2020. During the Reporting Period, the corporate loan structure of the Group remained relatively stable.

Personal Loans

As of June 30, 2020, the personal loans of the Group amounted to RMB19,093.3 million, representing an increase of 7.1% from RMB17,835.4 million as of December 31, 2019. Specifically, the Bank is committed to the transformation of retail asset business, and achieve the sustained growth of residential mortgage business and credit card business through optimizing mechanisms and systems, clearing objectives and strategies and enriching product systems.

The table below sets forth the distribution of the Group's personal loans by product type as of the dates indicated.

	As of June 30, 2020		As of December 31, 2019	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Residential mortgage loans	**11,809.1**	**61.9**	10,787.9	60.5
Personal consumption loans	**1,416.6**	**7.4**	1,628.3	9.1
Personal business loans	**2,536.7**	**13.3**	2,569.1	14.4
Credit card balances	**3,330.9**	**17.4**	2,850.1	16.0
Total personal loans	**19,093.3**	**100.0**	17,835.4	100.0

As of June 30, 2020, residential mortgage loans were RMB11,809.1 million, representing an increase of 9.5% from RMB10,787.9 million as of December 31, 2019. The increase was mainly attributable to the increase of scale of residential mortgage loans as a result of the Bank optimized personal loan portfolio and continuously promoted the residential mortgage loans business.

As of June 30, 2020, personal consumption loans amounted to RMB1,416.6 million, representing a decrease of 13.0% from RMB1,628.3 million as of December 31, 2019. The decrease was primarily due to in the first half of the year, total retail sales of consumption saw a decrease impacted by the epidemic, which also, to some extent, affected the market size of personal consumption loans.

As of June 30, 2020, personal business loans amounted to RMB2,536.7 million, representing a decrease of 1.3% from RMB2,569.1 million as of December 31, 2019. The decrease was mainly attributable to the Bank invested a larger amount of small-sum poverty alleviation loans in recent years as a result of the Bank's active fulfilment of social responsibility, however, the Bank has a larger amount of small-sum poverty alleviation loans that should be repaid at maturity for the year, which resulted in a slight decrease in the scale of personal business loans of the Bank, with the progress of building a moderately prosperous society in all respects.

As of June 30, 2020, credit card balances amounted to RMB3,330.9 million, representing an increase of 16.9% from RMB2,850.1 million as of December 31, 2019. The increase was mainly attributable to the Bank's efforts to develop its credit card business, innovative services and promotion methods, and significant growth in the number of credit cards issued and business scale through the launch of well-received products such as "JD Co-branded Card (京東聯名卡) and Suning Co-branded Card (蘇寧易購聯名卡)".

Discounted Bills

The discounted bills are principal components of the Bank's loan and advances portfolio, the balance of which increased significantly by 23.6% from RMB24,709.3 million as of December 31, 2019 to RMB30,548.9 million as of June 30, 2020, mainly due to the Bank's expansion of its discounted bills business in light of the market demand and the Bank's business strategy.

Financial Investments

As of June 30, 2020, the Group's net financial investments (consisting primarily of debt securities investment and SPV investment) amounted to RMB93,279.7 million, representing an increase of 0.4% from RMB92,912.6 million as of December 31, 2019. The increase was mainly due to the Bank's increased investments in debt securities, which was in line with its risk management policies and investment strategies.

The following table sets forth the classification of the Group's financial investments under IFRS 9, based on its business model and cash flow characteristics, as of December 31, 2019 and June 30, 2020.

	As of June 30, 2020		As of December 31, 2019	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Financial investments measured at amortized cost	**54,782.7**	**58.4**	51,842.4	55.5
Financial investments measured at fair value through other comprehensive income	**7,407.4**	**7.9**	11,581.7	12.4
Financial investments measured at fair value through profit or loss	**31,613.3**	**33.7**	29,976.5	32.1
Total financial investments	**93,803.4**	**100.0**	93,400.6	100.0
Interests accrued	**978.4**		972.9	
Less: allowance for impairment losses	**(1,502.1)**		(1,460.9)	
Net financial investments	**93,279.7**		92,912.6	

Debt Securities Investment

The following table sets forth the components of the Group's debt securities investments by issuer as of December 31, 2019 and June 30, 2020.

	As of June 30, 2020		As of December 31, 2019	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Debt securities issued by PRC government	**29,886.6**	**78.5**	27,408.1	80.9
Debt securities issued by policy banks	**6,014.1**	**15.8**	5,164.6	15.3
Debt securities issued by commercial banks and other financial institutions	**870.4**	**2.3**	333.4	1.0
Debt securities issued by corporate issuers	**1,279.5**	**3.4**	941.6	2.8
Total debt securities investment	**38,050.6**	**100.0**	33,847.7	100.0

The Group's investment in debt securities issued by PRC government increased by 9.0% from RMB27,408.1 million as of December 31, 2019 to RMB29,886.6 million as of June 30, 2020, primarily because the Bank appropriately increased the investment in debt securities issued by PRC government according to the market situation and investment strategies, taking into account the liquidity and profitability.

The Group's investment in debt securities issued by policy banks increased by 16.4% from RMB5,164.6 million as of December 31, 2019 to RMB6,014.1 million as of June 30, 2020, primarily because the Bank actively increased its investment in policy financial bonds, in line with its risk management policies and investment strategies, to better perform its underwriting business, taking into account the liquidity and profitability, after becoming a qualified member of the underwriting syndicate for debt securities issued by policy banks for the year 2020.

The Group's investment in debt securities issued by commercial banks and other financial institutions increased by 161.1% from RMB333.4 million as of December 31, 2019 to RMB870.4 million as of June 30, 2020, primarily because the Bank increased its investment in bonds issued by commercial banks and other financial institutions with high credit ratings, comprehensively considering the credit risks and profitability of assets, in line with its risk management policies and investment strategies.

The Group's investment in the debt securities issued by corporate issuers increased by 35.9% from RMB941.6 million as of December 31, 2019 to RMB1,279.5 million as of June 30, 2020, primarily because the Bank held corporate credit bonds with low credit risk and high rating in a short term in the process of carrying out the underwriting and distribution business of corporate credit bonds after obtaining B-class underwriter qualification of non-financial enterprises (非金融企業B類承銷商資格).

SPV Investment

The following table sets forth the distribution of the Group's SPV investment by product type as of December 31, 2019 and June 30, 2020.

	As of June 30, 2020		As of December 31, 2019	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Trust plans	**7,982.2**	**17.5**	8,171.7	16.2
Asset management plans	**11,320.3**	**24.8**	15,716.0	31.2
Wealth management products	**50.2**	**0.1**	51.0	0.1
Funds	**26,249.0**	**57.6**	26,387.6	52.5
Total SPV investment	**45,601.7**	**100.0**	50,326.3	100.0

As of June 30, 2020, the total SPV investment decreased by 9.4% from RMB50,326.3 million as of December 31, 2019 to RMB45,601.7 million, primarily due to normal payment at maturity under some asset management plans during the Reporting Period.

Other Components of the Group's Assets

The following table sets forth the composition of the Group's other components of assets as of December 31, 2019 and June 30, 2020:

	As of June 30, 2020		As of December 31, 2019	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Cash and deposits with the central bank	**18,828.0**	**43.8**	19,108.3	44.5
Deposits with banks and other financial institutions	**1,945.7**	**4.5**	1,303.7	3.0
Placements with banks and other financial institutions	**500.0**	**1.2**	1,300.4	3.0
Financial assets held under resale agreements	**17,247.4**	**40.1**	16,630.0	38.7
Interest in associates	**286.9**	**0.7**	272.6	0.6
Property and equipment	**1,406.8**	**3.3**	1,464.7	3.4
Deferred tax assets	**1,678.8**	**3.9**	1,441.1	3.4
Other assets[1]	**1,100.7**	**2.5**	1,425.2	3.4
Total other components of assets	**42,994.3**	**100.0**	42,946.0	100.0

Note:

(1) Consists primarily of right-of-use assets, interests receivable and accounts receivable and prepayments.

As of June 30, 2020, total other components of assets increased by 0.1% to RMB42,994.3 million from RMB42,946.0 million as of December 31, 2019, basically flat with that at the end of 2019.

3.4.2 Liabilities

The following table sets forth the components of the Group's total liabilities as of the dates indicated.

	As of June 30, 2020		As of December 31, 2019	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Deposits from customers	**171,491.7**	**69.5**	155,322.2	68.3
Debt securities issued[(1)]	**47,649.2**	**19.3**	50,345.1	22.1
Financial assets sold under repurchase agreements	**14,940.1**	**6.1**	12,201.2	5.4
Deposits from banks and other financial institutions	**6,738.3**	**2.7**	4,211.3	1.9
Borrowing from the central bank	**1,118.0**	**0.4**	870.7	0.4
Placements from banks and other financial institutions	**1,401.2**	**0.6**	1,911.5	0.8
Income tax payable	**239.8**	**0.1**	195.6	0.1
Other liabilities[(2)]	**3,292.4**	**1.3**	2,354.3	1.0
Total liabilities	**246,870.7**	**100.0**	227,411.9	100.0

Notes:

(1) Consists of certificates of interbank deposit, financial bonds and tier-two capital debts.

(2) Consists primarily of accrued staff cost, lease liabilities, estimated liabilities and dividend payable.

As of June 30, 2020, the Group's total liabilities amounted to RMB246,870.7 million, representing an increase of 8.6% from RMB227,411.9 million as of December 31, 2019, mainly reflecting that the increase in deposits from customers and financial assets sold under repurchase agreements, partially offset by a decrease in the balance of debt securities issued.

Deposits from Customers

As of June 30, 2020, the Group's deposits from customers amounted to RMB171,491.7 million, representing an increase of 10.4% from RMB155,322.2 million as of December 31, 2019. The increase in deposits from customers was mainly due to growth of the Bank's corporate deposits and personal time deposits.

The following table sets forth the distribution of the Group's deposits from customers by product type and term structure of deposits as of December 31, 2019 and June 30, 2020.

	As of June 30, 2020		As of December 31, 2019	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Corporate deposits				
Demand	**45,183.4**	**26.8**	42,147.0	27.5
Time	**31,468.8**	**18.7**	26,598.7	17.4
Subtotal	**76,652.2**	**45.5**	68,745.7	44.9
Personal deposits				
Demand	**9,814.1**	**5.8**	9,831.7	6.4
Time	**67,139.6**	**39.8**	58,660.7	38.4
Subtotal	**76,953.7**	**45.6**	68,492.4	44.8
Others[1]	**14,955.3**	**8.9**	15,740.0	10.3
Total	**168,561.2**	**100.0**	152,978.1	100.0
Interests accrued	**2,930.5**		2,344.1	
Deposits from customers	**171,491.7**		155,322.2	

Note:

(1) Consists primarily of pledged deposits, fiscal deposits, inward and outward remittances.

The amount of corporate deposits increased by 11.5% from RMB68,745.7 million as of December 31, 2019 to RMB76,652.2 million as of June 30, 2020, mainly due to the fact that the Bank has been constantly expanding government and institutional customers, and marketing to enterprise customers, to achieve growth in corporate deposits.

The amount of personal deposits increased by 12.4% from RMB68,492.4 million as of December 31, 2019 to RMB76,953.7 million as of June 30, 2020, mainly due to the fact that the Bank has been constantly increasing service quality, and enriching deposit products, to improve loyalty of individual customers.

Debt Securities Issued

As of June 30, 2020, debt securities issued amounted to RMB47,649.2 million, representing a decrease of 5.4% from RMB50,345.1 million as of December 31, 2019. The decrease in debt securities issued was mainly due to the Bank's adjustment of liability structure according to market conditions, which led to increasing efforts in drawing deposits from customers and a lower issue volume of certificates of interbank deposit with relatively high cost.

Financial Assets Sold under Repurchase Agreements

As of June 30, 2020, financial assets sold under repurchase agreements amounted to RMB14,940.1 million, representing an increase of 22.4% from RMB12,201.2 million as of December 31, 2019, because the Bank increased the number of repurchase transaction contracts entered into in order to reduce financing costs.

3.4.3 Equity

The following table sets forth the components of the Group' equity as of the dates indicated.

	As of June 30, 2020		As of December 31, 2019	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Share capital	**5,838.7**	**28.8**	5,838.7	29.0
Capital reserve	**6,627.6**	**32.6**	6,627.6	32.9
Surplus reserve	**3,467.0**	**17.1**	3,467.0	17.2
General reserve	**2,788.4**	**13.7**	2,788.4	13.8
Fair value reserve	**(29.7)**	**(0.1)**	(23.2)	(0.1)
Impairment reserve	**17.8**	**0.1**	18.3	0.1
(Deficit)/surplus on remeasurement of net defined benefit liability	**(2.2)**	**0.0**	(1.2)	0.0
Retained earnings	**1,557.2**	**7.7**	1,419.6	7.0
Equity attributable to equity holders of the Bank	**20,264.8**	**99.9**	20,135.2	99.9
Non-controlling interests	**19.3**	**0.1**	24.1	0.1
Total equity	**20,284.1**	**100.0**	20,159.3	100.0

As of June 30, 2020, the total equity of the Group amounted to RMB20,284.1 million, an increase of 0.6% from RMB20,159.3 million as of December 31, 2019. As of the same date, the equity attributable to equity holders of the Bank amounted to RMB20,264.8 million, an increase of 0.6% from RMB20,135.2 million as of December 31, 2019. The increase in equity was mainly attributable to the realization of net profit, which led to an increase in retained earnings, partially offset by dividends paid during the period. For the six months ended June 30, 2020, the Group realized a net profit of RMB774.9 million; according to the 2019 profit appropriation plan approved at the Bank's general meeting, cash dividend of RMB642.3 million was distributed to all shareholders.

3.5 Off-balance Sheet Items Analysis

The following table sets forth the contractual amounts of the Group's off-balance sheet commitments as of December 31, 2019 and June 30, 2020.

	As of June 30, 2020	As of December 31, 2019
	(in millions of RMB)	
Loan commitment	**7,065.1**	3,681.3
Credit card commitment	**6,439.0**	6,542.7
Bank acceptance bills	**34,382.8**	27,215.0
Letter of credit	**3,999.4**	3,344.6
Letter of guarantee	**697.7**	479.5
Capital commitment	**128.0**	100.3
Total off-balance sheet commitments	**52,712.0**	41,363.4

As of June 30, 2020, the Group's total off-balance sheet commitments amounted to RMB52,712.0 million, an increase of 27.4% from RMB41,363.4 million as of December 31, 2019, mainly because loan commitment, bank acceptance bills, letter of credit, letters of guarantees and others all increased compared with the balance at the end of 2019.

3.6 Asset Quality Analysis

Distribution of Loans by Five-Category Loan Classification

The following table sets forth the distribution of the Group's loans by the five-category loan classification as of December 31, 2019 and June 30, 2020. According to the current guidelines of risk-based classification of loans, non-performing loans ("**NPL**") are classified as substandard, doubtful and loss.

	As of June 30, 2020		As of December 31, 2019	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Normal	**129,704.5**	**95.9**	110,371.5	95.5
Special Mention	**3,014.8**	**2.2**	2,968.6	2.6
Subtotal	**132,719.3**	**98.1**	113,340.1	98.1
Substandard	**1,803.0**	**1.3**	1,382.1	1.2
Doubtful	**601.0**	**0.4**	579.2	0.5
Loss	**204.2**	**0.2**	181.1	0.2
Subtotal	**2,608.2**	**1.9**	2,142.4	1.9
Total loans and advances to customers	**135,327.5**	**100.0**	115,482.5	100.0
NPL ratio[(1)]		**1.93**		1.86

Note:

(1) Calculated by dividing the total NPLs by the total loans and advances to customers.

As of June 30, 2020, according to the five-category loan classification, the Group's normal loans amounted to RMB129,704.5 million, an increase of RMB19,333.0 million from December 31, 2019, accounting for 95.9% of the total loans and advances to customers. Special mention loans amounted to RMB3,014.8 million, an increase of RMB46.2 million from December 31, 2019, accounting for 2.2% of total loans and advances to customers. NPLs amounted to RMB2,608.2 million, an increase of RMB465.8 million from December 31, 2019. The NPL ratio was 1.93%, an increase of 0.07 percentage point from December 31, 2019. The "double increase" in both the total amount and proportion of NPLs was mainly due to the fact that some borrowers could not resume work and production on schedule due to the COVID-19 outbreak, leading to loan defaults and increasing pressure of NPLs.

Distribution of Loans by Collateral

The following table sets forth the distribution of the Group's loans and advances to customers by type of collateral as of December 31, 2019 and June 30, 2020.

	As of June 30, 2020		As of December 31, 2019	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Pledged loans[(1)]	**35,566.6**	**26.3**	29,074.1	25.2
Collateralized loans[(1)]	**19,146.8**	**14.1**	15,528.9	13.4
Guaranteed loans[(1)]	**69,272.2**	**51.2**	62,031.5	53.7
Unsecured loans	**11,341.9**	**8.4**	8,848.0	7.7
Total loans and advances to customers	**135,327.5**	**100.0**	115,482.5	100.0

Note:

(1) Represent the total amount of loans fully or partially secured by collateral, pledges or guarantees in each category. If a loan is secured by more than one form of security interest, the categorization is based on the primary form of security interest.

Distribution of Corporate Loans by Industry

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

	As of June 30, 2020		As of December 31, 2019	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Manufacturing	**26,400.6**	**30.8**	22,784.9	31.2
Mining	**18,495.0**	**21.6**	16,645.9	22.8
Real estate	**12,840.6**	**15.0**	11,386.9	15.6
Wholesale and retail	**7,427.8**	**8.7**	5,964.9	8.2
Leasing and business services	**5,541.9**	**6.5**	4,900.7	6.7
Public administration, social security and social organization	**5,362.8**	**6.3**	4,328.3	5.9
Construction	**5,098.2**	**5.9**	3,950.0	5.4
Transportation, warehousing and postal services	**1,337.6**	**1.6**	1,136.4	1.6
Electricity, gas and water production and supply	**1,192.4**	**1.4**	1,006.7	1.4
Agriculture, forestry, animal husbandry and fishery	**378.1**	**0.4**	114.4	0.2
Education	**36.7**	**0.0**	38.4	0.1
Others(1)	**1,573.6**	**1.8**	680.3	0.9
Total corporate loans	**85,685.3**	**100.0**	72,937.8	100.0

Note:

(1) Consist primarily of the following industries: (i) information transmission, software and information technology services, (ii) health, social security and social welfare, (iii) resident services, maintenance and other services, (iv) culture, sports and entertainment, and (v) scientific research and technical services.

For the six months ended June 30, 2020, the Bank further optimized its credit structure and actively supported the development of the real economy. As of June 30, 2020, the Group's five major components of corporate loans were offered to customers in the following industries: manufacturing, mining, real estate, wholesale and retail, and leasing and business services. As of June 30, 2020 and December 31, 2019, the balance of loans to corporate customers in the top five industries amounted to RMB70,705.9 million and RMB61,683.3 million, respectively, accounting for 82.5% and 84.6% of the total loans and advances to customers issued by the Group.

Distribution of Non-Performing Corporate Loans by Industry

The following table sets forth the distribution of the Group's NPLs to corporate customers by industry as of the dates indicated.

	As of June 30,2020			As of December 31, 2019		
	Amount	**% of total**	**NPL ratio[1] (%)**	Amount	% of total	NPL ratio[1] (%)
	(in millions of RMB, except percentages)					
Manufacturing	**1,148.2**	**49.1**	**4.35**	790.7	41.4	3.47
Wholesale and retail	**454.6**	**19.4**	**6.12**	395.0	20.7	6.62
Mining	**562.9**	**24.1**	**3.04**	562.9	29.4	3.38
Leasing and business services	**64.1**	**2.7**	**1.16**	64.2	3.3	1.31
Public administration, social security and social organization	**25.3**	**1.1**	**0.47**	25.4	1.3	0.59
Construction	**33.6**	**1.4**	**0.66**	22.7	1.2	0.57
Agriculture, forestry, animal husbandry and fishery	**18.7**	**0.8**	**4.95**	18.7	1.0	16.35
Real estate	**12.4**	**0.5**	**0.10**	16.4	0.9	0.14
Transportation, warehousing and postal services	**10.5**	**0.4**	**0.78**	6.3	0.3	0.55
Education	**5.6**	**0.3**	**15.26**	5.6	0.3	14.58
Electricity, gas and water production and supply	**1.4**	**0.1**	**0.12**	1.4	0.1	0.14
Others[2]	**1.9**	**0.1**	**0.12**	1.9	0.1	0.28
Total non-performing corporate loans	**2,339.2**	**100.0**	**2.73**	1,911.2	100.0	2.62

Notes:

(1) Calculated by dividing NPLs to corporate customers in each industry by gross loans to corporate customers in that industry.

(2) Mainly comprised of: (i) resident services, maintenance and other services, (ii) culture, sports and entertainment.

As of June 30, 2020, the Group's non-performing corporate loans were mainly from manufacturing, wholesale and retail industry and mining industry. As of December 31,2019 and June 30, 2020, the NPL ratio for corporate loans in the manufacturing was 3.47% and 4.35%, respectively. Non-performing corporate loans to borrowers in the manufacturing accounted for 41.4% and 49.1% of the total non-performing corporate loans, respectively. The NPL ratio for corporate loans to borrowers in the manufacturing increased mainly due to the fact that some manufacturing borrowers suffered from decreased market demand and reduced orders as affected by the COVID-19 outbreak.

As of December 31, 2019 and June 30, 2020, the NPL ratio for corporate loans in the wholesale and retail industry was 6.62% and 6.12%, respectively. Non-performing corporate loans to borrowers in the wholesale and retail industry accounted for 20.7% and 19.4% of the total non-performing corporate loans, respectively. The decrease in NPL ratio for corporate loans to borrowers in the wholesale and retail industry was primarily because the Group enlarged the scale of loans in the wholesale and retail industry that were in compliance with the industrial policies.

As of December 31, 2019 and June 30, 2020, the NPL ratio for corporate loans in the mining industry was 3.38% and 3.04%, respectively. Non-performing corporate loans to borrowers in the mining industry accounted for 29.4% and 24.1% of the total non-performing corporate loans, respectively. The NPL ratio for the corporate loans to the borrowers in mining industry decreased, primarily because the Group enlarged the scale of loans to the borrowers in mining industry that were in compliance with the energy transformation of Shanxi in accordance with the economic structure adjustment and industrial policies of Shanxi.

Distribution of NPLs by Product Type

The table below sets forth the distribution of NPLs by product type as of the dates indicated.

	As of June 30, 2020			As of December 31, 2019		
	Amount	**% of total**	**NPL ratio[1] (%)**	Amount	% of total	NPL ratio[1] (%)
	(in millions of RMB, except percentages)					
Corporate loans						
Working capital loans	**2,212.3**	**84.8**	**3.83**	1,794.3	83.7	3.63
Fixed asset loans	**102.6**	**3.9**	**0.39**	102.6	4.8	0.47
Other loans[2]	**24.3**	**0.9**	**1.35**	14.3	0.7	0.89
Subtotal	**2,339.2**	**89.6**	**2.73**	1,911.2	89.2	2.62
Personal loans						
Residential mortgage loans	**14.5**	**0.6**	**0.12**	13.7	0.6	0.13
Personal consumption loans	**111.3**	**4.3**	**7.86**	100.7	4.8	6.18
Personal business loans	**81.2**	**3.1**	**3.20**	86.4	4.0	3.36
Credit cards	**59.6**	**2.3**	**1.79**	28.0	1.3	0.98
Subtotal	**266.6**	**10.3**	**1.40**	228.8	10.7	1.28
Discounted bills						
Bank acceptance bills	**2.4**	**0.1**	**0.01**	2.4	0.1	0.01
Commercial acceptance bills	**–**	**–**	**–**	–	–	–
Subtotal	**2.4**	**0.1**	**0.01**	2.4	0.1	0.01
Total NPLs	**2,608.2**	**100.0**	**1.93**	2,142.4	100.0	1.86

Notes:

(1) Calculated by dividing NPLs in each product type by gross loans and advances to customers in that product type.

(2) Mainly comprised of advances for bank acceptance bills.

The NPL ratio for corporate loans increased from 2.62% as of December 31, 2019 to 2.73% as of June 30, 2020, while the balance of non-performing corporate loans increased by 22.4% from RMB1,911.2 million as of December 31, 2019 to RMB2,339.2 million as of June 30, 2020. The increase in non-performing corporate loans was mainly due to operational difficulties and weakened repayment abilities of certain customers under the influence of COVID-19.

The NPL ratio for personal loans increased from 1.28% as of December 31, 2019 to 1.40% as of June 30, 2020, while the balance of non-performing personal loans increased by 16.5% from RMB228.8 million as of December 31, 2019 to RMB266.6 million as of June 30, 2020. The increase in the balance of NPLs and the NPL ratio for personal loans was mainly due to reduced income and weakened repayment abilities of certain customers under the influence of COVID-19. Among them, the NPL ratio for personal consumption loans increased from 6.18% as of December 31, 2019 to 7.86% as of June 30, 2020, mainly due to reduced income and weakened repayment abilities of certain customers under the influence of COVID-19; the NPL ratio for personal business loans decreased from 3.36% as of December 31, 2019 to 3.20% as of June 30, 2020, mainly due to the progress to an extent on the collection of the existing NPLs.

Distribution of NPLs by Geographical Region

The following table sets forth the distribution of the Group's NPLs by geographical region as of December 31, 2019 and June 30, 2020.

	As of June 30,2020			As of December 31, 2019		
	Amount	**% of total**	**NPL ratio[1] (%)**	Amount	% of total	NPL ratio[1] (%)
	(in millions of RMB, except percentages)					
Taiyuan	**2,090.9**	**80.2**	**2.90**	1,705.6	79.6	1.97
Outside Taiyuan	**517.3**	**19.8**	**0.82**	436.8	20.4	1.52
Total NPLs	**2,608.2**	**100.0**	**1.93**	2,142.4	100.0	1.86

Note:

(1) Calculated by dividing NPLs in each region by gross loans and advances to customers in that region.

Borrowers Concentration

In accordance with applicable PRC banking guidelines, the Group is subject to a lending limit of 10% of its net capital base to any single borrower. As of June 30, 2020, the Group's loans to the largest single borrower accounted for 8.4% of its net capital base, which was in compliance with regulatory requirements.

The following table sets forth the Group's loan exposure to the ten largest single borrowers as of the date indicated, which were all classified as normal on that date.

		As of June 30, 2020			
	Industry	**Amount**	**% of total loans**	**% of net capital base**[(1)]	**Classification**
		(in millions of RMB, except percentages)			
Borrower A	Finance	**2,029.5**	**1.5**	**8.4**	Normal
Borrower B	Mining	**1,735.5**	**1.3**	**7.2**	Normal
Borrower C	Manufacturing	**1,420.0**	**1.0**	**5.9**	Normal
Borrower D	Leasing and business services	**1,350.0**	**1.0**	**5.6**	Normal
Borrower E	Manufacturing	**1,320.9**	**1.0**	**5.5**	Normal
Borrower F	Manufacturing	**1,259.0**	**0.9**	**5.2**	Normal
Borrower G	Scientific research and technical services	**1,250.0**	**0.9**	**5.2**	Normal
Borrower H	Real estate	**1,238.0**	**0.9**	**5.1**	Normal
Borrower I	Leasing and business services	**1,100.0**	**0.8**	**4.6**	Normal
Borrower J	Manufacturing	**1,091.7**	**0.8**	**4.5**	Normal
Total		**13,794.6**	**10.1**	**57.2**	

Note:

(1) Represents loan balances as a percentage of the Group's net capital base. The net capital base is calculated in accordance with the requirements of the Capital Administration Measures and based on the Group's financial statements prepared in accordance with PRC GAAP.

As of June 30, 2020, the balance of the Group's loan to the largest single borrower amounted to RMB2,029.5 million, accounting for 1.5% of the total loans and advances to customers; the total loans to the ten largest single borrowers amounted to RMB13,794.6 million, accounting for 10.1% of the total loans and advances to customers.

Loan Aging Schedule

The following table sets forth the Group's loan aging schedule as of the dates indicated.

	As of June 30, 2020		As of December 31, 2019	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Current loan	**131,831.6**	**97.4**	110,827.1	96.0
Loans past due for				
Up to 3 months[(1)]	**901.9**	**0.7**	2,548.0	2.2
Over 3 months up to 6 months[(1)]	**85.3**	**0.1**	812.6	0.7
Over 6 months up to 1 year[(1)]	**1,244.3**	**0.9**	239.2	0.2
Over 1 year up to 3 years[(1)]	**725.0**	**0.5**	596.8	0.5
Over 3 years[(1)]	**539.4**	**0.4**	458.8	0.4
Subtotal	**3,495.9**	**2.6**	4,655.4	4.0
Total loans and advances to customers	**135,327.5**	**100.0**	115,482.5	100.0

Note:

(1) Represents the principal amount of the loans on which principal or interest overdue as of the dates indicated.

Changes to Allowance for Impairment Losses

Allowance for impairment losses on loans and advances to customers increased by 18.6% from RMB4,283.0 million as of January 1, 2020 to RMB5,079.3 million as of June 30, 2020, mainly due to the increase in the scale of loans and the balance of NPLs.

	As of June 30, 2020 Amount	As of December 31, 2019 Amount
	(in millions of RMB)	
Beginning of the period (January 1)	**4,283.0**[(1)]	4,038.8[(3)]
Charge for the period	**832.0**	1,008.9
Released for the period	**(7.1)**	0.0
Transfer out	**0**	(545.7)
Recoveries	**2.2**	0.9
Write-off	**0**	(170.9)
Other changes	**(30.8)**	(49.0)
End of the period	**5,079.3**[(2)]	4,283.0[(4)]

Notes:

(1) Comprised of (i) allowance for impairment losses on the loans and advances to customers measured at amortized cost which amounted to RMB4,260.9 million; and (ii) allowance for impairment losses on the loans and advances measured at fair value through other comprehensive income which amounted to RMB22.1 million.

(2) Comprised of (i) allowance for impairment losses on the loans and advances to customers measured at amortized cost which amounted to RMB5,064.3 million; and (ii) allowance for impairment losses on the loans and advances measured at fair value through other comprehensive income which amounted to RMB15.0 million.

(3) Comprised of (i) allowance for impairment losses on the loans and advances to customers measured at amortized cost which amounted to RMB4,017.3 million; and (ii) allowance for impairment losses on the loans and advances measured at fair value through other comprehensive income which amounted to RMB21.5 million.

(4) Comprised of (i) allowance for impairment losses on the loans and advances to customers measured at amortized cost which amounted to RMB4,260.9 million; and (ii) allowance for impairment losses on the loans and advances measured at fair value through other comprehensive income which amounted to RMB22.1 million.

3.7 Geographical Segments Report

In presenting information on the basis of geographic segments, operating income is gathered according to the locations of the branches or subsidiary that generated the income. For the purpose of presentation, the Group categorizes such information by geographic regions. The table below sets forth the total operating income of each geographical region for the periods indicated.

	For the six months ended June 30,			
	2020		2019	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Taiyuan	**2,234.8**	**85.9**	2,059.9	83.3
Outside Taiyuan	**366.1**	**14.1**	412.0	16.7
Total operating income	**2,600.9**	**100.0**	2,471.9	100.0

3.8 Capital Adequacy Ratio Analysis

The Group is subject to capital adequacy requirements as promulgated by the former China Banking Regulatory Commission (the "**former CBRC**"). The following table sets forth, as of the dates indicated, relevant information relating to the Group's capital adequacy ratio, calculated in accordance with the Capital Administrative Measures and PRC GAAP.

	As of June 30, 2020	As of December 31, 2019
	(in millions of RMB, except percentages)	
Core tier-one capital		
– Share capital	**5,838.7**	5,838.7
– Qualifying portion of capital reserve	**6,627.6**	6,627.6
– Surplus reserve	**3,467.0**	3,467.0
– General reserve	**2,788.4**	2,788.4
– Other comprehensive income	**(14.1)**	(6.1)
– Retained earnings	**1,557.2**	1,419.6
– Qualifying portions of non-controlling interests	**23.7**	14.0
Total core tier-one capital	**20,288.5**	20,149.2
Core tier-one capital deductions	**(161.2)**	(168.0)
Net core tier-one capital	**20,127.3**	19,981.2
Other tier-one capital	**3.2**	1.9
Net tier-one capital	**20,130.5**	19,983.1
Tier-two capital	**3,944.1**	3,703.3
Net capital base	**24,074.6**	23,686.4
Total risk-weighted assets	**194,328.7**	174,157.4
Core tier-one capital adequacy ratio (%)	**10.36**	11.47
Tier-one capital adequacy ratio (%)	**10.36**	11.47
Capital adequacy ratio (%)	**12.39**	13.60

As of June 30, 2020, the Group's capital adequacy ratio was 12.39%, down by 1.21 percentage points from December 31, 2019; both the tier-one capital adequacy ratio and core tier-one capital adequacy ratio were 10.36%, down by 1.11 percentage points from December 31, 2019. The decrease in in capital adequacy ratio was mainly due to the increase in the balance of risk-weighted assets as the result of the increase in loans to customers and other assets.

As of June 30, 2020, the Group's leverage ratio was 6.56%, a decrease of 0.6 percentage point from 7.16% as of December 31, 2019. Pursuant to the Administrative Measures on the Leverage Ratio of Commercial Banks (Revision) issued by the former CBRC, which has been effective since April 2015, a minimum leverage ratio of 4% is required.

3.9 RISK MANAGEMENT

The primary risks related to the Bank's operations include: credit risk, market risk, liquidity risk, operational risk, information technology risk, reputation risk and strategic risk. In the first half of 2020, the Bank continued to strengthen its comprehensive risk management system and adhered to a prudent risk appetite to constantly promote a vertical and independent risk management system. Through this system, the Bank was able to satisfy the relevant regulatory requirements and to ensure the sustainable development of its business. In particular, the Bank was committed to maintaining a risk management system for a balance between risk and return, to promote flexibility while strictly controlling the risks faced by the Bank, and to achieve business innovation while controlling asset quality.

Credit Risk

Credit risk refers to the risk of loss that may arise from the default by, or downgrade of credit rating of, an obligor or counterparty, or from its reduced capacity of fulfilling its contractual obligations. The Bank is exposed to credit risks primarily associated with corporate loan business, personal loan business and financial market business.

The Bank has built and continually improve its bank-wide credit risk management system to identify, measure, monitor, mitigate, and control risks that arise from its credit extension business. The Bank has established an effective credit management system, which covers the entire credit extension process, from application and pre-loan investigation to disbursement of funds and post-loan monitoring. The Bank implemented a unified credit system covering credit business and financial market business. All types of credit granting method and credit granting categories are included in the unified credit management, and the approver who has obtained the corresponding authorization exercises the credit approval authority.

In addition, the Bank closely monitors the quality of loans and may reclassify its corporate loans based on the results of routine and ad hoc inspections. The Bank also attaches great importance to the management of non-performing assets and invests in the continual improvement of non-performing assets disposal mechanism through a broad range of measures such as establishing and updating policy according to the prevailing regulatory environment, innovation of collection scheme, introduction of professional staff, and enhancing its review of collection by its branches and sub-branches.

The Bank is committed to using advanced information technology systems to improve the performance of credit risk management. The Bank's credit management system enables account managers to efficiently collect and analyze customer data, such as historical transaction records and financial conditions, and provides close monitoring and timely alert on loans reaching maturity. The information technology system automatically matches credit applications to the corresponding approval procedures based on the amount of credit requested, which reduces the risk of unauthorized approval. In addition, account managers and management departments at all levels can access real-time information of overdue loans through the Bank's information technology system to control risks stemming from overdue loans.

The Bank is dedicated to striking a balance between achieving steady loan growths and maintaining a prudent culture of risk management. The Bank prepared detailed guidance on credit risk management based on the provincial, national and international economic conditions, as well as government policies and regulatory requirements. In formulating the credit policies, the Bank studies the macroeconomic environment in Shanxi Province and the PRC and analyzes the risks and uncertainties relevant to the Bank's operations. The Bank also closely follows the updates in local and national economic development plans, financial regulations and monetary policies, and adjusts the Bank's credit guidelines accordingly.

Market Risk

Market risk refers to the risk of changes in market prices caused by interest rates, exchange rates and other market factors. The Bank is exposed to market risks primarily through the assets and liabilities on the balance sheet and the commitments and guarantees off the balance sheet. The Bank's market risk management involves the identification, measuring, monitoring and control of market risks. The Bank primarily employs risk sensitivity and stress tests in measuring and monitoring market risks. The Bank adopts different quantitative measures to manage various types of market risks in the Bank's banking and trading books.

Specifically, the Bank implemented market risk management throughout the business operation, and it has established a complete market risk control system. Focusing on preventing the risk of market interest rate fluctuations, the Bank improved market risk sensitivity, monitored account duration and fair value changes on a mark-to-market basis, and conducted regular interest rate risk analysis on all position assets. Based on reasonable proportions of various assets, the Bank kept the proportion, duration and stop-loss limits of various assets within a reasonable range. The Bank makes timely adjustments to the size and structure of assets in response to changes in the market environment to ensure that its various market risk indicators meet regulatory requirements and operational needs.

As of June 30, 2020, the Bank operated a small foreign exchange business and held an insignificant amount of U.S. dollars. The Bank has put together various policies and operational procedures for its foreign exchange businesses, such as foreign currency settlement, sales and payment, and foreign currency trading, to control the relevant exchange rate risk.

Liquidity Risk

Liquidity risk is the risk of failure to obtain sufficient funds in a timely manner or at a reasonable cost to fulfill payment obligations when due. Factors affecting the Bank's liquidity include changes in the maturity profiles of the Bank's assets and liabilities and the monetary policies of the PBoC, such as changes in the statutory deposit reserve ratio. The Bank is exposed to liquidity risks primarily in lending, trading and investment activities and in managing its liquidity position.

The Bank has established a liquidity risk management system and an organizational structure where its Board of Directors bears the ultimate responsibilities for the Bank's liquidity risk management and the senior management is responsible for formulating liquidity risk management strategies and policies. The Bank manages liquidity risk through monitoring the maturities of assets and liabilities to ensure it has sufficient funds readily available or at a reasonable cost to fulfill the payment obligations as they become due. The Assets and Liabilities Management Department monitors the Bank's capital position on a daily basis, and provides risk alerts and reminders in a timely manner. The Bank strictly observes the relevant regulatory requirements, closely monitors liquidity regulatory indicators, formulates liquidity risk contingency plans, enhances daily management of liquidity risk and regularly conducts liquidity stress tests.

Operational Risk

Operational risk is the risk of losses arising from inadequate or defective internal procedures, personnel and information systems, or external events, mainly covering internal and external frauds, misconduct of employees, security failure, business interruptions, information system breakdown, and so on.

The Bank has established an operational risk management structure consisting of the Board of Directors, the Board of Supervisors, senior management, the Legal and Compliance Department, the Audit Department, various lines (departments), and branches and sub-branches. The Bank continued to improve its operational risk management system, continuously strengthened the application of operational risk management tools, actively implemented business process management, investigation of loss events and system monitoring, actively identified, analyzed and evaluated operational risks, improved internal process construction, and enhanced operational risk management capabilities.

Based on enhanced internal control and implementation of compliance management, the Bank continuously strengthened operational risk management and control through measures such as system improvement, compliance inspection and supervision, investigation of employee behaviors, and compliance education. At the same time, it continued to improve business continuity and emergency management mechanism, organized business continuity drills to improve emergency response capacity.

Information Technology Risk

Information technology risks include operational risk, reputational risk, legal risk and other types of risks caused by natural factors, human errors, technical loopholes and management failure arising from the Bank's use of information technology. The Bank has set up an Information Technology Management Committee and the Legal and Compliance Department and Information Technology Department at the head office are responsible for managing information technology risks. The Bank strives to continuously improve the information technology infrastructure and the Bank's information technology management system in line with the national standards and regulatory requirements.

To ensure the security of information technology, the Bank has hired professionals to supervise the information security system and established a series of information security management measures to prevent any unauthorized network intrusions, attacks, data leakage or third-party tampering with the Bank's information system. As part of the Bank's business continuity management measures, the Bank has established a disaster backup and recovery system comprising two local active application-level centers and one off-site data-level disaster recovery center. The Bank has also established detailed contingency plans regarding the potential breakdown of the information system to ensure the continuity of operations. The Bank conducts periodic disaster drills for business continuity for important businesses.

Reputational Risk

Reputational risk refers to the risk of negative publicity and comments on the Bank due to the Bank's operations, management, and other activities or external events. The Bank takes its reputation seriously and has established an effective reputational risk management mechanism to monitor, identify, report, control, and assess the reputational risk, and at the same time manages the reputational risk emergency handling, and minimize any loss and negative impact on the Bank due to such incidents.

The Office of the Board of Directors of the Bank is responsible for undertaking management of overall reputational risks, including establishing a bank-wide reputational risk management system, and formulating basic internal policies. The Bank has also set up reputational risk incidents emergency response teams at the branches and sub-branches, so that the head office can be promptly informed upon the occurrence of material and urgent incidents and take appropriate actions accordingly.

Strategic Risk

Strategic risk is caused by inappropriate business strategies or changes in the external operating environment during the establishing and implementing of the strategy, which may have a negative impact on the current, or future, profit, capital, reputation or market position of the Bank.

The Bank actively evaluates and adjusts its business development strategy to enhance the Bank's adaptability in the face of unexpected market changes. The Office of Strategic Development under the Board of Directors is responsible for managing the Bank's strategic risks. The Bank identifies and formulates risk factors through cooperation between the Office of Strategic Development and the Risk Management Department; conducts regular review and studies on prevailing market conditions and the Bank's business operation status to timely identify potential risks, makes prompt adjustment to the strategies and relevant implementation measures accordingly, and closely monitors the implementation of the strategies.

3.10 Business Review

During the Reporting Period, the Group's principal business lines comprised corporate banking, retail banking and financial markets. The following table sets forth the operating income of each business segment of the Group for the periods indicated.

	For the six months ended June 30,			
	2020		2019	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Corporate banking	**1,830.8**	**70.4**	1,619.8	65.5
Retail banking	**270.3**	**10.4**	557.6	22.6
Financial markets	**484.9**	**18.6**	272.1	11.0
Others[(1)]	**14.9**	**0.6**	22.4	0.9
Total operating income	**2,600.9**	**100.0**	2,471.9	100.0

Note:

(1) Consists primarily of income that is not directly attributable to any specific segment.

Corporate banking

The Bank positions itself as a "financial steward" and a "partner of the real economy" for local governments in Shanxi Province, whereby it proactively participates in projects with key importance for local economic development in Shanxi Province, and provides corporate banking customers with a wide range of products and services, including corporate loans and advances, trade financing, deposit taking activities, agency services, wealth management services, consulting and advisory services, remittance and settlement services, and guarantee services.

The Group's operating income from corporate banking increased from RMB1,619.8 million for the six months ended June 30, 2019 to RMB1,830.8 million for the six months ended June 30, 2020, which accounts for 70.4% of total operating income for the same period. The increase in operating income from corporate banking was primarily due to the growth of the size of corporate banking assets, which was partially offset by the Bank's returning interest and reducing interest rate to make profit transfer to micro, small and medium-sized enterprises as well as a decrease in the yield on discounted bills affected by the market during the COVID-19 outbreak period.

For the six months ended June 30, 2020, the Bank continued to improve its ability of catering to corporate banking customers' needs for differentiated financial products, and also focused on the development of fee and commission-based corporate banking business and services, continuously optimized the business structure, and enriched its product portfolio.

Retail banking

Capitalizing on its deep knowledge of the local market and the preferences of retail banking customers, the Bank focused on developing and launching various well-received retail banking products and services and established strong competitiveness strength in terms of distribution channels, customer base, product mix, and innovative capacities. The Bank provided a range of products and services to retail banking customers, including personal loans, deposit taking services, personal wealth management services and remittance services.

The Group's operating income from retail banking decreased from RMB557.6 million for the six months ended June 30, 2019 to RMB270.3 million for the six months ended June 30, 2020, which accounts for 10.4% of total operating income for the same period. The decrease in operating income from retail banking was primarily due to the increase in cost of retail deposit and the decrease in return on assets.

Relying on quality services, the number of retail banking customers of the Group further increased during the Reporting Period, from 2,589.85 thousand as of December 31, 2019 to 2,683.59 thousand as of June 30, 2020. After years of persistent efforts, the Bank has established an extensive business network in regions within Shanxi Province showing strong economic growth. As of June 30, 2020, the Bank had one head office, ten branches, 151 sub-branches (including four sub-branches directly administered by the head office, 126 city-level sub-branches, and 21 county-level sub-branches) and one 51.0% owned subsidiary, Qingxu Village and Township Bank. In total, the Bank had 162 outlets, which covered all 11 prefecture-level cities in Shanxi Province.

During the Reporting Period, based on the comprehensive coverage of the business network, the Bank is committed to making use of advanced technologies to provide customers with convenient online and mobile financial products and services. The Bank also continuously enriched its online banking services and attracted customers with a good tailor-made user experience through technological upgrade. In addition, by integrating high-quality resources, the Bank provided professional and comprehensive financial services to high net worth individuals in the province.

Financial markets

The financial markets business of the Group mainly includes inter-bank money market transactions, repurchases transactions, inter-bank investments, bond investment and trading, and issuance of debts.

During the Reporting Period, the Bank closely monitored the changes in the macroeconomic situation, adhered to the direction of financial market policies, strengthened the monitoring and analysis of market conditions, seized business development opportunities, and rationally formulated investment strategies and actively carried out innovative business under the premise of risk control, while continuously optimizing the investment portfolio, increasing the investment in standardized bonds, and gradually adjusting the asset structure.

The financial market business continued to focus on liquidity management and to improve profitability, constantly promote new businesses, maintain risk prevention and compliance management, and continuously enhance the Bank's market activity and influence.

The Group's operating income from financial markets business increased from RMB272.1 million for the six months ended June 30, 2019 to RMB484.9 million for the six months ended June 30, 2020, which accounts for 18.6% of total operating income. The increase in operating income from financial markets business was due to significant decrease in interest expenses of financial markets business caused by the decrease in interbank deposit financing costs, and the increase in the dividend distributed by the funds invested by the Bank as compared with the same period of 2019.

Interbank Market Transactions

The Group's interbank market transactions business primarily consists of: (i) interbank deposits; (ii) interbank placements; and (iii) purchase under resale agreement and sale under repurchase agreement, which mainly involves bonds and bills.

As of June 30, 2020, deposits with banks and other financial institutions were RMB1,945.7 million, accounting for 0.7% of the Group's total assets as of June 30, 2020. As of the same date, deposits from banks and other financial institutions amounted to RMB6,738.3 million, accounting for 2.7% of the Group's total liabilities as of June 30, 2020.

As of June 30, 2020, placements with banks and other financial institutions were RMB500.0 million, accounting for 0.2% of the Group's total assets as of June 30, 2020. As of the same date, placements from banks and other financial institutions were RMB1,401.2 million, accounting for 0.6% of the Group's total liabilities as of June 30, 2020.

As of June 30, 2020, financial assets held under resale agreements were RMB17,247.4 million, accounting for 6.5% of the Group's total assets as of June 30, 2020. As of the same date, financial assets sold under repurchase agreements were RMB14,940.1 million, accounting for 6.1% of the Group's total liabilities as of June 30, 2020.

Investment Management

The Group's investment management business mainly consists of debt securities investment and SPV investment. Specifically, debt securities include debt securities issued by PRC government, policy banks, commercial banks and other financial institutions, and enterprises. SPV investment refers to investments in trust plans, asset management plans, wealth management products, and investment funds. When making debt securities investment and SPV investment, the Bank takes into account a broad range of factors, including but not limited to risk appetite, capital consumption level and expected yields of relevant products, as well as overall economic conditions and relevant regulatory development, to achieve a better balance between risk and return.

As of June 30, 2020, the balance of bond investment was RMB38,050.6 million, representing an increase of 12.4% from as of December 31, 2019, mainly due to the Bank actively increased its investment in debt securities issued by PRC government, policy financial bonds and debt securities issued by commercial banks, according to the market conditions, its business needs and annual investment strategies.

As of June 30, 2020, the total SPV investment decreased by 9.4% from RMB50,326.3 million as of December 31, 2019 to RMB45,601.7 million, primarily due to normal payment at maturity under some asset management plans during the Reporting Period.

Wealth Management

During the Reporting Period, the Bank actively expanded its wealth management products and services to attract a wider range of customers with different financial needs and risk tolerance, and effectively respond to the challenges of traditional banking services amid interest rate marketization. For the six months ended June 30, 2020, the amount of wealth management products issued by the Group was RMB40,991.0 million, representing an increase of 52.4% from the six months ended June 30, 2019, mainly due to increased sales of wealth management products during the Reporting Period as a result of active trading in cash management products. As of June 30, 2020, the Group had more than 260,000 wealth management customers, a further increase from the end of 2019.

As of June 30, 2020, the outstanding balance of wealth management products issued by the Group was RMB31,771.9 million, representing an increase of 0.48% as of December 31, 2019, mainly because the Bank actively implemented the New Asset Management Regulations to continuously increase the efforts on transformation toward net worth wealth management products, especially the issuance and promotion of net worth products. However, affected by the epidemic, the growth of existing wealth management products slowed down at the end of the Reporting Period. For the six months ended June 30, 2020, the fee and commission income from the wealth management products issued by the Group was RMB74.3 million, representing a decrease of 9.4% from the six months ended June 30, 2019, mainly due to slowed sales of closed-end wealth management products under the impact of the epidemic, which led to a decrease in income.

Debt Securities Distribution

The Bank's investment banking team provides customers with comprehensive financial services through the debt securities distribution business, to further leverage the Bank's strong capacity in managing capital market transactions, and to broaden its customer base.

The Bank obtained the preliminary and Class-B qualification for underwriting debt financing instruments issued by non-financial enterprises in October 2016 and February 2019, respectively, the latter of which allows the Bank to act as a lead underwriter in the regional market. For the six months ended June 30, 2020, the aggregate principal amount of debt securities the Bank distributed amounted to RMB38,754.0 million, representing an increase of 120.7% from the six months ended June 30, 2019, mainly reflecting that in 2020, monetary policy easing with abundant funds, and under influence of the epidemic, the institutions allocated more safe-haven assets, as well as the government rolled out policies in support of bonds market in order to mitigate influence of the epidemic, which resulted in the booming of bonds business. At the same time, the Bank strengthened the building of sales channels, leading to a significant increase in distribution business volume.

4. ACQUISITION AND DISPOSAL OF ASSETS AND BUSINESS MERGER

During the Reporting Period, the Bank was not engaged in any material acquisition or disposal of assets or business merger.

5. OTHER INFORMATION

5.1 Corporate Governance Code

During the Reporting Period, the Bank continued to improve the transparency and accountability of its corporate governance and ensured high standards of corporate governance practices to protect the interests of shareholders and enhance corporate value and commitment.

The Bank has established a relatively comprehensive corporate governance structure in accordance with the requirements of the Hong Kong Listing Rules. The compositions of the Board and the special committees of the Board are in compliance with the requirements of the Hong Kong Listing Rules.

As of the date of this announcement, the Bank has adopted the Corporate Governance Code (the "**Code**") in Appendix 14 to the Hong Kong Listing Rules, and reached the requirements of the administrative measures and corporate governance for domestic commercial banks, established a sound corporate governance system, and adopted most of the recommended best practices in the Code.

The Bank is committed to maintaining a high standard of corporate governance. The Bank will continue to review and enhance its corporate governance, so as to ensure compliance with the Code and meet the expectations of its shareholders and potential investors.

5.2 Directors, Supervisors and Senior Management

As of the date of this announcement, the composition of the Bank's Board of Directors, Board of Supervisors and senior management is as follows:

The Bank's Board of Directors consists of fifteen directors, including four executive directors, namely, Mr. WANG Junbiao*, Chairman of the Board of Directors#, Mr. TANG Yiping, Mr. WANG Peiming and Mr. RONG Changqing; five non-executive directors, namely, Mr. LI Shishan, Mr. XIANG Lijun△, Mr. LIU Chenhang, Mr. LI Yang* and Mr. WANG Jianjun; and six independent non-executive directors, namely, Mr. JIN Haiteng, Mr. SUN Shihu, Mr. WANG Liyan, Mr. DUAN Qingshan*, Mr. SAI Zhiyi and Mr. YE Xiang.

\# subject to the approval from the regulatory authorities for the banking industry and other relevant regulatory authorities in respect of his qualification as Chairman of the Board of Directors.

△ subject to the approval from the regulatory authorities for the banking industry and other relevant regulatory authorities in respect of his qualification as vice Chairman of the Board of Directors.

* Qualifications of directorship subject to the official approval by CBIRC Shanxi Office to come into effect.

The Bank's Board of Supervisors consists of nine supervisors, including three employees' representative supervisors, namely, Mr. XIE Liying, Chairman of the Board of Supervisors, Mr. WEN Qingquan and Mr. GUO Zhenrong; three shareholders' representative supervisors, namely, Mr. BI Guoyu, Ms. XU Jin and Mr. XIA Guisuo; and three external supervisors, namely, Mr. LIU Shoubao, Mr. WU Jun and Mr. LIU Min.

The Bank's senior management consists of twelve members, namely, Mr. TANG Yiping, Ms. HAO Qiang, Mr. GAO Jiliang, Mr. RONG Changqing, Mr. ZHANG Yunfei, Ms. HOU Xiuping, Mr. WEN Gensheng, Mr. ZHAO Jiquan, Mr. LI Weiqiang, Mr. ZHAO Fu, Mr. NIU Jun and Mr. SHANGGUAN Yujiang.

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

Changes in Directors

On January 8, 2020, due to work re-arrangement, Mr. YAN Junsheng resigned as an executive Director, the chairman of the Board, the chairperson and a member of the Development and Strategy Committee, a member of the Nomination, Remuneration and HR Committee and an authorized representative of the Bank. Mr. Yan's resignation took effect on January 8, 2020. For details, please refer to the announcement entitled "Resignation of Executive Director and Chairman" issued by the Bank on January 8, 2020.

On March 10, 2020, Mr. WANG Junbiao was appointed as the executive director, chairman, the chairperson and a member of the Development and Strategy Committee, and a member of the Nomination, Remuneration and HR Committee of the fifth session of the Board of Directors of the Bank. The qualification of Mr. WANG Junbiao as the chairman of the Board is subject to approval by CBIRC Shanxi Office in this regard to come into effect and his term will take effect from the date of approval. For details, please refer to the announcement entitled "Proposed Appointment of Executive Director" issued by the Bank on January 17, 2020 and the announcement entitled "(I) Poll Results of the 2020 First Extraordinary General Meeting to Be Held on March 10, 2020 (Tuesday) (II) Appointment of Director (III) Election of Chairman; and (IV) Change of Board Committee Members" issued by the Bank on March 10, 2020.

Changes in Senior Management

On January 2, 2020, Mr. NIU Jun was approved by the China Banking and Insurance Regulatory Commission Shanxi Office as a chief operation officer.

On January 2, 2020, Mr. ZHAO Fu was approved by the China Banking and Insurance Regulatory Commission Shanxi Office as a chief marketing officer.

Save as disclosed above, there is no other relevant information required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules during the Reporting Period.

5.4 Securities Transaction by Directors, Supervisors and Relevant Employees

During the Reporting Period and as of the date of this announcement, the Bank has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Hong Kong Listing Rules as its code of conduct for regulating securities transactions by directors, supervisors and relevant employees of the Bank. Having made enquiry with all directors and supervisors, all of the directors and supervisors confirmed that they have been in compliance with the Model Code above throughout the Reporting Period. The Bank is not aware of any violations of the Code by the employees concerned.

5.5 Profits and Dividends

The Group's revenue for the six months ended June 30, 2020 and financial position as of the same date are set out in the section headed "Interim Financial Statements" in this interim results announcement.

The Shareholders of the Bank have reviewed and approved the 2019 profit appropriation plan at the 2019 annual general meeting of the Bank held on June 9, 2020. The final dividend is RMB11 per 100 shares (tax inclusive) for the year of 2019, and the total dividend is approximately RMB642.3 million (tax inclusive), which was distributed to holders of H shares and domestic shares on July 29, 2020.

The Bank neither recommends paying interim dividends for the six months ended June 30, 2020 nor transfers any reserve funds to increase its share capital.

5.6 Purchase, Sale and Redemption of Listed Securities of the Bank

During period from the Reporting Period to the date of this announcement, neither the Bank nor its subsidiary purchased, sold or redeemed any listed securities of the Bank.

5.7 Review of Interim Results

The interim financial statements disclosed in this interim results announcement have not been audited. Ernst & Young has, in accordance with the International Standards on Review Engagements, reviewed the interim financial statements for the six months ended June 30, 2020 prepared by the Bank in accordance with International Accounting Standard 34, Interim Financial Reporting issued by the International Accounting Standards Board. Nothing has come to Ernst & Young's attention that causes it to believe that the interim financial information as at June 30, 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim Financial Reporting.

The interim results of the Bank have been reviewed and approved by the Board of Directors and its Audit Committee.

5.8 Use of Proceeds

The proceeds from issuance of H shares of the Bank have been used according to the intended use as disclosed in the prospectus of the Bank. All of the net proceeds from the Global Offering of the Bank (after deduction of the underwriting commissions and estimated expenses payable by the Bank in connection with the Global Offering) approximately RMB3,171 million (including net proceeds from over-allotment) have been used to expand the capital of the Bank to support the ongoing business growth.

As approved by the preparatory team of the CBIRC Shanxi Office and the PBoC, the Bank issued financial bonds in the national inter-bank bond market on December 13, 2018 and the payment was completed on December 17, 2018. This tranche of bonds totaled RMB5.00 billion with a maturity of three years at a fixed interest rate and a coupon interest rate of 4.00%. All funds raised from this tranche of bonds have been used to optimize the matching structure of medium-to-long-term assets and liabilities, increase the source of stable medium-to-long-term liabilities and support the development of new medium-to-long-term asset business in accordance with applicable laws and approvals from regulatory authorities.

As approved by the CBIRC Shanxi Office, the Bank issued financial bonds in the national interbank bond market on April 15, 2020 and the payment was completed on April 17, 2020. This tranche of bonds totaled RMB4.00 billion with a maturity of three years at a fixed interest rate and a coupon interest rate of 3.00%. All funds raised from this tranche of bonds have been used to optimize the matching structure of medium-to-long-term assets and liabilities, increase the source of stable medium-to-long-term liabilities and support the development of new medium-to-long-term asset business in accordance with applicable laws and approvals from regulatory authorities.

5.9 Subsequent Events

On August 21, 2020, the Bank exercised the redemption right and redeemed all bonds with face value of the scale of RMB2,000 million which is 10-year tier-two capital bonds issued from August 19 to August 21, 2015 in accordance with the agreements in the then prospectus for the issuance. For details, please refer to the Announcement on the Redemption of Tier-two Capital Bonds issued by the Bank on August 24, 2020.

Save as disclosed above, the Group had no other significant event subsequent to the Reporting Period.

5.10 Number of Employees, Remuneration Policies, Equity Incentive Plan and Training Programs

As of June 30, 2020, the total number of employees of the Group reached 4,249, of which 38.03% were employees aged 30 and below, and 84.37% were employees with a bachelor's degree or above. Leveraging the sound age distribution and academic backgrounds of its employees, the Bank managed to cultivate a positive and innovative corporate culture and enhance its capability of quickly identifying market trends and efficiently capturing market opportunities. As of June 30, 2020, the Group had 399 employees with AFP certification, and 31 employees with CFP certificates.

Believing that the sustainable growth of the Bank relies on the capability and dedication of its employees, the Bank has invested significant resources in talent development. The Bank offers a variety of training programs tailored for its employees at different levels. The Bank actively collaborates with prestigious universities and industry associations in the PRC and overseas, so as to offer cutting-edge courses on global and domestic economy, as well as leadership and management skills, to its senior and mid-level management team. For the executive personnel at the branches and sub-branches, the Bank provides annual week-long centralized training sessions themed in management upgrade, practical skills enhancement, and team building.

In compliance with the PRC laws and regulations, the Bank contributes to employees' social security and other benefits program including pension, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, housing allowances and corporate annuity. The Bank has a labor union established in accordance with PRC laws and regulations, which represents the interests of its employees and works closely with the Bank's management on labor-related issues.

6. INTERIM FINANCIAL STATEMENTS

Report on Review of Interim Financial Report

To the Board of Directors of Jinshang Bank Co., Ltd.
(A joint stock company incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the accompanying interim financial report set out on pages 62 to 145, which comprises the condensed consolidated statement of financial position of Jinshang Bank Co., Ltd. (the "**Bank**") and its subsidiary (the "**Group**") as at 30 June 2020 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. *The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* require the preparation of interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board.

The directors of the Bank are responsible for the preparation and presentation of this interim financial report in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial report based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Ernst & Young

Certified Public Accountants

Hong Kong
27 August 2020

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months period ended 30 June 2020 – unaudited
(Amounts in thousands of Renminbi, unless otherwise stated)

		For the six months period ended 30 June	
	Note	**2020**	2019
Interest income		**4,503,539**	4,376,553
Interest expense		**(2,856,459)**	(2,709,644)
Net interest income	*4*	**1,647,080**	1,666,909
Fee and commission income		**457,184**	328,234
Fee and commission expense		**(76,466)**	(20,205)
Net fee and commission income	*5*	**380,718**	308,029
Net trading gains	*6*	**48,491**	45,199
Net gains arising from investment securities	*7*	**512,653**	428,285
Other operating income	*8*	**11,920**	23,443
Operating income		**2,600,862**	2,471,865
Operating expenses	*9*	**(776,613)**	(799,234)
Impairment losses on assets	*10*	**(1,054,122)**	(898,512)
Share of profits of an associate		**14,356**	13,076
Profit before income tax		**784,483**	787,195
Income tax	*11*	**(9,551)**	(44,942)
Net profit for the period		**774,932**	742,253
Net profit attributable to:			
Equity holders of the Bank		**779,795**	745,401
Non-controlling interests		**(4,863)**	(3,148)

The accompanying notes form an integral part of this interim financial report.

	Note	For the six months period ended 30 June	
		2020	2019
Profit for the period		**774,932**	742,253
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Financial assets at fair value through other comprehensive income:			
– net movement in the fair value reserve, net of tax	*31(d)*	**(6,493)**	5,070
– net movement in the impairment reserve, net of tax	*31(e)*	**(466)**	525
Items that will not be reclassified to profit or loss:			
Remeasurement of net defined benefit liability, net of tax	*31(f)*	**(997)**	(1,358)
Other comprehensive income for the period, net of tax		**(7,956)**	4,237
Total comprehensive income		**766,976**	746,490
Total comprehensive income attributable to:			
Equity holders of the Bank		**771,839**	749,638
Non-controlling interests		**(4,863)**	(3,148)
Total comprehensive income		**766,976**	746,490
Basic and diluted earnings per share (in RMB)	*12*	**0.13**	0.15

The accompanying notes form an integral part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2020 – unaudited

(Amounts in thousands of Renminbi, unless otherwise stated)

	Note	**As at 30 June 2020**	As at 31 December 2019
ASSETS			
Cash and deposits with the central bank	*13*	**18,827,971**	19,108,325
Deposits with banks and other financial institutions	*14*	**1,945,687**	1,303,659
Placements with banks and other financial institutions	*15*	**500,026**	1,300,375
Financial assets held under resale agreements	*16*	**17,247,363**	16,630,018
Loans and advances to customers	*17*	**130,880,760**	111,712,557
Financial investments:	*18*		
– Financial investments at fair value through profit or loss		**31,613,334**	29,976,480
– Financial investments at fair value through other comprehensive income		**7,525,371**	11,709,118
– Financial investments at amortised cost		**54,140,978**	51,227,041
Interest in an associate	*19*	**286,932**	272,576
Property and equipment	*21*	**1,406,797**	1,464,655
Deferred tax assets	*22*	**1,678,815**	1,441,111
Other assets	*23*	**1,100,734**	1,425,298
Total assets		**267,154,768**	247,571,213
LIABILITIES			
Borrowings from the central bank		**1,118,017**	870,731
Deposits from banks and other financial institutions	*24*	**6,738,255**	4,211,308
Placements from banks and other financial institutions	*25*	**1,401,214**	1,911,455
Financial assets sold under repurchase agreements	*26*	**14,940,083**	12,201,162
Deposits from customers	*27*	**171,491,730**	155,322,230
Income tax payable		**239,807**	195,608
Debt securities issued	*28*	**47,649,199**	50,345,104
Other liabilities	*29*	**3,292,390**	2,354,266
Total liabilities		**246,870,695**	227,411,864

The accompanying notes form an integral part of this interim financial report.

	Note	As at **30 June** **2020**	As at 31 December 2019
EQUITY			
Share capital	*30*	**5,838,650**	5,838,650
Capital reserve	*31(a)*	**6,627,602**	6,627,602
Surplus reserve	*31(b)*	**3,467,020**	3,467,020
General reserve	*31(c)*	**2,788,427**	2,788,427
Fair value reserve	*31(d)*	**(29,697)**	(23,204)
Impairment reserve	*31(e)*	**17,854**	18,320
Deficit on remeasurement of net defined benefit liability	*31(f)*	**(2,220)**	(1,223)
Retained earnings	*32*	**1,557,120**	1,419,577
Total equity attributable to equity holders of the Bank		**20,264,756**	20,135,169
Non-controlling interests		**19,317**	24,180
Total equity		**20,284,073**	20,159,349
Total liabilities and equity		**267,154,768**	247,571,213

Approved and authorised for issue by the Board of Directors on 27 August 2020.

Tang Yiping
Authorised Representative

Tang Yiping
President

Hou Xiuping
Chief Financial Officer

(Company chop)

The accompanying notes form an integral part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months period ended 30 June 2020 – unaudited
(Amounts in thousands of Renminbi, unless otherwise stated)

		Attributable to equity holders of the Bank										
	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Impairment reserve	Deficit on remeasurement of net defined benefit liability	Retained earnings	Total	Non-controlling interests	Total
As at 1 January 2020		5,838,650	6,627,602	3,467,020	2,788,427	(23,204)	18,320	(1,223)	1,419,577	20,135,169	24,180	20,159,349
Changes in equity for the period:												
Net profit for the period		-	-	-	-	-	-	-	779,795	779,795	(4,863)	774,932
Other comprehensive income		-	-	-	-	(6,493)	(466)	(997)	-	(7,956)	-	(7,956)
Total comprehensive income for the period		-	-	-	-	(6,493)	(466)	(997)	779,795	771,839	(4,863)	766,976
Capital contribution by equity holders	*31(a)*	-	-	-	-	-	-	-	-	-	-	-
Appropriation of profit												
– Appropriation to surplus reserve	*31(b)*	-	-	-	-	-	-	-	-	-	-	-
– Appropriation to general reserve	*31(c)*	-	-	-	-	-	-	-	-	-	-	-
– Dividends paid to shareholders	*32*	-	-	-	-	-	-	-	(642,252)	(642,252)	-	(642,252)
As at 30 June 2020		5,838,650	6,627,602	3,467,020	2,788,427	(29,697)	17,854	(2,220)	1,557,120	20,264,756	19,317	20,284,073

The accompanying notes form an integral part of this interim financial report.

		Attributable to equity holders of the Bank										
	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Impairment reserve	Surplus/ (deficit) on remeasurement of net defined benefit liability	Retained earnings	Total	Non-controlling interests	Total
As at 1 January 2019		4,868,000	4,423,893	3,186,830	2,788,427	(17,935)	17,215	525	702,937	15,969,892	26,097	15,995,989
Changes in equity for the period:												
Net profit for the period		–	–	–	–	–	–	–	745,401	745,401	(3,148)	742,253
Other comprehensive income		–	–	–	–	5,070	525	(1,358)	–	4,237	–	4,237
Total comprehensive income for the period		–	–	–	–	5,070	525	(1,358)	745,401	749,638	(3,148)	746,490
Capital contribution by equity holders	*31(a)*	–	–	–	–	–	–	–	–	–	–	–
Appropriation of profit												
– Appropriation to surplus reserve	*31(b)*	–	–	131,627	–	–	–	–	(131,627)	–	–	–
– Appropriation to general reserve	*31(c)*	–	–	–	–	–	–	–	–	–	–	–
– Dividends paid to shareholders	*32*	–	–	–	–	–	–	–	(486,800)	(486,800)	–	(486,800)
As at 30 June 2019		4,868,000	4,423,893	3,318,457	2,788,427	(12,865)	17,740	(833)	829,911	16,232,730	22,949	16,255,679

The accompanying notes form an integral part of this interim financial report.

	Note	Attributable to equity holders of the Bank										
		Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Impairment reserve	Deficit on remeasurement of net defined benefit liability	Retained earnings	Total	Non-controlling interests	Total
As at 30 June 2019		4,868,000	4,423,893	3,318,457	2,788,427	(12,865)	17,740	(833)	829,911	16,232,730	22,949	16,255,679
Changes in equity for the period:												
Net profit for the period		–	–	–	–	–	–	–	738,229	738,229	1,966	740,195
Other comprehensive income		–	–	–	–	(10,339)	580	(390)	–	(10,149)	–	(10,149)
Total comprehensive income for the period		–	–	–	–	(10,339)	580	(390)	738,229	728,080	1,966	730,046
Issue of H shares	*31(a)*	970,650	2,203,709	–	–	–	–	–	–	3,174,359	–	3,174,359
Appropriation of profit												
– Appropriation to surplus reserve	*31(b)*	–	–	148,563	–	–	–	–	(148,563)	–	–	–
– Appropriation to general reserve	*31(c)*	–	–	–	–	–	–	–	–	–	–	–
– Dividends paid to shareholders	*32*	–	–	–	–	–	–	–	–	–	–	–
– Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	(735)	(735)
As at 31 December 2019		5,838,650	6,627,602	3,467,020	2,788,427	(23,204)	18,320	(1,223)	1,419,577	20,135,169	24,180	20,159,349

The accompanying notes form an integral part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months period ended 30 June 2020 – unaudited
(Amounts in thousands of Renminbi, unless otherwise stated)

	Note	**For the six months period ended 30 June 2020**	2019
Cash flows from operating activities			
Profit before income tax		**784,483**	787,195
Adjustments for:			
Impairment losses on assets		**1,054,122**	898,512
Depreciation and amortization		**131,733**	128,292
Accreted interest on credit-impaired		**(30,786)**	(22,732)
Unrealized foreign exchange gains		**(2,977)**	(7)
Net gains on disposal of property and equipment		**(3)**	(11)
Net trading gains		**(45,514)**	(45,192)
Net gains on disposal of investment securities		**(512,653)**	(428,285)
Share of profits of associate		**(14,356)**	(13,076)
Interest expense on debts securities issued		**801,831**	935,570
Interest expense on lease liabilities		**9,301**	–
		2,175,181	2,240,266
Changes in operating assets			
Net decrease in deposits with the central bank		**442,004**	1,988,156
Net increase in deposits with banks and other financial institutions		**(550,012)**	(100,000)
Net increase in loans and advances to customers		**(19,873,831)**	(9,461,523)
Net (increase)/decrease in financial assets held under resale agreements		**(621,026)**	8,597,016
Net decrease in other operating assets		**183,758**	39,823
		(20,419,107)	1,063,472

The accompanying notes form an integral part of this interim financial report.

	Note	For the six months period ended 30 June	
		2020	2019
Changes in operating liabilities			
Net increase in borrowings from the central bank		**247,200**	280,000
Net increase in deposits from banks and other financial institutions		**2,501,548**	143,592
Net decrease in placements from banks and other financial institutions		**(510,000)**	–
Net increase in financial assets sold under repurchase agreements		**2,739,474**	542,372
Net increase in deposits from customers		**15,583,147**	16,417,196
Income tax paid		**(200,404)**	(126,146)
Net increase/(decrease) in other operating liabilities		**697,287**	(346,967)
		21,058,252	16,910,047
Net cash flows generated from operating activities		**2,814,326**	20,213,785
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		**72,593,097**	59,020,911
Gains received from investment activities		**564,513**	422,777
Proceeds from disposal of property and equipment and other assets		**2,981**	518
Payments on acquisition of investments		**(72,971,885)**	(67,601,020)
Payments on acquisition of property and equipment, intangible assets and other assets		**(21,141)**	(746,804)
Net cash flows from/(used in) investing activities		**167,565**	(8,903,618)

The accompanying notes form an integral part of this interim financial report.

	Note	For the six months period ended 30 June	
		2020	2019
Cash flows from financing activities			
Proceeds from debt securities issued		**29,242,576**	19,441,191
Repayment of debt securities issued		**(32,120,000)**	(26,100,000)
Interest paid on debt securities issued		**(620,312)**	(778,869)
Dividends paid		**(4)**	(376,745)
Repayment of lease liabilities		**(31,654)**	(33,326)
Interest paid on lease liabilities		**(9,301)**	(11,570)
Net cash outflows used in financing activities		**(3,538,695)**	(7,859,319)
Effect of exchange rate changes on cash and cash equivalents		**3,129**	63
Net (decrease)/increase in cash and cash equivalents	*33(a)*	**(553,675)**	3,450,911
Cash and cash equivalents at beginning of the period		**7,894,947**	7,202,528
Cash and cash equivalents at end of the period	*33(b)*	**7,341,272**	10,653,439
Interest received		**4,443,808**	4,282,195
Interest paid (excluding interest expense on debt securities issued)		**(1,357,906)**	(1,299,261)

The accompanying notes form an integral part of this interim financial report.

1 Background Information

Jinshang Bank Co., Ltd. (the "**Bank**") (formerly Taiyuan City Commercial Bank Co., Ltd.) commenced business as a city commercial bank on 16 October 1998, according to the Approval on Commencement of Taiyuan City Commercial Bank Co., Ltd.《關於太原市商業銀行開業的批覆》(YinFu [1998] No. 323) issued by the People's Bank of China (the "**PBoC**"). According to the Approval on Change of Name for Taiyuan City Commercial Bank Co., Ltd.《關於太原市商業銀行更名的批覆》(YinJianFu [2008] No. 569) issued by the former China Banking Regulatory Commission (the former "**CBRC**"), Taiyuan City Commercial Bank Co., Ltd. was renamed as Jinshang Bank Co., Ltd. on 30 December 2008.

The Bank has been approved by the former CBRC (Shanxi Branch) to hold the financial business permit (No. B0116H214010001) and approved by the Shanxi Provincial Administration for Industry and Commerce to hold the business license (credibility code: 911400007011347302). As at 30 June 2020, the registered capital of the Bank was RMB5,838,650,000, with its registered office located at No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province. The Bank is regulated by the China Banking and Insurance Regulatory Commission (the "**CBIRC**") which was authorized by the State Council.

In July 2019, the Bank's H-shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 2558).

The principal activities of the Bank and its subsidiary (collectively the "**Group**") are the provision of corporate and personal deposits, loans and advances, settlement, financial market business and other banking services as approved by the CBIRC.

2 Basis of Preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of *the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*, including compliance with International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board ("**IASB**") and should be read in conjunction with the annual financial statements for the year ended 31 December 2019.

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

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

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

The interim financial report is unaudited but has been reviewed by Ernst & Young in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.

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

3 Changes in Accounting Polices

Except as described below, the accounting policies applied in these financial statements are the same as those applied in the last annual financial statements.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2020.

The Group adopted the following amendments from 1 January 2020.

IFRS 3 Amendments	*Definition of a Business*
IAS 1 and IAS 8 Amendments	*Definition of Material*
IFRS 16 Amendment	*Covid-19-Related Rent Concessions*

IFRS 3 Amendments clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to IAS 1 and IAS 8 provide a new definition of materiality. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions made by the primary users of general purpose financial statements based on those financial statements. The amendments clarify that materiality depends on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

IFRS 16 Amendment provides for rent relief because of COVID-19, which provides an exemption for lessees. For lease payments due before June 2021, lessees are not required to apply the guidance on accounting treatment of lease changes in IFRS 16 for rent relief granted due to the impact of COVID-19.

The adoption of the above amendments will not have a significant impact on the Group's operating results, financial status and comprehensive income.

4 Net Interest Income

	For the six months period ended 30 June	
	2020	2019
Interest income arising from		
Deposits with the central bank	**112,941**	131,200
Deposits with banks and other financial institutions	**23,831**	15,919
Placements with banks and other financial institutions	**24,579**	30,876
Loans and advances to customers		
– Corporate loans and advances	**2,016,625**	2,031,937
– Personal loans	**425,601**	354,794
– Discounted bills	**463,288**	411,455
Financial assets held under resale agreements	**121,334**	169,369
Financial investments	**1,315,340**	1,231,003
Subtotal	**4,503,539**	4,376,553
Interest expense arising from		
Borrowings from the central bank	**(13,092)**	(10,468)
Deposits from banks and other financial institutions	**(59,587)**	(52,544)
Placements from banks and other financial institutions	**(17,879)**	(8,117)
Deposits from customers	**(1,870,008)**	(1,616,434)
Financial assets sold under repurchase agreements	**(94,062)**	(74,941)
Debt securities issued	**(801,831)**	(935,570)
Lease liabilities	**–**	(11,570)
Subtotal	**(2,856,459)**	(2,709,644)
Net interest income	**1,647,080**	1,666,909

Interest income arising from loans and advances to customers included RMB31 million for the six months ended 30 June 2020 with respect to the accreted interest on credit-impaired loans (six months ended 30 June 2019: RMB23 million).

5 Net Fee and Commission Income

(a) Income and expense streams:

	For the six months period ended 30 June	
	2020	2019
Fee and commission income		
Agency service fees and others	**186,526**	111,612
Acceptance and guarantee service fees	**91,580**	73,381
Wealth management business fees	**74,291**	81,986
Bank card service fees	**73,076**	28,581
Settlement and clearing fees	**31,711**	32,674
Subtotal	**457,184**	328,234
Fee and commission expense		
Settlement and clearing fees	**(52,233)**	(9,863)
Bank card service fees	**(15,208)**	(610)
Agency commissions	**(6,934)**	(6,293)
Others	**(2,091)**	(3,439)
Subtotal	**(76,466)**	(20,205)
Net fee and commission income	**380,718**	308,029

(b) Disaggregation of income:

	For the six months period ended 30 June			
	2020		2019	
	At a point in time	**Over time**	At a point in time	Over time
Agency service fees and others	**143,590**	**42,936**	111,612	–
Acceptance and guarantee service fees	**–**	**91,580**	–	73,381
Wealth management business fees	**–**	**74,291**	–	81,986
Bank card service fees	**52,125**	**20,951**	28,581	–
Settlement and clearing fees	**31,711**	**–**	32,674	–
Total	**227,426**	**229,758**	172,867	155,367

6 Net Trading Gains

	For the six months period ended 30 June	
	2020	2019
Net gains from funds	**46,551**	43,547
Net gains from investment management products	**16,215**	7,008
Exchange gain	**2,977**	7
Net (losses)/gains from equity investments	**(853)**	3,373
Net losses from debt securities	**(16,399)**	(8,736)
Total	**48,491**	45,199

7 Net Gains Arising from Investment Securities

	For the six months period ended 30 June	
	2020	2019
Net gains on financial investments at fair value through profit or loss	**474,860**	425,621
Net gains on financial investments at fair value through other comprehensive income	**37,793**	2,664
Total	**512,653**	428,285

8 Other Operating Income

	For the six months period ended 30 June	
	2020	2019
Penalty income	**807**	584
Rental income	**594**	700
Income from long-term unwithdrawn items	**387**	37
Net gains on disposal of property and equipment	**3**	11
Government grants	**–**	300
Others	**10,129**	21,811
Total	**11,920**	23,443

9 Operating Expenses

	For the six months period ended 30 June 2020	2019
Staff costs		
– Salaries, bonuses and allowances	**335,304**	318,323
– Social insurance and annuity	**87,667**	110,507
– Housing allowances	**32,128**	33,583
– Employee education expenses and labour union expenses	**13,779**	17,397
– Staff welfares	**9,707**	9,542
– Supplementary retirement benefits	**1,530**	3,640
– Others	**693**	5,727
Subtotal	**480,808**	498,719
Depreciation and amortization	**131,733**	128,292
Taxes and surcharges	**33,809**	33,218
Rental and property management expenses	**20,101**	47,561
Other general and administrative expenses	**110,162**	91,444
Total	**776,613**	799,234

The Group's interest expense related to lease liabilities amounted to RMB9 million for the six months period ended 30 June 2020.

10 Impairment Losses on Assets

	For the six months period ended 30 June 2020	2019
Loans and advances to customers	**824,868**	97,737
Credit commitments	**167,845**	85,499
Financial investments	**47,704**	713,517
Deposits with banks and other financial institutions	**55**	104
Placements with banks and other financial institutions	**(8)**	16
Others	**13,658**	1,639
Total	**1,054,122**	898,512

11 Income Tax Expense

(a) Income tax:

	For the six months period ended 30 June	
	2020	2019
Current tax	**244,603**	221,926
Deferred tax	**(235,052)**	(176,984)
Total	**9,551**	44,942

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

		For the six months period ended 30 June	
		2020	2019
Profit before tax		**784,483**	787,195
Statutory tax rate		**25%**	25%
Income tax calculated at the statutory tax rate		**196,121**	196,799
Non-deductible expenses		**14,889**	4,891
Non-taxable income	*(i)*	**(201,459)**	(156,748)
Income tax		**9,551**	44,942

(i) The non-taxable income mainly represents the interest income arising from the People's Republic of China (the "**PRC**") government bonds, and dividends from domestic enterprises.

12 Basic and Diluted Earnings Per Share

	For the six months period ended 30 June	
	2020	2019
Net profit attributable to equity holders of the Bank	**779,795**	745,401
Weighted average number of ordinary shares (in thousands) (a)	**5,838,650**	4,868,000
Basic and diluted earnings per share attributable to equity holders of the Bank (in RMB)	**0.13**	0.15

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

(a) Weighted average number of ordinary shares (in thousands)

	For the six months period ended 30 June	
	2020	2019
Number of ordinary shares at the beginning of the period	**5,838,650**	4,868,000
Weighted average number of ordinary shares issued during the period	**–**	–
Weighted average number of ordinary shares	**5,838,650**	4,868,000

On 18 July 2019, the Bank issued 860 million H shares with a par value of RMB1 at an offering price of HKD3.82 per share. On 14 August 2019, the Bank exercised the over-allotment option and issued 111 million H shares with a par value of RMB1 at HKD3.82 per share.

Basic earnings per share has been computed by taking into account the aforesaid shares subscribed by the investors during the period.

13 Cash and Deposits with the Central Bank

	Note	**30 June 2020**	31 December 2019
Cash on hand		**355,386**	244,124
Deposits with the central bank			
– Statutory deposit reserves	*(a)*	**12,824,179**	13,048,479
– Surplus deposit reserves	*(b)*	**5,605,450**	5,554,358
– Fiscal deposits		**37,242**	254,946
Subtotal		**18,466,871**	18,857,783
Interest accrued		**5,714**	6,418
Total		**18,827,971**	19,108,325

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

	30 June 2020	31 December 2019
Reserve ratio for RMB deposits	**8.0%**	8.5%
Reserve ratio for foreign currency deposits	**5.0%**	5.0%

The statutory deposit reserves are not available for the Bank's daily business. The subsidiary of the Bank are required to place statutory RMB deposit reserve at rates determined by the PBoC.

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

14 Deposits with Banks and Other Financial Institutions

Analysed by type and location of counterparty

	30 June 2020	31 December 2019
Deposits in Mainland China		
– Banks	**747,116**	612,733
– Other financial institutions	**1,050,010**	536,059
Subtotal	**1,797,126**	1,148,792
Deposits outside Mainland China		
– Banks	**133,321**	147,672
Subtotal	**133,321**	147,672
Interest accrued	**15,461**	7,361
Less: Provision for impairment losses	**(221)**	(166)
Total	**1,945,687**	1,303,659

15 Placements with Banks and Other Financial Institutions

Analysed by type and location of counterparty

	30 June 2020	31 December 2019
Placements in Mainland China		
– Banks	**500,000**	1,300,000
Subtotal	**500,000**	1,300,000
Interest accrued	**26**	383
Less: Provision for impairment losses	**–**	(8)
Total	**500,026**	1,300,375

16 Financial Assets Held under Resale Agreements

(a) Analysed by type and location of counterparty

	30 June 2020	31 December 2019
In Mainland China		
– Banks	**12,761,830**	13,675,474
– Other financial institutions	**4,484,192**	2,949,522
Subtotal	**17,246,022**	16,624,996
Interest accrued	**1,342**	5,023
Less: Provision for impairment losses	**(1)**	(1)
Total	**17,247,363**	16,630,018

(b) Analysed by type of collateral held

	30 June 2020	31 December 2019
Securities		
– Government	**3,141,942**	1,095,000
– Policy Banks	**4,297,050**	1,779,923
– Commercial banks and other financial institutions	**206,800**	2,244,448
Subtotal	**7,645,792**	5,119,371
Bank acceptances	**9,600,230**	11,505,625
Subtotal	**17,246,022**	16,624,996
Interest accrued	**1,342**	5,023
Less: Provision for impairment losses	**(1)**	(1)
Total	**17,247,363**	16,630,018

As at 30 June 2020 and 31 December 2019, certain financial assets held under buyout resale agreements were pledged for repurchase agreements (Note 40(f)).

17 Loans and Advances to Customers

(a) Analysed by nature

	30 June 2020	31 December 2019
Loans and advances to customers measured at amortised cost:		
Corporate loans and advances	**85,494,158**	72,750,413
Personal loans		
– Residential mortgage loans	**11,809,099**	10,787,868
– Personal consumption loans	**1,416,578**	1,628,255
– Personal business loans	**2,536,750**	2,569,126
– Credit cards	**3,330,904**	2,850,087
Subtotal	**19,093,331**	17,835,336
Interest accrued	**617,526**	490,986
Less: Provision for loans and advances to customers measured at amortised cost	**(5,064,299)**	(4,260,918)
Subtotal	**100,140,716**	86,815,817
Loans and advances to customers measured at fair value through other comprehensive income:		
Corporate loans and advances	**191,121**	187,447
Discounted bills	**30,548,923**	24,709,293
Subtotal	**30,740,044**	24,896,740
Net loans and advances to customers	**130,880,760**	111,712,557

(b) **Loans and advances to customers (excluding interest accrued) analysed by industry sector**

	30 June 2020		
	Amount	**Percentage**	**Loans and advances secured by collateral**
Manufacturing	**26,400,497**	**19.51%**	**4,643,058**
Mining	**18,494,972**	**13.67%**	**1,994,303**
Real estate	**12,840,601**	**9.49%**	**4,544,852**
Wholesale and retail trade	**7,427,820**	**5.49%**	**2,683,216**
Leasing and commercial services	**5,541,896**	**4.10%**	**1,107,631**
Public administration, public security and social organisations	**5,362,813**	**3.96%**	**571,190**
Construction	**5,098,240**	**3.77%**	**740,935**
Transportation, storage and postal services	**1,337,560**	**0.99%**	**393,880**
Production and supply of electric power, gas and water	**1,192,420**	**0.88%**	**147,300**
Agriculture, forestry, animal husbandry and fishery	**378,135**	**0.28%**	**61,800**
Education	**36,687**	**0.03%**	**28,187**
Others	**1,573,638**	**1.15%**	**1,436,028**
Subtotal of corporate loans and advances	**85,685,279**	**63.32%**	**18,352,380**
Personal loans	**19,093,331**	**14.11%**	**5,812,037**
Discounted bills	**30,548,923**	**22.57%**	**30,548,923**
Gross loans and advances to customers	**135,327,533**	**100.00%**	**54,713,340**

	31 December 2019		
	Amount	Percentage	Loans and advances secured by collateral
Manufacturing	22,784,905	19.73%	4,131,709
Mining	16,645,944	14.41%	1,741,882
Real estate	11,386,899	9.86%	3,346,282
Wholesale and retail trade	5,964,871	5.17%	2,195,908
Leasing and commercial services	4,900,715	4.24%	1,076,901
Public administration, public security and social organisations	4,328,290	3.75%	585,726
Construction	3,949,962	3.42%	841,076
Transportation, storage and postal services	1,136,420	0.98%	405,100
Production and supply of electric power, gas and water	1,006,733	0.87%	249,273
Agriculture, forestry, animal husbandry and fishery	114,370	0.10%	33,870
Education	38,397	0.03%	29,897
Others	680,354	0.60%	549,325
Subtotal of corporate loans and advances	72,937,860	63.16%	15,186,949
Personal loans	17,835,336	15.44%	4,706,774
Discounted bills	24,709,293	21.40%	24,709,293
Gross loans and advances to customers	115,482,489	100.00%	44,603,016

(c) Analysed by type of collateral

	30 June 2020	31 December 2019
Unsecured loans	**11,341,944**	8,848,004
Guaranteed loans	**69,272,249**	62,031,469
Collateralised loans	**19,146,758**	15,528,913
Pledged loans	**35,566,582**	29,074,103
Subtotal	**135,327,533**	115,482,489
Interest accrued	**617,526**	490,986
Gross loans and advances to customers	**135,945,059**	115,973,475
Less: Provision for loans and advances to customers measured at amortised cost	**(5,064,299)**	(4,260,918)
Net loans and advances to customers	**130,880,760**	111,712,557

(d) Overdue loans (excluding interest accrued) analysed by overdue period

	30 June 2020				
	Overdue within three months (inclusive)	**Overdue more than three months to one year (inclusive)**	**Overdue more than one year to three years (inclusive)**	**Overdue more than three years**	**Total**
Unsecured loans	**47,867**	**46,026**	**21,778**	**197**	**115,868**
Guaranteed loans	**769,970**	**1,164,799**	**485,231**	**515,842**	**2,935,842**
Collateralised loans	**82,105**	**109,257**	**208,196**	**19,947**	**419,505**
Pledged loans	**1,990**	**9,500**	**9,804**	**3,371**	**24,665**
Total	**901,932**	**1,329,582**	**725,009**	**539,357**	**3,495,880**
As a percentage of gross loans and advances to customers	**0.66%**	**0.98%**	**0.54%**	**0.40%**	**2.58%**

	31 December 2019				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	25,754	19,338	11,450	30	56,572
Guaranteed loans	2,236,039	878,945	498,382	444,310	4,057,676
Collateralised loans	199,449	153,486	76,977	13,474	443,386
Pledged loans	86,723	–	10,000	971	97,694
Total	2,547,965	1,051,769	596,809	458,785	4,655,328
As a percentage of gross loans and advances to customers	2.21%	0.91%	0.52%	0.40%	4.04%

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

(e) Loans and advances and provision for impairment losses

	30 June 2020			
	Loans and advances that are assessed for expected credit losses over the next 12 months	**Loans and advances that are not credit-impaired and assessed for lifetime expected credit losses**	**Credit-impaired loans and advances that are assessed for lifetime expected credit losses *(i)***	**Total**
Total loans and advances to customers measured at amortised cost	**98,485,490**	**4,108,530**	**2,610,995**	**105,205,015**
Less: Provision for impairment losses	**(2,813,592)**	**(886,561)**	**(1,364,146)**	**(5,064,299)**
Carrying amount of loans and advances to customers measured at amortised cost	**95,671,898**	**3,221,969**	**1,246,849**	**100,140,716**
Carrying amount of loans and advances to customers easured at fair value through other comprehensive income	**30,737,644**	**–**	**2,400**	**30,740,044**
Net loans and advances to customers	**126,409,542**	**3,221,969**	**1,249,249**	**130,880,760**

	31 December 2019			
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit losses	Credit-impaired loans and advances that are assessed for lifetime expected credit losses (i)	Total
Total loans and advances to customers measured at amortised cost	84,559,772	4,376,354	2,140,609	91,076,735
Less: Provision for impairment losses	(2,223,034)	(906,674)	(1,131,210)	(4,260,918)
Carrying amount of loans and advances to customers measured at amortised cost	82,336,738	3,469,680	1,009,399	86,815,817
Carrying amount of loans and advances to customers asured at fair value through other comprehensive income	24,894,340	–	2,400	24,896,740
Net loans and advances to customers	107,231,078	3,469,680	1,011,799	111,712,557

(i) The loans and advances are "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the loans and advances have occurred. Evidence that loans and advances are credit-impaired includes the following observable data: significant financial difficulty of the borrower or issuer; a breach of contract, such as a default or delinquency in interest or principal payments; for economic or contractual reasons relating to the borrower's financial difficulty, the Group having granted to the borrower a concession that otherwise would not consider; it is probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or debts overdue more than 90 days.

(f) Movements in provision for impairment losses

(i) Movements in provision for impairment losses on loans and advances to customers measured at amortised cost:

	For the six months period ended 30 June 2020			
	Loans and advances that are assessed for expected credit losses over the next 12 months	**Loans and advances that are not credit-impaired and assessed for lifetime expected credit losses**	**Credit-impaired loans and advances that are assessed for lifetime expected credit losses**	**Total**
As at 1 January	**2,223,034**	**906,674**	**1,131,210**	**4,260,918**
Transferred:				
– to expected credit losses over the next 12 months	**3,914**	**(2,693)**	**(1,221)**	**–**
– to lifetime expected credit losses: not credit-impaired loans	**(23,423)**	**26,384**	**(2,961)**	**–**
– to lifetime expected credit losses: credit-impaired loans	**(2,774)**	**(110,617)**	**113,391**	**–**
Charge for the period	**612,841**	**66,813**	**152,314**	**831,968**
Recoveries	**–**	**–**	**2,199**	**2,199**
Other changes	**–**	**–**	**(30,786)**	**(30,786)**
As at 30 June	**2,813,592**	**886,561**	**1,364,146**	**5,064,299**

	Year ended 31 December 2019			
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit losses	Credit-impaired loans and advances that are assessed for lifetime expected credit losses	Total
As at 1 January	2,158,195	776,736	1,082,335	4,017,266
Transferred:				
– to expected credit losses over the next 12 months	968	(968)	–	–
– to lifetime expected credit losses: not credit-impaired loans	(50,757)	50,773	(16)	–
– to lifetime expected credit losses: credit-impaired loans	(8,696)	(148,717)	157,413	–
Charge for the year	123,324	228,850	656,094	1,008,268
Transfer out	–	–	(545,733)	(545,733)
Recoveries	–	–	928	928
Write-offs	–	–	(170,859)	(170,859)
Other changes	–	–	(48,952)	(48,952)
As at 31 December	2,223,034	906,674	1,131,210	4,260,918

(ii) ***Movements in provision for impairment of loans and advances to customers measured at fair value through other comprehensive income:***

	For the six months period ended 30 June 2020			
	Loans and advances that are assessed for expected credit losses over the next 12 months	**Loans and advances that are not credit-impaired and assessed for lifetime expected credit losses**	**Credit-impaired loans and advances that are assessed for lifetime expected credit losses**	**Total**
As at 1 January	**12,506**	**–**	**9,600**	**22,106**
Reversal for the period	**(7,100)**	**–**	**–**	**(7,100)**
As at 30 June	**5,406**	**–**	**9,600**	**15,006**

	Year ended 31 December 2019			
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit losses	Credit-impaired loans and advances that are assessed for lifetime expected credit losses	Total
As at 1 January	13,104	–	8,400	21,504
Reversal for the year	(598)	–	1,200	602
As at 31 December	12,506	–	9,600	22,106

Provision for impairment losses on loans and advances to customers measured at fair value through other comprehensive income is recognised in other comprehensive income without decreasing the carrying amount of loans and advances to customers presented in the statement of financial position, and impairment loss or gain is recognized in profit or loss.

(g) Disposal of loans and advances to customers

During the six months ended 30 June 2020, the Group did not transfer any loans and advances or a portfolio of customer loans.

During the year ended 31 December 2019, the Group transferred loans and advances with a gross amount of RMB644 million to independent third parties, and the transfer price was RMB98 million.

During the year ended 31 December 2019, the Group did not transfer any portfolio of customer loans and advances through the asset securitisation business.

18 Financial Investments

	Note	30 June 2020	31 December 2019
Financial investments measured at fair value through profit or loss	*(a)*	**31,613,334**	29,976,480
Financial investments measured at fair value through other comprehensive income	*(b)*	**7,525,371**	11,709,118
Financial investments measured at amortised cost	*(c)*	**54,140,978**	51,227,041
Total		**93,279,683**	92,912,639

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

	30 June 2020	31 December 2019
Debt securities issued by the following institutions in Mainland China		
– Government	**724,767**	696,031
– Policy banks	**1,032,315**	205,461
– Banks and other financial institutions	**478,985**	98,182
– Corporates	**448,068**	199,343
Subtotal	**2,684,135**	1,199,017
Fund investments	**26,249,024**	26,387,551
Investment management products	**2,621,931**	2,330,815
Other investments	**58,244**	59,097
Total	**31,613,334**	29,976,480

As at the end of each of the reporting periods, there were no investments subject to material restrictions in the realization.

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

	30 June 2020	31 December 2019
Debt securities issued by the following institutions in Mainland China		
– Government	**4,083,428**	4,265,396
– Policy banks	**1,549,443**	1,406,987
– Banks and other financial institutions	**391,367**	235,199
– Corporates	**100,436**	101,367
Interest accrued	**101,337**	98,145
Subtotal	**6,226,011**	6,107,094
Interbank deposits	**328,003**	4,678,317
Investment management products	**803,559**	743,270
Interests accrued	**16,608**	29,247
Subtotal	**820,167**	772,517
Equity investments	**151,190**	151,190
Total	**7,525,371**	11,709,118

(i) As at the end of each of the reporting period, there were no investments subject to material restrictions in the realisation.

(ii) Movements in provision for impairment of financial investments measured at fair value through other comprehensive income during the period:

	For the six months period ended 30 June 2020			
	Expected credit losses over the next 12 months	**Lifetime expected credit losses not credit – impaired**	**Lifetime expected credit losses credit – impaired**	**Total**
Balance at 1 January	**2,321**	**–**	**–**	**2,321**
Charge for the period	**6,478**	**–**	**–**	**6,478**
Balance at 30 June	**8,799**	**–**	**–**	**8,799**

	Year ended 31 December 2019			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit – impaired	Lifetime expected credit losses credit – impaired	Total
Balance at 1 January	1,449	–	–	1,449
Charge for the year	872	–	–	872
Balance at 31 December	2,321	–	–	2,321

Provision for impairment losses on financial investments measured at fair value through other comprehensive income is recognised in other comprehensive income without decreasing the carrying amount of financial investments presented in the statement of financial position, and impairment loss or gain is recognized in profit or loss.

(c) Financial investments measured at amortised cost

		30 June 2020	31 December 2019
Debt securities issued by the following institutions in Mainland China	*(i)*		
– Government		**25,078,431**	22,446,690
– Policy banks		**3,432,340**	3,552,145
– Corporates		**730,983**	640,914
Interest accrued		**422,226**	384,826
Subtotal		**29,663,980**	27,024,575
Interbank deposits		**840,830**	–
Investment management products		**24,700,041**	25,202,601
Interest accrued		**438,225**	460,737
Subtotal		**25,138,266**	25,663,338
Less: Provision for impairment losses	*(ii)*	**(1,502,098)**	(1,460,872)
Total		**54,140,978**	51,227,041

(i) As at the end of each of the reporting periods, certain debt securities were pledged for repurchase agreements (Note 40(f)).

(ii) Movements in provision for impairment losses of financial investments measured at amortised cost are:

	For the six months period ended 30 June 2020			
	Expected credit losses over the next 12 months	**Lifetime expected credit losses not credit – impaired**	**Lifetime expected credit losses credit – impaired**	**Total**
Balance at 1 January	**489,084**	**1,975**	**969,813**	**1,460,872**
Transfers:				
– to lifetime expected credit losses credit-impaired	**–**	**(1,975)**	**1,975**	**–**
Charge for the period	**13,964**	**–**	**27,262**	**41,226**
Balance at 30 June	**503,048**	**–**	**999,050**	**1,502,098**

	Year ended 31 December 2019			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit – impaired	Lifetime expected credit losses credit – impaired	Total
Balance at 1 January	468,002	37,064	452,470	957,536
Transfers:				
– to lifetime expected credit losses credit-impaired	(3,363)	(37,064)	40,427	–
Charge for the year	24,445	1,975	476,916	503,336
Balance at 31 December	489,084	1,975	969,813	1,460,872

(d) Financial investments analysed as follows

	30 June 2020	31 December 2019
Financial investments measured at fair value through profit or loss		
Debt securities		
– Listed	**2,171,685**	932,877
– Unlisted	**512,450**	266,140
Fund investments and others		
– Unlisted	**28,929,199**	28,777,463
Subtotal	**31,613,334**	29,976,480
Financial investments measured at fair value through other comprehensive income		
Debt securities		
– Listed	**4,988,847**	5,033,359
– Unlisted	**1,237,164**	1,073,735
Interbank deposits		
– Listed	**328,003**	4,678,317
Equity investments and investment management products		
– Unlisted	**971,357**	923,707
Subtotal	**7,525,371**	11,709,118
Financial investments measured at amortized cost		
Debt securities		
– Listed	**25,439,668**	23,959,043
– Unlisted	**4,195,526**	3,063,597
Interbank deposits		
– Listed	**840,830**	–
Investment management products		
– Unlisted	**23,664,954**	24,204,401
Subtotal	**54,140,978**	51,227,041
Total	**93,279,683**	92,912,639
Listed	**33,769,033**	34,603,596
Unlisted	**59,510,650**	58,309,043
Total	**93,279,683**	92,912,639

Interbank deposits traded in the Mainland China interbank bond market are included in "Listed".

19 Interest in an Associate

	30 June 2020	31 December 2019
Interest in an associate	**286,932**	272,576

The following table contains information about the Group's associate which is immaterial to the Bank and is an unlisted corporate entity whose quoted market price is not available:

	Percentages of equity/ voting rights			
Name	**30 June 2020**	31 December 2019	**Place of Incorporation/ registration**	**Business sector**
Jinshang Consumer Finance Co., Ltd. "Jinshang Consumer Finance"	**40%**	40%	Shanxi, China	Consumer finance

20 Investment in a Subsidiary

	30 June 2020	31 December 2019
Qingxu Village and Township Bank (清徐晉商村鎮銀行股份有限公司)	**25,500**	25,500

Qingxu Jinshang Village and Township Bank Co., Ltd (Qingxu Village and Township Bank) was incorporated on 19 January 2012, with registered capital of RMB50 million. The principal activities of Qingxu Village and Township Bank are the provision of corporate and retail banking services. As at 30 June 2020 and 31 December 2019, the Bank holds 51% of equity interests and voting rights of Qingxu Village and Township Bank.

21 Property and Equipment

	Premises	Office equipment	Motor vehicles	Electronic equipment	Leasehold improvement	Total
Cost						
As at 1 January 2019	811,653	35,873	14,716	388,306	368,755	1,619,303
Additions	783,927	4,158	–	44,240	14,565	846,890
Disposals	(6,528)	(210)	–	(2,686)	(28,379)	(37,803)
As at 31 December 2019	1,589,052	39,821	14,716	429,860	354,941	2,428,390
Additions	3,131	1,303	–	7,061	47	11,542
Disposals	–	(668)	–	(1,147)	–	(1,815)
As at 30 June 2020	**1,592,183**	**40,456**	**14,716**	**435,774**	**354,988**	**2,438,117**
Accumulated depreciation						
As at 1 January 2019	(228,083)	(24,443)	(13,192)	(303,818)	(303,141)	(872,677)
Charge for the year	(56,443)	(4,117)	(468)	(37,618)	(25,386)	(124,032)
Disposals	4,509	125	–	2,261	26,079	32,974
As at 31 December 2019	(280,017)	(28,435)	(13,660)	(339,175)	(302,448)	(963,735)
Charge for the period	(37,309)	(1,824)	(215)	(19,608)	(10,107)	(69,063)
Disposals	–	642	–	836	–	1,478
As at 30 June 2020	**(317,326)**	**(29,617)**	**(13,875)**	**(357,947)**	**(312,555)**	**(1,031,320)**
Net book value						
As at 31 December 2019	1,309,035	11,386	1,056	90,685	52,493	1,464,655
As at 30 June 2020	**1,274,857**	**10,839**	**841**	**77,827**	**42,433**	**1,406,797**

As at 30 June 2020, the net book values of premises of which title deeds were not yet finalized were RMB669 million (31 December 2019: RMB690 million). The Group is still in the progress of applying for the outstanding title deeds for the above premises. The directors of the Bank are of the opinion that there would be no significant costs in obtaining the title deeds.

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

	30 June 2020	31 December 2019
Held in Mainland China		
– Medium-term leases (10-50 years)	**1,274,857**	1,309,035

22 Deferred Tax Assets

(a) Analysed by nature

	30 June 2020		31 December 2019	
	Deductible/ (taxable) temporary differences	**Deferred income tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets				
– Allowance for impairment losses	**5,762,424**	**1,440,606**	4,937,139	1,234,285
– Accrued staff costs	**603,408**	**150,852**	597,791	149,448
– Others	**643,712**	**160,928**	539,469	134,867
Subtotal	**7,009,544**	**1,752,386**	6,074,399	1,518,600
Deferred income tax liabilities				
– Fair value changes of financial assets	**(294,284)**	**(73,571)**	(309,955)	(77,489)
Subtotal	**(294,284)**	**(73,571)**	(309,955)	(77,489)
Net balances	**6,715,260**	**1,678,815**	5,764,444	1,441,111

(b) Movements in deferred tax

	Allowance for impairment losses *(i)*	**Accrued staff costs**	**Change in fair value** *(ii)*	**Others**	**Net balance of deferred tax assets**
1 January 2019	1,046,712	144,712	(7,557)	84,885	1,268,752
Recognised in profit or loss	187,573	4,154	(71,688)	49,982	170,021
Recognised in other comprehensive income	–	582	1,756	–	2,338
31 December 2019	1,234,285	149,448	(77,489)	134,867	1,441,111
Recognised in profit or loss	206,321	1,071	1,754	26,061	235,207
Recognised in other comprehensive income	–	333	2,164	–	2,497
30 June 2020	**1,440,606**	**150,852**	**(73,571)**	**160,928**	**1,678,815**

(i) The Group made provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses was determined based on the expected recoverable amount of the relevant assets at the end of the reporting period. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of the reporting period, together with write-offs which fulfill specific criteria as set out in the PRC tax rules and are approved by the tax authorities.

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

23 Other Assets

		30 June 2020	31 December 2019
Right-of-use assets	*(a)*	**442,484**	503,471
Accounts receivable and prepayments		**431,657**	608,853
Intangible assets	*(b)*	**161,166**	167,971
Land use rights	*(c)*	**64,413**	65,786
Repossessed assets	*(d)*	**15,287**	14,562
Long-term deferred expenses		**9,224**	9,922
Interest receivables	*(e)*	**5,411**	69,983
Subtotal		**1,129,642**	1,440,548
Less: Allowances for impairment losses		**(28,908)**	(15,250)
Total		**1,100,734**	1,425,298

(a) Right-of-use assets

	Premises
Book value as at 1 January 2019	570,962
Additions	28,607
Accumulated depreciation	(96,098)
Book value as at 31 December 2019	503,471
Deductions	(11,475)
Accumulated depreciation	(49,512)
Book value as at 30 June 2020	**442,484**

(b) Intangible assets

	Computer software and system development
Cost	
As at 1 January 2019	247,485
Additions	56,002
Disposals	–
As at 31 December 2019	303,487
Additions	9,599
Disposals	(9,599)
As at 30 June 2020	**303,487**
Accumulated amortization	
As at 1 January 2019	(107,870)
Additions	(27,646)
Disposals	–
As at 31 December 2019	(135,516)
Additions	(13,763)
Disposals	6,958
As at 30 June 2020	**(142,321)**
Book value	
As at 31 December 2019	167,971
As at 30 June 2020	**161,166**

(c) Land use rights

	30 June 2020	31 December 2019
Located in Mainland China:		
10-50 years	**64,413**	65,786

The Group's right-of-use assets include the above fully prepaid land use rights and other right-of-use assets disclosed in note 23(a).

(d) Repossessed assets

	30 June 2020	31 December 2019
Land use right and buildings	**15,287**	14,562
Less: impairment allowances	**(1,709)**	(1,709)
Net balances	**13,578**	12,853

(e) Interest receivables

	30 June 2020	31 December 2019
Interest receivables arising from:		
Loans and advances to customers	**5,411**	69,983
Total	**5,411**	69,983

As at the end of each of the reporting periods, interest receivables only include interest that has been due for the relevant financial instruments but not yet received at the balance sheet date. Interest on financial instruments based on the effective interest method has been reflected in the balance of the corresponding financial instruments.

24 Deposits from Banks and Other Financial Institutions

Analysed by type of and location of counterparty

	30 June 2020	31 December 2019
Deposits in Mainland China		
– Banks	**2,594,169**	3,832,947
– Other financial institutions	**4,101,295**	360,969
Subtotal	**6,695,464**	4,193,916
Interest accrued	**42,791**	17,392
Total	**6,738,255**	4,211,308

25 Placements from Banks and Other Financial Institutions

Analysed by type and location of counterparty

	30 June 2020	31 December 2019
Placements in Mainland China		
– Banks	**1,400,000**	1,010,000
– Other financial institutions	**–**	900,000
Subtotal	**1,400,000**	1,910,000
Interest accrued	**1,214**	1,455
Total	**1,401,214**	1,911,455

26 Financial Assets Sold under Repurchase Agreements

(a) Analysed by type and location of counterparty

	30 June 2020	31 December 2019
In Mainland China		
– Banks	**14,227,792**	12,130,493
– Other financial institutions	**707,073**	64,898
Subtotal	**14,934,865**	12,195,391
Interest accrued	**5,218**	5,771
Total	**14,940,083**	12,201,162

(b) Analysed by type of collateral held

	30 June 2020	31 December 2019
Debt securities	**11,248,400**	8,118,550
Bank acceptances	**3,686,465**	4,076,841
Subtotal	**14,934,865**	12,195,391
Interest accrued	**5,218**	5,771
Total	**14,940,083**	12,201,162

27 Deposits from Customers

	30 June 2020	31 December 2019
Demand deposits		
– Corporate customers	**45,183,373**	42,147,037
– Individual customers	**9,814,138**	9,831,716
Subtotal	**54,997,511**	51,978,753
Time deposits		
– Corporate customers	**31,468,799**	26,598,692
– Individual customers	**67,139,649**	58,660,659
Subtotal	**98,608,448**	85,259,351
Pledged deposits		
– Acceptances	**13,248,381**	12,342,650
– Letters of credit and guarantees	**1,179,030**	940,743
– Letters of guarantees	**34,144**	49,150
– Others	**400,358**	2,288,930
Subtotal	**14,861,913**	15,621,473
Fiscal deposits	**74**	–
Inward and outward remittances	**93,331**	118,553
Interest accrued	**2,930,453**	2,344,100
Total	**171,491,730**	155,322,230

28 Debt Securities Issued

		30 June 2020	31 December 2019
Interbank deposits issued	*(a)*	**36,422,660**	43,300,165
Tier-two capital debts issued	*(b)*	**1,996,184**	1,995,749
Financial bonds issued	*(c)*	**8,998,464**	4,998,818
Subtotal		**47,417,308**	50,294,732
Interest accrued		**231,891**	50,372
Total		**47,649,199**	50,345,104

(a) Interbank deposits issued

(i) During the six months ended 30 June 2020, the Bank issued a number of certificates of interbank deposits with a total nominal amount of RMB25,020 million and duration between 1 to 12 months. The coupon interest rates ranged from 1.35% to 2.95% per annum.

(ii) In 2019, the Bank issued a number of certificates of interbank deposits with a total nominal amount of RMB43,950 million and duration between 1 to 12 months. The coupon interest rates ranged from 2.65% to 3.74% per annum.

(iii) As at 30 June 2020, the fair value of interbank deposits issued was RMB36,034 million (31 December 2019: RMB42,908 million).

(b) Tier-two capital debts issued

(i) The Bank issued 10-year fixed interest rate tier-two capital debts with a face value of RMB2,000 million on 19 August 2015. The coupon interest rate per annum is 5.80%. The Bank had an option to redeem the bonds at the end of the fifth year.

(ii) As at 30 June 2020, the fair value of the tier-two capital debts issued was RMB2,107 million (31 December 2019: RMB2,065 million).

(c) Financial bonds issued

(i) In April 2020, the Bank issued three-year financial bonds with a face value of RMB4,000 million. The coupon interest rate per annum is 3.00%. No financial bonds issued in 2019.

(ii) As at 30 June 2020, the fair value of financial bonds issued was RMB9,143 million (31 December 2019: RMB5,051 million).

29 Other Liabilities

		30 June 2020	31 December 2019
Dividend payable		**831,876**	189,628
Accounts payable in the process of clearance and settlement		**821,582**	583,917
Accrued staff cost	*(a)*	**639,334**	658,392
Provisions	*(b)*	**500,207**	332,362
Lease liabilities		**410,383**	462,813
Contract liabilities	*(c)*	**80,575**	67,101
Other taxes payable		**8,433**	60,053
Total		**3,292,390**	2,354,266

(a) Accrued staff cost

	30 June 2020	31 December 2019
Salary, bonuses and allowances payable	**396,416**	459,114
Supplementary retirement benefits payable	**43,506**	51,115
Pension and annuity payable	**91,018**	64,421
Other social insurance payable	**26,362**	11,887
Housing fund payable	**16,230**	12,343
Others	**65,802**	59,512
Total	**639,334**	658,392

Supplementary retirement benefits

The supplementary retirement benefits of the Group include an early retirement plan and a supplementary retirement plan. The early retirement plan is provided to employees who voluntarily agreed to retire before the retirement age during the period from the date of early retirement to the statutory retirement date. The supplementary retirement plan is provided to the Group's eligible employees.

(b) Provisions

		30 June 2020	31 December 2019
Provision for credit commitments	*(i)*	**500,207**	332,362

(i) Movements in provisions for credit commitments are as follows:

	For the six months period ended 30 June 2020			
	Expected credit losses over the next 12 months	**Lifetime expected credit losses not credit – impaired**	**Lifetime expected credit losses credit – impaired**	**Total**
Balance at 1 January	**308,738**	**21,732**	**1,892**	**332,362**
Transfers				
– to expected credit losses over the next 12 months	**258**	**(258)**	**–**	**–**
– to lifetime expected credit losses not credit-impaired	**(34)**	**34**	**–**	**–**
– to lifetime expected credit losses credit-impaired	**(6)**	**(83)**	**89**	**–**
Charge/(reversal) for the period	**175,135**	**(6,946)**	**(344)**	**167,845**
Balance at 30 June	**484,091**	**14,479**	**1,637**	**500,207**

	Year ended 31 December 2019			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit – impaired	Lifetime expected credit losses credit – impaired	Total
Balance at 1 January	168,335	12,282	2,920	183,537
Transfers				
– to expected credit losses over the next 12 months	151	(151)	–	–
– to lifetime expected credit losses not credit-impaired	(22)	22	–	–
– to lifetime expected credit losses credit-impaired	(3)	(2)	5	–
Charge/(reversal) for the year	140,277	9,581	(1,033)	148,825
Balance at 31 December	308,738	21,732	1,892	332,362

(c) Contract liabilities

As at 30 June 2020, the aggregate amount of the transaction prices allocated to the remaining performance obligations under the Group's existing contracts was RMB81 million (31 December 2019: RMB67 million). This amount represents income expected to be recognised in the future from acceptance and guarantee services. The Group will recognise the expected income in future when the services are provided.

30 Share Capital

Authorised and issued share capital

	30 June 2020	31 December 2019
Number of shares authorised, issued and fully paid at par value of RMB1 each	**5,838,650**	5,838,650

On 18 July 2019, the Bank issued 860 million H shares with a par value of RMB1 at an offering price of HKD3.82 per share. On 14 August 2019, the Bank exercised the over-allotment option and issued 111 million H shares with a par value of RMB1 at HKD3.82 per share. The capital contribution was verified by KPMG Huazhen LLP.

31 Reserves

(a) Capital reserve

	30 June 2020	31 December 2019
Share premium	**6,568,558**	6,568,558
Other capital reserve	**59,044**	59,044
Total	**6,627,602**	6,627,602

(b) Surplus reserve

The surplus reserve at the end of each of the reporting periods represented statutory surplus reserve and discretionary surplus reserve.

Pursuant to the Company Law of the PRC and the Articles of Association of the Bank, the Bank is required to appropriate 10% of its net profit on an annual basis under the People's Republic of China Generally Accepted Accounting Principles (PRC GAAP) after making good of the prior year's accumulated losses, to statutory surplus reserve until the balance reaches 50% of its registered capital.

The Bank may also appropriate discretionary surplus reserve in accordance with the resolution of the shareholders. For the six months period ended 30 June 2020, no resolution of discretionary surplus reserve was made by the shareholders.

(c) General reserve

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

(d) **Fair value reserve**

	For the six months period ended 30 June 2020	Year ended 31 December 2019
As at 1 January	**(23,204)**	(17,935)
Changes in fair value recognised in other comprehensive income	**(3,996)**	(4,053)
Transfer to profit or loss upon disposal	**(4,661)**	(2,972)
Less: deferred tax	**2,164**	1,756
As at 30 June/31 December	**(29,697)**	(23,204)

(e) **Impairment reserve**

	For the six months period ended 30 June 2020	Year ended 31 December 2019
As at 1 January	**18,320**	17,215
Impairment losses recognised in other comprehensive income	**(621)**	1,473
Less: deferred tax	**155**	(368)
As at 30 June/31 December	**17,854**	18,320

(f) **(Deficit)/Surplus on remeasurement of net defined benefit liability**

(Deficit)/Surplus on remeasurement of net defined benefit liability represents actuarial gains or losses, net of tax, from remeasuring the net defined benefit liability.

	For the six months period ended 30 June 2020	Year ended 31 December 2019
As at 1 January	**(1,223)**	525
Changes in fair value recognised in other comprehensive income	**(1,330)**	(2,330)
Less: deferred tax	**333**	582
As at 30 June/31 December	**(2,220)**	(1,223)

32 Retained Earnings

(a) Appropriation of profits

In accordance with the resolution at the Bank's Annual General Meeting on 9 June 2020, the shareholders approved the following profit appropriations for the year ended 31 December 2019 as follows:

- Appropriation of statutory surplus reserve based on 10% of the net profit;
- Declaration of cash dividend in an aggregate amount of approximately RMB642 million to all existing shareholders.

In accordance with the resolution at the Bank's Annual General Meeting on 29 April 2019, the shareholders approved the following profit appropriations for the year ended 31 December 2018 as follows:

- Appropriation of statutory surplus reserve based on 10% of the net profit;
- Appropriation of discretionary surplus reserve based on 10% of the net profit which amounted to approximately RMB132 million;
- Appropriation of general reserve amounted to approximately RMB227 million; and
- Declaration of cash dividend in an aggregate amount of approximately RMB487 million to all existing shareholders.

33 Notes to the Consolidated Statement of Cash Flows

(a) Net (decrease)/increase in cash and cash equivalents

	For the six months period ended 30 June	
	2020	2019
Cash and cash equivalents at the end of the period	**7,341,272**	10,653,439
Less: Cash and cash equivalents at the beginning of the period	**(7,894,947)**	(7,202,528)
Net (decrease)/increase in cash and cash equivalents	**(553,675)**	3,450,911

(b) Cash and cash equivalents

	30 June 2020	31 December 2019
Cash on hand	**355,386**	244,124
Deposits with the central bank other than restricted deposits	**5,605,450**	5,554,358
Deposits with banks and other financial institutions	**880,436**	796,465
Placements with banks and other financial institutions	**500,000**	1,300,000
Total	**7,341,272**	7,894,947

34 Capital Management

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

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

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

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

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

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

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

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

	30 June 2020	31 December 2019
Total core tier-one capital		
– Share capital	**5,838,650**	5,838,650
– Qualifying portion of capital reserve	**6,627,602**	6,627,602
– Surplus reserve	**3,467,020**	3,467,020
– General reserve	**2,788,427**	2,788,427
– Other comprehensive income	**(14,063)**	(6,107)
– Retained earnings	**1,557,120**	1,419,577
– Qualifying portions of non-controlling interests	**23,736**	14,030
Core tier-one capital	**20,288,492**	20,149,199
Core tier-one capital deductions	**(161,166)**	(167,971)
Net core tier-one capital	**20,127,326**	19,981,228
Other tier-one capital	**3,165**	1,871
Net tier-one capital	**20,130,491**	19,983,099
Tier-two capital		
– Instruments issued and share premium	**2,000,000**	2,000,000
– Surplus provision for loan impairment	**1,937,746**	1,699,559
– Qualifying portions of non-controlling interests	**6,330**	3,741
Net tier-two capital	**3,944,076**	3,703,300
Net capital base	**24,074,567**	23,686,399
Total risk weighted assets	**194,328,708**	174,157,429
Core tier-one capital adequacy ratio	**10.36%**	11.47%
Tier-one capital adequacy ratio	**10.36%**	11.47%
Capital adequacy ratio	**12.39%**	13.60%

35 Related Party Relationships and Transactions

(a) Related parties of the Group

(i) Major shareholders

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

Shareholdings in the Bank:

	30 June 2020	31 December 2019
Shanxi Financial Investment Holdings Limited (山西金融投資控股集團有限公司)	**12.25%**	12.25%
Huaneng Capital Services Co., Ltd. (華能資本服務有限公司)	**10.28%**	10.28%
Taiyuan Municipal Finance Bureau (太原市財政局)	**7.98%**	7.98%
Changzhi Nanye Industry Group Co., Ltd. (長治市南燁實業集團有限公司)	**7.72%**	7.72%
Shanxi Lu'an Mining (Group) Co., Ltd. (山西潞安礦業(集團)有限責任公司)	**6.15%**	6.15%
Shanxi International Electricity Group Limited Company (山西國際電力集團有限公司)	**5.14%**	5.14%
Shanxi Coking Coal Group Co., Ltd. (山西焦煤集團有限責任公司)	**4.99%**	4.99%
Changzhi Huashengyuan Mining Industry Co., Ltd. (長治市華晟源礦業有限公司)	**4.02%**	4.02%
Shanxi Jincheng Anthracite Mining Group Co., Ltd. (山西晉城無煙煤礦業集團有限責任公司)	**3.43%**	3.43%
Taiyuan Iron & Steel (Group) Co., Ltd. (太原鋼鐵(集團)有限公司)	**3.43%**	3.43%

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

(ii) Subsidiary of the Bank

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

(iii) Associate of the Bank

The detailed information of the Bank's associate is set out in Note 19.

(iv) Other related parties

Other related parties can be individuals or enterprises, which include: members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiary) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 35(a) or their controlling shareholders.

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

(i) Transactions between the Bank and its major shareholders:

	For the six months period ended 30 June **2020**	2019
Transactions during the period		
Interest income	**10,300**	13,828
Interest expense	**11,447**	5,723
Fee and commission income	**6**	–

	30 June 2020	31 December 2019
Balances at end of the period/year		
Loans and advances to customers	**346,581**	443,792
Deposits from customers	**652,062**	1,040,536

(ii) Transactions between the Bank and its subsidiary:

The subsidiary of the Bank is its related party. The transactions between the Bank and its subsidiary are eliminated on combination.

	For the six months period ended 30 June **2020**	2019
Transactions during the period		
Interest expense	**1,593**	1,765

	30 June 2020	31 December 2019
Balances at end of the period/year		
Deposits from banks and other financial institutions	**47,568**	208,756

(iii) Transactions between the Bank and its associate:

	For the six months period ended 30 June **2020**	2019
Transactions during the period		
Interest income	**18,024**	12,255
Interest expense	**431**	881
Fee and commission income	**11**	–

	30 June 2020	31 December 2019
Balances at end of the period/year		
Deposits with banks and other financial institutions	**1,050,000**	507,355
Deposits from banks and other financial institutions	**6,909**	1,175

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

	For the six months period ended 30 June	
	2020	2019
Transactions during the period		
Interest income	**325,446**	476,885
Interest expense	**97,160**	211,648
Operating expenses	**75**	84
Fee and commission income	**18,502**	7,311
Debt securities investments	**204,369**	179,153
Debt securities transferring	**1,759,267**	566,114

	30 June 2020	31 December 2019
Balances at end of the period/year		
Loans and advances to customers	**14,105,951**	7,994,624
Financial investments	**10,924,256**	7,553,445
Financial assets held under resale agreements	**298,711**	277,000
Other assets	**572**	–
Deposits from customers	**9,289,949**	10,390,421
Deposits from banks and other financial institutions	**4,978,210**	1,155,783
Other liabilities	**16,451**	3,302
Bank acceptances	**5,873,878**	3,396,692
Letters of credit	**1,012,500**	243,656
Loan commitments	**1,384,256**	1,673,485

(c) Key management personnel

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

(i) Transactions between the Bank and key management personnel

	For the six months period ended 30 June	
	2020	2019
Transactions during the period		
Interest income	**63**	110
Interest expense	**257**	269

	30 June 2020	31 December 2019
Balances at end of the period/year		
Loans and advances to customers	**1,435**	6,644
Deposits from customers	**26,464**	14,356

(ii) Key management personnel compensation

The aggregate compensation of key management personnel is as follows:

	For the six months period ended 30 June	
	2020	2019
Key management personnel compensation	**9,380**	6,459

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

	30 June 2020	31 December 2019
Aggregate amount of relevant loans outstanding at the end of the period/year	**1,435**	6,644
Maximum aggregate amount of relevant loans outstanding during the period/year	**6,824**	6,644

36 Segment Reporting

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

Corporate banking

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

Retail banking

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

Treasury business

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

Others

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

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

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

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

	For the six months period ended 30 June 2020				
	Corporate banking	**Retail banking**	**Treasury business**	**Others**	**Total**
Operating income					
External net interest income/(expense)	**1,878,832**	**(813,415)**	**581,663**	**–**	**1,647,080**
Internal net interest (expense)/income	**(191,283)**	**960,403**	**(769,120)**	**–**	**–**
Net interest income/(expense)	**1,687,549**	**146,988**	**(187,457)**	**–**	**1,647,080**
Net fee and commission income	**143,236**	**123,355**	**114,127**	**–**	**380,718**
Net trading gains	**–**	**–**	**45,514**	**2,977**	**48,491**
Net gains arising from investment securities	**–**	**–**	**512,653**	**–**	**512,653**
Other operating income	**–**	**–**	**–**	**11,920**	**11,920**
Operating income	**1,830,785**	**270,343**	**484,837**	**14,897**	**2,600,862**
Operating expenses	**(346,047)**	**(323,374)**	**(62,112)**	**(45,080)**	**(776,613)**
Impairment losses on assets	**(834,441)**	**(171,930)**	**(47,751)**	**–**	**(1,054,122)**
Share of profits of an associate	**–**	**–**	**–**	**14,356**	**14,356**
Profit/(loss) before tax	**650,297**	**(224,961)**	**374,974**	**(15,827)**	**784,483**
Other segment information					
– Depreciation and amortization	**62,316**	**58,233**	**11,184**	**–**	**131,733**
– Capital expenditure	**10,001**	**9,345**	**1,795**	**–**	**21,141**

	30 June 2020				
	Corporate banking	**Retail banking**	**Treasury business**	**Others**	**Total**
Segment assets	**114,791,085**	**18,597,206**	**132,087,662**	**–**	**265,475,953**
Deferred tax assets	**–**	**–**	**–**	**1,678,815**	**1,678,815**
Total assets	**114,791,085**	**18,597,206**	**132,087,662**	**1,678,815**	**267,154,768**
Segment liabilities	**97,458,804**	**77,471,792**	**71,940,099**	**–**	**246,870,695**
Total liabilities	**97,458,804**	**77,471,792**	**71,940,099**	**–**	**246,870,695**

	For the six months period ended 30 June 2019				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income/(expense)	1,507,407	(363,479)	522,981	–	1,666,909
Internal net interest (expense)/income	(15,717)	819,229	(803,512)	–	–
Net interest income/(expense)	1,491,690	455,750	(280,531)	–	1,666,909
Net fee and commission income	127,086	101,763	79,180	–	308,029
Net trading gains	–	–	45,199	–	45,199
Net gains arising from investment securities	–	–	428,285	–	428,285
Other operating income	1,000	–	–	22,443	23,443
Operating income	1,619,776	557,513	272,133	22,443	2,471,865
Operating expenses	(369,961)	(360,057)	(67,885)	(1,331)	(799,234)
Impairment losses on assets	(120,326)	(64,551)	(713,635)	–	(898,512)
Share of profits of an associate	–	–	–	13,076	13,076
Profit/(loss) before tax	1,129,489	132,905	(509,387)	34,188	787,195
Other segment information					
– Depreciation and amortization	59,485	57,892	10,915	–	128,292
– Capital expenditure	363,922	354,179	66,777	–	784,878

	31 December 2019				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	96,715,419	17,881,426	131,533,257	–	246,130,102
Deferred tax assets	–	–	–	1,441,111	1,441,111
Total assets	96,715,419	17,881,426	131,533,257	1,441,111	247,571,213
Segment liabilities	88,696,078	69,095,264	69,620,522	–	227,411,864
Total liabilities	88,696,078	69,095,264	69,620,522	–	227,411,864

37 Risk Management

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

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

Risk management system

The Group's risk management policies were established to identify and analyse the risks to which the Group is exposed, to set appropriate risk limits, and to design relevant internal control policies and systems for monitoring risks and adhering to risk limits. Risk management policies and relevant internal control systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Board of Directors is responsible for establishing and maintaining a robust and effective risk management system and determining general risk preference and risk tolerance of the Group. Based on the general strategy of the Group, the Committee of Risk Management under the Board reviews the Group's risk management system and basic principles, risk management strategies and internal control system framework. Senior management led by the president will be responsible for the control of credit risk, market risk, operational risk and approval of related policies and procedures; The Chief Risk Officer will be led by the president of the Bank. In addition, the Group set up the Department of Risk Management, Department of Credit Examination, Department of Asset and Liability Management, Department of Law and Compliance and the Audit Department based on the requirements of general risk management to perform respective functions in risk management, strengthen risk-covering portfolio management capabilities and conduct inspection on compliance with risk management policy of internal control system on a regular or irregular basis.

(a) Credit risk

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

Credit business

To identify, assess, monitor and manage credit risks, the Group has designed effective system frameworks, credit policies and processes for credit risk management and implemented systematic control procedures. The responsible department for credit risk management include the Risk Management Department and the Credit Approval Department. The Risk Management Department is responsible for implementing the Group's overall risk management system, as well as risk monitoring and control, the Risk Management Department is also responsible for formulating risk management policies. The Credit Approval Department is independent from customer relationship and product management departments, to ensure the independence of credit approval. Front office departments including the Corporate Business Department and the Personal Finance Department, carry out credit businesses according to the Group's risk management policies and procedures.

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

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

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

Stages of risks in financial instruments

The financial assets are categorised by the Group into the following stages to manage its financial assets' credit risk:

Stage 1: Financial assets have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12-month expected credit losses.

Stage 2: Financial assets have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime expected credit losses.

Stage 3: Financial assets that are in default and considered credit-impaired.

Significant increase in credit risk

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

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

– The credit spread increases significantly;

– Significant changes with an adverse effect that have taken place in the borrower's business, financial and economic status;

– Application of a grace period or debt-restructuring;

– Significant changes with an adverse effect in the borrower's business conditions;

– Less value of the collateral (for the collateral loans and pledged loans only);

– Early indicators of problems of cash flow/liquidity, such as late payment of accounts payable/ repayment of loans;

The borrowing is more than 30 days past due.

The Group uses watch lists to monitor credit risk of financial assets related to loans and treasury operations, and conducts regular assessments at the counterparty level. The standards used in determining whether credit risk increases significantly are regularly monitored and reviewed by management for appropriateness.

As at 30 June 2020 and 31 December 2019, the Group has not considered that any of its financial assets has lower credit risk and no longer compared the credit risk at the balance sheet date with that at the initial recognition to identify whether there was a significant increase in credit risk.

Definition of "default" and "credit-impaired assets"

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;

– the disappearance of an active market for securities because of financial difficulties of the issuer; or

– overdue more than 90 days.

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

Measurement of expected credit losses ("ECLs")

The Group adopts the ECL model to measure the provision for impairment losses on financial assets based on the stages categorised above.

The ECL is the result of the discounted product of probability of default (PD), exposure at default (EAD) and loss given default (LGD). The definitions of these terms are as follows:

– PD refers to the likelihood that a borrower will be unable to meet his repayment obligations over the next 12 months or the remaining lifetime of the loan;

– EAD is the amount that the Group should be reimbursed upon default of an obligor over the next 12 months or the remaining lifetime of the loan;

– LGD refers to the expected degree of loss arising from the exposure at default which is predicted by the Group. LGD varies according to different types of counterparties, methods and priority of recovering debts, and the availability of collateral or other credit support.

The Group determines the ECL by estimating the PD, LGD and EAD of individual exposure or asset portfolios in the future months. The Group multiplies these three parameters and makes adjustments according to the probability of their continuance (i.e. there is no prepayment or default at an earlier period). By adopting this approach, the Group can calculate the ECL for the future months. The results of the calculation for each month are then discounted to the balance sheet date and added up. The discount rate used in the calculation of the ECL is the initial effective interest rate or its approximate value.

The lifetime PD is deduced from using the maturity model or 12-month probability of default. The maturity model describes the development rule of the defaults of the asset portfolio over its lifetime. The model is developed based on historical observable data and applicable to all assets in the same portfolio with the same credit rating. The above method is supported by empirical analysis.

The 12-month EAD and lifetime EAD are determined based on expected repayment arrangements, which are different according to different types of products.

– In respect of the financial assets with instalment repayments and bullet repayment, the Group determines 12-month or lifetime EAD according to the repayment schedule agreed in the contract, and makes adjustment based on prediction of overlimit repayment and prepayments/refinancing made by the borrower.

– As to the off-balance sheet credit commitments, the parameter of EAD is calculated using the current exposure method, and obtained from multiplying the nominal amount of the off-balance sheet items on the balance sheet date by the credit conversion factor (CCF).

– The Group determines the 12-month loss given default (LGD) and lifetime LGD based on the factors that affect post-default recovery. LGD for different product types are different.

– As to financial assets classified as guarantees, the Group determines the loss given default (LGD) according to the types of collateral and their expected value, the discount rate at the compulsory sale, the recovery time and the estimated recovery cost.

– As to credit-based financial assets, the Group usually determines the loss given default (LGD) in the product level due to the limited differences in recoverable amounts from different borrowers.

Forward-looking economic information should be considered when determining the 12-month and lifetime probability of default, exposure at default and loss given default.

The Group quarterly monitors and reviews assumptions related to the calculation of expected credit losses, including the changes in PD and the value of collateral under the different time limits.

As at 30 June 2020 and 31 December 2019, there have been no significant changes in the estimate techniques and key assumptions of the Group.

Forward-looking information included in the expected credit loss model is as follows:

– Both the assessment of significant increase in credit risk and the measurement of expected credit losses involve forward-looking information. Based on the analysis on historical data, the Group identified critical economic indicators that affect the credit risk and expected credit losses of all asset portfolios, including gross domestic product (GDP), consumer price index (CPI), and producer price index (PPI), etc. The Group identified the relations between these economic indicators and the probability of default historically by conducting regression analysis, and identified the expected probability of default by predicting the future economic indicators.

– When judging whether there is significant increase in credit risk, the Group multiplies the lifetime PD at the benchmark and under other scenarios by the weight of the scenarios, and considers the qualitative and maximum indicators. The Group measures relevant provision for loss by the weighted 12-month ECL (for stage 1) or the weighted lifetime ECL (for stage 2 and stage 3). The above weighted credit losses are calculated from multiplying the ECL under the different scenarios by the weight of the corresponding scenarios.

– Similar to other economic forecasts, there is highly inherent uncertainty in the assessment of estimated economic indicators and the probability of occurrence, and therefore, the actual results may be materially different from the forecasts. The Group believes that these forecasts reflect the Group's best estimate of possible outcomes.

– Other forward-looking factors not incorporated in the above scenarios, such as the impact of regulatory and legal changes, have also been taken into account. However, they were not considered to have significant impacts, and the expected credit losses were not adjusted accordingly. The Group reviews and monitors the appropriateness of the above assumptions on a quarterly basis.

The Group assessed the expected credit losses as at 30 June 2020 and comprehensively considered the impact of the current economic condition on the expected credit losses, including: the operating and financial conditions of the borrowers and the extent of impact COVID-19. The Group has made deferred repayment arrangements for the borrowers affected by COVID-19 but will not judge that their credit risk will inevitably increase significantly based on the deferred repayment arrangements; combining the analysis of the impact of factors such as COVID-19 on economic development trends, performed forward-looking forecasts to key macroeconomic indicators.

(i) Maximum credit risk exposure

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

(ii) Financial assets analysed by credit quality are summarized as follows:

	30 June 2020				
	Loans and advances	**Deposits/ placements with banks and other financial institutions**	**Financial assets held under resale agreements**	**Financial investments***	**Others****
Balance of financial assets that are assessed for expected credit losses over the next 12 months					
– Overdue but not credit-impaired	37,674	–	–	–	–
– Neither overdue nor credit-impaired	128,574,109	2,430,447	17,246,022	91,700,541	75,268
Subtotal	128,611,783	2,430,447	17,246,022	91,700,541	75,268
Balance of financial assets that are not credit-impaired and assessed for lifetime expected credit losses					
– Overdue but not credit-impaired	848,483	–	–	–	–
– Neither overdue nor credit-impaired	3,253,872	–	–	–	246,497
Subtotal	4,102,355	–	–	–	246,497
Balance of credit-impaired financial assets that are assessed for lifetime expected credit losses					
– Overdue and credit-impaired	2,609,723	–	–	1,832,944	–
– Credit-impaired but not overdue	3,672	–	–	269,900	4,438
Subtotal	2,613,395	–	–	2,102,844	4,438
Interest accrued	617,526	15,487	1,342	978,396	–
Less: Provision for impairment losses	(5,064,299)	(221)	(1)	(1,502,098)	(27,199)
Net value	130,880,760	2,445,713	17,247,363	93,279,683	299,004

	31 December 2019				
	Loans and advances	Deposits/ placements with banks and other financial institutions	Financial assets held under resale agreements	Financial investments*	Others**
Balance of financial assets that are assessed for expected credit losses over the next 12 months					
– Overdue but not credit-impaired	1,339,642	–	–	–	–
– Neither overdue nor credit-impaired	107,623,484	2,596,464	16,624,996	91,160,927	178,047
Subtotal	108,963,126	2,596,464	16,624,996	91,160,927	178,047
Balance of financial assets that are not credit-impaired and assessed for lifetime expected credit losses					
– Overdue but not credit-impaired	1,185,741	–	–	–	–
– Neither overdue nor credit-impaired	3,190,613	–	–	300,000	137,883
Subtotal	4,376,354	–	–	300,000	137,883
Balance of credit-impaired financial assets that are assessed for lifetime expected credit losses					
– Overdue and credit-impaired	2,129,945	–	–	1,784,629	–
– Credit-impaired but not overdue	13,064	–	–	155,000	7,849
Subtotal	2,143,009	–	–	1,939,629	7,849
Interest accrued	490,986	7,744	5,023	972,955	–
Less: Provision for impairment losses	(4,260,918)	(174)	(1)	(1,460,872)	(13,541)
Net value	111,712,557	2,604,034	16,630,018	92,912,639	310,238

* Financial investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments measured at amortised cost.

** Others comprise interest receivables and other receivables in other assets.

Financial assets (excluding interests accrued) analysed by credit quality

	30 June 2020							
	Balance				Provision for impairment losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and deposits with the central bank	18,822,257	–	–	18,822,257	–	–	–	–
Deposits with banks and other financial institutions	1,930,447	–	–	1,930,447	(221)	–	–	(221)
Placements with banks and other financial institutions	500,000	–	–	500,000	–	–	–	–
Financial assets held under resale agreements	17,246,022	–	–	17,246,022	(1)	–	–	(1)
Loans and advances to customers	97,874,139	4,102,355	2,610,995	104,587,489	(2,813,592)	(886,561)	(1,364,146)	(5,064,299)
Financial investments	52,679,781	–	2,102,844	54,782,625	(503,048)	–	(999,050)	(1,502,098)
Other assets	75,268	246,497	4,438	326,203	(97)	(24,615)	(2,487)	(27,199)
Total	189,127,914	4,348,852	4,718,277	198,195,043	(3,316,959)	(911,176)	(2,365,683)	(6,593,818)
Financial assets at fair value through other comprehensive income								
Loans and advances to customers	30,737,644	–	2,400	30,740,044	(5,406)	–	(9,600)	(15,006)
Financial investments	7,407,426	–	–	7,407,426	(8,799)	–	–	(8,799)
Total	38,145,070	–	2,400	38,147,470	(14,205)	–	(9,600)	(23,805)
Credit commitments	52,228,357	351,328	4,337	52,584,022	(484,091)	(14,479)	(1,637)	(500,207)

	31 December 2019							
	Balance				Provision for impairment losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and deposits with the central bank	19,101,907	–	–	19,101,907	–	–	–	–
Deposits with banks and other financial institutions	1,296,464	–	–	1,296,464	(166)	–	–	(166)
Placements with banks and other financial institutions	1,300,000	–	–	1,300,000	(8)	–	–	(8)
Financial assets held under resale agreements	16,624,996	–	–	16,624,996	(1)	–	–	(1)
Loans and advances to customers	84,068,786	4,376,354	2,140,609	90,585,749	(2,223,034)	(906,674)	(1,131,210)	(4,260,918)
Financial investments	49,602,721	300,000	1,939,629	51,842,350	(489,084)	(1,975)	(969,813)	(1,460,872)
Other assets	178,047	137,883	7,849	323,779	(98)	(6,881)	(6,562)	(13,541)
Total	172,172,921	4,814,237	4,088,087	181,075,245	(2,712,391)	(915,530)	(2,107,585)	(5,735,506)
Financial assets at fair value through other comprehensive income								
Loans and advances to customers	24,894,340	–	2,400	24,896,740	(12,506)	–	(9,600)	(22,106)
Financial investments	11,581,726	–	–	11,581,726	(2,321)	–	–	(2,321)
Total	36,476,066	–	2,400	36,478,466	(14,827)	–	(9,600)	(24,427)
Credit commitments	40,701,255	555,697	6,227	41,263,179	(308,738)	(21,732)	(1,892)	(332,362)

Financial assets (excluding interest accrued) analysed by credit quality

	30 June 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Financial assets measured at amortised cost	**1.75%**	**20.95%**	**50.14%**	**3.33%**
Financial assets at fair value through other comprehensive income	**0.04%**	**N/A**	**80.00%**	**0.06%**
Credit commitments	**0.93%**	**4.12%**	**37.74%**	**0.95%**

	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	1.58%	19.02%	51.55%	3.17%
Financial assets at fair value through other comprehensive income	0.04%	N/A	80.00%	0.07%
Credit commitments	0.76%	3.91%	30.38%	0.81%

As at 30 June 2020, the fair value of collateral held against loans and advances that are not credit-impaired and assessed for lifetime expected credit losses amounted to RMB597 million (31 December 2019: RMB434 million). The fair value of collateral held against loans and advances that are credit-impaired and assessed for lifetime expected credit losses amounted to RMB623 million (31 December 2019: RMB574 million). The collateral mainly include land, buildings, machinery and equipment, etc. The fair value of collateral was estimated by the Bank based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

(iii) Rescheduled loans and advances to customers

The Group has no rescheduled loans and advances to customers at 30 June 2020 and 31 December 2019.

(iv) Credit rating

The Group adopts a credit rating approach for managing the credit risk arising from the debt securities portfolio. Debt securities are rated with reference to major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments (excluding interest accrued) analysed by the rating agency designations as at the end of the reporting period are as follows:

	30 June 2020	31 December 2019
Neither overdue nor impaired		
Ratings		
– AAA	**37,214,665**	33,212,536
– AA- to AA+	**659,109**	483,947
Subtotal	**37,873,774**	33,696,483
Unrated	**148,004**	149,297
Total	**38,021,778**	33,845,780

(b) Market risk

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

The Group has especially built up a market risk management structure and team. The Department of Risk Management takes the major responsibility for the exposure of market risk and preparation of relevant market risk management policies to submit to the Committee of Risk Management. According to the established standards and current management capabilities, the Group measures market risk with the major adoption of sensitivity analysis. Before the new products or new businesses are launched, their market risks will be identified according to regulations.

The major source of market risk of the Group is the asset and liability businesses involved in market operation and the risks in interest rate and exchange rate relating to products.

Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of financial markets business position.

Repricing risk

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

Trading interest rate risk

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

(i) The following tables indicate the assets and liabilities as at the end of the reporting period by the next expected repricing dates or by maturity dates, depending on which is earlier:

	30 June 2020					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	18,827,971	398,342	18,429,629	–	–	–
Deposits with banks and other financial institutions	1,945,687	17,461	1,178,216	750,010	–	–
Placements with banks and other financial institutions	500,026	26	500,000	–	–	–
Financial assets held under resale agreements	17,247,363	1,342	17,246,021	–	–	–
Loans and advances to customers *(Note (i))*	130,880,760	617,526	42,490,262	53,479,027	27,877,341	6,416,604
Financial investments *(Note (ii))*	93,279,683	28,170,562	4,937,283	16,242,760	28,781,236	15,147,842
Others	4,473,278	4,473,278	–	–	–	–
Total assets	267,154,768	33,678,537	84,781,411	70,471,797	56,658,577	21,564,446
Liabilities						
Borrowings from the central bank	1,118,017	817	–	1,117,200	–	–
Deposits from banks and other financial institutions	6,738,255	42,791	4,595,464	2,100,000	–	–
Placements from banks and other financial institutions	1,401,214	1,214	300,000	600,000	500,000	–
Financial assets sold under repurchase agreements	14,940,083	5,218	14,792,742	142,123	–	–
Deposits from customers	171,491,730	2,930,453	73,562,906	32,775,534	62,222,837	–
Debt securities issued	47,649,199	231,891	8,138,220	28,284,440	10,994,648	–
Others	3,532,197	3,532,197	–	–	–	–
Total liabilities	246,870,695	6,744,581	101,389,332	65,019,297	73,717,485	–
Asset-liability gap	20,284,073	26,933,956	(16,607,921)	5,452,500	(17,058,908)	21,564,446

	31 December 2019					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	19,108,325	505,488	18,602,837	–	–	–
Deposits with banks and other financial institutions	1,303,659	7,361	1,065,244	99,834	131,220	–
Placements with banks and other financial institutions	1,300,375	383	1,299,992	–	–	–
Financial assets held under resale agreements	16,630,018	5,023	10,111,157	6,513,838	–	–
Loans and advances to customers *(i)*	111,712,557	490,986	41,821,404	42,577,380	22,944,418	3,878,369
Financial investments *(ii)*	92,912,639	27,424,714	6,911,655	17,400,101	29,678,749	11,497,420
Others	4,603,640	4,603,640	–	–	–	–
Total assets	247,571,213	33,037,595	79,812,289	66,591,153	52,754,387	15,375,789
Liabilities						
Borrowings from the central bank	870,731	731	180,000	690,000	–	–
Deposits from banks and other financial institutions	4,211,308	17,392	1,513,916	2,680,000	–	–
Placements from banks and other financial institutions	1,911,455	1,455	900,000	1,010,000	–	–
Financial assets sold under repurchase agreements	12,201,162	5,771	12,195,391	–	–	–
Deposits from customers	155,322,230	2,344,100	68,952,874	27,992,998	55,985,232	47,026
Debt securities issued	50,345,104	50,372	14,008,106	29,292,059	6,994,567	–
Others	2,549,874	2,549,874	–	–	–	–
Total liabilities	227,411,864	4,969,695	97,750,287	61,665,057	62,979,799	47,026
Asset-liability gap	20,159,349	28,067,900	(17,937,998)	4,926,096	(10,225,412)	15,328,763

(1) As at 30 June 2020, for loans and advances to customers, the category “Less than three months” includes overdue amounts (net of provision for impairment losses) of RMB1,470 million (31 December 2019: RMB1,455 million).

(2) Financial investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments measured at amortised cost.

(ii) *Interest rate sensitivity analysis*

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group's net profit or loss and equity. The following table sets forth the results of the Group's interest rate sensitivity analysis on net profit and equity with an assumption that all other variables held constant.

	30 June 2020 (Decrease)/ Increase	31 December 2019 (Decrease)/ Increase
Change in net profit		
+ 100 basis points	**(104,540)**	(113,743)
- 100 basis points	**104,667**	117,867

	30 June 2020 (Decrease)/ Increase	31 December 2019 (Decrease)/ Increase
Change in equity		
+ 100 basis points	**(130,127)**	(242,004)
- 100 basis points	**130,265**	254,094

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

– Interest rate movements at the end of the reporting period apply to non-derivative financial instruments of the Group;

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

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

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

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

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

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

Foreign currency risk

The majority of the business of the Group is related to Renminbi, as well as a small amount of business related to United States dollars and other foreign currencies.

The changes in exchange rates will affect the financial position and cash flows of the Group. Due to the small amount of foreign currency business of the Group, the effect of foreign currency risk on the Group would be immaterial. The major principle of the Group's control on foreign currency risk is to achieve matching of assets and liabilities in each currency and to conduct daily monitoring on currency exposure.

The Group adopts sensitivity analysis to measure the possible effects of changes in exchange rates on net gains and losses and interests of the Group. As the foreign currency assets and liabilities account for an immaterial part of the total assets and total liabilities of the Group, the effect of changes in exchange rates on net gains and losses and interests of the Group would be immaterial.

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

	30 June 2020			
	RMB	***USD (RMB equivalent)***	***Other (RMB equivalent)***	***Total (RMB equivalent)***
Assets				
Cash and deposits with the central bank	**18,827,843**	**50**	**78**	**18,827,971**
Deposits with banks and other financial institutions	**1,774,408**	**37,893**	**133,386**	**1,945,687**
Placements with banks and other financial institutions	**500,026**	**–**	**–**	**500,026**
Financial assets held under resale agreements	**17,247,363**	**–**	**–**	**17,247,363**
Loans and advances to customers	**130,880,760**	**–**	**–**	**130,880,760**
Financial investments *(i)*	**93,279,683**	**–**	**–**	**93,279,683**
Others	**4,473,278**	**–**	**–**	**4,473,278**
Total assets	**266,983,361**	**37,943**	**133,464**	**267,154,768**
Liabilities				
Borrowings from the central bank	**1,118,017**	**–**	**–**	**1,118,017**
Deposits from banks and other financial institutions	**6,738,255**	**–**	**–**	**6,738,255**
Placements from banks and other financial institutions	**1,401,214**	**–**	**–**	**1,401,214**
Financial assets sold under repurchase agreements	**14,940,083**	**–**	**–**	**14,940,083**
Deposits from customers	**171,490,646**	**959**	**125**	**171,491,730**
Debt securities issued	**47,649,199**	**–**	**–**	**47,649,199**
Others	**3,364,795**	**36,316**	**131,086**	**3,532,197**
Total liabilities	**246,702,209**	**37,275**	**131,211**	**246,870,695**
Net position	**20,281,152**	**668**	**2,253**	**20,284,073**
Off-balance sheet credit commitments	**52,584,022**	**–**	**–**	**52,584,022**

	31 December 2019			
	RMB	*USD (RMB equivalent)*	*Others (RMB equivalent)*	*Total (RMB equivalent)*
Assets				
Cash and deposits with the central bank	19,108,193	55	77	19,108,325
Deposits with banks and other financial institutions	1,107,497	48,426	147,736	1,303,659
Placements with banks and other financial institutions	1,300,375	–	–	1,300,375
Financial assets held under resale agreements	16,630,018	–	–	16,630,018
Loans and advances to customers	111,712,557	–	–	111,712,557
Financial investments *(i)*	92,912,639	–	–	92,912,639
Others	4,603,640	–	–	4,603,640
Total assets	247,374,919	48,481	147,813	247,571,213
Liabilities				
Borrowings from the central bank	870,731	–	–	870,731
Deposits from banks and other financial institutions	4,211,308	–	–	4,211,308
Placements from banks and other financial institutions	1,911,455	–	–	1,911,455
Financial assets sold under repurchase agreements	12,201,162	–	–	12,201,162
Deposits from customers	155,321,102	1,002	126	155,322,230
Debt securities issued	50,345,104	–	–	50,345,104
Others	2,497,069	34,890	17,915	2,549,874
Total liabilities	227,357,931	35,892	18,041	227,411,864
Net position	20,016,988	12,589	129,772	20,159,349
Off-balance sheet credit commitments	41,263,179	–	–	41,263,179

(i) Financial investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income, financial investments measured at amortised cost.

(c) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to sustain its asset business or meet repayment obligations.

The Group plays an active part in managing liquidity risks and improves the related management system in terms of organisation, institution, system, management and mechanism. The organisational structure of the Group's liquidity risk management consists of the Board of Directors, senior management and its Risk Management Committee and Asset and Liability Management Committee, Department of Risk Liquidity Indicator Management, Department of Asset and Liability Management, Department of Corporate Business, Department of Individual Business, Department of International Business, Department of Credit Examination, Department of Financial Market, Department of Information Technology and Audit Department, responsible for formulating liquidity risk management strategy and establishing internal control mechanism to support the implementation and supervision of liquidity risk management strategy.

The measurement of liquidity risk of the Group adopts liquidity indicator and cash flow gap calculation. By stress testing, the Group sets up mild, moderate and severe scenarios to examine the capacity to withstand liquidity or liquidity crises and improve liquidity contingency measures. In terms of response to liquidity risks, the Group strengthens management and monitoring of liquidity limits; establishes related liquidity emergency leading groups, early-warning indicators for internal and external liquidity risks and indicators that could trigger contingency plans and monitors these indicators; builds up quality liquidity assets reserve and financing capability management; erects liquidity risk reporting mechanism, in which the asset and liability management department reports to the Asset and Liability Management Committee, senior management and the Board of Directors on issues related to the status, stress testing and contingency plans of liquidity risks on a regular basis.

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

	30 June 2020							
	Indefinite *(i)*	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with the central bank	12,861,421	5,960,836	5,714	–	–	–	–	18,827,971
Deposits with banks and other financial institutions	–	1,929,508	–	–	16,179	–	–	1,945,687
Placements with banks and other financial institutions	–	–	500,026	–	–	–	–	500,026
Financial assets held under resale agreements	–	–	15,851,070	1,396,293	–	–	–	17,247,363
Loans and advances to customers	858,112	228,054	8,204,297	15,290,504	56,364,592	29,619,429	20,315,772	130,880,760
Financial investments	1,120,032	26,249,024	1,453,303	3,642,055	15,991,246	29,387,199	15,436,824	93,279,683
Others	3,695,367	777,911	–	–	–	–	–	4,473,278
Total assets	18,534,932	35,145,333	26,014,410	20,328,852	72,372,017	59,006,628	35,752,596	267,154,768
Liabilities								
Borrowings from the central bank	–	–	817	–	1,117,200	–	–	1,118,017
Deposits from banks and other financial institutions	–	4,305,464	–	332,791	2,100,000	–	–	6,738,255
Placements from banks and other financial institutions	–	–	–	301,214	600,000	500,000	–	1,401,214
Financial assets sold under repurchase agreements	–	–	14,283,346	514,477	142,260	–	–	14,940,083
Deposits from customers	–	60,827,741	5,256,682	8,650,125	33,182,206	63,574,976	–	171,491,730
Debt securities issued	–	–	1,784,256	6,353,963	28,284,440	8,998,465	2,228,075	47,649,199
Others	–	3,432,892	–	–	80,424	18,881	–	3,532,197
Total liabilities	–	68,566,097	21,325,101	16,152,570	65,506,530	73,092,322	2,228,075	246,870,695
Net position	18,534,932	(33,420,764)	4,689,309	4,176,282	6,865,487	(14,085,694)	33,524,521	20,284,073

	31 December 2019							
	Indefinite *(i)*	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with the central bank	13,303,425	5,798,482	6,418	–	–	–	–	19,108,325
Deposits with banks and other financial institutions	–	665,078	236,119	–	402,462	–	–	1,303,659
Placements with banks and other financial institutions	–	–	1,300,375	–	–	–	–	1,300,375
Financial assets held under resale agreements	–	–	10,323,258	4,919,792	1,386,968	–	–	16,630,018
Loans and advances to customers	1,167,589	263,728	9,599,136	12,774,727	45,219,973	24,832,119	17,855,285	111,712,557
Financial investments	986,155	26,387,552	3,306,281	3,132,462	17,207,616	30,344,145	11,548,428	92,912,639
Others	3,767,156	836,484	–	–	–	–	–	4,603,640
Total assets	19,224,325	33,951,324	24,771,587	20,826,981	64,217,019	55,176,264	29,403,713	247,571,213
Liabilities								
Borrowings from the central bank	–	–	731	180,000	690,000	–	–	870,731
Deposits from banks and other financial institutions	–	513,916	–	1,151,685	2,545,707	–	–	4,211,308
Placements from banks and other financial institutions	–	–	900,443	1,012	1,010,000	–	–	1,911,455
Financial assets sold under repurchase agreements	–	–	12,136,265	64,897	–	–	–	12,201,162
Deposits from customers	–	57,442,897	3,739,047	8,497,576	28,620,210	56,975,471	47,029	155,322,230
Debt securities issued	–	–	2,635,902	11,372,204	29,292,059	5,007,037	2,037,902	50,345,104
Others	–	2,460,492	–	–	41,957	47,425	–	2,549,874
Total liabilities	–	60,417,305	19,412,388	21,267,374	62,199,933	62,029,933	2,084,931	227,411,864
Net position	19,224,325	(26,465,981)	5,359,199	(440,393)	2,017,086	(6,853,669)	27,318,782	20,159,349

(i) Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amount of loans and advances to customers includes all the impaired loans, as well as those overdue more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of "repayable on demand". Indefinite amount of investments represents impaired investments or those overdue more than one month. Equity investments are listed in the category of "indefinite".

The following tables provide an analysis of the contractual undiscounted cash flows of the non-derivative liabilities of the Group at the end of the reporting period:

	30 June 2020							
	Carrying amount	**Contractual undiscounted cash flow**	**Repayable on demand**	**Within one month**	**Between one month and three months**	**Between three months and one year**	**Between one year and five years**	**More than five years**
Non-derivative liabilities								
Borrowings from the central bank	**1,118,017**	**1,135,266**	**–**	**2,450**	**4,983**	**1,127,833**	**–**	**–**
Deposits from banks and other financial institutions	**6,738,255**	**6,759,245**	**4,352,726**	**–**	**304,469**	**2,102,050**	**–**	**–**
Placements from banks and other financial institutions	**1,401,214**	**1,456,574**	**–**	**3,514**	**305,855**	**617,884**	**529,321**	**–**
Financial assets sold under repurchase agreements	**14,940,083**	**14,944,045**	**–**	**14,285,975**	**514,855**	**143,215**	**–**	**–**
Deposits from customers	**171,491,730**	**179,672,839**	**60,833,014**	**5,502,104**	**9,137,394**	**35,181,749**	**69,018,578**	**–**
Debt securities issued	**47,649,199**	**49,352,596**	**–**	**1,786,542**	**6,380,545**	**28,733,304**	**9,627,286**	**2,824,919**
Other liabilities	**3,532,197**	**3,565,882**	**3,022,509**	**13,927**	**15,065**	**158,280**	**299,570**	**56,531**
Total non-derivative liabilities	**246,870,695**	**256,886,447**	**68,208,249**	**21,594,512**	**16,663,166**	**68,064,315**	**79,474,755**	**2,881,450**

	31 December 2019							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative liabilities								
Borrowings from the central bank	870,731	894,213	–	–	180,000	714,213	–	–
Deposits from banks and other financial institutions	4,211,308	4,311,499	513,916	–	1,178,111	2,619,472	–	–
Placements from banks and other financial institutions	1,911,455	1,944,669	–	901,033	–	1,043,636	–	–
Financial assets sold under repurchase agreements	12,201,162	12,195,884	–	12,130,823	65,061	–	–	–
Deposits from customers	155,322,230	160,194,769	57,284,116	3,575,262	8,133,390	28,409,502	62,734,871	57,628
Debt securities issued	50,345,104	52,046,000	–	2,640,000	11,440,000	30,186,000	5,664,000	2,116,000
Other liabilities	2,549,874	2,611,708	1,997,679	17,052	27,894	100,035	360,764	108,284
Total non-derivative liabilities	227,411,864	234,198,742	59,795,711	19,264,170	21,024,456	63,072,858	68,759,635	2,281,912

This analysis of the non-derivative liabilities by contractual undiscounted cash flows might be different from actual results.

(d) Operational risk

Operational risk refers to the risk of losses associated with internal process deficiencies, human mistakes and information system failures, or impact from other external events.

The Group has specified issues of operational risks, including its manifestation, management mode, reporting procedure, reporting cycle and statistics of loss and improved comprehensive risk management system, with major initiatives as follows:

– Establishment of operational risk management system in a crisscrossing manner. On the one hand, the Group establishes an operational risk management framework that is compatible with its nature, scale, complexity and risk characteristics, including the operational risk management mechanism that involves its board of directors, board of supervisors, senior management, head office and branches. On the other hand, a three-tier risk prevention system for the front office, middle office and back office has been established for every major risk faced by the Group.

– Formation of business philosophy of compliance and robustness. The Group fosters favourable control environment, including constant advances and promotion in operational risk culture by the board of directors and senior management.

– Preference to low operational risk under the framework of "robust" risk preference. By conducting controls on operational risk including identification, measurement, resolution, monitoring and reporting, the Group establishes mechanisms for risk avoidance, loss prediction, prevention, control, reduction, financing to control operational risk within the carrying capacity of the Group and maximise its profits.

– Prevention of operational risks based on the means of inspection and supervision. All departments and branches of the head office actively perform their duties of supervision and management, conduct routine and special inspections on operational risks in major businesses, establish ledger of all problems identified for rectification and check-off. Based on the inspection by departments, the internal audit department fully uses the off-site audit system, business risk early-warning system and remote monitoring system to detect violations and pay constant attention to risk-prone problems to prevent operational risks. In the meantime, inspections and investigations are exercised on key businesses, key institutions and key personnel to prevent operational risks.

– Combination of punishment and incentives to encourage compliance and standard operations. Integral management will be implemented on personnel who violate operational standards for strict ascertainment of responsibility; employees are encouraged to spontaneously disclose and actively report operational risks; internal management, compliance operation, inspection and supervision and swindle prevention and control of the head office and branches shall be quantitatively assessed for penalty points; innovative implementation of compliance and internal control management of institutions shall be assessed for bonus points.

– Substantive achievements in carrying out system training and improving staff operation skills have been effective in preventing operational risks for the Group.

38 Fair Value

(a) Methods and assumptions for measurement of fair value

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

(i) Debt securities and equity investments

The fair values of debt securities and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of the reporting period. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

(ii) Receivables and other non-derivative financial assets

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

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

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

(b) Fair value measurement

(i) Financial assets

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

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

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

Financial investments at fair value through other comprehensive income and financial assets at fair value through profit or loss are stated at fair value. The carrying amounts of financial investments at amortised cost are the reasonable approximations of their fair values because, for example, they are short-term in nature or repriced at current market rates frequently.

(ii) Financial liabilities

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

The book value and fair value of debt securities issued are presented in Note 28. The carrying amounts of other financial liabilities approximate to their fair values.

(c) Fair value hierarchy

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

- Level 1: Fair value measured using only Level 1 inputs, i.e., unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

- Level 2: Fair value measured using Level 2 inputs, i.e., observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and

- Level 3: Fair value measured using significant unobservable inputs.

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

	30 June 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements				
Assets				
Financial investments at fair value through profit or loss				
– debt securities	**–**	**2,536,131**	**148,004**	**2,684,135**
– fund investments	**–**	**26,249,024**	**–**	**26,249,024**
– investment management products	**–**	**345,486**	**2,276,445**	**2,621,931**
– other investments	**–**	**–**	**58,244**	**58,244**
Financial investments at fair value through other comprehensive income				
– debt securities and inberbank deposits	**–**	**6,554,014**	**–**	**6,554,014**
– investment management products	**–**	**820,167**	**–**	**820,167**
– equity investments	**–**	**–**	**151,190**	**151,190**
Loans and advances to customers measured at fair value through other comprehensive income:				
– corporate loans and advances	**–**	**191,121**	**–**	**191,121**
– discounted bills	**–**	**30,548,923**	**–**	**30,548,923**
Total	**–**	**67,244,866**	**2,633,883**	**69,878,749**

	31 December 2019			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Assets				
Financial investments at fair value through profit or loss				
– debt securities	–	1,049,720	149,297	1,199,017
– fund investments	–	26,387,551	–	26,387,551
– investment management products	–	54,371	2,276,444	2,330,815
– other investments	–	–	59,097	59,097
Financial investments at fair value through other comprehensive income				
– debt securities and internbank deposits	–	10,785,411	–	10,785,411
– equity investments	–	–	151,190	151,190
– investment management products	–	772,517	–	772,517
Loans and advances to customers measured at fair value through other comprehensive income:				
– corporate loans and advances	–	187,447	–	187,447
– discounted bills	–	24,709,293	–	24,709,293
Total	–	63,946,310	2,636,028	66,582,338

The movements during the six months ended 30 June 2020 in the balance of Level 3 fair value measurements are as follows:

				Total gains or losses		Purchases, issues, sales and settlements					
	1 January 2020	Transfer into Level 3	Transfer out of Level 3	Recorded in profit or loss	Recorded in other comprehensive income	Purchases	Issues	Sales	Settlements	30 June 2020	Unrealised gains or losses for the period included in profit or loss for assets held at the end of the period
Assets											
Financial assets at fair value through profit or loss											
– debt securities	149,297	–	–	(1,293)	–	–	–	–	–	148,004	(1,293)
– investment management products	2,276,444	–	–	1	–	–	–	–	–	2,276,445	1
– other investments	59,097	–	–	(853)	–	–	–	–	–	58,244	(853)
Subtotal	2,484,838	–	–	(2,145)	–	–	–	–	–	2,482,693	(2,145)
Financial investments at fair value through other comprehensive income											
– equity investments	151,190	–	–	–	–	–	–	–	–	151,190	–
Total	2,636,028	–	–	(2,145)	–	–	–	–	–	2,633,883	(2,145)

The movements during the year ended 31 December 2019 in the balance of Level 3 fair value measurements are as follows:

				Total gains or losses		Purchases, issues, sales and settlements					
	1 January 2019	Transfer into Level 3	Transfer out of Level 3	Recorded in profit or loss	Recorded in other comprehensive income	Purchases	Issues	Sales	Settlements	31 December 2019	Unrealised gains or losses for the period included in profit or loss for assets and liabilities held at the end of the period
Assets											
Financial assets at fair value through profit or loss											
– debt securities	134,330	–	–	14,967	–	–	–	–	–	149,297	14,967
– investment management products	3,627,708	–	–	(6,556)	–	–	–	–	(1,344,708)	2,276,444	(3,819)
– other investments	58,285	–	–	812	–	–	–	–	–	59,097	812
Subtotal	3,820,323	–	–	9,223	–	–	–	–	(1,344,708)	2,484,838	11,960
Financial investments at fair value through other comprehensive income											
– equity investments	151,190	–	–	–	–	–	–	–	–	151,190	–
Total	3,971,513	–	–	9,223	–	–	–	–	(1,344,708)	2,636,028	11,960

During the six months ended 30 June 2020 and the year ended 31 December 2019, there were no significant transfers among instruments in Level 1, Level 2 and Level 3.

39 Entrusted Lending Business

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

	30 June 2020	31 December 2019
Entrusted loans	**11,139,054**	11,100,352
Entrusted funds	**11,139,487**	11,105,820

40 Commitments and Contingent Liabilities

(a) Credit commitments

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

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

	30 June 2020	31 December 2019
Loan commitments		
– Original contractual maturity within one year	**1,175,327**	733,891
– Original contractual maturity more than one year (inclusive)	**5,889,757**	2,947,449
Credit card commitments	**6,439,045**	6,542,674
Subtotal	**13,504,129**	10,224,014
Acceptances	**34,382,785**	27,215,046
Letters of credit	**3,999,426**	3,344,576
Letters of guarantees	**697,682**	479,543
Total	**52,584,022**	41,263,179

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

(b) Credit risk-weighted amount for credit commitments

	30 June 2020	31 December 2019
Risk-weighted amounts for credit commitments	**26,671,135**	21,095,590

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

(c) Capital commitments

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

	30 June 2020	31 December 2019
Contracted but not paid for	**127,968**	100,315
Authorised but not contracted for	**–**	–
Total	**127,968**	100,315

(d) Outstanding litigations and disputes

As at 30 June 2020, the Group was the defendant in certain outstanding litigations and disputes with an estimated gross amounts of RMB18 million (31 December 2019: RMB1,015 million). The Group has assessed the impact of the above outstanding litigation and disputes that may lead to an outflow of economic benefits. In the opinion of the Group's lawyers and external lawyers, it is unlikely for the Group to receive unfavorable ruling in these cases. Therefore, the Group did not make provision for the litigation. The directors of the Bank are of the view that these litigations will not have any material adverse effects on the Group's businesses, financial condition, results of operations or prospects.

(e) Bonds underwriting commitments and redemption obligations

The Group has no outstanding bond underwriting commitments at the end of the reporting period.

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back its bonds if the holders decide to early redeem the bonds. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payable to the bond holders is calculated in accordance with relevant rules of the Ministry of Finance ("**MOF**") and the PBoC.

The redemption price may be different from the fair value of similar instruments traded in the markets at the redemption date. The redemption obligations below represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured at 30 June 2020 or 31 December 2019:

	30 June 2020	31 December 2019
Redemption obligations	**2,972,457**	3,363,845

(f) Pledged assets

(i) Assets pledged as collateral

	30 June 2020	31 December 2019
For repurchase agreements:		
– Financial investments measured at amortised cost	**12,063,635**	8,750,712
– Discounted bills	**691,968**	63,822
Total	**12,755,603**	8,814,534

Financial assets pledged by the Group as collateral for liabilities are mainly debt securities for repurchase agreements.

(ii) Pledged assets received

The Group conducts resale agreements under standard terms of placements, and holds collateral for these transactions. The Group's balance of the financial assets held under resale agreements is disclosed in Note 16. The fair value of such collateral accepted by the Group was RMB17,246 million as at 30 June 2020 (31 December 2019: RMB16,625 million). These transactions were conducted under standard terms in the normal course of business.

41 Involvement with Unconsolidated Structured Entities

(a) Structured entities sponsored by third party institutions in which the Group holds interests:

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

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

	30 June 2020		31 December 2019	
	Carrying amount	**Maximum exposure**	Carrying amount	Maximum exposure
Financial investments at fair value through profit or loss	**28,929,199**	**28,929,199**	28,718,366	28,718,366
Financial investments at fair value through other comprehensive income	**820,167**	**820,167**	772,517	772,517
Financial investments at amortised cost	**23,664,954**	**23,664,954**	24,204,400	24,204,400
Total	**53,414,320**	**53,414,320**	53,695,283	53,695,283

As at 30 June 2020 and 31 December 2019, the carrying amounts of the unconsolidated structured entities are equal to the maximum exposures.

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

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

For the six months ended 30 June 2020, the amount of fee and commission income received from the abovementioned structured entities by the Group was RMB74 million (six months ended 30 June 2019: RMB82 million).

As at 30 June 2020, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, was RMB31,522 million (31 December 2019: RMB31,274 million).

In September 2018, the Group transferred a portfolio of customer loans with a book value of RMB4,175 million to an unconsolidated securitization vehicle managed by an independent trust company, which issued asset-backed securities to investors. On 8 January 2020, all assets of the asset-backed securities have been recovered, and the trust liquidation was processed on 31 March 2020 (31 December 2019: the remaining balance amounted to RMB14 million).

Under the servicing arrangements with the independent trust company, the Group collects the cash flows of the transferred assets on behalf of the unconsolidated securitization vehicle. In return, the Group receives a fee that is expected to compensate the Group for servicing the related assets.

(c) Unconsolidated structured entities sponsored by the Group during the period in which the Group does not have interests in as at 30 June 2020:

For the six months ended 30 June 2020, the aggregate amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January but matured before 30 June was RMB2,147 million (six months ended 30 June 2019: RMB2,839 million).

42 Subsequent Events

On 21 August 2020, the Bank redeemed at face value all of the tier 2 capital bonds issued in 2015 with maturity of 10 years which amounted to RMB2,000 million.

Except for the event as disclosed above, the Group has no material events for disclosure subsequent to the end of the reporting period.

8. UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in thousands of Renminbi, unless otherwise stated)

The information set out below does not form part of the unaudited interim financial report, and is included herein for the purpose of providing information only.

In accordance with the Listing Rules and Banking (Disclosure) Rules, the Group discloses the unaudited supplementary financial information as follows:

1 Liquidity Coverage Ratio, Leverage Ratio and Net Stable Funding Ratio

(a) Liquidity coverage ratio

	30 June 2020	**Average for the period ended 30 June 2020**
Liquidity coverage ratio (RMB and foreign currencies)	**215.32%**	**225.24%**

	31 December 2019	Average for the year ended 31 December 2019
Liquidity coverage ratio (RMB and foreign currencies)	252.85%	240.44%

Pursuant to the Administrative Measures on the Liquidity Risk Management of Commercial Banks (Trial), the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018.

(b) Leverage ratio

	30 June 2020	31 December 2019
Leverage ratio	**6.56%**	7.16%

Pursuant to the Administrative Measures on the Leverage Ratio of Commercial Banks issued by the former CBRC effective since 1 April 2015, a minimum leverage ratio of 4% is required.

(c) Net Stable Funding Ratio

	30 June 2020	31 March 2020	31 December 2019
Net stable funding ratio	**139.77%**	138.99%	137.19%

Pursuant to the Administrative Measures on the Liquidity Risk Management of Commercial Banks, a minimum net stable funding ratio of 100% is required.

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

2 Currency Concentrations

	30 June 2020			
	US Dollars (RMB equivalent)	***HK Dollars (RMB equivalent)***	***Others (RMB equivalent)***	***Total***
Spot assets	**37,943**	**133,257**	**207**	**171,407**
Spot liabilities	**(37,275)**	**(130,991)**	**(220)**	**(168,486)**
Net position	**668**	**2,266**	**(13)**	**2,921**

	31 December 2019			
	US Dollars (RMB equivalent)	*HK Dollars (RMB equivalent)*	*Others (RMB equivalent)*	*Total*
Spot assets	48,481	147,605	208	196,294
Spot liabilities	(35,892)	(17,822)	(219)	(53,933)
Net position	12,589	129,783	(11)	142,361

As at 30 June 2020, the Group's structural position is RMB35 million.

3 International Claims

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

International claims include loans and advances to customers, balances with the central bank, amounts due from banks and other financial institutions.

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

	30 June 2020		
	Banks and other financial institutions	**Non-bank private sector**	**Total**
Asia Pacific	**133,174**	**–**	**133,174**
Europe	**147**	**–**	**147**
Total	**133,321**	**–**	**133,321**

	31 December 2019		
	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	147,524	–	147,524
Europe	148	–	148
Total	147,672	–	147,672

4 Gross Amounts of Overdue Loans and Advances

	30 June 2020	31 December 2019
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	**85,325**	812,558
– between 6 months and 1 year (inclusive)	**1,244,257**	239,211
– between 1 year and 3 years (inclusive)	**725,009**	596,809
– over 3 years	**539,357**	458,785
Total	**2,593,948**	2,107,363
Percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	**0.06%**	0.70%
– between 6 months and 1 year (inclusive)	**0.92%**	0.21%
– between 1 year and 3 years (inclusive)	**0.54%**	0.52%
– over 3 years	**0.40%**	0.40%
Total	**1.92%**	1.83%

9. PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement will be published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.jshbank.com). The 2020 interim report prepared in accordance with IFRSs will be published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.jshbank.com), and will be dispatched to holders of H Shares of the Bank in due course.

This interim results announcement is prepared in both English and Chinese languages. If there is any inconsistency between Chinese and English versions, the Chinese versions shall prevail.

By order of the Board
Jinshang Bank Co., Ltd.*
TANG Yiping
Vice Chairman

Taiyuan, August 27, 2020

As at the date of this announcement, the executive Directors are Mr. WANG Junbiao, Mr. TANG Yiping, Mr. WANG Peiming and Mr. RONG Changqing; the non-executive Directors are Mr. LI Shishan, Mr. XIANG Lijun, Mr. LIU Chenhang, Mr. LI Yang and Mr. WANG Jianjun; and the independent non-executive Directors are Mr. JIN Haiteng, Mr. SUN Shihu, Mr. WANG Liyan, Mr. DUAN Qingshan, Mr. SAI Zhiyi and Mr. YE Xiang.

* *Jinshang 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.*