

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



JIANGXI BANK CO., LTD.*

江西銀行股份有限公司*

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

(Stock Code: 1916)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

The board of directors (the “**Board**”) of Jiangxi Bank Co., Ltd. (the “**Bank**”) is pleased to announce the audited consolidated annual results (the “**Annual Results**”) of the Bank and its subsidiaries for the year ended December 31, 2019. This results announcement, containing the full text of the 2019 annual report of the Bank, complies with the relevant content requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to preliminary announcements of Annual Results. The Board and the audit committee of the Board have reviewed and confirmed the Annual Results.

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Bank (www.jx-bank.com). The annual report for the year ended December 31, 2019 will be dispatched to the shareholders of the Bank and will be available on the above websites in due course.

By Order of the Board
Jiangxi Bank Co., Ltd.
CHEN Xiaoming
Chairman

Nanchang, the PRC, March 27, 2020

As of the date of this announcement, the board of directors of the Bank comprises Mr. CHEN Xiaoming, Mr. LUO Yan and Mr. XU Jihong as executive directors; Mr. QUE Yong, Mr. LI Zhanrong, Mr. LIU Sanglin and Mr. DENG Jianxin as non-executive directors; and Ms. ZHANG Rui, Ms. ZHANG Wangxia, Mr. WONG Hin Wing and Ms. WANG Yun as independent non-executive directors.

* *Jiangxi 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.*

A tall, modern glass skyscraper with a distinctive V-shaped architectural feature in the center. The building is covered in blue-tinted glass panels. At the base, there is a logo and the text '江西银行 JIANGXI BANK'.

Contents

Chapter I Chairman's Statement	2
Chapter II Company Profile	4
Chapter III Summary of Accounting Data and Financial Indicators	8
Chapter IV Management Discussion and Analysis	11
Chapter V Changes in Share Capital and Information on Shareholders	82
Chapter VI Directors, Supervisors, Senior Management Members, Employees and Institutions	98
Chapter VII Corporate Governance Report	120
Chapter VIII Report of the Board of Directors	166
Chapter IX Report of the Board of Supervisors	175
Chapter X Important Matters	180
Chapter XI Internal Control and Internal Audit	184
Chapter XII Independent Auditor's Report	186
Chapter XIII Financial Statements	197
Chapter XIV Notes to the Financial Statements	206
Unaudited Supplementary Financial Information	359
Definitions	363

* This annual report is prepared in both Chinese and English. In the event of inconsistency, the Chinese version shall prevail.

^ For identification purpose only.

CHAPTER I CHAIRMAN'S STATEMENT



Mr. CHEN Xiaoming
Chairman

2019 is an unforgettable year by virtue of our endeavor. Facing the macroeconomic environment where changes exist in general stability and downward pressure continues to increase, Jiangxi Bank has comprehensively and deeply promoted the construction of the Party, devoted itself into its core business while returning to its original goals, and focused on the “Top Ten Actions”¹, striving for success in difficulty and progress in stability.

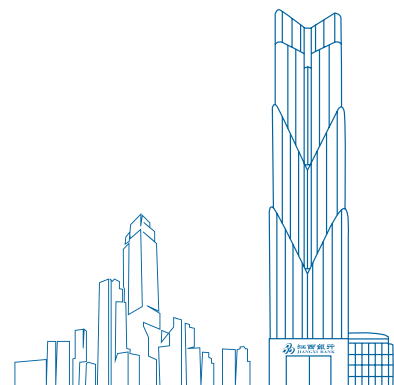
– We build up momentum and strength to make another success.

In 2019, our growth in size reached a new level, with our total assets exceeding RMB450 billion and our branches covering all cities divided into districts in Guangzhou, Suzhou and Jiangxi Province. Our brand image also reached a new level, ranking 258th among the Top 1,000 World Banks released by The Banker, a British magazine, and up 195 places from that upon its establishment, 9th on the list of “Domestic Banks with Fastest Growth Among Top 1,000 Banks in the World

for 2019”, and 35th among the “Top 100 Banks in China’s Banking Industry of 2019” released by China Banking Association. Re-election of the Board successfully concluded and job handover was smooth. The new Board kept on implementing various regulatory requirements, further improving rules and regulations and strengthening compliance and internal control, thereby promoting the continuous optimization of all works in the Bank.

– We work together and remain grateful for support.

In 2019, we were grateful for the concern and support from all social circles. We extended our gratitude to governments and regulatory authorities at all levels for their guidance from problem identification to rectification, which helped strengthen the foundation for our steady and long-term development. We also thanked our shareholders and clients for their trust by virtue of which we were all the more firm in forging ahead.



CHAPTER I CHAIRMAN'S STATEMENT

– Led by science and technology, we improve both quality and efficiency.

In 2019, we vigorously promoted the Science and Technology Action and strove to achieve inclusive finance to “quench thirst” for small and micro private enterprises. The unsecured, non-guaranteed and credit-based “Handheld Micro Loan” and “Micro Enterprise Loan” were launched. We deepened financial technological innovation by applying the “Finance + Blockchain” technology and launched “Cloud Enterprise Chain” to reduce the burden on enterprises by combining blockchain and supply chain finance. We vigorously developed smart finance by the launch of smart healthcare, smart campus, smart tourism and smart transportation, and accelerated the construction of the ecosystem of financial technology.

– As a financial entity, we engage in charity and go forward with duties on our shoulders.

In 2019, the construction of the hope primary school in Ninghong Village, Xiushui County, a poverty-stricken village in Jiangxi Province, was started, being the sixth hope primary school financed by Jiangxi Bank. We were concerned about the people and worked with love. We did our best to fulfill our social responsibilities in poverty alleviation by means of projects, industries and education to help beat poverty.

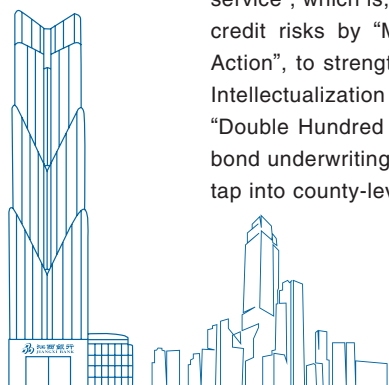
This Spring Festival started with the “fight against the epidemic with all Chinese uniting as one”. As a corporate citizen, we shared the same breath and destiny with the whole country. Firm in ensuring that the financial service channels were not blocked, the quality of financial services were not degraded, and the credit support remained sustained, we donated RMB23.11 million to Jiangxi Charity Federation for epidemic prevention and control, demonstrating our resolution to shoulder financial responsibility for the critical battle against epidemic and to gather the positive energy of optimism and kindness in finance.

– Those who struggle to paddle are the first to reach the destination, and those who walk step by step go far.

In 2020, ahead of us lie a situation still grim and tasks even more arduous. Under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, we will strengthen party leadership, make active transformations and strive for development, so as to enhance the quality and efficiency in serving real economy across the board.

Only when one walks steadily can one go far. We will stick to our original goal with perseverance, fulfill our mission with persistence, and embark on a brand new journey!

1. The “Top Ten Actions” is an important measure to implement the thinking of “stability, change, progress and service”, which is, specifically, to raise people’s compliance awareness by “Whistling Action”, to effectively defuse credit risks by “Mine-Sweeping Action”, to generate profits from non-performing assets by “Sword-Wielding Action”, to strengthen scientific and technological capabilities to keep up with the pace of the times by “Branch Intellectualization Action” and “Science and Technology Action”, to promote the steady growth of deposits by “Double Hundred Action”, to facilitate financial service innovation by “Characteristic Action”, to strive for higher bond underwriting volume in 2019 by “Must-Win Action”, to issue green financial bonds by “Green Action”, and to tap into county-level markets by “Blue Ocean Action”.

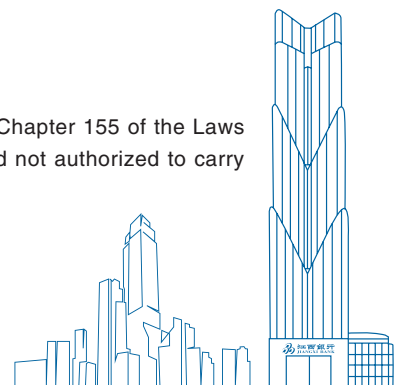


CHAPTER II COMPANY PROFILE

2.1 BASIC INFORMATION

Statutory Chinese name of the Company:	江西銀行股份有限公司*
Statutory English name of the Company:	JIANGXI BANK CO., LTD.*
Legal representative:	CHEN Xiaoming
Authorized representatives:	CHEN Xiaoming, NGAI Wai Fung
Secretary of the Board of Directors:	XU Jihong
Joint company secretaries:	XU Jihong, NGAI Wai Fung
Stock short name:	JIANGXI BANK
Stock Code:	1916
Unified Social Credit Code:	913601007055009885
Number of financial license:	B0792H236010001
Registered capital:	RMB6,024,276,901
Registered and office address:	Jiangxi Bank Tower, No. 699 Financial Street, Honggutan New District, Nanchang, Jiangxi Province, the PRC
Principal place of business in Hong Kong:	40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong
Contact number:	+86-791-86791008/+86-791-86791009
Fax:	+86-791-86771100
Website of the Bank:	www.jx-bank.com (the contents of the website do not form a part of this report)
Service hotline:	+86-956055
Domestic auditor:	KPMG Huazhen LLP
International auditor:	KPMG, Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
Legal advisor in mainland China:	Zhong Lun Law Firm
Legal advisor in Hong Kong:	Clifford Chance
Stock exchange on which H Shares are listed:	The Stock Exchange of Hong Kong Limited
H Share Registrar:	Computershare Hong Kong Investor Services Limited
Domestic shares custodian:	China Securities Depository and Clearing Corporation Limited
Compliance advisor:	SPDB International Capital Limited

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



CHAPTER II COMPANY PROFILE

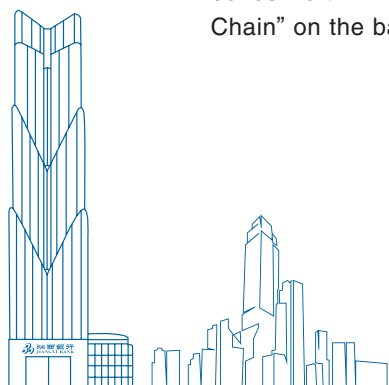
2.2 COMPANY PROFILE

Jiangxi Bank is the only legal person bank at provincial level in Jiangxi Province. Officially established in December 2015 and with its H shares listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1916) in June 2018, Jiangxi Bank has become the first listed financial enterprise in Jiangxi Province and the first overseas listed enterprise since the implementation of the “Yingshanhong Action” in Jiangxi Province.

As of the end of the Reporting Period, the Group has realized RMB2.957 billion in profit before tax and RMB2.109 billion in net profit, with the amount of its total assets, total deposits from customers and total loans and advances to customers reaching RMB456.119 billion, RMB284.549 billion and RMB210.017 billion, respectively. The Bank has over 5,000 in-service employees, has outlets covering all cities divided into districts in Jiangxi Province and established branches in Guangzhou and Suzhou. At the same time, the Bank initiated the establishment of the first financial leasing company in Jiangxi Province and 5 rural banks.

Since its inception, Jiangxi Bank has made rapid progress in various fields and gained wide recognition from many sectors of the society in many respects under the leadership of Jiangxi provincial party committee and provincial government as well as the strong support from all walks of life. The Bank was rated AAA by China Lianhe Credit Rating Company in its long-term credit rating for corporates. The Bank ranked 258th in the Top 1,000 World Banks ranking released by The Banker, a British magazine, 9th on the list of “Domestic Banks with Fastest Growth Among Top 1,000 Banks in the World for 2019”, and 35th among the “Top 100 Banks in China’s Banking Industry of 2019” released by China Banking Association.

Adhering to the business philosophy of “serving local economy, serving small and medium enterprises, and serving community residents”, Jiangxi Bank built a featured financial service system covering eight fields, i.e. “corporate finance, small and micro finance, community finance, government finance, industrial park finance, lease finance, consumer finance and network finance”, as well as over 100 products represented by five types of its financial products, striving to provide clients at different levels, of different types and with different demands with high-quality, efficient, convenient and comprehensive financial services, so as to financially boost local economic and social development as well as civilians’ entrepreneurship and wealth creation. At the same time, Jiangxi Bank continued to promote innovations in terms of ideas, accesses, products and technologies under the guidance of the culture of “creation”, its unique corporate culture, thus it managed to stay in the forefront of the industry in green finance, sci-tech finance and many other fields. As China’s first non-pilot bank, the Bank issued green financial bonds worth RMB8 billion, and launched the online factoring and financing business “Cloud Enterprise Chain” on the basis of combining finance and blockchain.



CHAPTER II COMPANY PROFILE

Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and guiding principles of the 19th National Congress of the Communist Party of China, the Bank will put the philosophy of “innovation, coordination, green, open and sharing” into effect, implement the decisions and deployments of the Jiangxi provincial party committee and provincial government, form the concept of compliance operation, strive to serve real economy, strengthen risk control, deepen reform and transformation, and aim to a first-rate city commercial bank group with coordinated and high efficiency, normalized management, distinctive features, good market influence, public recognition.

2.3 MAJOR AWARDS IN 2019

In January 2019, the Bank was awarded the honorary title of “Top 300 in Inter-bank Domestic Currency Market Transaction of 2018” by China Foreign Exchange Trade System & National Interbank Funding Centre.

In January 2019, the Bank was granted the “Top 100 for Clearing: Excellent Proprietary Institution Award” by China Central Depository & Clearing Co., Ltd..

In January 2019, the Bank was granted the “2018 HCE Advertising Outstanding Contribution Award” by China UnionPay.

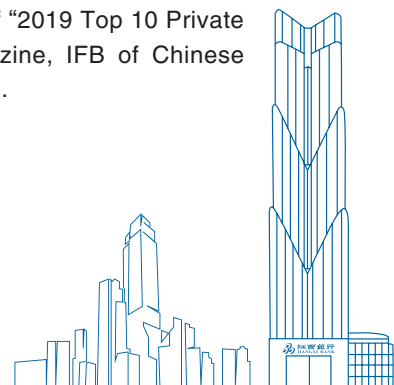
In January 2019, the security team of the Bank was awarded the honorary title of “2018 Advanced Security Team Directly Subordinate to the Province” by Security Corps of Jiangxi Public Security Department (江西省公安廳治安警察總隊).

In February 2019, the Bank was awarded the honorary title of “Excellent City Commercial Bank for China Banking Wealth Management Information Registration of 2018” by China Banking Wealth Management Registration & Depository Co., Ltd. (銀行業理財登記託管中心).

In February 2019, the Bank was granted the awards of “Core Trader in Inter-bank Domestic Currency Market of 2018”, “Outstanding Currency Market Trader in Inter-bank Domestic Currency Market of 2018” and “Award of Trading Mechanism Innovation in Inter-bank Domestic Currency Market of 2018” by China Foreign Exchange Trade System & National Interbank Funding Centre.

In April 2019, the Bank was awarded as a Grade A financial institution in Jiangxi Province in the assessment for protection of financial consumers’ interest for 2018 by the Nanchang Central Sub-branch of the People’s Bank of China.

In May 2019, Jiangxi Talent Serving Bank of the Bank was granted the award of “2019 Top 10 Private Enterprises for Financial Service Innovation” by The Chinese Banker magazine, IFB of Chinese Academy of Social Sciences and Central University of Finance and Economics.



CHAPTER II COMPANY PROFILE

In June 2019, the Bank was awarded the honorary title of “Advanced Unit for Comprehensive Management (Safety Construction) in the Province in 2018” by Political and Legal Commission of CPC Jiangxi Provincial Committee (中共江西省委政法委員會).

In July 2019, the Bank ranked 258th in terms of total tier-one capital in the top 1,000 World Banks ranking released by the British magazine The Banker, and 9th on the list of “Domestic Banks with Fastest Growth Among Top 1,000 Banks in the World for 2019”.

In November 2019, the Bank was granted the “Award of the Outstanding Contribution for Financial Science and Technology Innovation for the Year 2019 - Award of Development Innovation Contribution” by Financial Computerization magazine.

In November 2019, the customer service center of the Bank was granted the “Best Intelligent Team award of ‘The Voice of Customer Services’ ” by China Banking Association.

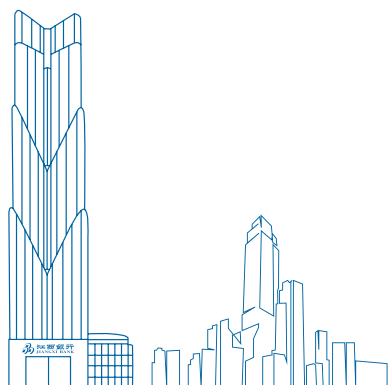
In December 2019, the Bank was granted the “Best Mobile Banking Innovation Award” jointly by China Financial Certification Center (CFCA) and www.cebnet.com.cn.

In January 2020, the Bank was awarded the honorary title of “Top 300 in Inter-bank Domestic Currency Market Transaction of 2019”, “Core Trader in Inter-bank Domestic Currency Market of 2019” and “Outstanding Trader in Currency Market of 2019” by China Foreign Exchange Trade System & National Interbank Funding Centre.

In January 2020, the Bank was awarded the honorary title of “Top 100 in China Bond Clearing for 2019”, “Excellent Proprietary Institution” and “Bond Business Advance Institution Awards” by China Central Depository & Clearing Co., Ltd.

In February 2020, the Bank was awarded the honorary title of “Excellent City Commercial Bank” for banking wealth management information registration of 2019 by China Banking Wealth Management Registration & Depository Co., Ltd. (銀行業理財登記託管中心有限公司).

In March 2020, the Bank ranked 35th among the “Top 100 Banks in China’s Banking Industry of 2019” released by China Banking Association.

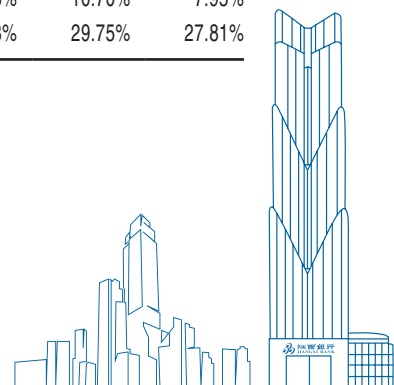


CHAPTER III SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

3.1 FINANCIAL DATA

Financial information set out in this annual report has been prepared on a combined basis in accordance with International Financial Reporting Standards. Unless otherwise stated, data of the Group are denominated in RMB.

	2019	2018	The end of 2019 compared to the end of 2018	2017	2016	2015
Operating results (in millions of RMB)			Change rate (%)			
Net interest income	10,618.88	8,915.52	19.11	7,481.10	7,826.18	6,241.05
Net fee and commission income	666.98	653.29	2.10	1,490.62	961.76	547.74
Operating income	12,952.81	11,350.61	14.12	9,452.27	8,984.44	6,892.31
Operating expenses	(3,508.05)	(3,529.63)	(0.61)	(3,147.38)	(2,957.63)	(2,399.10)
Impairment losses on assets	(6,489.59)	(4,438.37)	46.22	(2,575.80)	(3,614.49)	(3,515.90)
Profit before taxation	2,957.16	3,367.07	(12.17)	3,741.11	2,413.44	965.59
Profit for the year	2,109.16	2,771.27	(23.89)	2,914.82	1,677.87	772.82
Profit attributable to equity shareholders of the Bank	2,050.59	2,733.56	(24.98)	2,865.22	1,637.35	772.57
Per share (in RMB)			Change rate (%)			
Net assets per share attributable to equity shareholders of the Bank	5.72	5.35	6.92	4.85	4.41	4.13
Basic earnings per share	0.34	0.51	(33.33)	0.61	0.35	0.27
Indicators for profitability			Change			
Average return on total assets ⁽¹⁾	0.48%	0.70%	(0.22%)	0.85%	0.64%	0.42%
Average return on equity ⁽²⁾	6.15%	9.95%	(3.80%)	13.12%	8.19%	5.03%
Net interest spread ⁽³⁾	2.53%	2.09%	0.44%	2.19%	2.85%	3.43%
Net interest margin ⁽⁴⁾	2.59%	2.31%	0.28%	2.26%	3.05%	3.69%
Net fee and commission income to operating income	5.15%	5.76%	(0.61%)	13.13%	10.70%	7.95%
Cost-to-income ratio ⁽⁵⁾	26.08%	30.48%	(4.40%)	32.18%	29.75%	27.81%



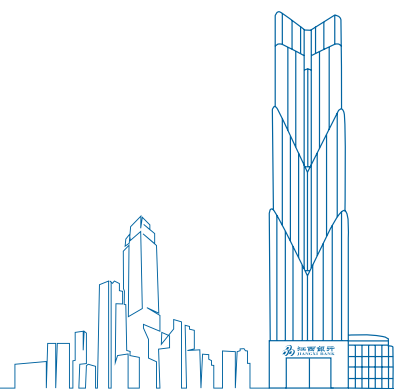
CHAPTER III SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

	2019	2018	The end of 2019 compared to the end of 2018	2017	2016	2015
Indicators for volume (in millions of RMB)			Change rate (%)			
Total assets	456,118.53	419,064.27	8.84	370,005.30	313,740.79	211,448.81
Including: net loans and advances						
to customers	202,989.37	165,523.32	22.63	124,769.38	104,153.65	82,253.43
Total liabilities	421,030.83	386,252.94	9.00	346,733.24	292,568.46	191,645.57
Including: deposits from customers	284,548.91	260,448.65	9.25	243,837.35	191,137.77	144,038.11
Share capital	6,024.28	6,024.28	–	4,678.78	4,678.78	4,678.78
Equity attributable to equity shareholders						
of the Bank	34,456.26	32,226.22	6.92	22,713.74	20,641.56	19,312.99
Non-controlling interests	631.44	585.11	7.92	558.32	530.77	490.25
Total equity	35,087.70	32,811.33	6.94	23,272.06	21,172.33	19,803.24
Indicators for quality of assets			Change			
Non-performing loan ratio	2.26%	1.91%	0.35%	1.64%	1.68%	1.81%
Provision coverage ratio ⁽⁶⁾	165.65%	171.42%	(5.77%)	215.17%	210.94%	218.93%
Provision ratio of loans ⁽⁷⁾	3.74%	3.27%	0.47%	3.54%	3.55%	3.96%
Indicators for capital adequacy ratio			Change			
Core tier-one capital adequacy ratio	9.96%	10.78%	(0.82%)	9.38%	10.87%	12.64%
Tier-one capital adequacy ratio	9.97%	10.79%	(0.82%)	9.40%	10.87%	12.64%
Capital adequacy ratio	12.63%	13.60%	(0.97%)	12.90%	11.94%	14.24%
Total equity to total assets	7.69%	7.83%	(0.14%)	6.29%	6.75%	9.37%
Other indicators			Change			
Liquidity coverage ratio	205.12%	206.46%	(1.34%)	247.22%	475.02%	192.00%
Liquidity ratio	58.74%	57.93%	0.81%	47.94%	58.47%	50.91%
Loan-to-deposit ratio	73.81%	65.46%	8.35%	53.04%	56.49%	59.46%



CHAPTER III SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

- Notes: (1) Represents the net profit for the period as a percentage of the average balance of total assets at the beginning and the end of the period.
- (2) Represents the net profit attributable to shareholders of the Bank for the period as a percentage of the average balance of total equity attributable to shareholders of the Bank at the beginning and the end of the period.
- (3) The difference between the average yield on interest-earning assets and the average cost on interest-bearing liabilities.
- (4) Divided net interest income by average interest-earning assets.
- (5) Calculated by dividing operating expenses (excluding tax and surcharges) by operating income.
- (6) Calculated by dividing the amount of the allowance for impairment losses on loans by the total amount of non-performing loans.
- (7) Calculated by dividing the amount of the allowance for impairment losses on loans by the total amount of loans and advances to customers.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

4.1 REVIEW OF THE ECONOMIC, FINANCIAL AND POLICY ENVIRONMENT

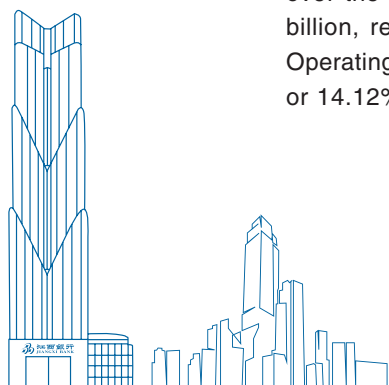
During the Reporting Period, China continued to pursue supply-side structural reform as the main task for economic development and took solid steps to ensure stable employment, stable financial sector, stable foreign trade, stable foreign investment, stable domestic investment, and stable expectations, so as to ensure sustained, healthy economic and social development. According to National Bureau of Statistics, China's GDP reached RMB99.09 trillion in 2019, representing a year-on-year growth of 6.1%. As of the end of 2019, the balance of broad money (M2) was RMB198.65 trillion, representing a year-on-year increase of 8.7%; the balance of loans in domestic and foreign currencies was RMB158.6 trillion, up by 11.9% year on year; the balance of deposits in domestic and foreign currencies was RMB198.16 trillion, representing a year-on-year growth of 8.6%; and the aggregate financing to the real economy (stock) was RMB251.31 trillion, up by 10.7% year on year. In 2019, the economic development of Jiangxi Province in China, where the Bank's main business activities are located, manifested the development trend of "overall stability, steady progress and steady improvement". Main economic indicators kept growing at a moderate or high speed, ranking among the highest in the country. The province's GDP reached RMB2.48 trillion, up by 8.0% over last year, which was 1.9 percentage points higher than the national average and the growth rate ranked No.4 in the country, No.1 in central China and Top 5 in China for 20 consecutive quarters. The value added of industrial enterprises above designated size increased by 8.5%, which was 2.8 percentage points higher than the national average and the growth rate ranked No.3 in the country and No.1 in central China. The growth rate of total retail sales of social consumer goods ranked first in the country.

4.2 GENERAL OPERATION SUMMARY

In 2019, confronted with complex and severe internal and external situations, Jiangxi Bank adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, followed the policies and plans made by Jiangxi provincial party committee and provincial government, and complied with the requirements of superior regulatory authorities. The Bank rose to challenges and took solid steps, as a result of which its operation was further expanded and various jobs were accomplished.

I. The overall scale enjoyed steady growth

As of the end of the Reporting Period, the total assets of the Group amounted to RMB456.119 billion, representing an increase of RMB37.054 billion or 8.84% over the end of last year. Total deposits amounted to RMB284.549 billion, representing an increase of RMB24.1 billion or 9.25% over the end of last year. Total loans and advances to customers amounted to RMB210.017 billion, representing an increase of RMB39.516 billion or 23.18% over the end of last year. Operating income amounted to RMB12.953 billion, representing an increase of RMB1.602 billion or 14.12% over the end of last year.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

II. The service capability was improved

The Bank promoted the reform of “simplifying procedures, decentralizing powers, enhancing supervision, and optimizing public services” and entered into the contract for “Gan Fu Tong” of Jiangxi government service, providing more convenient, efficient and comfortable financial services for residents and enterprises in Jiangxi Province. The Bank made multiple breakthroughs in the blank history of legal-person lead underwriters in Jiangxi Province, and ranked first as to both the underwriting amount and issue amount among 12 new lead underwriters in the country. As of the end of the Reporting Period, the Bank served 18,140 inclusive type small and micro enterprises, representing an increase of 1,011 over the end of last year; the balance of loans offered to inclusive type small and micro enterprises was RMB28.019 billion, representing an increase of RMB5.526 billion over the end of last year, which indicated that the goal of “Two Increases and Two Controls” for small and micro enterprises set by CBIRC was fully accomplished. The balance of credit released to poverty-stricken areas was RMB16.663 billion, representing an increase of RMB3.295 billion over the end of last year.

III. The product innovation was deeply promoted

The Bank launched the online factoring and financing business “Cloud Enterprise Chain” on the basis of combining finance and blockchain to tackle the problems of financing for small and micro enterprises of the upstream and downstream of core enterprises, with the investment reaching RMB315 million to serve 74 upstream enterprises in the service supply chain, launched online credit product such as “Micro Enterprise Loan” and “Handheld Micro Loan” to alleviate hardship as for “difficult financing and expensive financing” small and micro manufacturing enterprises, which supported 4,339 small and micro customers with balance of loan reaching RMB2.996 billion, and launched the “Small Happiness”, a net-worth wealth management product for cash management, becoming the first city commercial bank in Jiangxi Province to issue similar products.

IV. The management foundation was constantly consolidated

Operation efficiency has been improved, with the Group’s operating expenses being RMB3.508 billion, representing a decrease of RMB22 million or 0.61% year on year, and cost-to-income ratio of 26.08%, down by 4.40 percentage points year on year; equity management has been optimized by the launch of connected transaction system; the rules and regulations were further sorted out with 844 rules and regulations of the Bank were comprehensively sorted out, of which 66 were revised, 17 added and 35 abolished; its risk control model has been improved by the launch of “Cloud Mirror” system for risk monitoring and early warning; the informatization ability of human resource management has been further improved by the launch of human resource management system.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

V. The industry status was successfully promoted

In the Top 1000 World Banks 2019 ranking released by The Banker, a British magazine, the Bank ranked 258th, passing the 300 mark and up 55 places from that of last year and 195 places from that upon its establishment, ranked 9th on the list of “Domestic Banks with Fastest Growth Among Top 1,000 Banks in the World for 2019”, and ranked 35th among the “Top 100 Banks in China’s Banking Industry of 2019” released by China Banking Association. In addition, it was granted many other honors such as “Core Trader in Inter-bank Domestic Currency Market of 2019” and “Outstanding Trader in Currency Market of 2019”,

4.3 PROFIT STATEMENT ANALYSIS

In 2019, the Group realized RMB2.957 billion in profit before tax, representing a year-on-year decrease of 12.17%, and RMB2.109 billion in net profit, representing a year-on-year decrease of 23.89%.

	2019	2018	Amount of change	Change rate (%)
	(in millions of RMB, unless otherwise stated)			
Interest income	20,490.16	18,509.15	1,981.01	10.70
Interest expense	(9,871.28)	(9,593.63)	(277.65)	2.89
Net interest income	10,618.88	8,915.52	1,703.36	19.11
Fee and commission income	1,199.15	1,140.40	58.75	5.15
Fee and commission expense	(532.17)	(487.11)	(45.06)	9.25
Net fee and commission income	666.98	653.29	13.69	2.10
Net trading gains	138.54	92.73	45.81	49.40
Net gains arising from financial investments	1,474.65	1,367.91	106.74	7.80
Other operating income	53.76	321.16	(267.40)	(83.26)
Operating income	12,952.81	11,350.61	1,602.20	14.12
Operating expenses	(3,508.05)	(3,529.63)	21.58	(0.61)
Impairment losses on assets	(6,489.59)	(4,438.37)	(2,051.22)	46.22
Share of profits/(losses) of associates	1.99	(15.54)	17.53	(112.81)
Profit before taxation	2,957.16	3,367.07	(409.91)	(12.17)
Income tax expense	(848.00)	(595.80)	(252.20)	42.33
Profit for the year	2,109.16	2,771.27	(662.11)	(23.89)
Profit attributable to equity shareholders of the Bank	2,050.59	2,733.56	(682.97)	(24.98)
Non-controlling interests	58.57	37.71	20.86	55.32



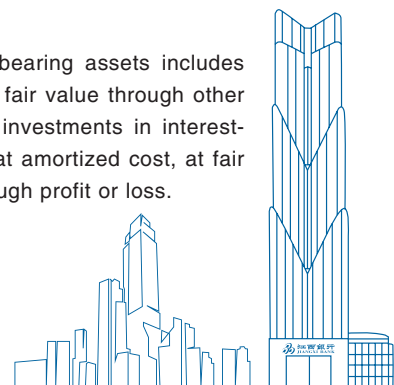
CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

4.3.1 Net Interest Income, Net Interest Spread and Net Interest Margin

In 2019, the Group achieved net interest income of RMB10.619 billion. The following table sets forth the average balance of the Group's interest-bearing assets and interest-bearing liabilities, the interest income and expense of such assets and liabilities, and the average rate of return on interest-bearing assets and the average cost rate of interest-bearing liabilities for the periods indicated.

	2019			2018		
	Average balance	Interest income/expense	Average Annualized yield/cost ratio	Average balance	Interest income/expense	Average Annualized yield/cost ratio
(in millions of RMB, unless otherwise stated)						
Interest-bearing assets						
Loans and advances to customers	195,734.84	11,737.60	6.00%	149,259.43	9,128.45	6.12%
Financial investments ⁽¹⁾	156,140.55	7,773.02	4.98%	196,494.26	8,657.30	4.41%
Deposits with the central bank	33,475.41	462.62	1.38%	33,437.83	520.28	1.56%
Deposits with banks and other financial institutions	2,904.00	26.38	0.91%	5,199.20	109.41	2.10%
Financial assets held under resale agreements	17,683.26	409.58	2.32%	14,176.54	380.60	2.68%
Placements with banks and other financial institutions	3,567.41	80.96	2.27%	3,697.80	103.87	2.81%
Total interest-bearing assets	409,505.47	20,490.16	5.00%	402,265.06	18,899.91	4.70%

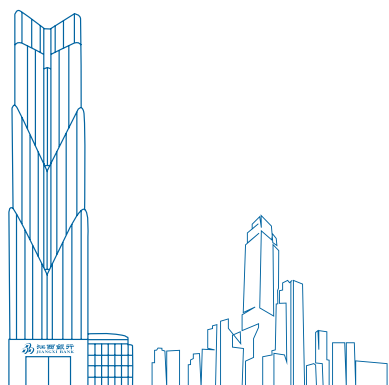
Note: (1) In 2019, interest income from financial investments in interest-bearing assets includes that on financial investments measured at amortized cost and at fair value through other comprehensive income; in 2018, interest income from financial investments in interest-bearing assets includes that on financial investments measured at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

	2019			2018		
	Average	Interest	Average	Average	Interest	Average
	balance	income/ expense	Annualized yield/cost ratio	balance	income/ expense	Annualized yield/cost ratio
(in millions of RMB, unless otherwise stated)						
Interest-bearing liabilities						
Deposits from customers	270,591.45	5,510.93	2.04%	247,029.60	4,391.18	1.78%
Deposits from banks and other financial institutions	35,886.08	1,175.22	3.27%	34,828.14	1,598.38	4.59%
Borrowing from the central bank	3,905.75	124.33	3.18%	561.92	17.75	3.16%
Placements from banks and other financial institutions	4,671.04	158.32	3.39%	5,267.53	214.35	4.07%
Financial assets sold under repurchase agreements	17,113.47	377.82	2.21%	15,935.65	402.97	2.53%
Debt securities issued	54,248.87	1,956.61	3.61%	54,932.98	2,463.03	4.48%
Borrowing from other financial institutions	12,392.86	545.29	4.40%	9,142.38	502.35	5.49%
Bill rediscounted	1,015.66	22.76	2.24%	140.77	3.62	2.57%
Total interest-bearing liabilities	399,825.18	9,871.28	2.47%	367,838.97	9,593.63	2.61%
Net interest income		10,618.88			9,306.28	
Net interest spread		2.53%			2.09%	
Net interest margin		2.59%			2.31%	

The following table sets forth the changes in interest income and interest expense resulting from the changes in the Group's volume and interest rates during the Reporting Period indicated. Changes in volume are measured by the change in average balance of interest-bearing assets and interest-bearing liabilities, while changes in interest rates are measured by changes in the average interest rates of interest-bearing assets and interest-bearing liabilities. The combined effect of changes in volume and interest rates is embedded in the change in interest rates.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

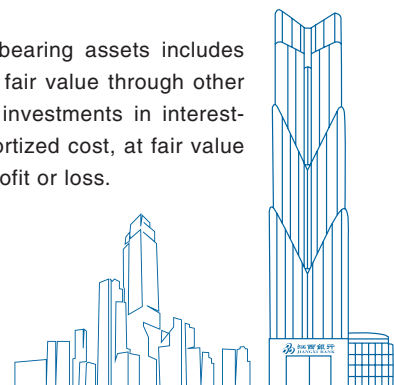
	Compared 2019 with 2018		
	Reasons for increase/(decrease)		
	Volume ⁽¹⁾	Interest rate ⁽²⁾	Net increase/ (decrease) ⁽³⁾
(in millions of RMB, unless otherwise stated)			
Interest-bearing assets			
Loans and advances to customers	2,786.98	(177.83)	2,609.15
Financial investments ⁽⁴⁾	(2,008.90)	1,124.62	(884.28)
Deposits with the central bank	0.52	(58.18)	(57.66)
Deposits with banks and other financial institutions	(20.85)	(62.18)	(83.03)
Financial assets held under resale agreements	81.22	(52.24)	28.98
Placements with banks and other financial institutions	(2.96)	(19.95)	(22.91)
Changes in interest income	836.01	754.24	1,590.25
Interest-bearing liabilities			
Deposits from customers	479.87	639.88	1,119.75
Deposits from banks and other financial institutions	34.65	(457.81)	(423.16)
Borrowing from the central bank	106.44	0.14	106.58
Placements from banks and other financial institutions	(20.22)	(35.81)	(56.03)
Financial assets sold under repurchase agreements	26.00	(51.15)	(25.15)
Debt securities issued	(24.67)	(481.75)	(506.42)
Borrowing from other financial institutions	143.02	(100.08)	42.94
Bill rediscounted	19.61	(0.47)	19.14
Changes in interest expense	764.70	(487.05)	277.65

Notes: (1) Refer to the average balance for the Reporting Period minus the average balance for the same period of the previous year, multiplied by the average yield/cost ratio for the Reporting Period

(2) Refer to the average yield/cost ratio for the Reporting Period minus the average yield/cost ratio for the same period of the previous year, multiplied by the average balance for the same period of the previous year

(3) Refer to interest income/expense during the Reporting Period minus interest income/expense for the same period of the previous year

(4) In 2019, interest income from financial investments in interest-bearing assets includes that on financial investments measured at amortized cost and at fair value through other comprehensive income; in 2018, interest income from financial investments in interest-bearing assets includes that on financial assets measured at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

4.3.2 Interest Income

In 2019, the Group achieved interest income of RMB20.490 billion. The increase in interest income was mainly due to the increase in the Group's loans and advances to customers, and financial assets held under resale agreements.

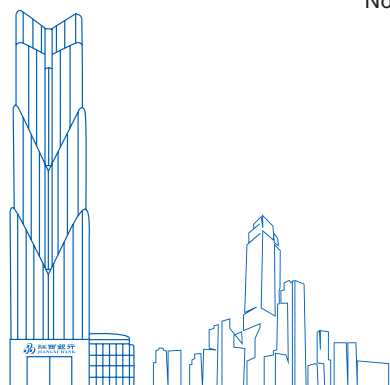
(1) Interest income from loans and advances to customers

In 2019, the Group achieved interest income of loans and advances to customers of RMB11.738 billion, representing a year-on-year increase of RMB2.609 billion, or 28.58%. The main reason is that the average balance of the Group's total loans and advances to customers increased from RMB149.259 billion in 2018 to RMB195.735 billion in 2019. The increase in the average balance of total loans and advances to customers was mainly due to the increase of the Group's credit supply to support the development of real economy. The decrease in the average yield on loans and advances to customers was mainly attributable to the increase of loans with lower interest rates placed to small and micro enterprises by the Group to better support the development of such small and micro enterprises.

The following table sets forth the average balance, interest income and average yield for each component of the Group's loans and advances to customers during the periods indicated.

	Average balance	2019 Interest income (in millions of RMB, unless otherwise stated)	Average yield	Average balance	2018 Interest income	Average yield
Corporate loans and advances ⁽¹⁾	119,839.61	6,836.40	5.70%	94,376.30	5,511.75	5.84%
Personal loans and advances	75,895.23	4,901.20	6.46%	54,883.13	3,616.70	6.59%
Total	195,734.84	11,737.60	6.00%	149,259.43	9,128.45	6.12%

Note: (1) Includes bills discounting business.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

(2) Interest income from financial investments

In 2019, the Group's interest income from financial investments amounted to RMB7.773 billion. The decrease in interest income from financial investments was mainly due to a decrease in the average balance of financial investments in 2019 over the same period of last year.

(3) Interest income from deposits with the central bank

In 2019, the Group's interest income from deposit with the central bank was RMB463 million, representing a year-on-year decrease of RMB58 million, or 11.08%, which was mainly due to the decrease of 0.18 percentage point in the average yield of deposit with the central bank in 2019 over the same period of the previous year.

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

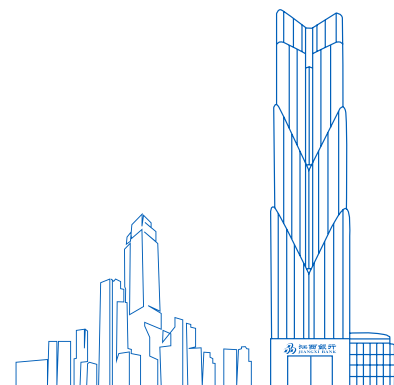
In 2019, the Group's interest income from deposits with banks and other financial institutions was RMB26 million, representing a year-on-year decrease of RMB83 million, or 75.89%. It was mainly due to the decrease of RMB2.295 billion in average balance of deposits with banks and other financial institutions in 2019, and the decrease of 1.19 percentage points in the average yield as compared with the same period of last year.

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

In 2019, the Group's interest income from placements with banks and other financial institutions was RMB81 million, representing a year-on-year decrease of RMB23 million, or 22.06%. It was primarily due to a decrease of 0.54 percentage point in the average yield of the placements with banks and other financial institutions in 2019 as compared with the same period of last year.

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

In 2019, the Group's interest income from financial assets held under resale agreements amounted to RMB410 million, representing a year-on-year increase of RMB29 million, or 7.61%. It was primarily due to an increase of RMB3.507 billion in average balance of financial assets held under resale agreements in 2019 compared with the same period of last year.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

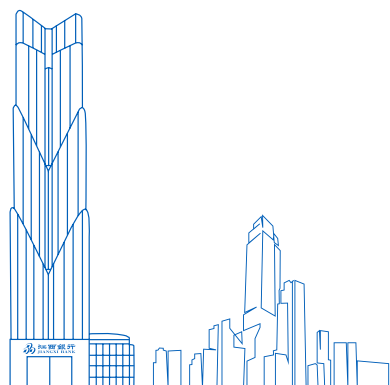
4.3.3 Interest Expense

In 2019, the Group achieved interest expense of RMB9.871 billion, representing a year-on-year increase of RMB278 million, or 2.89%. The increase in the interest expense was primarily attributable to an increase in the average balance of the Group's deposits from customers from RMB247.030 billion in 2018 to RMB270.591 billion in 2019, and the rise of the average cost ratio from 1.78% in the same period of last year to 2.04% in 2019.

(1) Interest expense on deposits from customers

In 2019, the Group's interest expense of deposits from customers was RMB5.511 billion, representing a year-on-year increase of RMB1.120 billion, or 25.50%, which was primarily attributable to the increase of RMB23.562 billion in the average balance of deposits from customers in 2019 compared with the same period of last year. The increase in the average balance of deposits from customers was mainly due to the Group's enhanced grassroots services and enriched retail and public banking products.

	Average balance	2019 Interest expense (in millions of RMB, unless otherwise stated)	Average cost ratio	Average balance	2018 Interest expense	Average cost ratio
Corporate deposits						
Demand	114,989.06	1,294.51	1.13%	114,152.91	1,095.54	0.96%
Time	80,284.83	2,153.43	2.68%	70,569.09	1,841.66	2.61%
Subtotal	195,273.89	3,447.94	1.77%	184,722.00	2,937.20	1.59%
Personal deposits						
Demand	19,462.28	95.20	0.49%	19,703.13	67.08	0.34%
Time	55,855.28	1,967.79	3.52%	42,604.47	1,386.90	3.26%
Subtotal	75,317.56	2,062.99	2.74%	62,307.60	1,453.98	2.33%
Total	270,591.45	5,510.93	2.04%	247,029.60	4,391.18	1.78%



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

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

In 2019, the Group's interest expense on deposits from banks and other financial institutions was RMB1.175 billion, representing a year-on-year decrease of RMB423 million, or 26.47%. This was mainly due to the decrease of the Group's average cost ratio of deposits from banks and other financial institutions from 4.59% in 2018 to 3.27% in 2019.

(3) Interest expense on debt securities issued

In 2019, the Group's interest expense on debt securities issued was RMB1.957 billion, representing a year-on-year decrease of RMB506 million, or 20.56%. It was mainly due to the decrease in average balance of debt securities from RMB54.933 billion in 2018 to RMB54.249 billion in 2019.

(4) Interest expense on borrowing from the central bank

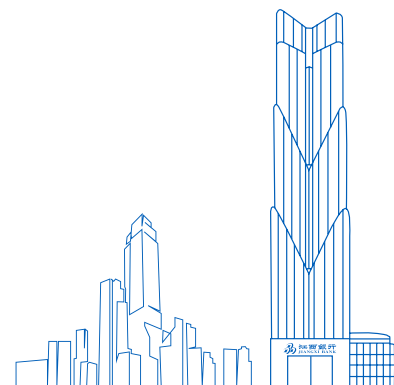
In 2019, the Group's interest expense on borrowing from the central bank was RMB124 million, representing a year-on-year increase of RMB107 million, or 600.45%. It was mainly due to the increase in average balance of the Group's borrowing from the central bank from RMB562 million in 2018 to RMB3.906 billion in 2019.

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

In 2019, the Group's interest expense on placements from banks and other financial institutions was RMB158 million, representing a year-on-year decrease of RMB56 million, or 26.14%. This was mainly due to the decrease of the Group's average balance of placements from banks and other financial institution from RMB5.268 billion in 2018 to RMB4.671 billion in 2019, and the decrease of the average cost ratio of placements from banks and other financial institution from 4.07% in 2018 to 3.39% in 2019.

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

In 2019, the Group's interest expense on financial assets sold under repurchase agreements was RMB378 million, representing a year-on-year decrease of RMB25 million, or 6.24%. This was mainly due to the decrease in the average cost ratio of financial assets sold under repurchase agreements from 2.53% in 2018 to 2.21% in 2019.



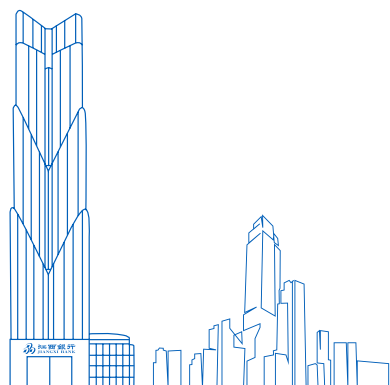
CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

4.3.4 Non-interest Income

(1) Net fee and commission income

In 2019, the Group's realized a net fee and commission income of RMB667 million, representing a year-on-year increase of RMB14 million, or 2.10%, which was primarily due to the increase in the Group's acceptance and guarantee, financial leasing, and agency and custody service fees.

	2019	2018	Amount of change	Change rate (%)
	(in millions of RMB, unless otherwise stated)			
Fee and commission income	1,199.15	1,140.40	58.75	5.15
Agency and custody service fees	490.23	392.75	97.48	24.82
Financial leasing service fees	235.87	163.40	72.47	44.35
Bank card service fees	209.11	212.07	(2.96)	(1.40)
Settlement and electronic channel business fees	142.29	224.65	(82.36)	(36.66)
Acceptance and guarantee service fees	73.98	47.10	26.88	57.07
Advisory and consulting fees	37.79	85.63	(47.84)	(55.87)
Others	9.88	14.80	(4.92)	(33.24)
Fee and commission expense	(532.17)	(487.11)	(45.06)	9.25
Platform cooperation fees	(399.85)	(352.97)	(46.88)	13.28
Transaction fees	(55.61)	(59.45)	3.84	(6.46)
Settlement and clearing fees	(50.09)	(71.40)	21.31	(29.85)
Financial leasing service fees	(25.70)	(2.79)	(22.91)	821.15
Others	(0.92)	(0.50)	(0.42)	84.00
Net fee and commission income	666.98	653.29	13.69	2.10



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

(2) *Net trading gains*

The Group's net trading gains of RMB93 million in 2018 turned into net trading gains of RMB139 million in 2019, which was mainly due to fluctuations in the price in debt security market.

(3) *Net gains arising from financial investments*

In 2019, the Group's net gains arising from financial investments were RMB1,475 million, representing a year-on-year increase of RMB107 million, or 7.80%, which was mainly due to the increase of net gains and valuation on financial investments at fair value through profit or loss in 2019.

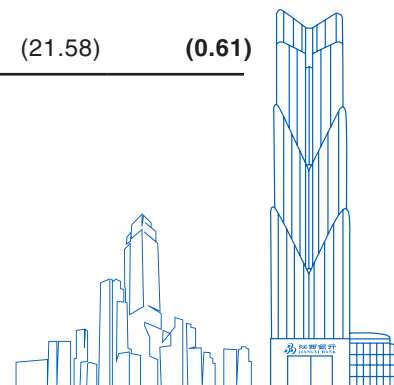
(4) *Other operating income*

In 2019, the Group's other operating income was RMB54 million, representing a year-on-year decrease of RMB267 million, or 83.26%, which was mainly due to the decrease of foreign exchange gains.

4.3.5 Operating Expenses

In 2019, the Group's operating expenses were RMB3.508 billion, representing a year-on-year decrease of RMB22 million, or 0.61%.

	2019	2018	Amount of change	Change rate (%)
	(in millions of RMB, unless otherwise stated)			
Staff costs	1,949.87	1,840.71	109.16	5.93
Depreciation and amortization	516.67	365.30	151.37	41.44
Tax and surcharges	130.13	70.08	60.05	85.69
Rental and property management expenses	78.39	201.91	(123.52)	(61.18)
Interest expense on lease liabilities	52.59	—	52.59	—
Other general and administrative expenses	780.40	1,051.63	(271.23)	(25.79)
Total operating expenses	3,508.05	3,529.63	(21.58)	(0.61)



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the main components of the Group's staff costs for the periods indicated.

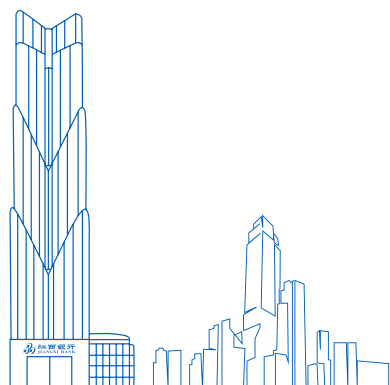
	2019	2018	Amount of change	Change rate (%)
	(in millions of RMB, unless otherwise stated)			
Staff costs				
Salaries, bonuses and allowances	1,460.45	1,340.25	120.20	8.97
Social insurance and supplementary retirement benefits	240.65	232.19	8.46	3.64
Housing allowances	94.25	82.59	11.66	14.12
Staff welfares	84.03	124.67	(40.64)	(32.60)
Employee education expenses and labour union expenses	40.75	36.40	4.35	11.95
Others	29.74	24.61	5.13	20.89
Total	1,949.87	1,840.71	109.16	5.93

In 2019, the Group's staff costs were RMB1,950 million, representing a year-on-year increase of RMB109 million, or 5.93%. It was primarily due to the increased staff size and optimized salary structure of the Group, which increased the salaries, bonuses and allowances of staff.

In 2019, the Group's tax and surcharges were RMB130 million, representing a year-on-year increase of RMB60 million, or 85.69%. It was primarily due to the increase in the Group's value added tax in 2019.

In 2019, the Group's depreciation and amortization were RMB517 million, representing a year-on-year increase of RMB151 million, or 41.44%. It was mainly due to the effect of IFRS 16 initially adopted.

In 2019, the Group's rental and property management expenses were RMB78 million, representing a year-on-year decrease of RMB124 million, or 61.18%. It was mainly due to the Group's greater efforts in expense and cost control as well as the effect of IFRS 16 initially adopted.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

4.3.6 Impairment Losses on Assets

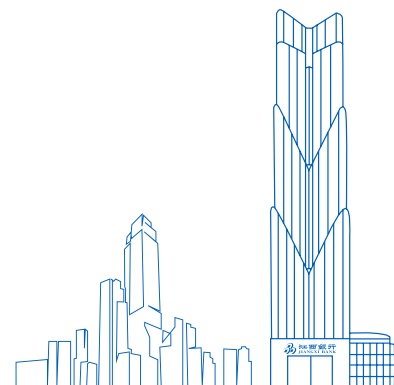
In 2019, the Group's impairment losses on assets were RMB6,490 million, representing a year-on-year increase of RMB2,051 million, or 46.22%. It was mainly due to the Group's improvement in anti-risk capability and increase in provisions.

	2019	2018	Amount of change	Change rate (%)
	(in millions of RMB, unless otherwise stated)			
Loans and advances to customers	4,638.40	2,410.37	2,228.03	92.44
Financial investments	1,780.94	1,980.66	(199.72)	(10.08)
Others	70.25	47.34	22.91	48.39
Total impairment losses on assets	6,489.59	4,438.37	2,051.22	46.22

4.3.7 Income Tax Expense

In 2019, the Group's income tax was RMB848 million, representing a year-on-year increase of RMB252 million, or 42.33%. It was mainly due to the increase in non-deductible tax expenses.

	2019	2018	Amount of change	Change rate (%)
	(in millions of RMB, unless otherwise stated)			
Current tax	1,670.80	1,259.78	411.02	32.63
Tax filling differences	70.06	(45.22)	115.28	(254.93)
Changes in deferred tax	(892.86)	(618.76)	(274.10)	44.30
Total	848.00	595.80	252.20	42.33



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

4.4 ANALYSIS ON MAIN ITEMS OF ASSETS AND LIABILITIES

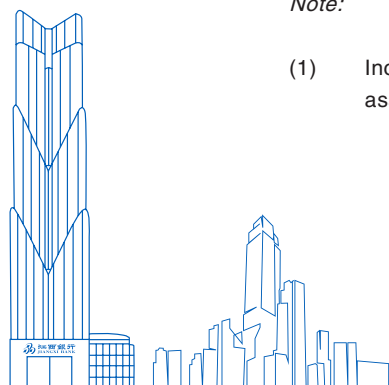
4.4.1 Assets

As of December 31, 2019, the total assets of the Group amounted to RMB456.119 billion, representing an increase of RMB37.054 billion, or 8.84% as compared with the end of the previous year. The increase in the total assets was mainly due to the increase in Group's total loans and advances to customers, and placements with banks and other financial institutions.

	As of December 31, 2019		As of December 31, 2018	
	Amount	% of total	Amount	% of total
(in millions of RMB, unless otherwise stated)				
Gross loans and advances to customers	210,017.13	—	170,500.70	—
Loans and advances to customers accrued interest	765.60	—	581.14	—
Allowances for impairment losses on loans and advances to customers	(7,793.36)	—	(5,558.52)	—
Net loans and advances to customers	202,989.37	44.50	165,523.32	39.50
Financial investments	189,577.67	41.56	190,704.00	45.51
Cash and deposits with the central bank	38,810.81	8.51	37,740.62	9.01
Deposits with banks and other financial institutions	1,997.57	0.44	3,204.92	0.76
Financial assets held under resale agreements	6,833.74	1.50	10,966.47	2.62
Placements with banks and other financial institutions	6,301.91	1.38	4,024.95	0.96
Other assets ⁽¹⁾	9,607.46	2.11	6,899.99	1.64
Total assets	456,118.53	100.00	419,064.27	100.00

Note:

- (1) Include interest in associates, property and equipment, deferred income tax assets, right-of-use assets and other assets.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

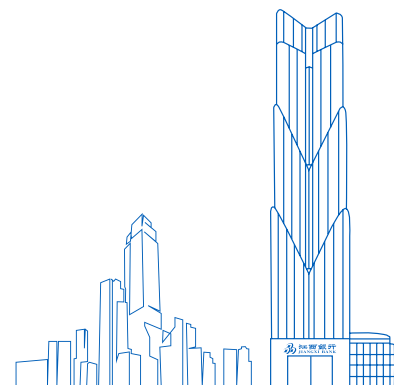
(1) Loans and advances to customers

As of December 31, 2019, the Group's loans and advances to customers amounted to RMB210.017 billion, representing an increase of RMB39.516 billion, or 23.18% as compared with the end of the previous year. The following table sets forth the Group's distribution of loans by business types for the periods indicated.

	As of December 31, 2019		As of December 31, 2018	
	Amount	% of total	Amount	% of total
(in millions of RMB, unless otherwise stated)				
Loans and advances to customers measured at amortized cost				
Corporate loans and advances	112,289.37	53.47	95,069.38	55.75
Personal loans and advances	80,727.54	38.44	66,930.41	39.26
Subtotal	193,016.91	91.91	161,999.79	95.01
Loans and advances to customers measured at FVOCI				
Corporate loans and advances	1,552.49	0.74	538.71	0.32
Discounted bills	15,447.73	7.35	7,962.20	4.67
Subtotal	17,000.22	8.09	8,500.91	4.99
Gross loans and advances to customers	210,017.13	100.00	170,500.70	100.00

Corporate loans and advances

As of December 31, 2019, the Group's corporate loans and advances (discounted bills inclusive) amounted to RMB129.290 billion, representing an increase of RMB25.719 billion, or 24.83% as compared with the end of the previous year, which was mainly due to the Group's inclusive financial supports to small and micro enterprises, and the expansion of the Group's corporate credit business.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

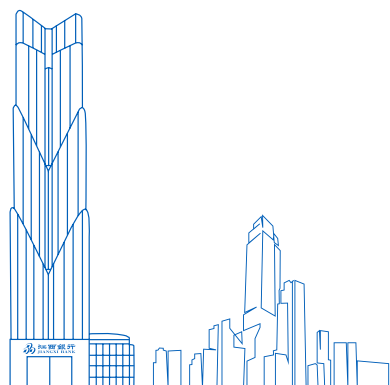
Personal loans and advances

As of December 31, 2019, the Group's personal loans and advances amounted to RMB80.728 billion, representing an increase of RMB13.797 billion, or 20.61% as compared with the end of the previous year, which was mainly due to the Group's commitment to marketing personal loans.

(2) Financial investments

As of December 31, 2019, the Group's balance of financial investments amounted to RMB189.578 billion, representing a decrease of RMB1.126 billion, or 0.59% as compared with the end of the previous year. In 2019, the decrease in the Group's such assets was mainly due to the decrease in the financial investments at fair value through other comprehensive income.

	As of December 31, 2019		As of December 31, 2018	
	Amount	% of total	Amount	% of total
	(in millions of RMB, unless otherwise stated)			
Financial investments				
– Financial investments at amortized cost	128,580.70	67.83	122,041.08	63.99
– Financial investments at fair value through profit or loss	34,921.59	18.42	34,324.10	18.00
– Financial investments at fair value through other comprehensive income	26,075.38	13.75	34,338.82	18.01
Total	189,577.67	100.00	190,704.00	100.00

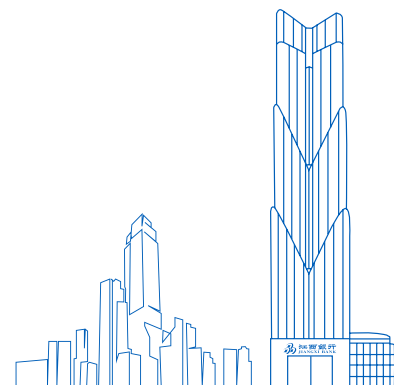


CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

	As of December 31, 2019		As of December 31, 2018	
	Amount	% of total	Amount	% of total
(in millions of RMB, unless otherwise stated)				
Distribution of financial investments				
Debt securities				
Chinese government bonds	18,307.93	9.66	12,249.46	6.42
Policy bank bonds	31,050.62	16.38	26,061.98	13.67
Commercial banks and other financial institutions bonds	29.99	0.02	1,883.55	0.99
Corporate bonds	5,626.26	2.97	2,445.42	1.28
Subtotal	55,014.80	29.03	42,640.41	22.36
Other financial assets				
Wealth management products issued by financial institutions	2,018.07	1.06	1,043.14	0.55
Fund investments ⁽¹⁾	17,893.98	9.44	18,919.49	9.92
Equity instruments	149.44	0.08	114.76	0.06
Investment management products managed by securities companies and trust plans	113,034.36	59.62	126,631.69	66.40
Subtotal	133,095.85	70.20	146,709.08	76.93
Accrued interest	1,467.02	0.77	1,354.51	0.71
Total	189,577.67	100.00	190,704.00	100.00

Note:

(1) Primarily include monetary market funds and bond funds.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

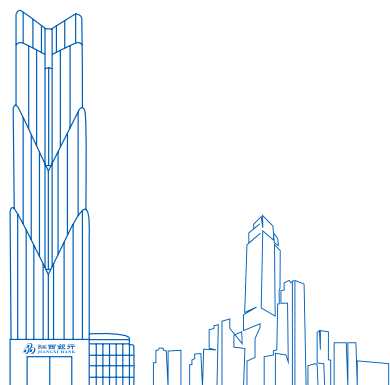
4.4.2 Liabilities

As of December 31, 2019, the Group's total liabilities amounted to RMB421.031 billion, representing an increase of RMB34.778 billion, or 9.00% as compared with the end of the previous year.

	As of December 31, 2019		As of December 31, 2018	
	Amount	% of total	Amount	% of total
(in millions of RMB, unless otherwise stated)				
Deposits from customers	284,548.91	67.58	260,448.65	67.43
Deposits from banks and other financial institutions	31,212.14	7.41	31,863.89	8.25
Borrowing from the central bank	7,696.26	1.83	1,590.07	0.41
Borrowing from other financial institutions	14,863.27	3.53	10,944.70	2.83
Placements from banks and other financial institutions	2,555.02	0.61	6,149.98	1.59
Financial assets sold under repurchase agreements	19,704.41	4.68	10,186.85	2.64
Debt securities issued	55,178.64	13.11	61,129.81	15.83
Income tax payable	877.23	0.21	567.44	0.15
Other liabilities ⁽¹⁾	4,394.95	1.04	3,371.55	0.87
Total liabilities	421,030.83	100.00	386,252.94	100.00

Note:

- (1) Consist primarily of lease liabilities, guarantee deposits from leases, accrued staff cost, other tax payables, provisions, and other payables.

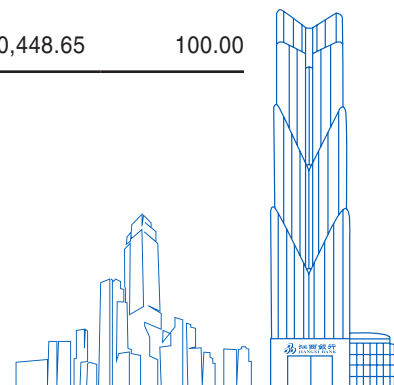


CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

(1) Deposits from customers

As of December 31, 2019, the Group's total deposits from customers amounted to RMB284.549 billion, representing an increase of RMB24.100 billion, or 9.25% as compared with the end of the previous year, which was mainly due to the Group's great efforts in promoting special services and deposit marketing.

	As of December 31, 2019		As of December 31, 2018	
	Amount	% of total	Amount	% of total
(in millions of RMB, unless otherwise stated)				
Demand deposits				
Corporate customers	108,783.99	38.23	117,737.51	45.21
Individual customers	21,058.16	7.40	19,289.36	7.41
Subtotal	129,842.15	45.63	137,026.87	52.62
Time deposits				
Corporate customers	74,771.72	26.28	63,772.44	24.49
Individual customers	64,962.04	22.83	45,616.96	17.51
Subtotal	139,733.76	49.11	109,389.40	42.00
Pledged deposits				
Acceptances	7,814.62	2.75	6,225.96	2.39
Letters of guarantees	2,557.53	0.90	2,164.50	0.83
Letters of credit	1,296.13	0.46	679.94	0.26
Others	33.83	0.01	56.41	0.02
Subtotal	11,702.11	4.12	9,126.81	3.50
Inward and outward remittances	44.25	0.02	43.28	0.02
Structured deposits				
Corporate customers	—	—	407.99	0.16
Individual customers	—	—	1,481.53	0.57
Subtotal	—	—	1,889.52	0.73
Accrued interest	3,226.64	1.12	2,972.77	1.13
Total deposits from customers	284,548.91	100.00	260,448.65	100.00



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

(2) Deposits from banks and other financial institutions

As of December 31, 2019, the Group's balance of deposits from banks and other financial institutions was RMB31.212 billion, representing a decrease of RMB652 million, or 2.05% as compared with end of the previous year. The changes in the deposits from banks and other financial institutions were mainly due to the decrease in deposits from other banks based on the market liquidity.

(3) Debt securities issued

As of December 31, 2019, the Group's debt securities issued was RMB55.179 billion, representing a decrease of RMB5.951 billion, or 9.74% as compared with the end of the previous year. It was mainly due to the decrease in the Group's green bonds issued at a fixed interest rate.

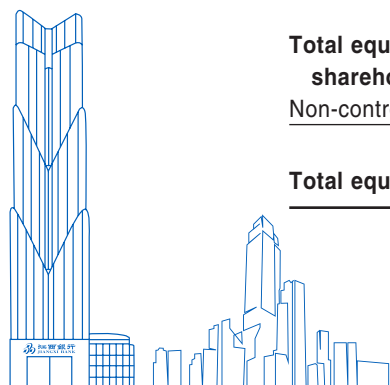
(4) Financial assets sold under repurchase agreements

As of December 31, 2019, the Group's amount of financial assets sold under repurchase agreements was RMB19.704 billion, representing an increase of RMB9.518 billion, or 93.43% as compared with the end of the previous year. It was mainly due to the Group's increase of receiving funds to meet its liquidity requirements.

4.4.3 Equity

As of the end of the Reporting Period, the Groups' total equity was RMB35.088 billion, representing an increase of RMB2.276 billion, or 6.94% as compared with the end of the previous year. The total equity attributable to equity shareholders of the Bank was RMB34.456 billion, representing an increase of RMB2.230 billion, or 6.92% as compared with the end of the previous year.

	As of December 31, 2019		As of December 31, 2018	
	Amount	% of total	Amount	% of total
(in millions of RMB, unless otherwise stated)				
Share capital	6,024.28	17.17	6,024.28	18.36
Capital reserve	14,381.67	40.99	13,720.28	41.82
Surplus reserve	2,709.40	7.72	2,518.79	7.68
General reserve	5,873.81	16.74	5,505.86	16.78
Retained earnings	5,467.10	15.58	4,457.01	13.58
Total equity attributable to equity shareholders of the Bank	34,456.26	98.20	32,226.22	98.22
Non-controlling interests	631.44	1.80	585.11	1.78
Total equity	35,087.70	100.00	32,811.33	100.00



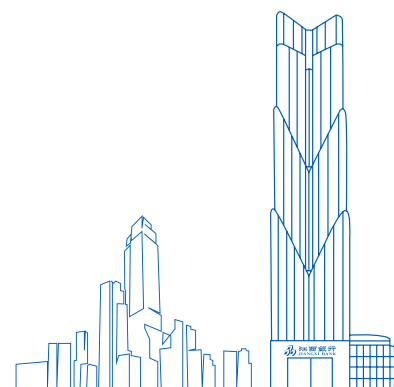
CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

4.5 COMMITMENTS AND CONTINGENT LIABILITIES

The Group incorporated the off-balance sheet business into the unified credit of customers, and under the management of on-balance sheet business, in accordance with the management procedures and management requirements of the pre-investigation, review, approval, contract signing, issuance, post-loan management and mortgage/pledge guarantee.

As of December 31, 2019, the balance of major off-balance sheet items was as follows:

	As of December 31, 2019		As of December 31, 2018	
	Amount	% of total	Amount	% of total
(in millions of RMB, unless otherwise stated)				
Bank acceptances	19,365.05	50.49	17,482.03	56.52
Letters of credit	2,982.12	7.78	1,401.31	4.53
Unused credit card commitments	5,655.79	14.75	5,803.02	18.76
Letters of guarantees	9,762.59	25.45	4,928.76	15.93
Loan commitments	274.01	0.71	519.82	1.68
Subtotal	38,039.56	99.18	30,134.94	97.42
Operating lease commitments	—	—	749.12	2.42
Capital commitments	314.08	0.82	48.84	0.16
Total	38,353.64	100.00	30,932.90	100.00



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

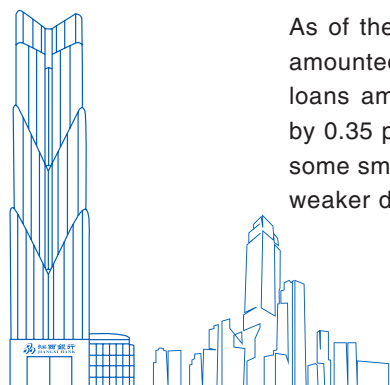
4.6 LOAN QUALITY ANALYSIS

In 2019, affected by factors such as the complicated international economic situation, the slowdown of domestic economic growth, and the decline in the operation of medium, small and micro enterprises, the quality of the Group's loans was under pressure. During the Reporting Period, the Group continued to strengthen credit risk management. On one hand, new risks were strictly controlled. On the other hand, multiple measures were taken to resolve existing risks. On the whole, the Group's credit risk was controllable. As of the end of the Reporting Period, the Group's total loans were RMB210.017 billion, representing an increase of RMB39.516 billion, or 23.18% over the end of the previous year. The non-performing loan ratio was 2.26%, increased by 0.35 percentage point over the end of the previous year.

4.6.1 Distribution of Loans by Five-category Classification

Five-category classification	As of December 31, 2019		As of December 31, 2018	
	Amount	% of total (%)	Amount	% of total (%)
(in millions of RMB unless otherwise specified)				
Normal	194,952.19	92.83	158,736.55	93.10
Special mention	10,328.12	4.91	8,515.78	4.99
Substandard	2,301.08	1.10	2,011.45	1.18
Doubtful	903.12	0.43	1,034.25	0.61
Loss	1,532.62	0.73	202.67	0.12
Gross loans and advances to customers	210,017.13	100.00	170,500.70	100.00
Non-performing loans and non-performing loan ratio	4,736.82	2.26	3,248.37	1.91
Allowances for impairment losses	7,846.59		5,568.27	
Including: allowances for impairment losses on loans and advances to customers at amortized costs	7,793.36		5,558.51	
Allowances for impairment losses on loans and advances to customers measured at FVOCI	53.23		9.76	

As of the end of the Reporting Period, the Group's normal loans and special mention loans amounted to RMB205.280 billion, accounting for 97.74%. The Group's total non-performing loans amounted to RMB4.737 billion, with a non-performing loan ratio of 2.26%, increased by 0.35 percentage point over the end of the previous year. Affected by economic conditions, some small and micro enterprises and private enterprises had difficulty in operation, leading to weaker debt servicing ability, so the non-performing loans increased.

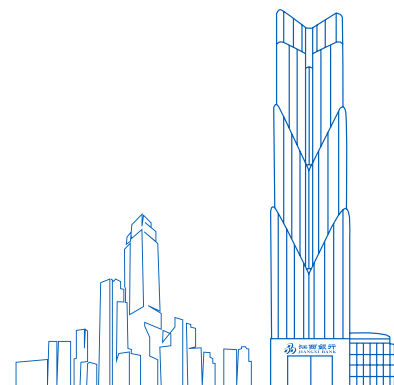


CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

4.6.2 Distribution of Loans and Non-performing Loans by Loan Type

Item	As of December 31, 2019				As of December 31, 2018			
	Loan amount	% of total (%)	NPL amount	NPL ratio (%)	Loan amount	% of total (%)	NPL amount	NPL ratio (%)
(in millions of RMB unless otherwise specified)								
Corporate loans and advances	113,841.86	54.20	3,604.35	3.17	95,608.09	56.07	2,333.40	2.44
Personal loans and advances	80,727.54	38.44	1,132.47	1.40	66,930.41	39.26	914.97	1.37
Discounted bills	15,447.73	7.36	–	–	7,962.20	4.67	–	–
Total	210,017.13	100.00	4,736.82	2.26	170,500.70	100.00	3,248.37	1.91

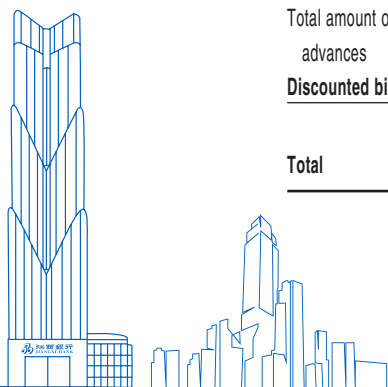
As of the end of the Reporting Period, the Group's total amount of corporate loans and advances was RMB113.842 billion, representing an increase of 19.07% over the end of the previous year. Total amount of personal loans and advances was RMB80.728 billion, representing an increase of 20.61% over the end of the previous year. Total amount of discounted bills was RMB15.448 billion, representing an increase of 94.01% over the end of the previous year. The growth trends of various businesses performed well. The non-performing loan ratio of corporate loans and advances and personal loans and advances respectively increased by 0.73 and 0.03 percentage point over the end of the previous year, but the overall risk was controllable.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

4.6.3 Distribution of Loans and Non-performing Loans by Industry

Industry	As of December 31, 2019				As of December 31, 2018			
	Loan amount	% of total (%)	NPL amount	NPL ratio (%)	Loan amount	% of total (%)	NPL amount	NPL ratio (%)
<i>(in millions of RMB unless otherwise specified)</i>								
Agriculture, forestry, animal husbandry and fishery	1,462.15	0.68	134.92	9.23	1,460.32	0.85	59.57	4.08
Mining	1,004.53	0.48	12.58	1.25	557.57	0.33	2.30	0.41
Manufacturing	12,575.14	5.99	456.89	3.63	13,189.39	7.74	291.30	2.21
Production and distribution of electricity, heating power, gas and water	1,606.70	0.77	4.81	0.30	1,869.12	1.10	9.80	0.52
Construction	11,309.43	5.39	160.26	1.42	9,275.28	5.44	112.27	1.21
Wholesale and retail trade	19,377.00	9.23	1,931.15	9.97	19,650.00	11.52	1,584.14	8.06
Transportation, storage and postal services	2,407.71	1.15	2.50	0.10	3,007.74	1.76	5.00	0.17
Accommodation and catering	1,449.16	0.69	78.92	5.45	1,616.35	0.95	95.81	5.93
Information transmission, computer services and software	1,699.12	0.81	60.49	3.56	1,129.32	0.66	102.60	9.09
Finance	1,899.76	0.90	–	–	862.52	0.51	–	–
Real estate	10,676.67	5.08	105.40	0.99	7,571.75	4.44	27.44	0.36
Leasing and commercial services	26,183.59	12.47	606.53	2.32	15,254.97	8.95	4.90	0.03
Scientific research and technical services	529.13	0.25	–	–	4.88	–	–	–
Water conservancy, environment and public facility management	16,702.34	7.95	6.32	0.04	15,946.96	9.35	–	–
Residents services, repairs and other services	65.97	0.03	22.38	33.92	82.58	0.05	16.27	19.70
Education	1,092.40	0.52	4.00	0.37	1,279.74	0.75	4.00	0.31
Health, social security and social welfare	1,580.87	0.75	–	–	1,275.22	0.75	–	–
Culture, sports, and entertainment	1,210.21	0.58	17.20	1.42	409.38	0.24	18.00	4.40
Public administration, social security and social organizations	1,009.98	0.48	–	–	1,165.00	0.68	–	–
Total amount of corporate loans and advances	113,841.86	54.20	3,604.35	3.17	95,608.09	56.07	2,333.40	2.44
Total amount of personal loans and advances	80,727.54	38.44	1,132.47	1.40	66,930.41	39.26	914.97	1.37
Discounted bills	15,447.73	7.36	–	–	7,962.20	4.67	–	–
Total	210,017.13	100.00	4,736.82	2.26	170,500.70	100.00	3,248.37	1.91



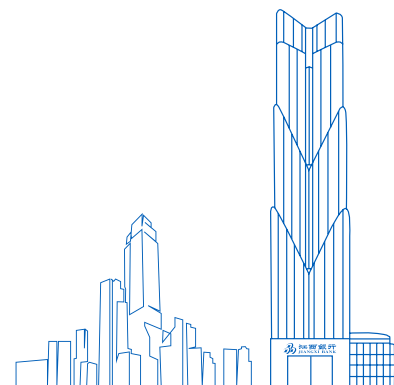
CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

As of the end of the Reporting Period, the Group's top four industries, which accounted for a higher proportion in the corporate loans and advances, were leasing and commercial services, wholesale and retail trade, water conservancy, environment and public facility management and manufacturing, among which the leasing and commercial services increased by RMB10.929 billion over the end of the previous year, accounting for 59.94% of the amount of increase in corporate loans and advances. As small and micro enterprises have weaker anti-risk ability, the non-performing loans of the Group were mainly from wholesale and retail trade, leasing and commercial services and manufacturing industries.

4.6.4 Distribution of Loans and Non-performing Loans by Collateral

Type of collateral	As of December 31, 2019				As of December 31, 2018			
	Loan amount	% of total (%)	NPL amount	NPL ratio (%)	Loan amount	% of total (%)	NPL amount	NPL ratio (%)
(in millions of RMB unless otherwise specified)								
Unsecured loans	23,489.53	11.18	506.74	2.16	21,955.79	12.88	287.55	1.31
Guaranteed loans	86,549.98	41.21	2,248.19	2.60	66,163.67	38.81	1,776.52	2.69
Collateralized loans	91,398.91	43.51	1,726.68	1.89	73,942.40	43.37	903.94	1.22
Pledged loans	8,578.71	4.10	255.21	2.97	8,438.84	4.94	280.36	3.32
Total	210,017.13	100.00	4,736.82	2.26	170,500.70	100.00	3,248.37	1.91

As of the end of the Reporting Period, the main types of the Group's loans were guaranteed loans and collateralized loans, which accounted for over 80% of the total loans. NPL ratio of unsecured loans and collateralized loans increased and that of guaranteed loans and pledged loans decreased compared with the end of last year.

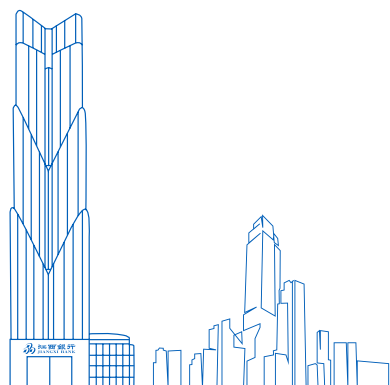


CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

4.6.5 Distribution of Loans and Non-performing Loans by Geographical Region

Geographical region	As of December 31, 2019				As of December 31, 2018			
	Loan amount	% of total (%)	NPL amount	NPL ratio (%)	Loan amount	% of total (%)	NPL amount	NPL r atio (%)
(in millions of RMB unless otherwise specified)								
Nanchang area	103,871.16	49.46	3,204.68	3.09	81,386.91	47.73	2,151.96	2.64
Within Jiangxi Province (apart from Nanchang area)	75,300.62	35.85	1,270.56	1.69	64,312.11	37.72	828.76	1.29
Outside Jiangxi Province	30,845.35	14.69	261.58	0.85	24,801.68	14.55	267.65	1.08
Total	210,017.13	100.00	4,736.82	2.26	170,500.70	100.00	3,248.37	1.91

As of the end of the Reporting Period, the Group's loans in Nanchang area, Jiangxi Province (apart from Nanchang area), and outside Jiangxi Province accounted for 49.46%, 35.85%, and 14.69%, respectively, with NPL ratios of 3.09%, 1.69%, and 0.85%, respectively. NPL ratios in Nanchang area, and Jiangxi Province (apart from Nanchang area) increased to a certain extent from the end of the previous year, and non-performing loans were mainly from Nanchang area.

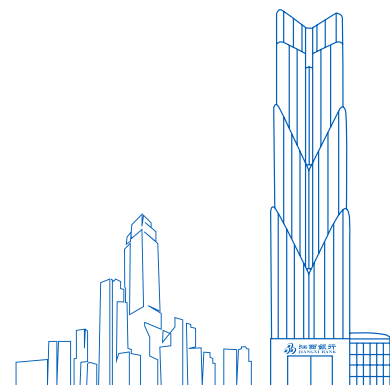


CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

4.6.6 Distribution of Loans by Overdue Period

Type of overdues	As of December 31, 2019		As of December 31, 2018	
	Loan amount	% of total (%)	Loan amount	% of total (%)
(in millions of RMB unless otherwise specified)				
Current loans	200,873.64	95.64	164,234.11	96.32
Loans past due for				
Up to 3 months	4,400.51	2.10	3,378.67	1.98
Over 3 months up to 1 year	2,860.04	1.36	1,462.24	0.86
Over 1 year up to 3 years	1,388.50	0.66	1,092.14	0.64
Over 3 years	494.44	0.24	333.54	0.20
Subtotal	9,143.49	4.36	6,266.59	3.68
Total	210,017.13	100.00	170,500.70	100.00

As of the end of the Reporting Period, the Group's total overdue loans amounted to RMB9.143 billion, representing an increase of RMB2.877 billion as compared with that at the end of last year. The overdue rate was 4.36%, an increase of 0.68 percentage points from the end of the previous year. Of the overdue loans, the proportion of loans past due for up to 3 months was large. Due to the economic downturns, small and micro enterprises had tight cash flows and rising default rates.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

4.6.7 Large Risk Exposures

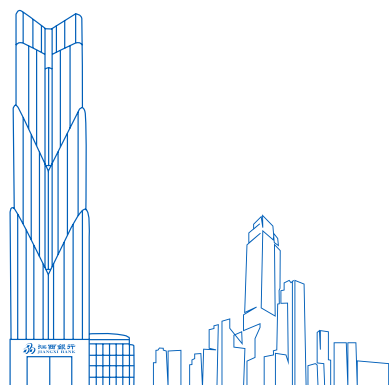
(1) Large risk exposures to ten largest non-interbank single customers

In accordance with applicable PRC banking laws and regulations, the Group's risk exposures to non-interbank single customers shall not exceed 15% of net tier-one capital. The following table sets forth the Group's risk exposures to non-interbank single customers as of the dates indicated.

Item	Industry	As of December 31, 2019		
		Balance of risk exposure (in millions of RMB)	% of total loans	% of net tier-one capital
Borrower A	Water conservancy, environment and public facility management	6,024.94	2.87	17.40
Borrower B	Information transmission, software and IT services	3,232.09	1.54	9.34
Borrower C	An anonymous customer	3,167.90	1.51	9.15
Borrower D	Real estate	2,860.00	1.36	8.26
Borrower E	Leasing and commercial services	2,854.27	1.36	8.24
Borrower F	Leasing and commercial services	2,841.18	1.35	8.21
Borrower G	Construction	2,625.00	1.25	7.58
Borrower H	Construction	2,505.29	1.19	7.24
Borrower I	Real estate	2,429.96	1.16	7.02
Borrower J	Leasing and commercial services	2,336.85	1.11	6.75
Total		30,877.48	14.70	89.19

Notes:

- (1) Risk exposures to non-interbank single customers exceeded 15% at as the end of 2019. The Bank has formulated plans to reduce large risk exposures so as to achieve risk reduction step by step.

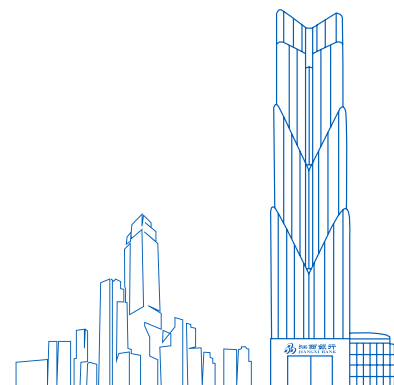


CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

(2) Large risk exposures to ten largest non-interbank related customers

In accordance with applicable PRC banking guidelines, the Group's risk exposures to non-interbank related customers shall not exceed 20% of net tier-one capital. The following table sets forth the Group's risk exposures to non-interbank related customers as of the dates indicated.

Item	Industry	As of December 31, 2019		
		Balance of risk exposure (in millions of RMB)	% of total loans	% of net tier-one capital
Borrower A	Leasing and commercial services	5,028.55	2.39	14.53
Borrower B	Construction	5,010.51	2.39	14.47
Borrower C	Leasing and commercial services	4,172.50	1.99	12.05
Borrower D	Leasing and commercial services	3,343.88	1.59	9.66
Borrower E	Water conservancy, environment and public facility management	3,264.27	1.55	9.43
Borrower F	Leasing and commercial services	3,071.53	1.46	8.87
Borrower G	Real estate	2,970.04	1.41	8.58
Borrower H	Leasing and commercial services	2,841.18	1.35	8.21
Borrower I	Transportation, storage and postal services	2,582.57	1.23	7.46
Borrower J	Wholesale and retail	2,218.11	1.06	6.41
Total		34,503.15	16.42	99.67



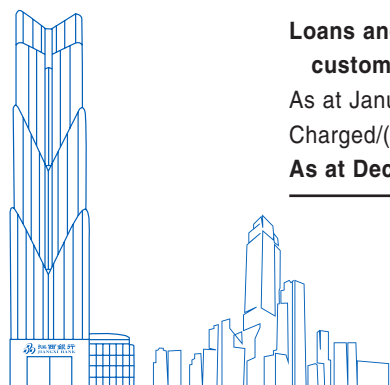
CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

4.6.8 Repossessed Assets and Impairment Allowances

Item	As of December 31, 2019 Amount (in millions of RMB, unless otherwise stated)	As of December 31, 2018 Amount
Land, properties and buildings	107.66	109.23
Less: Impairment allowances	(20.99)	(11.57)
Total	86.67	97.66

4.6.9 Movements of Provision for Impairment Losses on Loans

	Stage 1 ⁽¹⁾ Amount	Stage 2 ⁽²⁾ Amount	Stage 3 ⁽³⁾ Amount	Total Amount
(in millions of RMB, unless otherwise stated)				
Loans and advances to customers measured at amortized cost				
As at January 1, 2019	575.41	2,583.94	2,399.16	5,558.51
Transferred to next 12-month ECL	64.99	(57.18)	(7.81)	—
Transferred to lifetime ECL				
— not credit-impaired	(26.26)	75.07	(48.81)	—
Transferred to lifetime ECL				
— credit-impaired	(22.07)	(217.35)	239.42	—
Charged/(released) for the year	499.01	(218.36)	4,314.28	4,594.93
Recoveries	—	—	256.09	256.09
Write-offs	—	—	(2,207.67)	(2,207.67)
Transferred out	—	—	(289.57)	(289.57)
Others	—	—	(118.93)	(118.93)
As at December 31, 2019	1,091.08	2,166.12	4,536.16	7,793.36
Loans and advances to customers measured at FVOCI⁽⁴⁾				
As at January 1, 2019	5.97	3.79	—	9.76
Charged/(released) for the year	47.26	(3.79)	—	43.47
As at December 31, 2019	53.23	—	—	53.23



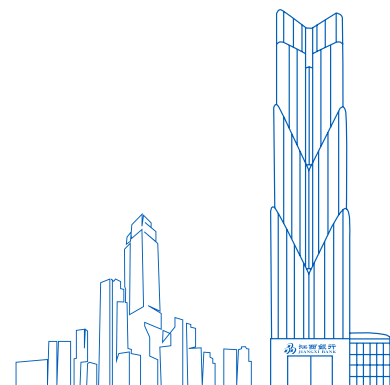
CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- (1) Stage 1 refers to the expected credit loss for the next 12 months.
- (2) Stage 2 refers to the expected credit loss within the lifetime in which no credit impairment has occurred.
- (3) Stage 3 refers to the expected credit loss within the lifetime in which a credit impairment has occurred.
- (4) The provision for impairment losses on loans and advances at fair value through other comprehensive income is recognised in other comprehensive income.

4.6.10 Measures for Non-performing Assets

During the Reporting Period, the Group adopted the following measures to control the growth of non-performing assets: first, the Group further moved forward the management of risks, and concentrated on the risk investigation and resolution of existing credit businesses, so as to improve the initiative, timeliness and effectiveness of risk management. Second, the Group set up a special risk management team to implement hierarchical and classified supervision, intensify superior and subordinate linkage and strengthen the recovery of “key banks” and “key customers”. Third, the Group classified and addressed the risks of existing assets according to their specific conditions under the principle of “One Policy for One Customer”, and continuously improved the efficiency of risk disposal by means of transformation and reorganization, guaranteed performance, collection and preservation, as well as asset auction. Fourth, the Group put more efforts into write-off and transfer by carrying out write-off of bad debts step by step and transferring non-performing assets through open bidding in a timely manner, so as to accelerate the reduction of the risks of existing assets.



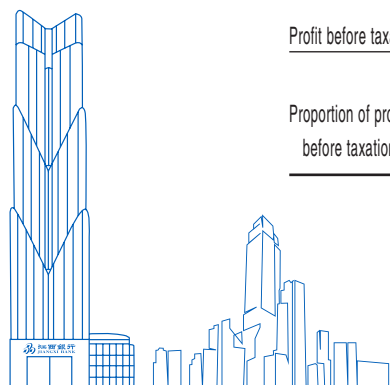
CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

4.7 SEGMENT REPORTS

4.7.1 Summary of Business Segment Information

The Group has three principal business activities: corporate banking, retail banking and credit card and financial markets business. The following table sets forth the main financial indicators for each business segment for the periods indicated.

	As of December 31, 2019					As of December 31, 2018				
	Corporate banking	Retail banking and credit card	Financial markets business	Others	Total	Corporate banking	Retail banking and credit card	Financial markets business	Others	Total
(in millions of RMB, unless otherwise stated)										
External net interest income	2,582.23	2,862.31	5,174.34	–	10,618.88	2,108.27	2,228.54	4,578.71	–	8,915.52
Internal net interest income/(expense)	2,669.63	119.94	(3,100.86)	311.29	–	2,627.48	391.05	(2,986.16)	(32.37)	–
Net interest income/(expense)	5,251.86	2,982.25	2,073.48	311.29	10,618.88	4,735.75	2,619.59	1,592.55	(32.37)	8,915.52
Net fee and commission income/(expense)	504.35	(148.84)	319.36	(7.89)	666.98	472.80	(36.30)	215.98	0.81	653.29
Net trading gains	–	–	138.54	–	138.54	–	–	92.73	–	92.73
Net gains arising from financial investments	6.26	–	1,468.39	–	1,474.65	1.66	–	1,366.25	–	1,367.91
Other operating income/(expenses)	138.36	(0.38)	(149.43)	65.21	53.76	22.85	2.06	(163.00)	459.25	321.16
Operating income	5,900.83	2,833.03	3,850.34	368.61	12,952.81	5,233.06	2,585.35	3,104.51	427.69	11,350.61
Operating expenses	(741.76)	(1,253.06)	(1,502.81)	(10.42)	(3,508.05)	(1,656.90)	(1,251.87)	(620.49)	(0.37)	(3,529.63)
Operating profit before impairment	5,159.07	1,579.97	2,347.53	358.19	9,444.76	3,576.16	1,333.48	2,484.02	427.32	7,820.98
Impairment losses on assets	(4,214.88)	(581.42)	(1,645.91)	(47.38)	(6,489.59)	(2,096.86)	(310.53)	(2,014.55)	(16.43)	(4,438.37)
Share of profits/(losses) of associates	–	–	–	1.99	1.99	–	–	–	(15.54)	(15.54)
Profit before taxation	944.19	998.55	701.62	312.80	2,957.16	1,479.30	1,022.95	469.47	395.35	3,367.07
Proportion of profit before taxation	31.93	33.77	23.73	10.57	100.00	43.93	30.38	13.94	11.75	100.00



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

4.7.2 Main Segment Operating Income

	As of December 31, 2019		As of December 31, 2018	
	Amount	% of total	Amount	% of total
(in millions of RMB, unless otherwise stated)				
Corporate banking	5,900.83	45.56	5,233.06	46.10
Retail banking and credit card	2,833.03	21.87	2,585.35	22.78
Financial markets business	3,850.34	29.73	3,104.51	27.35
Others	368.61	2.84	427.69	3.77
Total	12,952.81	100.00	11,350.61	100.00

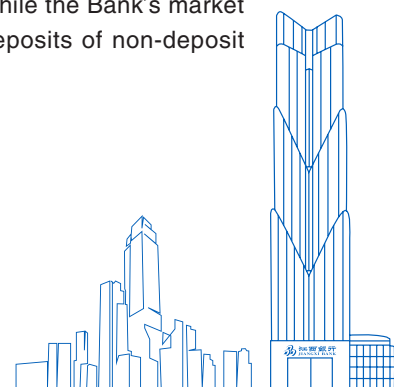
4.8 BUSINESS OVERVIEW

4.8.1 Corporate Banking

(1) Corporate deposits

During the Reporting Period, under the pressures of economic growth slowdown and financial and tax system reform, the Bank continued to promote the transformation of corporate business and use financial technologies to accelerate product innovation and system optimization, so as to promote institutional business and transaction banking business. Meanwhile, the Bank actively participated in fund tender and bidding projects of institutional clients and successfully won the bid for such projects as the management fund of Jiangxi provincial treasury cash and agency qualification for centralized payment of provincial treasury. It also entered into the contract for “Gan Fu Tong” of Jiangxi government service, took part in the construction of “Smart City” and created a series of selected projects in healthcare, education and other fields, thereby promoting the continuous growth of its corporate deposits. As of the end of the Reporting Period, the balance of the Bank’s corporate deposits reached RMB195.280 billion, representing an increase of RMB4.214 billion or 2.21% over the end of last year.

As of the end of the Reporting Period, according to the People’s Bank of China, the Bank ranked fourth with a market share of 11.14% in RMB corporate deposits (excluding deposits of non-deposit financial institutions) in Jiangxi Province; while the Bank’s market share of RMB corporate deposits in Nanchang City (excluding deposits of non-deposit financial institutions) was 18.90%, ranking first.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

(2) Corporate loans and advances

As of the end of the Reporting Period, the total amount of corporate loans and advances (discounted bills were not included, same as followings) issued by the Group reached RMB113.842 billion, representing an increase of 19.07% over the end of last year. Corporate loans and advances are the largest component of the Group's loan portfolio, most of which are denominated in RMB.

Distribution of corporate loans and advances by product type

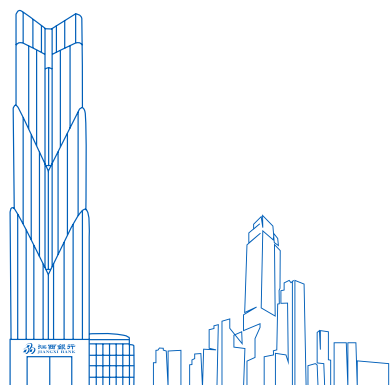
The Group provided various loan products to corporate customers, including working capital loans, fixed asset loans and financial leasing services. The amount of the Group's corporate loans and advances increased by 19.07% from RMB95.608 billion as of December 31, 2018 to RMB113.842 billion as of December 31, 2019, mainly due to the Group's continued increase in lending to enterprises in key industries, including wholesale and retail, manufacturing and leasing and commercial services. The Group continuously strengthened the business cooperation with core high-quality customers.

Unit: millions of RMB

Item	December 31, 2019		December 31, 2018	
	Amount	% of total	Amount	% of total
Working capital loans	56,250.79	49.41	49,448.09	51.72
Fixed asset loans	37,449.18	32.90	30,415.78	31.81
Financial lease	17,167.94	15.08	13,943.01	14.58
Others ⁽¹⁾	2,973.95	2.61	1,801.21	1.89
Total amount of corporate loans and advances	113,841.86	100.00	95,608.09	100.00

Notes:

(1) Mainly includes trade financing, advance payment of acceptance bill and syndicated loan



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

Distribution of corporate loans and advances by contract maturity

According to their respective contract maturity, the Group's corporate loans and advances include short-term loans and advances as well as medium to long-term loans. The following table sets forth the Group's corporate loans and advances by contract maturity as of the dates indicated.

Unit: millions of RMB

Item	December 31, 2019		December 31, 2018	
	Amount	% of total	Amount	% of total
Short-term loans and advances ⁽¹⁾	44,160.73	38.79	39,302.11	41.11
Medium to long-term loans ⁽²⁾	69,681.13	61.21	56,305.98	58.89
Total amount of corporate loans and advances	113,841.86	100.00	95,608.09	100.00

Notes:

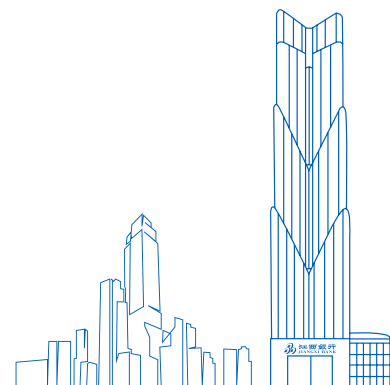
- (1) Consists of loans and advances with contract maturity of one year or less
- (2) Consists of loans with contract maturity of more than one year

Short-term loans and advances

As of the end of the Reporting Period, the Group's short-term loans and advances totaled RMB44.161 billion, up by RMB4.859 billion or 12.36% from the end of last year.

Medium to long-term loans

As of the end of the Reporting Period, the Group's medium to long-term loans totaled RMB69.681 billion, up by RMB13.375 billion or 23.75% from the end of last year.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

Distribution of corporate loans and advances by customer category

The Group provided different loan products and services for customers of various categories and sizes. The Group's corporate loans and advances customers mainly included state-owned enterprises and private enterprises primarily from manufacturing, wholesale and retail industries.

The following table sets forth the Group's corporate loans and advances by the size of corporate customers as of the dates indicated.

Unit: millions of RMB

Item	December 31, 2019		December 31, 2018	
	Amount	% of total	Amount	% of total
Micro enterprises ⁽¹⁾	8,589.96	7.55	6,431.88	6.73
Small enterprises ⁽¹⁾	58,367.40	51.27	56,320.22	58.90
Medium enterprises ⁽¹⁾	28,162.57	24.74	19,521.35	20.42
Large enterprises ⁽¹⁾	16,355.45	14.37	12,166.86	12.73
Others ⁽²⁾	2,366.48	2.07	1,167.78	1.22
Total amount of corporate loans and advances	113,841.86	100.00	95,608.09	100.00

Notes:

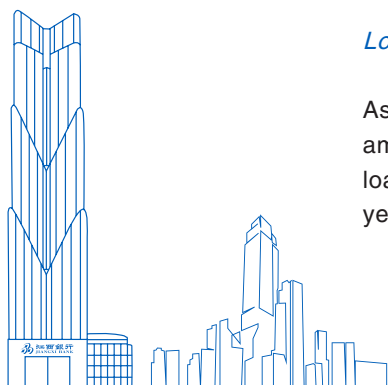
- (1) Classification Standards of Small and Medium Enterprises stipulates that the classification of large enterprises, medium enterprises, small enterprises and micro enterprises shall be based on the number of employees, operating income and total assets.
- (2) Primarily includes loans to public institutions such as hospitals and schools.

Loans and advances to large and medium enterprises

As of the end of the Reporting Period, the Group's loans to large and medium enterprises amounted to RMB44.518 billion, accounting for 39.11% of the Group's total corporate loans and advances, up by 5.96 percentage points from that as at the end of last year.

Loans and advances to small and micro enterprises

As of the end of the Reporting Period, the Group's loans to small and micro enterprises amounted to RMB66.957 billion, accounting for 58.82% of the Group's total corporate loans and advances, decrease of 6.81 percentage points from that as at the end of last year.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

(3) *Corporate customers*

As of the end of the Reporting Period, the Bank had approximately 74,461 corporate deposit customers, representing an increase of 7,265 or 10.81% from the end of last year, and approximately 3,981 corporate loans and advances customers, representing an increase of 112 or 2.9% from the end of last year. The Bank's corporate customer base was constantly consolidated. During the Reporting Period, the Bank put great efforts to carry out the special marketing activities with a focus on financial, social security, medical insurance and other administrative institutions, and strove to make breakthroughs in marketing activities targeted at institutional customers and transaction banking customers. Furthermore, the Bank actively expanded strategic customers such as major state-owned enterprises, listed/to-be-listed enterprises and industry-leading enterprises, provided them with comprehensive financial services such as cash management, capital settlement, credit financing and bond issuance, as well as strengthened and deepened all-round business cooperation, so as to enhance the stickiness of strategic customers.

(4) *Corporate products*

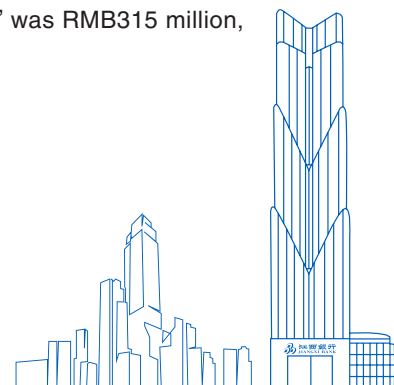
Settlement business

As of the end of the Reporting Period, the Bank had 9,858 accounts of enterprise mobile banking. Among them, 2,533 accounts were opened this year and 96,328 transactions with a total transaction value of RMB4.255 billion were made.

As of the end of the Reporting Period, the Bank had a total of 7,144 accounts of unit settlement card, of which 471 were opened this year and 78,771 transactions with a total transaction value of RMB754 million were made.

Supply chain finance

The Bank equipped its products with financial technologies and continued to upgrade supply chain financial services. At the end of May 2019, the Bank actively made "blockchain + supply chain finance" arrangements, launched the "Cloud Enterprise Chain" online factoring and financing products, and used blockchain technologies to provide online financing for upstream suppliers of core enterprises in the industry value chain. As of the end of the Reporting Period, the Bank's balance of supply chain finance business amounted to RMB3.213 billion, serving a total of 121 enterprises, of which the balance of online factoring and financing products of "Cloud Enterprise Chain" was RMB315 million, serving a total of 74 enterprises.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

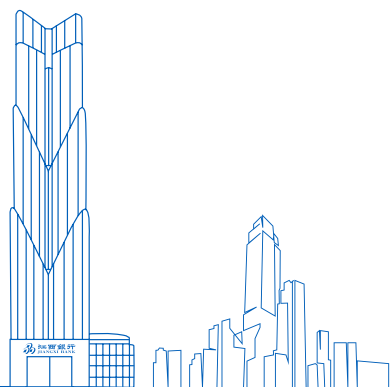
(5) *Investment banking*

During the Reporting Period, the Bank vigorously consolidated the foundation of investment banking business and steadily carried out the lead underwriting business of non-financial corporate debt financing instruments. On February 22, 2019, as approved by National Association of Financial Market Institutional Investors, the Bank became a B-Class lead underwriter for non-financial corporate debt financing instruments, and was approved to carry out the lead underwriting business of non-financial corporate debt financing instruments within Jiangxi Province, marking an important step in the Bank's service to local economy and direct corporate financing in Jiangxi Province.

During the Reporting Period, as one of the first batch of "B-Class lead underwriters of non-financial corporate debt financing instruments" in Jiangxi Province, the Bank assisted a total of 7 enterprises in Jiangxi Province in issuing 10 non-financial corporate debt financing instruments, with a total issue amount of RMB11.3 billion, of which RMB4.51 billion was underwrote by the Bank. According to the statistics of the open market, the Bank ranked first in terms of both the underwriting amount and the issue amount among 12 new lead underwriters in the country.

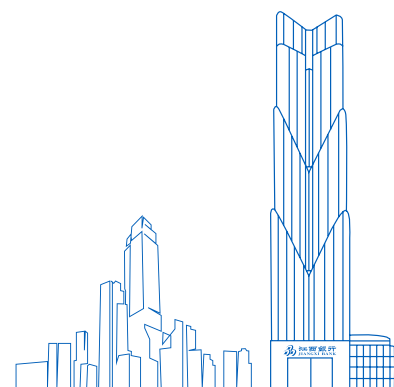
(6) *Micro-finance*

Adhering to the market positioning of "serving small and micro enterprises", the Bank strove to achieve inclusive finance, vigorously served the real economy, and made real efforts for actual results on such problems as "difficult financing, expensive financing and slow financing" facing small and micro enterprises, so as to constantly improved the financial services offered to small and micro enterprises. As of the end of the Reporting Period, the Group's small and micro enterprise loan balance (with the credit granted to a single customer less than RMB10 million (inclusive)) was RMB28.019 billion, up by RMB5.526 billion or 24.57% from the end of last year. There were 18,140 customers who received small and micro enterprise loan (with the credit granted to a single customer less than RMB10 million (inclusive)), up by 1,011 from the end of last year. The NPL ratio of inclusive type small and micro enterprises was controlled under the regulatory requirements; the weighted average interest rate was 5.96%, 0.83 percentage point lower than that of last year. It effectively lowered the financing costs of small and micro enterprises.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

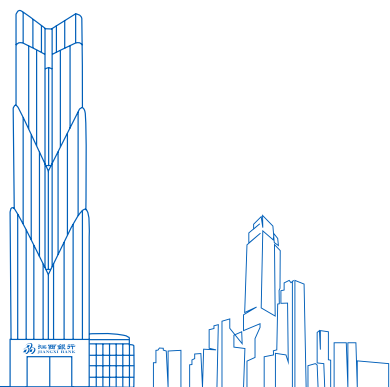
First, the Bank focused on the development of supply chain business and small and micro financial services in business circles. On the one hand, in order to solve the problem of “triangular debt” among enterprises, the Bank launched the “Cloud Enterprise Chain” online factoring business by using technologies such as “blockchain + supply chain” and online contract signing. While ensuring the authenticity of accounts payable in transactions, core enterprises are able to convert their accounts payable into letters of commitment for online e-payment that are financeable, transferable and separable backed by the credit granted by Jiangxi Bank to make payments to upstream suppliers. Suppliers can apply to the Bank for factoring financing with such commitments, thus helping small and medium enterprises along the chain to activate their accounts receivable. Since the business was launched, RMB315 million has been released to serve 74 small and micro enterprises. On the other hand, to cater to the financing needs and the payment and settlement characteristics of customers in HopeDA business circle, the Bank actively made exploration and innovation, exempted them from all POS charges, and launched “Hongcheng Characteristic Loan” products to better serve customers in HopeDA business circle. As of the end of the Reporting Period, characteristic sub-branches for small and micro finance in Hongcheng served a total of 7,109 customers in the business circle, representing 4,918 more than that of last year and a leap forward in the number of small and micro customers in the business circle. The Bank provided additional loans of RMB424 million to HopeDA small and micro merchants, achieving outstanding results in supporting HopeDA merchants through credit release. The Bank served 3,451 POS settlement customers with an annual transaction volume of RMB1.77 billion, which further widened the settlement channels of business circle customers and improved the comprehensive service efficiency, laying a solid foundation for the innovative and transformed development of the Bank’s small and micro finance.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

Second, the Bank actively responded to the plan to invigorate Jiangxi with talents and the “Yingshanhong Action”. In response to the strategy of invigorating Jiangxi with talents, the Bank took the lead in setting up a talent serving bank under the strong support of the Organization Department of Jiangxi Provincial Party Committee and the Financial Bureau of Jiangxi Province to fully support talents to live and work in peace and contentment. As of the end of the Reporting Period, the Bank provided 1,373 high-end talents with financial services such as business start-up financing and consumer credit, and launched 22 innovative and entrepreneurial products, with a total release of RMB903 million. The Bank actively responded to Jiangxi “Yingshanhong Action”, with a total credit of RMB173 million granted to 18 to-be-listed companies since the launch of “Yingshanhong Booster Loan”, of which RMB164 million was used.

Third, the Bank actively explored the mode of online small and micro loan under data risk control. Since small and micro enterprises featured “lack of information” and “lack of guarantee”, the Bank took advantage of its experience in model design, data accumulation and system development to explore and establish a new service mode of “digitization, intelligentization and networking” different from the traditional business. At the end of December 2018, the Bank launched the customer-oriented “Handheld Micro Loan” to meet the needs of remote self-service loan application, signing and repayment. In March 2019, the Bank introduced the data of industry and commerce, justice and taxation and launched “Micro Enterprise Loan”, the online credit product for small and micro enterprises. As of the end of the Reporting Period, the two aforementioned online products released a total of RMB3.566 billion, supporting up to 4,339 small and micro customers. At the end of the Reporting Period, online small and micro financial products “Tobacco Business Loan” and “Enterprise E loan” were launched to provide online-only and non-guaranteed operational loans for tobacco sales merchants with exclusive qualification in selling tobacco and small and micro enterprises with good record in tax payment and stable sales respectively. It is expected that loans from the above two products will be fully released in 2020. The Bank will continue to strengthen the guidance of science and technology to reduce corporate financing costs and improve the efficiency in serving small and micro enterprises.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

4.8.2 Retail Banking

(1) Retail deposits

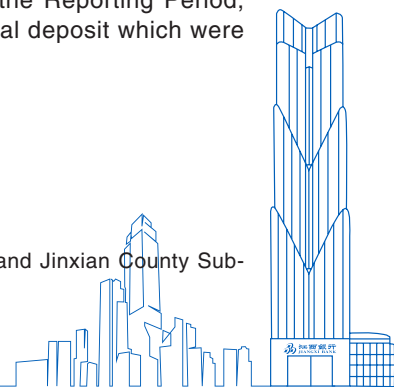
During the Reporting Period, the Bank continued to deepen the transformation of retail business operation mode and obtain settlement-type deposits in bulk through public-private linkage projects, specific customer group activities and other marketing methods. The Bank further expanded its service channels downwards and made further preparation to provide rural financial services, so as to tap the growth potential of retail deposits in county areas. As of the end of the Reporting Period, the Bank's retail deposit balance reached RMB86.020 billion, representing an increase of RMB21.114 billion or 32.53% over the end of last year.

As of the end of the Reporting Period, according to the People's Bank of China, the Bank took up a market share of 4.42% in RMB savings deposits in Jiangxi Province, up by 0.60 percentage point over the end of last year; newly taken deposits accounted for 8.43%, representing an increase of 3.40 percentage points over the end of last year; and the growth rate was 32.70%, 17.88 percentage points higher than the average growth rate in Jiangxi Province. The Bank took up a market share of 11.89% in RMB savings deposits in Nanchang City, up by 0.98 percentage point over the end of last year; newly taken deposits accounted for 18.19%, representing an increase of 21.33 percentage points over the end of last year and ranking first; and the growth rate was 25.96%, 10.38 percentage points higher than the average growth rate in Nanchang City.

During the Reporting Period, the Bank accelerated the expansion of deposit business in county areas, completed the pilot project of inclusive financial service stations in rural areas, and launched deposit marketing activities in county areas. As a result, significant growth was achieved in savings deposits in county areas of Jiangxi Province¹. As of the end of the Reporting Period, the Bank's county sub-branches in Jiangxi Province recorded a savings deposit balance of RMB23.535 billion, representing an increase of RMB7.305 billion or 45.01% from the end of last year.

During the Reporting Period, the Bank took multiple measures simultaneously with a focus on improving the marketing capability of settlement-type deposits. The Bank carried out the activity of preferential rate in acquiring fee for POS merchants and introduced the policy of deposits settlement for individual industrial and commercial businesses. It formulated incentive measures for the development of customers to whom it provides agency services and actively carried out the issuance and activation of social security cards. As of the end of the Reporting Period, the Bank's balance of retail demand deposits reached RMB21.058 billion, representing an increase of RMB1.769 billion or 9.17% compared to the end of last year. The Bank strengthened the marketing of superior deposit products and introduced large-amount deposits. During the Reporting Period, the Bank issued a total of 13 phases of large certificate of personal deposit which were widely recognized by customers.

1. the Anyi County Sub-branch, the Nanchang County Sub-branch, and Jinxian County Sub-branch in Nanchang were excluded.

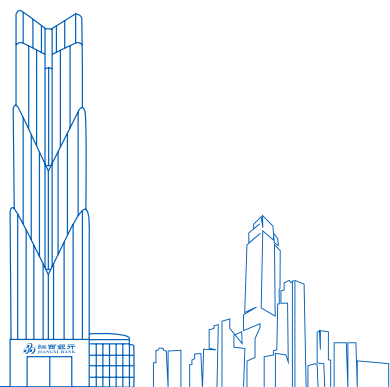


CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

(2) *Retail loans*

During the Reporting Period, the Bank strengthened the innovation of personal loan products, improved the experience of handling personal loan business online, and promoted the expansion of retail loan customers, which resulted in the expansion of customer scale and the improvement of efficiency. As of the end of the Reporting Period, the Group's balance of retail loan reached RMB80.728 billion, representing an increase of RMB13.797 billion or 20.61% over the end of last year. During the Reporting Period, the total interest income of the retail loan business was RMB4.901 billion, an increase of RMB1.285 billion or 35.52% over the same period of last year, and the profitability of retail loans was significantly improved.

During the Reporting Period, the Bank relied on electronic channels for the innovation of personal loan product and focused on strengthening the integration of "Online + Offline" business processes of personal loan business. By launching the "Real Estate Mortgage Quick Repayment" (房抵快贷) product, the Bank realized such functions as online value evaluation of mortgaged real estates in its handheld bank and immediate borrowing and repayment on mobile terminal, which greatly improved product experience. The Bank introduced the "Online Loan" function which realized the business operations of viewing offline loan information, inquiring about repayment plan, making advance repayment, etc. in the handheld bank and made it more convenient for customers to handle their businesses.



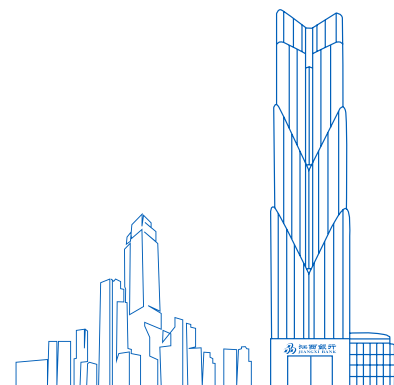
CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

(3) *Retail customers*

During the Reporting Period, the Bank carried out a series of customer group marketing activities with certain results achieved in obtaining customers in bulk, and consolidated the retail customer base through project marketing and channel marketing. First, the Bank formed a joint marketing team of “head office, branches and sub-branches” in combination with corporate projects such as “Yinyitong” and “Talent Bank” to explore the opportunities to obtain customers and provide individual comprehensive financial service plans for the employees from cooperative enterprises. Second, the Bank issued incentive policies for the marketing targeted at customers receiving agency services regarding social insurance, and organized branches to actively connect with social insurance authorities within their jurisdictions to jointly carry out online and offline marketing activities for social insurance customers. During the Reporting Period, the Bank issued 77,400 social insurance cards in total. The total number of social insurance and wages directly paid through the Golden Social Security Project Phase II System was 633,300, and the total amount of social insurance and wages for the Bank’s customers amounted to RMB2.286 billion. Third, the Bank vigorously promoted the “Smart Life Payment” service and expanded the customer bases of collecting units for tuition, party fees, property fee, rent and other funds with a total number of customer payments of 83,600 during the Reporting Period.

(4) *Bank cards*

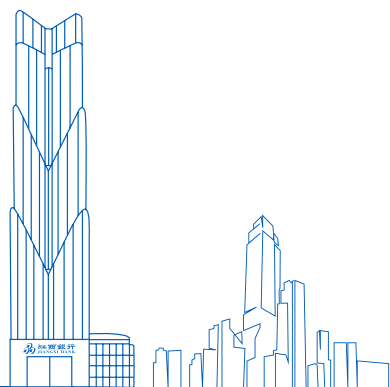
During the Reporting Period, the Bank cooperated with well-known Internet companies to launch the function of binding “Meituan Payment” and “NetEase Payment” with the Bank’s debit cards, thus expanding the channel for online payment. The Bank worked with third-party payment institutions including China Unionpay to carry out joint marketing activities such as “Reduction in Payment Through Wechat by Jiangxi Bank Debit Card”, “Discount in Payment Through Mei Tuan by Jiangxi Bank Debit Card”, “Unionpay Card Flash Payment for Subway and Bus Activity”, “Fortune Card Golden Pig Shopping Festival”, “Fee Reduction for Consumption of Ten Thousand Tables of Reunion Dinner”, “Fortune Card Fee Reduction for Refueling” “6 + 2 Discount for Unionpay”, and “Discount in Double 12 Shopping Spree for Mobile QuickPass” to enhance the use rate of the Bank’s debit cards in online payment. During the Reporting Period, the total amount of online payment using the Bank’s debit card reached RMB27.856 billion.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, in order to achieve the overall goal of “controlling risk, reducing costs and increasing revenue” for its credit card business, the Bank steadily increased the business scale and effectively enhanced the capabilities to generate revenue and acquire customers. First, the Bank focused on product development and empowered brand development. The Bank cooperated with JD Finance to launch co-branded credit cards of JD Finance to rapidly increase the number of cards issued, and developed credit cards with automatic installment for comprehensive consumptions to meet consumers’ installment demand for large-scale consumption such as decoration, travel and education. Second, the Bank developed new marketing modes and continuously improved environment for using cards. The Bank adopted the “credit card + consumption scene+ precision marketing” marketing strategy of launching credit card activities and successively carried out preferential activities such as “Gifts for First Card Swiping”, “Random Reduction in Payment Through WeChat”, “50% Off for Film Ticket on Taopiaopiao”, “KFC Free Chicken” and “Weekly Gifts for Card Swiping” with Starbucks, Alipay Koubei, KFC, Tuniu Travel and other partners, thereby continuously improving the brand awareness and customer experience of its credit cards. The Bank optimized the points mall, built a customer consumption platform within the Bank’s system and added multiple payment methods such as “point + quota” payment, direct payment with quota, installment payment with quota, etc. in addition to points redemption. Third, the Bank improved the policies and mechanisms for risk management and optimized the risk management system for the entire process of credit cards. Based on technological system and combined with the analysis of big data inside and outside the Bank, the Bank continuously optimized the credit policies, anti-fraud strategies, credit investigation strategies and phone verification rules before granting loans to improve the ability to identify risks regarding customer access. For the process of granting loans, the Bank optimized the cash-out detection model and strengthened the cross use of early warning signals in the credit risk monitoring system to realize the detection and differential management of customers with early warning. After granting loans, the Bank optimized collection strategies, launched intelligent voice collection and engaged professional institutions to effectively improve the collection quality and efficiency.

As of the end of the Reporting Period, the Bank issued 518,600 credit cards in total, representing an increase of 15.38% year on year; the accumulated revenue of credit card business for the year reached RMB235 million, representing an increase of 5.42% year on year.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

(5) *Wealth management*

During the Reporting Period, the Bank further enriched investment and wealth management products, launched wealth management products for cash management, and regularly issued “New Customer Wealth Management”, “County Customer Wealth Management”, “Group Customer Wealth Management” and other special products. Relying on the functions of “Gold Supermarket” and “Insurance Plaza” launched in the handheld bank, businesses of all investment and wealth management products could be efficiently handled on the mobile terminal. During the Reporting Period, the Bank strengthened cooperation with professional institutions to enrich customer value-added services by launching theme activities such as “Lectures on College Application” and “Creative Competition for Little Inventors”. Followed hot spots in the market, the Bank held lectures such as “STAR Market Investor Education” and “Analysis of Investment Opportunities in Gold Market” to enhance the stickiness of wealth management customers and increase both the quantity and quality of high-net-worth customers. As of the end of the Reporting Period, the Bank had 248,800 individual VIP customers¹, representing an increase of 22.17% from the end of last year. The balance of VIP customers’ financial assets reached RMB100.545 billion, representing an increase of 26.15% from the end of last year.

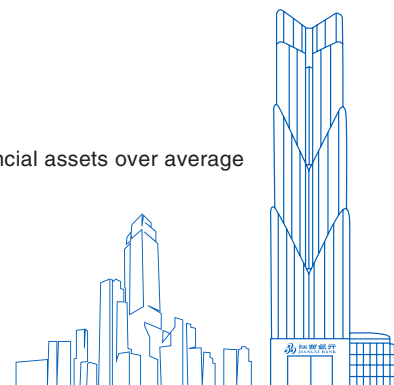
4.8.3 Financial Markets Business

(1) *Money market business*

During the Reporting Period, the central bank implemented a prudent monetary policy, strengthened the counter-cyclical adjustment and guided the steady operation of money market rate. While paying close attention to the changes in financial regulation and monetary policies, the Bank maintained reasonable and sufficient liquidity, adapted to the reforms and changes in LPR quotation system, flexibly uses tools such as short-term borrowing facilities, so as to satisfy the regulatory requirements for liquidity management and promote the steady development of money market business.

As of the end of the Reporting Period, the balance of the Group’s deposits with banks and other financial institutions, placements with banks and other financial institutions and financial assets held under resale agreements amounted to RMB15.133 billion, and the balance of the Group’s deposits from banks and other financial institutions, placements from banks and other financial institutions and financial assets sold under repurchase agreements amounted to RMB53.472 billion.

Note: 1. Individual VIP customers represent those who manage financial assets over average daily amount of RMB100,000 (inclusive) in the Bank.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

(2) *Investment in securities and other financial assets*

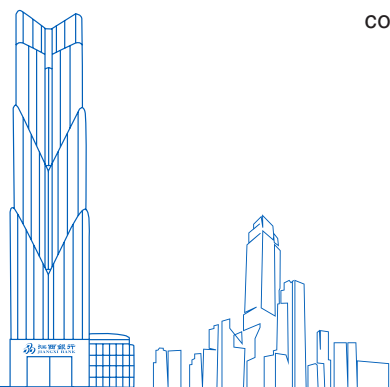
During the Reporting Period, the Bank continued to implement local regulatory policies and guidelines, and implemented a number of initiatives to return to its fundamental business and optimize its asset structure. On the one hand, the Bank lowered the proportion of investment business in total assets, gradually increased the proportion of standardized assets and broadened the types of investment to serve and cooperate with its branches to develop corporate, investment banking and retail businesses; on the other hand, the Bank deepened its efforts to develop customers of its branches in the province and the places where they located, and strove to provide its customers with plans for comprehensive financing services in the financial market.

As of the end of the Reporting Period, the balance of the Bank's investment in bonds, investment products under the trust plan, investment products under the securities company's management and other financial products reached RMB189.578 billion; the balance of Bank's bond investment was RMB55.015 billion and investment products under the trust plan, investment products under the securities company's management and other financial products totaled RMB133.096 billion.

As of the end of the Reporting Period, the Bank was granted the honorary titles of "Top 300 in Inter-bank Domestic Currency Market Transaction of 2019", "Core Trader in Inter-bank Domestic Currency Market of 2019" and "Outstanding Currency Market Trader of 2019" as well as the "Award of Trading Mechanism Innovation of 2019" by China Foreign Exchange Trade System & National Interbank Funding Centre.

(3) *Assets management business*

During the Reporting Period, the Bank focused on the working concept of "emphasizing both the growth rate and risk prevention in transformation and development" and implemented the guiding principles of regulatory policies to steadily promote the transformation to net worth wealth management. As of the end of the Reporting Period, the Bank's wealth management products had a subsisting balance of RMB33.201 billion, representing a decrease of 3.82% from the same period of last year, of which the investment scale of individual customers reached RMB32.131 billion, accounting for 96.78% and up by RMB1.898 billion over the same period of last year. At the same time, the Bank successfully issued the "Yousheng Wealth Management – Small Happiness", a net-worth wealth management product for cash management, and became the first city commercial bank in Jiangxi Province to issue similar products.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

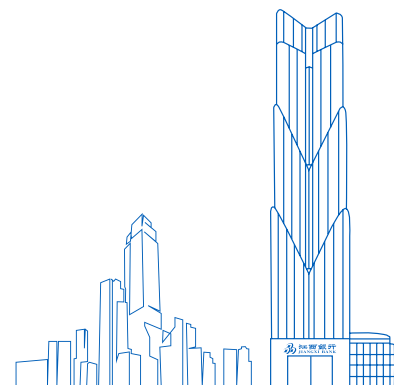
During the Reporting Period, the Bank was granted the “Advanced Institution Award in Asset Management Business for 2019” by China Central Depository & Clearing Co., Ltd. (“CCDC”) and the honorary title of “Excellent City Commercial Bank for Banking Wealth Management Information Registration of 2019” by China Banking Wealth Management Registration & Depository Co., Ltd. with its excellent investment management ability and good performance in data reporting.

In order to deepen the transformation and development of asset management business and constantly improve the competitiveness of our financial products, our next step is to optimize and standardize the work from the aspects of investor education and training, qualified investor identification, asset investment allocation, risk compliance construction and system transformation and development, increase the offering of net-worth wealth management products, and focused on enriching the types of wealth management products, so as to constantly improve the investment research ability and contribute to maintaining and increasing the wealth of residents, supporting the development of real economy and promoting the steady transformation and development of wealth management services of banks.

4.8.4 Network Finance Business

During the Reporting Period, the Bank continued to strengthen the financial technology empowerment and improve the online financial service capacity. By extending online financial services through various electronic channels and adding the function of management and control over customers with expired ID and Fortune Mall project, the Bank effectively safeguarded the legitimate rights and interests of customers and improved customer experience. By virtue of the convenience, timeliness and security in operation, the Bank stood out from nearly 100 banks and won the “Best Mobile Banking Innovation Award” jointly granted by China Financial Certification Center (CFCA) and www.cebnet.com.cn.

Mobile banking: During the Reporting Period, the Bank’s mobile banking increased the customer management and control function regarding expiration of certificate in accordance with regulatory requirements, and further carried out the verification of individual customer’s identity information to safeguard the legitimate rights and interests of depositors. As of the end of the Reporting Period, the total number of mobile banking customers reached 935,500, with an increase of 210,100 or 28.97% compared to the end of last year.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

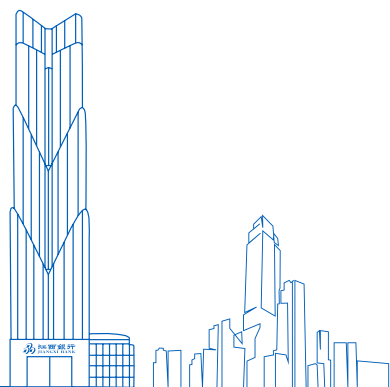
Online banking: During the Reporting Period, the Bank added the Fortune Mall, a new service, to its online banking to provide customers with a diverse, economical and flexible platform for point redemption as well as customization, delivery and after-sales services, thus effectively enhancing the coverage of customers. As of the end of the Reporting Period, the total number of online banking customers reached 1.3378 million, up by 231,000 or 20.87% compared to the end of last year; among them, there were 1.2879 million personal online banking customers and 49,900 enterprise online banking customers.

Telephone banking: During the Reporting Period, the customer service center received a total of 1,332,600 calls from customers, with an average daily rate of 3,651 calls, 95.06% telephone connection rate, and 99.39% customer satisfaction rate. In November 2019, the customer service center was granted the “Best Intelligent Team award of ‘The Voice of Customer Services’” in the Professional Competition for National Banking Customer Service Center held by China Banking Association with its excellent business capability and service philosophy.

WeChat banking: As of the end of the Reporting Period, the Bank's WeChat Official Account had a total of 747,700 followers, up by 44,900 or 6.39% compared to the end of last year.

4.8.5 International Business

During the Reporting Period, aiming at light assets and high income and according to the latest regulatory requirements, the Bank worked on its product portfolio, relied on cross-border payment, letter of credit, forfaiting and other products and services, and followed the idea of integration of local and foreign currencies and domestic and foreign linkage, so as to meet Jiangxi enterprises' need to “go out” and provide customers with diversified and comprehensive cross-border financial service plans. As of the end of the Reporting Period, the Bank handled international settlement of USD6.345 billion, up by 21% year on year; the balance of on-balance-sheet and off-balance-sheet financing reached RMB19.444 billion, up by 68.26% year on year.



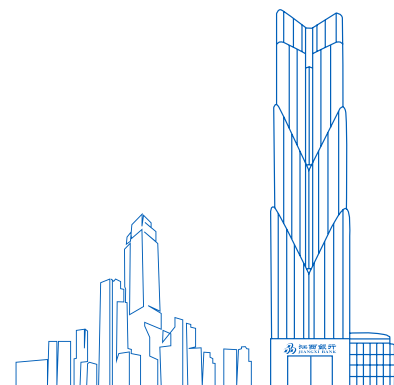
CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

4.8.6 Informatization Construction

During the Reporting Period, the Group was committed to improving the support of science and technology, accelerating scientific and technological innovation, and injecting new vitality into the overall development of its businesses.

I. Laying a solid foundation

- (I) In terms of the ability to protect network security, despite the complex and changeable network information security situation in the industry, the Group was well-prepared for any challenges. Externally, it actively took part in various activities held by regulatory authorities. Its capability in actual combats was recognized by regulatory authorities and won the titles of “No.1 Group as for Network Security Publicity Works” and “Group Second Prize of Network Security Competition”, etc. Internally, the Bank strengthened relevant trainings and consolidated the scientific and technological infrastructure with zero information security incident occurring throughout the year, thereby ensuring the continuous and stable operation of the Group’s network and system.
- (II) In terms of the support for business continuity, four bank-wide business continuity drills were carried out throughout the year, which further confirmed the capability to support business continuity and verified the great availability of the “two places and three centers” disaster recovery system and structure. In addition, four “breakthroughs” were made: the first breakthrough was made in the exercise period. Full business exercise in a working day was completed for the first time, which fully verified that the core system in the intra-city disaster recovery center is ready to replace the main data center; the second breakthrough was made in the number of systems, with the total number of switching systems as high as 71, hitting a record new, and the coverage rate of major businesses reaching 100%. The third breakthrough was made in the switching time. The disaster recovery system lasted for 48 hours (including a Monday), which was rarely seen in the industry and verified the reliability and advanced nature of the Group’s disaster recovery system. The fourth breakthrough was made in the switching mode. The Group changed the traditional manual switching mode to the automatic mode for disaster recovery switching, with a view to ensure fast, safe and efficient switching operation and reduce the operational risk.

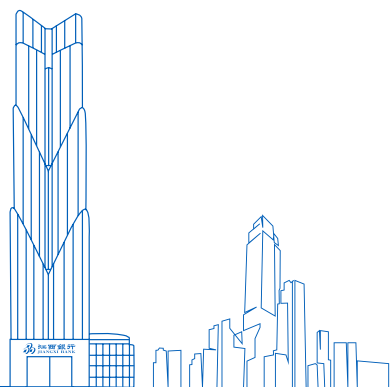


CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

- (III) In terms of science and technology management, the Group's completion of CMMI international standard certification and the implementation of paperless outsourcing management marked the substantive improvement of the Group's ability in software design, development, project management and other aspects. In a "data-based and goal-oriented" manner, the data of product investment, development cycle and production transaction were regularly analyzed in detail to provide information support for business operation and make subsequent business product R&D more rational and forward-looking.

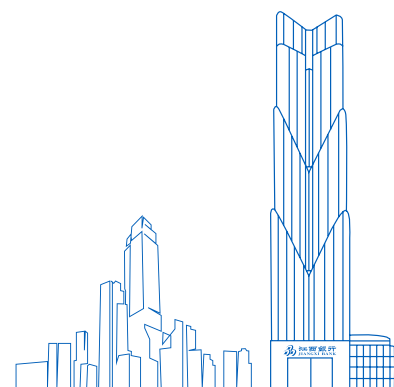
II. Striving for innovation and breakthroughs

- (I) The "science and technology action" was carried out. First, the Group targeted at the small and micro market and released two selected micro loan products namely "Handheld Micro Loan" and "Micro Enterprise Loan". During the Reporting Period, the business volume has steadily increased. The accumulated loan amount released to these two products reached RMB3.566 billion, with a total of 4,339 small and micro customers available as of the end of the Reporting Period. Second, the Group teamed up with Tencent and TechSight to launch "Smart Credit" to create a new form of online loan, and at the same time developed the Group's ability to conduct risk control modeling and the ability to operate online loan products. Third, the Group took advantage of artificial intelligence to achieve "intelligent collection". The product significantly improves the collection efficiency and reduce labor costs. Fourth, the Group developed new marketing approaches and created "smart SMS". It managed to accurately identify customers' needs using big data and customer portrait technology and provide "thousands portraits for thousands of people" scenario marketing. Fifth, the Group took in account both the advantages of traditional credit and new online loan platforms, established an integrated platform for retail and credit, and won the "2019 Outstanding Contribution Award for Fintech Innovation – Development and Innovation Contribution Award".



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

- (II) Application of financial science and technology was deepened. First, the Group tried “blockchain + supply chain finance” and launched the “Cloud Enterprise Chain” online factoring and financing business, which effectively improves the quality and efficiency of the financial services and the security of credit assets. Second, the Group created the general entrance of online retail business – “Handheld Bank” and introduced advanced technologies such as intelligent voice, biometrics, AR and big data analysis to provide customers with interesting and practical functions, which significantly improved the service experience.
- (III) “Smart branch” was established to accelerate business transformation. The Bank distributed 85% of the customer transaction flow from high counter and integrated counter system to selfservice equipment and mobile counter by integrating systems such as self-service banking system, mobile counter system, hall management system, form-filling and queuing system as well as monitoring and management system, which significantly improved customer experience. So far, the “Smart branch” has been promoted in batches in all branches.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

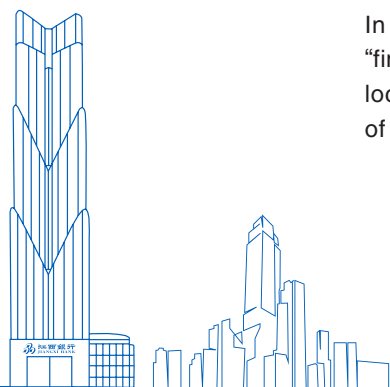
4.8.7 Subsidiary Business

(1) *Subsidiary business*

Jiangxi Financial Leasing Corp., Ltd. (“Jiangxi Financial Leasing”) was established in November 2015 with a registered capital of RMB1 billion, which is held as to 51% by Jiangxi Bank. In March 2018, the registered capital of Jiangxi Financial Leasing was increased to RMB2.02 billion, and the shareholding ratio of Jiangxi Bank increased from 51% to 75.74%. Since its establishment, Jiangxi Financial Leasing has always adhered to the development direction of “based in Jiangxi, facing the whole country, looking forward to the international market, and providing professional financial leasing services”, effectively served the national strategies including the “Belt and Road Initiative”, Yangtze River Economic Zone and the Revitalization of the Former Central Soviet Area, mainly supported public water conservancy facilities, advanced manufacturing, transportation, tourism development, energy and chemical engineering, medical and health care, agriculture, forestry, animal husbandry and fishing, and cultural education, and made achievements in the asset scale and business innovation.

As of the end of the Reporting Period, the total assets of Jiangxi Financial Leasing reached RMB20.43 billion, representing an increase of 30.66% from RMB15.636 billion at the beginning of the year. In 2019, it realized an operating income of RMB804 million, up by 68.20% year on year, a profit before provision of RMB708 million, up by 87.30% year on year, and a net profit of RMB260 million, up by 113.11% year on year. All regulatory indicators were up to standard. As of the end of December 2019, the financial leasing assets of Jiangxi Financial Leasing by five-category classification included normal assets of RMB17.982 billion, special mention assets of RMB343 million; the balance of provision for financial leasing assets was RMB667 million, and the allowance to gross loan ratio of financial leasing assets was 3.64%, representing an increase of 0.9 percentage point from 2.74% at the beginning of the year. In 2019, it issued loans with a total amount of RMB10.05 billion under various leasing businesses. In particular, it issued loans of RMB6.036 billion in Jiangxi Province, accounting for 60.06%. As of the end of 2019, Jiangxi Financial Leasing obtained an interbank credit line of RMB62.201 billion from 111 financial institutions, representing an increase of 23 in the number of financial institutions and RMB13.08 billion in credit line over the end of last year. The available credit line was sufficient, and the liquidity indicators were within an appropriate range, which guaranteed the company’s needs for continuous issuance of loans and the payment of due liabilities.

In the future, Jiangxi Financial Leasing will”, make the best of the characteristics of “financing capitals + financing goods”, stick to the sustainable development path featuring localization, specialization and professionalization, and actively serve the development of local economy.

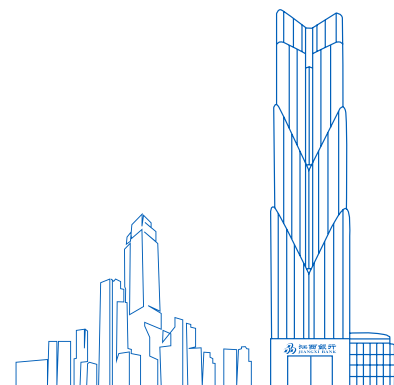


CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

(2) Immaterial businesses of affiliated enterprises

As of the end of the Reporting Period, the Bank initiated and established 5 village and township banks, namely, Nanchang Dafeng County Bank Co., Ltd. (南昌大豐村鎮銀行有限責任公司), Si Ping Tie Dong De Feng County Bank Co., Ltd. (四平鐵東德豐村鎮銀行股份有限公司), Nanfeng Judu County Bank Co., Ltd. (南豐桔都村鎮銀行有限責任公司), Jinxian Ruifeng County Bank Co., Ltd. (進賢瑞豐村鎮銀行有限責任公司) and Guangchang Nanyin County Bank Co., Ltd. (廣昌南銀村鎮銀行股份有限公司). As of the end of the Reporting Period, total assets of these village and township banks were RMB2.557 billion, up by RMB244 million from the end of last year; total loans were RMB1.532 billion, up by RMB297 million from the end of last year; total liabilities were RMB2.132 billion, up by RMB239 million from the end of last year.

The village and township banks initiated and established by the Bank actively implemented the Group's overall development strategy, adhered to the general tone of making progress while maintaining stability, and abided by the business policy of serving agriculture, rural areas and farmers and serving small and micro businesses, and set solid groundwork in county areas, supporting small and micro businesses and serving agriculture, rural areas and farmers, as well as adhered to the business guiding philosophy of compliance and legality, which has further improved the structure and level of corporate governance, clarified the market positioning of serving agriculture, rural areas and farmers and serving small and micro businesses, and thoroughly implemented the business concept of supporting agriculture and supporting small enterprises.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

4.9 PLEDGED ASSETS OF THE GROUP

Details of the Group's pledged assets are set out in note 39(f) to the financial statements.

4.10 RISK MANAGEMENT

For the risk management, the Bank adopts the mode of comprehensive risk management to ensure steady development of the Bank, realize appreciation of shareholder value, and fulfill social responsibilities.

The comprehensive risk management of the Bank includes credit risk, liquidity risk, market risk, operational risk, information technology risk, legal compliance risk, reputational risk, strategic risk and other risks.

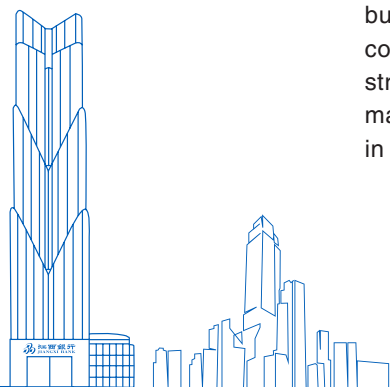
The Bank established a risk management organizational structure featuring “centralized management, matrix distribution” to clarify risk management responsibility, and form three defense lines of risk management: “business unit to control by itself in the first line, risk department to manage in the second line, and audit department to supervise in the third line”. The Board assumes the ultimate responsibility for comprehensive risk management, senior management assumes the implementation responsibility for comprehensive risk management, and the Board of Supervisors assumes the supervision responsibility for comprehensive risk management.

4.10.1 Management of Credit Risk

Credit risks refer to the risk of economic loss caused by the counterparty's failure to fulfill the obligations in the contract, which mainly come from various loan portfolios, investment portfolios, guarantees and other on-balance-sheet and off-balance-sheet credit risk exposures.

During the Reporting Period, the Bank improved the credit risk management by the following measures:

1. The crediting management mechanism was improved. From the two perspectives of credit product and credit amount, the Bank improved the system of pre-loan investigations, concurrent review during the loan period and post-loan inspection, and developed differentiated management and control programs, so as to effectively prevent credit risks.
2. The application of internal retail evaluation was optimized. Taking “one model for one product” as the entry point and combined with various small and micro, retail and online businesses, the Bank developed characteristic customer scoring models to achieve full coverage of retail lines. The Bank promoted the intellectualization of risk control models, strengthened customer identification capability, and improved customer pricing and quota management and control strategies, thereby comprehensively improving the efficiency in model application.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

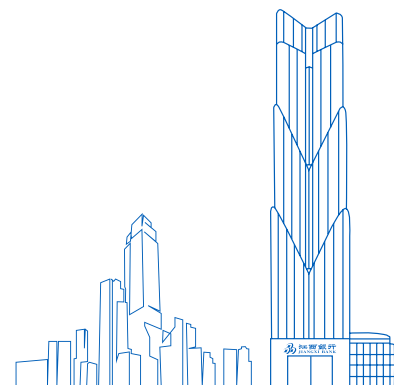
3. The application of big data-driven system for risk monitoring was strengthened. The Bank optimized the credit risk monitoring system, established the strategy of differential transmission by introducing external data, such as external information of tax, public statements and public opinions and other shared information, and practically controlled customer access before granting loans, so as to conduct post-loan monitoring for online loan business and penetration management on credit business of asset pools.

4.10.2 Liquidity Risk Management

Liquidity risk refers to the risk of loss or bankruptcy caused by the inability of commercial banks to provide financing for the reduction of liabilities and/or the increase of assets.

During the Reporting Period, the Bank mainly adopted the following measures to strengthen liquidity risk management:

- (1) The Bank closely monitored the assets and liabilities in each term interval, and analyzed the source and use of funds, actively marketed general deposits, sought inter-bank funding sources when needed, and carefully and moderately regulated the development strategy of medium-term and long-term assets, so as to maintain an overall balanced development of assets and liabilities. As of December 31, 2019, the Group's liquidity ratio was 58.74%; NSFR was 132%; and liquidity coverage ratio was 205.12%. The balance of qualified high-quality liquid assets was RMB26.175 billion, and the amount of net cash outflow in the next 30 days was RMB12.761 billion.
- (2) The Bank conducted dynamic monitoring of the daily daytime liquidity and flexible allocation of capital positions based on the trend of the capital market and customer needs, so as to ensure the Group's daytime fund payment security and position limit.
- (3) The Bank laid a solid foundation for the Group's multi-layer liquidity reservation mechanism, further increased the proportion of highly liquid assets, properly allocated highly liquid assets under different time limits and maintained a reasonable and sufficient provision.
- (4) The Bank set the corresponding liquidity limit amount or percentage from the perspective of daily liquidity risk management and the results of the Bank's liquidity stress test to achieve the purpose of balancing liquidity risks.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

- (5) The Bank conducted a liquidity emergency drill in an orderly manner, simulated the impact of small-probability events in an emergency situation, handled all nodes safely and made good emergency management to keep the liquidity risk of the Group stable and controllable.

4.10.3 Market Risk Management

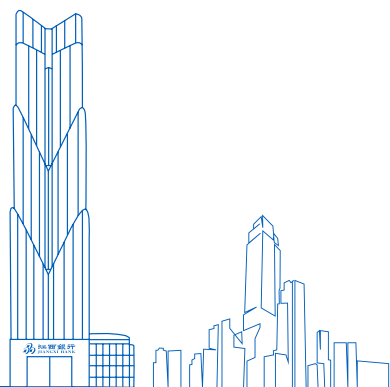
Market risks refer to the risks of loss in banks' on- and off-balance sheet businesses arising from adverse movements in market rates including interest rates, exchange rates, commodity prices, stock prices and other prices, which exist in the trading and non-trading businesses of banks.

The market risks faced by the Bank are mainly interest rate risk and exchange rate risk.

(1) *Interest rate risk analysis*

During the Reporting Period, the Bank improved its interest rate risks management through following measures:

1. The Bank continuously optimized the market risk system, improved policies for managing exchange rate risks and contingency plans, revised the policies for managing risks in bond business and standardized the operational procedures for non-financial corporate debt financing instruments.
2. The Bank constantly optimized the market risk control structure, set up risk centers in the business department under market risk and formed linked management of risks between risk management department and business department and clarified the functional limits of relevant department, and made use of the mechanism of monthly reporting at regular meetings to realize information exchange and sharing.
3. The Bank continued to carry out market risk monitoring and reporting, focused on indicators and reference thresholds for market risk limits, and used internal and external monitoring systems as tools to conduct analyses on prices and interest rates on all sorts of businesses in bond trading center and daily monitoring on credit bond business, and in turn to test the compliance of operations and deviation of transactions.
4. The Bank continued to improve its ability in market research and decision-making to enhance its decision-making based on macroeconomic and monetary policies. It also formulated transaction strategies on a monthly basis, and took advantage of the market fluctuation to increase revenue from transaction's bid-ask spread.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

(2) *Exchange rate risk analysis*

Exchange rate risks refer to risks which adversely affect the position level and cash flow of foreign exchange exposure held by the Bank due to exchange rate fluctuations.

During the Reporting Period, the Bank had relatively small foreign exchange risk exposure. The Bank's primary measures for controlling exchange rate risk is to match asset and liability denominated in every currency to the greatest extent, conduct monitoring over the foreign currency exposure on a daily basis, and execute the transaction for position-closing of foreign exchange settlement and sales in due time to prevent currency exchange loss arising from exchange rate fluctuation.

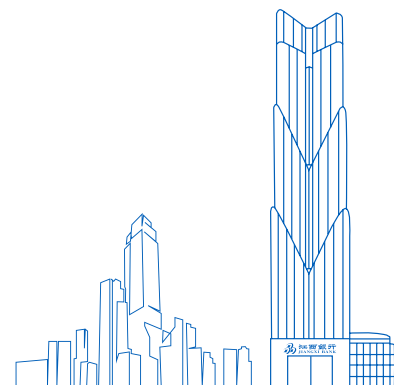
During the Reporting Period, the Bank's market risks were controllable on the whole.

4.10.4 Operational Risk Management

Operational risks refer to the risks of losses caused by imperfect or defective internal processes, employees and information technology systems as well as external events.

During the Reporting Period, the Bank mainly adopted the following measures to strengthen operational risk management and case risk prevention:

1. Focusing on operational risk management, and actively promoting the normalization of supervision and inspection. The special inspection on banned behaviors was carried out in the key areas with frequent violations, such as credit business, seal management, cash management, counter businesses and personnel management. We formulated and continuously promoted the implementation of inspection plans for each business line in view of the key points of supervision and inspection and areas with frequent violations. We improved the supervision mechanism for rectification of regulatory problems and graphed the opportunity of rectification of inspection problems to strengthen rectification from the source of mechanism and system, dig into the root causes of problems, and improve the risk control structure.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

2. Actively promoting the perfection of control measures based on business management process. In view of the risky processes and weak links in the whole bank, we strengthened and improved preventive management measures and means in advance, strengthened the control of audio and video record for counter and credit business, improved the maintenance function of fund supervision account system, enhanced the compliance review of new products and new businesses, in order to identify and prevent operational risks from the source.
3. Optimizing the system management function, actively promoting compliance management technology. We launched the second phase of the internal control, compliance and operational risk management platform, optimized system functions such as off-site monitoring, improved the effective identification of violations such as inaccurate five-level classification and excessively high chattel mortgage rate, and optimized the process functions of legal review, case prevention and control, internal control and operational risk, in order to make full use of the convenient functions of the system.
4. Rectifying abnormal behaviors of employees and actively promoting the standardization of operation behaviors. We explored and established a “three by three” case prevention and control system¹, and encouraged all the organizations to carry out quarterly investigation of abnormal behaviors of employees, and submitted report on the persons to be investigated as required based on key positions, key personnel, and key business links. We carried out “looking back” inspections of employees’ business shareholding and abnormal account funds, and implemented special investigations to crack down on crime, pornography, gambling and drugs.

¹

“Three by three” system: Emphasize the “three key aspects” (key positions, key personnel, key links), carry out “three activities”, namely, self-inspection, self-correction and self-report, and implement the “three refuse” (refuse to exceed the red line, refuse to break the bottom line and refuse to touch the high-tension line).

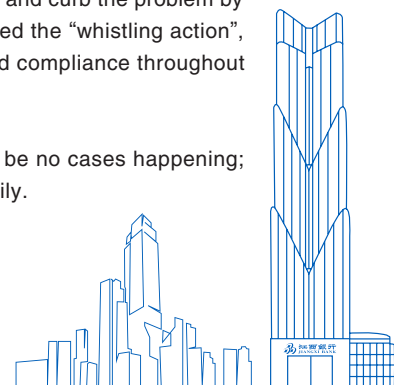


CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

5. Making use of three key management tools to actively promote the effectiveness of risk management. We comprehensively sorted out the business process, and organized all departments of the head office and branches to carry out operation risk self-assessment. We improved the system of key risk indicators, continuously monitored key risk indicators, comprehensively studied the financial loss data of the whole bank caused by operational risk events, revealed the key operational risk areas that resulted in actual losses, and monitored the operational risk management of each business line.
6. Strengthening the construction of compliance culture and actively promoting compliance ideology. Throughout the year, we carried out special rectification activities of “whistle blowing operation”² on internal control, case prevention and control, and compliance and took multiple measures to carry out compliance publicity and education. We deepened the compliance concept of “three musts and three cares”³ by carrying out compliance publicity month themed activities, case prevention warning education, key system test, compliance risk reminder and other activities.

During the Reporting Period, the Bank’s operational risk management system ran smoothly and the operational risks were controllable on the whole.

- 2 Whistling action: Many countries in Europe and America have legislated to establish a “whistleblower system”, that is, internal employees detect the problem in the first place at the first time, blow the whistle, and curb the problem by mutual supervision and whistle-blowing. With reference to this concept, the Bank conducted the “whistling action”, a special rectification activity to promote internal control, case prevention and control, and compliance throughout 2019, to further create a rich compliance culture.
- 3 “Three musts and three cares”: Risk prevention must be put in the first place; there must be no cases happening; systems must be implemented; care for your job; care for your friends; care for your family.



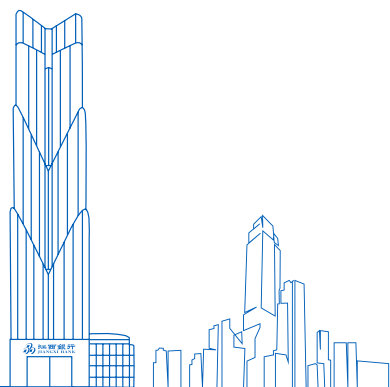
CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

4.10.5 Information Technology Risk Management

Information technology risks refer to the operational risk, legal risk, reputational risk and other types of risks caused by natural or human factors, technical leaks and management defects during the use of information technology in the operation of commercial banking.

During the Reporting Period, the Bank comprehensively complied with the policies and regulations of competent and regulatory authorities of the state government, effectively established the three defense lines of information technology risk management represented by the information technology department, risk management department and audit department, and carried out a series of IT risk management improvement work.

1. The Bank carried out business continuity drills in multiple forms. A total of 7 business continuity drills were completed throughout the year, including 3 desktop drills and 4 system switching drills. The drill scenarios included hardware failure, hosting system failure, network security event, basic environment failure and other disaster scenarios which completed the drill plans of the year successively.
2. The Bank carried out a series of risk assessment and inspection work. By carrying out outsourcing risk assessment, business emergency plan assessment, remote disaster preparedness center inspection, information technology risk inspection of rural banks and other works, we timely found hidden risks and followed up the rectifications.
3. The Bank strengthened the information system life cycle risk monitoring. By selecting some system development projects for key monitoring, the requirements, design, development, testing, on-line and other nodes of the information system life cycle were monitored and evaluated to ensure the standardization of information system construction and improve the quality of project construction.
4. The Bank carried out regular dynamic monitoring of information technology risk indicators. We selected key information technology risk indicators, regularly monitored and analyzed the operation status of important information systems, network security situation and the changing trend of electronic channel transactions, and fully disclosed the information technology risk level of the Bank. During the Reporting Period, all production systems of the Bank operated well, and no major information technology risk events occurred.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

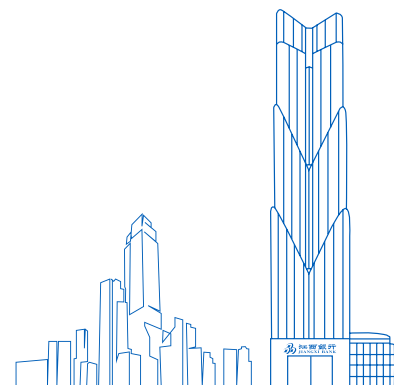
4.10.6 Legal and Compliance Risks

(1) Legal risk

Legal risks refer to the risks of legal liability arising from violations of laws and regulations, breach of contract, infringement of the legal rights of others or other activities involving any contractual or commercial activity of the Bank.

During the Reporting Period, the Bank mainly adopted the following measures to prevent and control legal risks:

1. Improving the effectiveness of legal services. The Bank formulated formatted texts for frequent business activities, requiring all non-formatted texts to be submitted to the head office and branches for legal review before they can be printed and issued to the public, so as to reduce the legal risk of business activities. In addition, the Bank employed a number of external law firm teams as the important business line legal counsel, so as to ensure the legal risk prevention and control of the Bank's major and innovative businesses.
2. Focusing on scientific and technological innovation. The Bank continuously optimized and modified the "three-in-one" full-function management platform of internal control, compliance management and operational risk, gave full play to its legal compliance of internal control as an important management tool, promoted the systematic and intelligent management of legal affairs, such as legal text review and case management, and effectively improved the legal risk management quality and efficiency of the Bank.
3. Fostering an atmosphere of legal awareness. The Bank actively carried out all kinds of legal knowledge and skills training, and constantly improved the staff's legal awareness and level. In addition, we would conduct demonstration and study of the risk points and develop risk warnings in view of the newly issued laws, regulations and regulatory policies, and based on the actual operation and development of the Bank's business, in order to remind the employees to guard against legal compliance risk events.



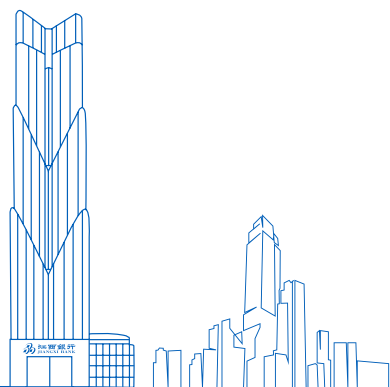
CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

(2) *Compliance risk*

Compliance risks refer to the risks of legal sanctions, regulatory penalties, significant financial losses and reputation damage due to inconformity with laws, regulations and rules.

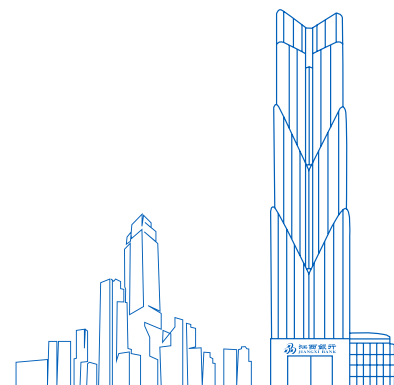
During the Reporting Period, the Bank mainly adopted the following measures to strengthen compliance risk management:

1. Improving the organizational structure of compliance risk management. A compliance management committee was set up at the level of the Board of Directors, and the compliance department and full-time compliance personnel were set up in all first-level branches to enrich the organizational structure of compliance risk management from top to bottom, so as to further focus on the compliance risk management of the Bank.
2. Enhancing the business compliance management. We continued to standardize the compliance management of the Bank's credit, financial market, counter, credit card, internet finance, foreign exchange and other business areas, and integrated compliance requirements into the business and management process; carried out multi-dimensional and phased compliance risk assessment for new products and new businesses, formulated compliance operational requirements for products and businesses, and ensured compliance for innovative businesses.
3. Carrying out compliance risk inspection and screening. In accordance with the arrangements of the regulatory authorities, we carried out such special inspection activities as self-inspection and self-correction, risk screening in key areas, "consolidating the achievements of disorder control and promoting compliance construction", and rectifying the disorder in the insurance intermediary market. We implemented targeted inspections on key industries such as real estate, key products such as bank-bearing bills of exchange, and key businesses such as investment banks. In addition, we carried out a special "banned action" inspection on high-frequency violations such as the pre-loan investigation, post-loan review and post-loan inspection, implemented early warning and monitoring of off-site compliance, and continued to correct all kinds of violations, in order to effectively defuse compliance risks.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

4. Improving the awareness of operation in compliance in various forms. Throughout the year, the Bank carried out “whistling action”, a special activity to promote internal control, case prevention, and compliance, provided behavioral prohibitions education in the innovative form of animation, carried out onsite prevention and warning education of compliance cases, organized branches to carry out characteristic publicity and education, and promoted the awareness of compliance among employee. We carried out key system tests each month to help employees master system operation requirements, issued timely compliance risk reminders to help employees quickly understand the changes in regulatory requirements, and improved their ability to prevent compliance risks. In addition, we carried out the normalized immersion compliance education, to enrich the compliance culture of the Bank through the “Jiangxi Bank Compliance Academy”, WeChat public account, network college, SMS and other channels and scenes.
5. Continuously improving the compliance risk reporting mechanism. The Bank further clarified the definition, reporting requirements, reporting path and reporting time of compliance risk events, and strengthened the active identification, management and reporting responsibilities of compliance risks of institutions at all levels, so that compliance risks could be reported quickly and handled effectively.



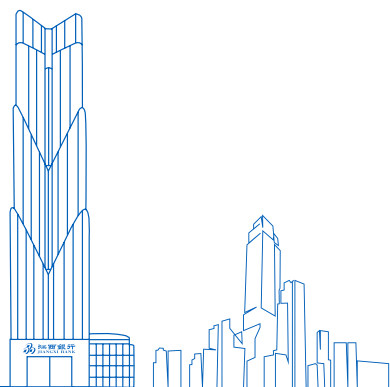
CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

(3) *Money laundering risks*

Money laundering risks refer to the risks faced by banking institutions being used in illegal and criminal activities such as money laundering, terrorist financing and proliferation financing in the course of conducting business and operating management.

During the Reporting Period, the Bank earnestly implemented anti-money laundering related laws and regulations, constantly improved the anti-money laundering working mechanism based on the risk-oriented work concept, established a comprehensive anti-money laundering organization system, carried out comprehensive risk assessment of money laundering, developed a specialized anti-money laundering monitoring system, built a professional anti-money laundering team, and effectively performed the anti-money laundering responsibilities of financial institutions, in order to provide guarantees for the sound operation of the Bank's businesses.

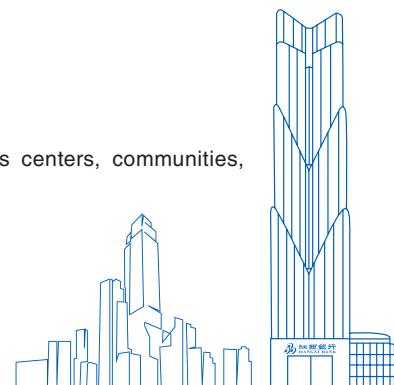
1. Improving the top-level design of anti-money laundering. We incorporated the risk of money laundering into the overall risk management system, and built a well-organized, complete and responsible money laundering risk management framework to establish a clear and effective operation mechanism.
2. Strengthening the construction of anti-money laundering internal control system. We continued to improve the internal control system of anti-money laundering in accordance with regulatory requirements and our own actual conditions, and formulated the Compilation of Internal and External Regulations against Money Laundering, in order to strengthen the review of the compliance, effectiveness and operability of various systems, and effectively incorporate the requirements of preventing money laundering risk in every process before, during and after the event.
3. Continuously promoting the centralized treatment of anti-money laundering. We followed the principle of "collective and systematic action by expert" and gradually undertook the technical tasks from the outlets, such as the suspicious transaction screening, and key suspicious transaction analysis, so that the work focus of the outlets was shifted to customer identification, customer identity information collection and other basic work, thus effectively improving the quality and efficiency of anti-money laundering.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

4. Actively carrying out non-compliance data governance task. We organized centralized management of customers with non-compliant identity information, earnestly implemented the responsibilities of each business line, unified the data entry standards of the whole bank, integrated existing customer information data, and made full use of internal and external data to improve customer information, in order to create a long-term data governance mechanism.
5. Carrying out various risk screening. We carried out special investigations on illegal fund raising, telecom fraud, gangdom-related crimes and underground banks, identified suspicious money laundering behaviors in time, implemented follow-up risk control measures on suspicious transaction reports, and constantly strengthened the control of high-risk customers.
6. Carrying out “physical examination” of the Bank for any risk. professional consulting companies were engaged to analyze and evaluate the risks of internal and external money laundering risk in the Bank, evaluate the effectiveness of risk control mechanism, and find money laundering loopholes and weak links.
7. Deepening the construction of anti-money laundering culture. We made concerted efforts both online and offline to create a good cultural atmosphere of law-understanding, and enhance the identity of anti-money laundering work for employees and customers through innovative publicity methods and activities, such as developing WeChat messages theme games, shooting special promotional videos, pushing knowledge tweets, and bringing knowledge home through “FIVE ACCESS”¹.

¹. “FIVE ACCESS”: access to enterprises, real estate sales centers, communities, campuses, and villages and towns.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

4.10.7 Reputational Risks

Reputational risks refer to the risks of stakeholders' negative comments on commercial bank due to operation, management and other activities or external events of the commercial bank.

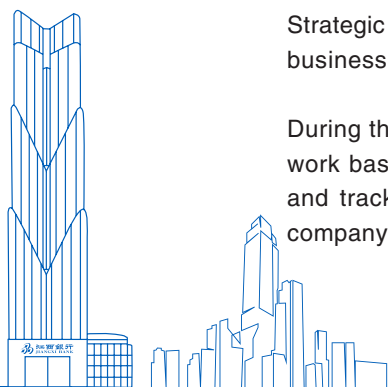
During the Reporting Period, the Bank further improved the reputational risk management system, and strived to realize the effective full-process control mechanism of preventing risks in advance, mitigating risks at the first sight, actively responding to them in the event, and tracking and summarizing after the event, so as to improve the management level and prevention and control ability of reputational risk.

1. Optimize the rules and regulations, specify the division of responsibilities of each unit and department, refine the response level and disposal requirements of reputational risk and strengthen the assessment to improve the efficiency of risk response according to external environment changes and regulatory requirements.
2. Strengthen public opinion monitoring, improve the prevention and warning system, establish a web-based risk investigation mechanism, and enhance the strength and breadth of reputational risk detection to early identify the potential risks.
3. Strengthen the emergency plan management, formulate effective response plans, timely and properly deal with potential public opinion, pay close attention to the pre-management of reputation risk, strengthen internal control and compliance management, and improve the quality of financial services to control public opinion risk from the source.
4. Improve professional training, combine with conventional public opinion and hot public opinion to carry out practical exercises, strengthen the ability of public opinion research and judgment, enhance the sense of confidentiality of all staff, and continue to improve the reputational risk culture.
5. Increase publicity efforts, closely combine with the macro economic trends and the Bank's work plan, dig out business highlights, business characteristics and social responsibility initiatives, and actively promote the brand image to create a good public opinion environment.

4.10.8 Strategic Risks

Strategic risks refer to the risks caused by improper business strategy or changes in the external business environment.

During the Reporting Period, the Bank comprehensively carried out strategic risk management work based on external situation and operation, regularly monitored strategic risks, assessed and tracked potential strategic risks to be tolerated in the short term, and ensured that the company's strategy is instructive, feasible and scientific for the development of the whole bank.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

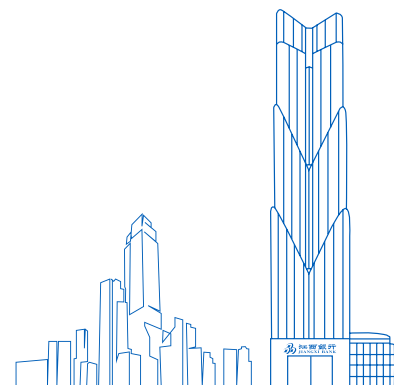
4.10.9 Capital Management

As of December 31, 2017, December 31, 2018 and December 31, 2019, the adequacy ratios of the Group's core tier-one capital were 9.38%, 10.78% and 9.96%, respectively; the adequacy ratios of the Group's tier-one capital were 9.40%, 10.79% and 9.97%, respectively; the adequacy ratios of the Group's capital were 12.90%, 13.60% and 12.63%, respectively. As of December 31, 2019, the gearing ratio (liabilities over assets) of the Group was 92.31%.

As of December 31, 2017, December 31, 2018 and December 31, 2019, the Group's leverage ratios were 5.98%, 7.35% and 7.20%, respectively, which are in compliance with relevant regulatory requirements in China.

Capital Adequacy Ratios

Item	As of December 31, 2019 (in millions of RMB, unless otherwise stated)	As of December 31, 2018
Net core tier-one capital	34,572.38	32,279.31
Net tier-one capital	34,618.70	32,315.75
Tier-two capital	9,205.50	8,392.78
Net capital base	43,824.20	40,708.54
RWA	347,120.02	299,426.70
Credit risk-weighted assets	324,033.04	278,075.37
Market risk-weighted assets	2,387.62	3,131.53
Operational risk-weighted assets	20,699.36	18,219.80
Core tier-one capital adequacy ratio	9.96%	10.78%
Tier-one capital adequacy ratio	9.97%	10.79%
Capital adequacy ratio	12.63%	13.60%



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

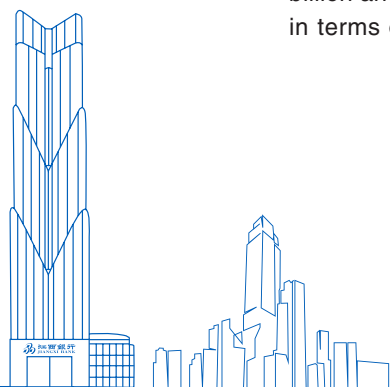
4.11 SOCIAL RESPONSIBILITIES

I. Assisting in Poverty Alleviation

Full support was given to targeted poverty alleviation. The Bank actively shouldered the responsibilities as a bank at provincial level and innovated financial services to promote the development of industries and improve production and living conditions in poverty-stricken areas. In 2019, 28 poverty alleviation squads of the Bank carried out targeted poverty alleviation in 32 poverty-stricken villages in Jiangxi Province, and invested a total of RMB6.48 million in developing projects such as building Ninghong Hope Primary School, village-level highways, and benevolence supermarket, and developing industrial bases for agricultural products such as green rice, kudzu root, and greenhouse vegetables. Credit to poverty-stricken areas was increased. The Bank continued to increase the credit released to poverty-stricken areas and vigorously promoted financially targeted poverty alleviation. As of the end of the Reporting Period, the balance of credit released by the Bank to poverty-stricken areas was RMB16.663 billion, representing an increase of RMB3.295 billion or 24.65% over the end of last year; the balance of loans for financially targeted poverty alleviation was RMB730 million, representing an increase of RMB134 million or 22.48% over the end of last year, which demonstrated that the Bank has been actively fulfilling the mission and responsibility of financially targeted poverty alleviation with actions.

II. Serving Local Construction

Major key projects were supported. The Bank participated deeply in the activity of “Year of All-Out Efforts into Projects” in Jiangxi Province and focused on supporting major infrastructure projects such as Guangchang-Ji’an expressway and Nanchang west outer ring expressway, characteristic industrial parks like scientifically innovative city of traditional Chinese medicine and biological pharmaceutical industrial park in Nanchang High-Tech Zone, as well as such major key projects as BYD electronics and Geely new energy commercial vehicles. **Development of green finance was promoted.** As of the end of the Reporting Period, the Bank released a total of RMB10.931 billion of green credit, covering green industry projects in such fields as ecological protection and climate change adaptation, clean energy, pollution prevention and control, clean transportation, resource conservation and recycling, so as to vigorously support the development of green economy in Jiangxi Province. **Bond issuance by enterprises in Jiangxi was facilitated.** The Bank obtained the qualification of “B-Class lead underwriters” and assisted Jiangxi enterprises in issuing 10 bonds with an underwriting amount of RMB4.51 billion and a total issue amount of RMB11.3 billion, ranking first among 12 new lead underwriters in terms of both the underwriting amount and the total issue amount according to public data.



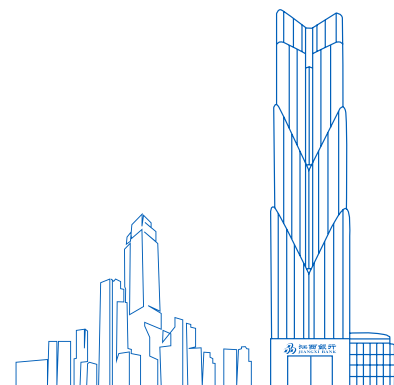
CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

III. Deepening the Protection of Consumers' Rights and Interests

The mechanism of consumer protection was improved. The Bank constantly improved the working rules of the Consumer Rights Protection Committee under the Board and further improved the responsibilities and powers of the committee. The ratio of consumer protection in performance appraisal was improved and the assessment indicators were clarified to encourage internal self-discipline. **Promotion and education of financial knowledge were deepened.** During the Reporting Period, the Bank carried out a number of themed activities for the promotion and education of financial knowledge to actively publicize basic financial knowledge, which effectively enhanced public participation and continuously improved the quality and effectiveness of financial knowledge promotion and education. **Basic services were strengthened.** During the Reporting Period, the Bank added 54 consumer protection stations equipped with specialized consumer rights protection personnel to provide consumers with full-process tracking services in a timely manner.

IV. Devoted to Serving Small and Micro Enterprises

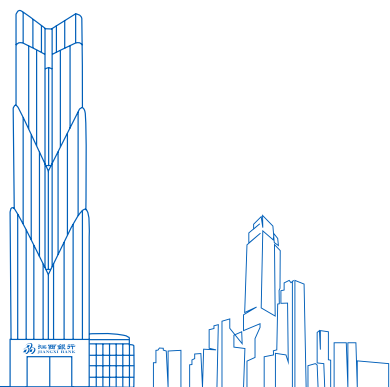
Featured products were developed. Based on the direction of local economic transformation, characteristic industry value chains, as well as operational characteristics and investment and financing needs of small and micro enterprises, the Bank actively developed and promoted products like “Cloud Enterprise Chain” and “Enterprise E Loan” to provide exclusive services for upstream enterprises in the supply chain, honest tax-paying customers and other customer groups. **Full support was given to small and micro enterprises.** For private enterprises and small and micro enterprises with marketable products, promising developmental prospect and competitive technologies which were confronted with temporary difficulties in operation, the Bank had “released loans as much as reasonably possible” to help enterprises out of the woods. **Channel construction was developed.** The Bank innovated products and channels such as “Micro Enterprise Loan” and “Handheld Micro Loan” to strengthen the online service function for small and micro enterprises. As of the end of the Reporting Period, the Bank’ Small-Enterprise Credit Center had small and micro loan balance of RMB6.956 billion, an increase of RMB1.538 billion over the same period of last year, benefiting various production units of the society such as small and micro enterprises, individual industrial and commercial businesses and start-ups set up by owners who had been laid-off workers.



CHAPTER IV MANAGEMENT DISCUSSION AND ANALYSIS

4.12 FUTURE DEVELOPMENT PROSPECTS

2020 is the end of China's 13th five-year plan to finish building a moderately prosperous society in all respects. Despite the complexity of the external environment and the temporary impact of epidemic of novel coronavirus pneumonia since early 2020 in China, the Chinese economy has great resilience, potential and room for maneuver. The basic trend of "steady and long-term improvement" remains unchanged. Under the policy framework of "stable macro policies, flexible micro policies and supportive social policies", a proactive fiscal policy and a prudent monetary policy will, together with the favorable consumption, investment, employment, industry and regional policies, promote the "double upgrading" of industry and consumption and keep the Chinese economy operating within a reasonable range. In 2020, Jiangxi will fully implement the strategy of becoming a strong industrial province and vigorously implement the high-quality leapfrog development of "2+6+N" industry. It will carry out the campaign to speed up the pace of project construction, focusing on the implementation of 2,933 provincial large and medium-sized projects, with a total investment of approximately RMB2.57 trillion and an annual investment of approximately RMB770 billion. In 2020, the Bank will strictly comply with the regulatory requirements, focus on rectification and risk control, improve quality and efficiency, promote development, and achieve steady improvement of operating efficiency and asset quality; speed up the response to major policies of the central government and Jiangxi, increase support for the real economy, focus on distinctive industries and accelerate product innovation; continue to optimize institutions and mechanisms, actively introduce scientific and technological means, and strengthen overall risk management; and strengthen infrastructure construction such as talent team building, compliance culture and financial management to generate high-quality growth drivers.



CHAPTER V CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

5.1 CHANGES IN SHARE CAPITAL

There were no changes in the share capital of the Bank during the Reporting Period. As of December 31, 2019, the total issued share capital of the Bank amounted to RMB6,024,276,901, including 1,345,500,000 H Shares with a par value of RMB1.00 each and 4,678,776,901 Domestic Shares with a par value of RMB1.00 each.

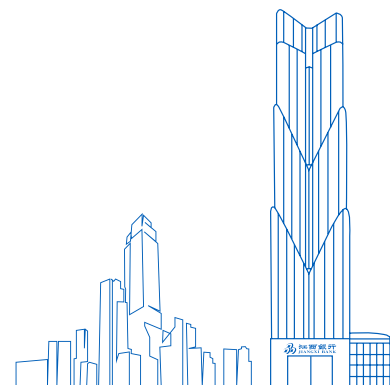
(Unit: share)

Item		As of December 31, 2018	Changes in the Reporting Period	As of December 31, 2019
Domestic shares	State capital	588,211,420	(50,000,000)	538,211,420
	Corporate capital	4,011,284,921	50,000,000	4,061,284,921
	Personal capital	79,280,560	—	79,280,560
H shares		1,345,500,000	—	1,345,500,000
Total		6,024,276,901	—	6,024,276,901

5.2 INFORMATION ON SHAREHOLDERS

5.2.1 Total Number of Domestic Shareholders

As of December 31, 2019, the Bank had 9,507 Domestic Shareholders, including 30 State shareholders, 285 corporate shareholders and 9,192 natural person shareholders.

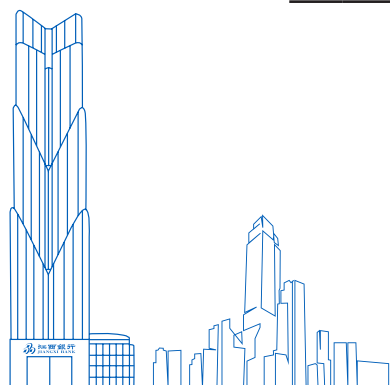


CHAPTER V CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

5.2.2 Particulars of Shareholdings of the Top 10 Domestic Shareholders of the Bank

(Unit: share)

No.	Name of shareholder	Nature of shareholder	Total number of shares held as of December 31, 2019	Percentage of total share capital as of December 31, 2019 (%)	Pledged or frozen shares Status of shares Number	
1	Jiangxi Provincial Expressway Investment Group Co., Ltd.	State-owned corporate	937,651,339	15.56	Normal	–
2	Jiangxi Financial Holding Group Co., Ltd.	State-owned corporate	347,546,956	5.77	Pledged	132,150,000
3	China National Tobacco Corporation Jiangxi Branch [^] (中國煙草總公司江西省公司) (including Jiangxi Jinfeng Investment Management Co., Ltd. [^] (江西省錦峰投資管理有限責任公司))	State-owned corporate	263,000,000	4.37	Normal	–
4	Nanchang Municipal Bureau of Finance	State shareholder	253,411,300	4.21	Normal	–
5	Pingxiang Huixiang Construction Development Co., Ltd. [^] (萍鄉市匯翔建設發展有限公司)	State-owned corporate	241,088,500	4.00	Normal	–
6	Jiangxi Province Investment Group Co., Ltd.	State-owned corporate	180,000,000	2.99	Normal	–
7	Ganshang Union (Jiangxi) Co., Ltd. [^] (贛商聯合(江西)有限公司)	General corporate shareholder	148,308,400	2.46	Pledged	74,000,000
8	Jiangxi Copper Company Limited	General corporate shareholder	140,000,000	2.32	Normal	–
9	Jiangxi Zhongbang Trade Co., Ltd. [^] (江西省眾邦經貿有限公司)	General corporate shareholder	100,763,200	1.67	Pledged and Judicially Frozen	100,763,200
10	Jiangxi Provincial Water Conservancy Investment Group Co., Ltd.	State-owned corporate	99,830,800	1.66	Normal	–



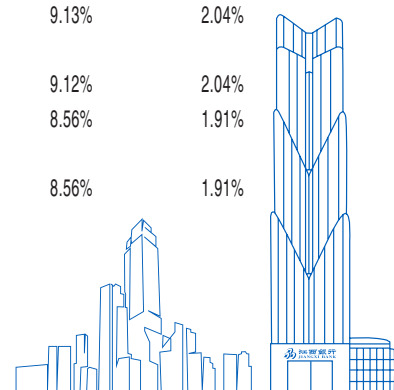
CHAPTER V CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

5.2.3 Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares under Hong Kong Regulations

To the best knowledge of the Bank and the Directors, as at December 31, 2019, the following substantial shareholders of the Bank and other persons (other than the Directors, Supervisors and chief executives of the Bank) had or were deemed to have interests and short positions in the shares and underlying shares of the Bank which would be required to be disclosed to the Bank or the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO:

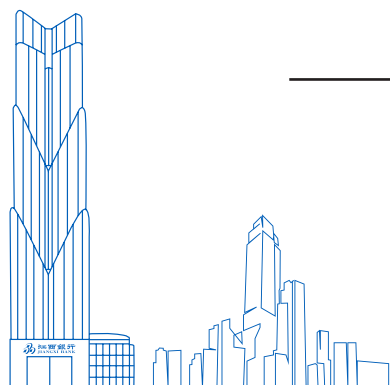
(Unit: share)

Name of shareholder	Class of shares	Nature of interest	Number and nature of shares ¹	Approximate percentage of the total issued share capital of the class of the Bank ²	Approximate percentage of the total issued share capital of the Bank ²
Jiangxi Provincial Expressway Investment Group Co., Ltd. ³	Domestic shares	Beneficial owner	937,651,339 (L)	20.04%	15.56%
Jiangxi Financial Holding Group Co., Ltd. ⁴	Domestic shares	Beneficial owner	347,546,956 (L)	7.43%	5.77%
China National Tobacco Corporation Jiangxi Branch ⁵	Domestic shares	Beneficial owner	180,000,000 (L)	3.85%	2.99%
		Interest of controlled corporation	83,000,000 (L)	1.77%	1.38%
Nanchang Municipal Bureau of Finance ⁶	Domestic shares	Beneficial owner	253,411,300 (L)	5.42%	4.21%
Pingxiang Huixiang Construction Development Co., Ltd. ⁷	Domestic shares	Beneficial owner	241,088,500 (L)	5.15%	4.00%
Yango Investment Limited	H shares	Beneficial owner	219,092,000 (L)	16.28%	3.64%
AMTD Asia Limited ⁸	H shares	Beneficial owner	122,841,500(L)	9.13%	2.04%
AMTD Group Company Limited ⁸	H shares	Interest of controlled corporation	122,841,500(L)	9.13%	2.04%
L.R. Capital Financial Holdings Limited ⁸	H shares	Interest of controlled corporation	122,841,500(L)	9.13%	2.04%
Huaxun International Group Limited	H shares	Beneficial owner	122,776,000 (L)	9.12%	2.04%
CITIC Guoan Group ⁹	H shares	Interest of controlled corporation	115,213,000(L)	8.56%	1.91%
Road Shine Developments Limited ⁹	H shares	Beneficial owner	115,213,000(L)	8.56%	1.91%



CHAPTER V CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

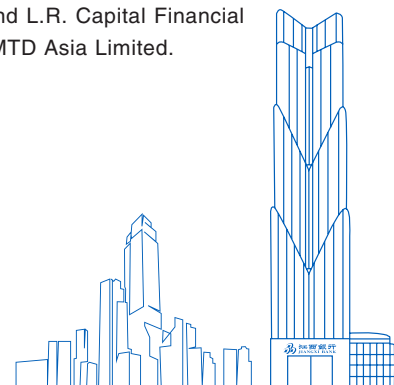
Name of shareholder	Class of shares	Nature of interest	Number and nature of shares ¹	Approximate percentage of the total issued share capital of the class of the Bank ²	Approximate percentage of the total issued share capital of the Bank ²
Yichun Development Investment Group Co., Ltd. [^] (宜春發展投資集團有限公司) ¹⁰	H shares	Beneficial owner	94,840,500 (L)	7.05%	1.57%
Representative of Guotai Asset Management Co., Ltd. [^] (國泰基金管理有限公司): Guotai-Global Investments Asset Management Plan No. 10 Guotai Asset Management Co Ltd- CHINA GUANG FA BANK CO. LTD- GTFUND-QDII1-10 Principal: Yichun Development Investment Group Co., Ltd. [^] (宜春發展投資集團有限公司) ¹⁰	H shares	Trustee	94,840,500 (L)	7.05%	1.57%
Zhenro Hong Kong Limited ¹¹	H shares	Beneficial owner	77,604,500 (L)	5.77%	1.29%
Zhenro International Limited ¹¹	H shares	Interest of controlled corporation	77,604,500 (L)	5.77%	1.29%
Zhenro Properties Group Limited ¹¹	H shares	Interest of controlled corporation	77,604,500 (L)	5.77%	1.29%
RoYue Limited ¹¹	H shares	Interest of controlled corporation	77,604,500 (L)	5.77%	1.29%
OU Zongrong ¹¹	H shares	Interest of controlled corporation	77,604,500 (L)	5.77%	1.29%
LIN Shuying ¹¹	H shares	Interest held jointly with another person	77,604,500 (L)	5.77%	1.29%
SHUM Tin Ching ¹²	H shares	Interest of controlled corporation	67,667,000(L)	5.03%	1.12%
Mingyuan Group Investment Limited ¹²	H shares	Beneficial owner/ Interest of controlled corporation	67,667,000(L)	5.03%	1.12%



CHAPTER V CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Notes:

1. (L) represents long position, and (S) represents short position.
2. As at December 31, 2019, the total issued share capital of the Bank was 6,024,276,901 shares, including 4,678,776,901 Domestic Shares and 1,345,500,000 H Shares.
3. Jiangxi Provincial Expressway Investment Group Co., Ltd. is a state-owned corporate shareholder, whose legal representative is WANG Jiangjun. Regarding Jiangxi Provincial Expressway Investment Group Co., Ltd., its controlling shareholder and de facto controller are both Department of Transportation of Jiangxi Province[^] (江西省交通運輸廳) and its ultimate beneficiary is Jiangxi Provincial Expressway Investment Group Co., Ltd.
4. Jiangxi Financial Holding Group Co., Ltd. is a state-owned corporate shareholder, whose legal representative is WEN Zhiming. Regarding Jiangxi Financial Holding Group Co., Ltd., its controlling shareholder and de facto controller both are Asset Management Center of Administrative Institutions in Jiangxi Province[^] (江西省行政事業單位資產管理中心) and its ultimate beneficiary is Jiangxi Financial Holding Group Co., Ltd.
5. China National Tobacco Corporation Jiangxi Branch[^] holds 263,000,000 shares of the Bank jointly with its wholly-owned subsidiary Jiangxi Jinfeng Investment Management Co., Ltd. It is a state-owned corporate shareholder and its legal representative is WANG Jindong. Regarding China National Tobacco Corporation Jiangxi Branch[^], its controlling shareholder and de facto controller both are China National Tobacco Corporation[^] (中國煙草總公司) and its ultimate beneficiary is China National Tobacco Corporation Jiangxi Branch[^].
6. Nanchang Municipal Bureau of Finance[^] (南昌市財政局) is a state-owned shareholder, whose responsible person is WAN Yuyuan. Its ultimate beneficiary is Nanchang Municipal Bureau of Finance.
7. Pingxiang Huixiang Construction Development Co., Ltd.[^] is a state-owned corporate shareholder, whose legal representative is LUO Haiping. Regarding Pingxiang Huixiang Construction Development Co., Ltd., its controlling shareholder is Pingxiang Huifeng Investment Co., Ltd.[^] (萍鄉市滙豐投資有限公司), its de facto controller is Administration Commission of Pingxiang Economic & Technological Development Zone[^] (萍鄉經濟技術開發區管理委員會) and its ultimate beneficiary is Pingxiang Huixiang Construction Development Co., Ltd.[^].
8. AMTD Asia Limited directly holds 122,841,500 shares of the Bank, and 100% of its interests is indirectly held by AMTD Group Company Limited through AMTD Asia (Holdings) Limited. L.R. Capital Financial Holdings Limited directly holds 71.03% of the interests of AMTD Group Company Limited. Therefore, according to the SFO, both AMTD Group Company Limited and L.R. Capital Financial Holdings Limited are deemed to be interested in the H Shares held by AMTD Asia Limited.



CHAPTER V CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

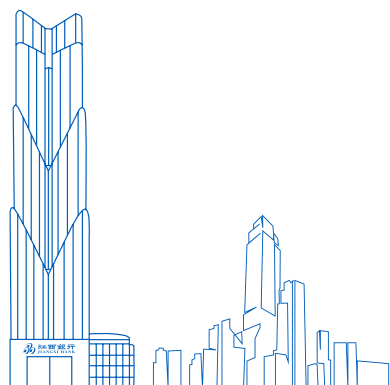
9. CITIC Guoan Group indirectly holds 115,213,000 H Shares held by Road Shine Developments Limited through Guoan (HK) Holdings Limited, its controlled corporation. Therefore, according to the SFO, CITIC Guoan Group and Guoan (HK) Holdings Limited are deemed to be interested in the Bank's H Shares held by Road Shine Developments Limited.
10. Yichun Development Investment Group Co., Ltd. ^ (宜春發展投資集團有限公司) is wholly-owned by Yi Chun Stated-owned Assets Supervision and Administration Commission^ (宜春市國有資產監督管理委員會). Yichun Development Investment Group Co., Ltd. ^ (宜春發展投資集團有限公司) holds 94,840,500 shares of the Bank through the trustee Guotai Asset Management Co., Ltd. ^.
11. OU Zongrong and LIN Shuying indirectly hold 77,604,500 H Shares of the Bank held by Zhenro Hong Kong Limited through their controlled corporations RoYue Limited, Zhenro Properties Group Limited and Zhenro International Limited. Therefore, according to the SFO, OU Zongrong, LIN Shuying, RoYue Limited, Zhenro Properties Group Limited and Zhenro International Limited are deemed to be interested in the Bank's H Shares held by Zhenro Hong Kong Limited.
12. Mingyuan Group Investment Limited directly holds 30,833,500 shares of the Bank, and indirectly holds 36,833,500 shares through its controlled corporations, including Jiayuan International Group Limited, Jiayuan Investment Management Limited, Jiayuan Financial Holdings Limited and Jiayuan Capital limited. Mingyuan Group Investment Limited is wholly-owned by SHUM Tin Ching. Therefore, according to the SFO, SHUM Tin Ching is deemed to be interested in the Bank's H Shares held by Mingyuan Group Investment Limited.

5.2.4 Shareholders Holding 5% or More of the Bank's Shares

See 5.2.3 Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares under Hong Kong Regulations in this chapter.

5.2.5 Other Substantial Domestic Shareholders

According to the Interim Measures for the Equity Management of Commercial Banks (《商業銀行股權管理暫行辦法》), as adopted at the 1st chairman's meeting of the former China Banking Regulatory Commission in 2018, substantial shareholders of a commercial bank means shareholders who hold or control 5% or above shares or voting right of the commercial bank, or who hold less than 5% of total capital or total shares of the commercial bank but have significant impacts on the business of the commercial bank. The significant impacts mentioned above include but are not limited to dispatching directors, supervisors or senior executives to a commercial bank.



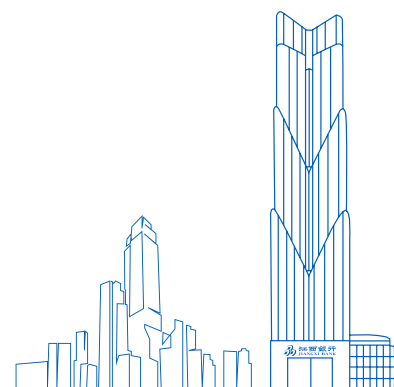
CHAPTER V CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Other than those disclosed in the section “5.2.3 Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares under Hong Kong Regulations” in this chapter, i.e., Jiangxi Provincial Expressway Investment Group Co., Ltd., Jiangxi Financial Holding Group Co., Ltd., China National Tobacco Corporation Jiangxi Branch[^], Nanchang Municipal Bureau of Finance and Pingxiang Huixiang Construction Development Co., Ltd.[^], substantial Domestic Shareholders of the Bank who hold less than 5% of total capital or total Shares but dispatch directors, supervisors or senior executives to the Bank are as follows:

(Unit: share)

Name of shareholder	Class of shares	Nature of interest	Number and nature of shares ¹	Approximate percentage of the total issued share capital of the class of the Bank ²	Approximate percentage of the total issued share capital of the Bank ²
Jiangxi Province Investment Group Co., Ltd. ³	Domestic shares	Beneficial owner	180,000,000 (L)	3.85%	2.99%
Ganshang Union (Jiangxi) Co., Ltd. ⁴	Domestic shares	Beneficial owner	148,308,400 (L)	3.17%	2.46%
Jiangxi Copper Company Limited ⁵	Domestic shares	Beneficial owner	140,000,000 (L)	2.99%	2.32%

- (L) represents long position, and (S) represents short position.
- As at December 31, 2019, the total issued share capital of the Bank was 6,024,276,901 shares, including 4,678,776,901 Domestic Shares and 1,345,500,000 H Shares.
- Jiangxi Province Investment Group Co., Ltd. is a state-owned corporate shareholder, whose legal representative is JIE Xiaojian. Regarding Jiangxi Province Investment Group Co., Ltd., its controlling shareholder and de facto controller both are State-owned Assets Supervision and Administration Commission of Jiangxi Province and its ultimate beneficiary is Jiangxi Province Investment Group Co., Ltd.

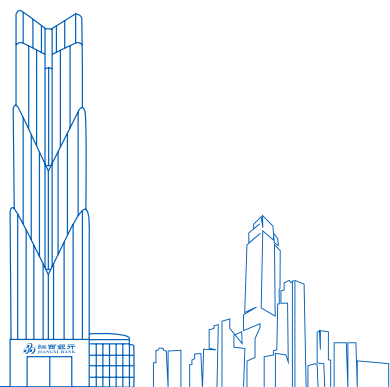


CHAPTER V CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

4. Ganshang Union (Jiangxi) Co., Ltd. ^ is a general corporate shareholder, whose legal representative is WU Xuan^ (伍暄). Regarding Ganshang Union (Jiangxi) Co., Ltd. ^, its controlling shareholder and ultimate beneficiary are both WU Xuan^ (伍暄).
5. Jiangxi Copper Company Limited is a general corporate shareholder, whose legal representative is LONG Ziping. Regarding Jiangxi Copper Company Limited, its controlling shareholder is Jiangxi Copper Corporation Limited, its de facto controller is State-owned Assets Supervision and Administration Commission of Jiangxi Province and its ultimate beneficiary is Jiangxi Copper Company Limited.

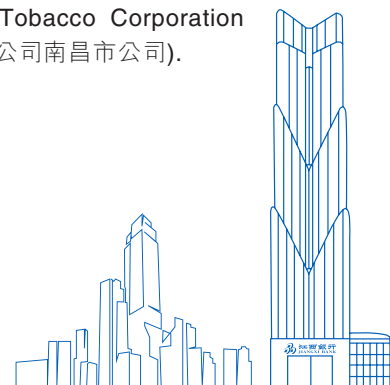
5.2.6 Related Parties of Substantial Domestic Shareholders at the End of the Reporting Period

No.	Name of substantial shareholders	Related parties of substantial shareholders
1	Jiangxi Provincial Expressway Investment Group Co., Ltd.	De facto controller and controlling shareholder of Jiangxi Provincial Expressway Investment Group Co., Ltd.: Department of Transportation of Jiangxi Province; 35 wholly-owned subsidiaries including Jiangxi Highway Development LLC, Jiangxi Transportation Engineering Group Co., Ltd. and Jiangxi Transportation Consulting Co., Ltd.; six holding subsidiaries in which Jiangxi Provincial Expressway Investment Group Co., Ltd. holds more than 50% (inclusive) shares, including Jiangxi Ganyue Expressway Co., Ltd., Jiangxi Ganchong Expressway Co., Ltd.^ (江西省贛崇高速公路有限責任公司), Jiangxi Expressway Petrochemical Co., Ltd.^ (江西高速石化有限責任公司), and Jiangxi Changtai Expressway Co., Ltd. (江西昌泰高速公路有限責任公司); two affiliated enterprises: Jiangxi Ruixun Expressway Co., Ltd.^ (江西省瑞尋高速公路有限責任公司) and Jiangxi Jiujiang Yangtze River Highway Bridge Co., Ltd.



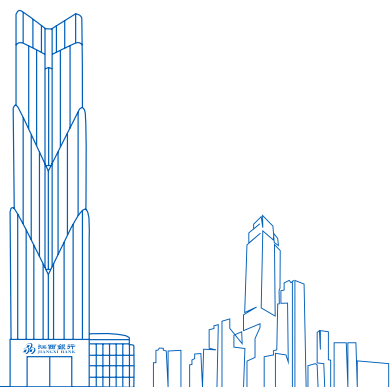
CHAPTER V CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

No.	Name of substantial shareholders	Related parties of substantial shareholders
2	Jiangxi Financial Holding Group Co., Ltd.	De facto controller and controlling shareholder of Jiangxi Financial Holding Group Co., Ltd.: Asset Management Center of Administrative Institutions in Jiangxi Province; two wholly-owned subsidiaries: Nanchang Dingxiang Real Estate Development Co., Ltd.^ (南昌鼎祥房地產開發有限公司) and Jiangxi Financial Holding Investment & Development Group Co., Ltd.^ (江西省金控投資開發集團有限公司); two subsidiaries in which Jiangxi Financial Holding Group Co., Ltd. holds more than 50% shares: Jiangxi Rich Futures Co., Ltd. and Jiangxi Re-guarantee Co., Ltd.; sub-subsidiaries: Jiangxi Xingsen International Trade Co., Ltd., Jiangxi Jinzi Supply Chain Financial Services Co., Ltd.^ (江西金資供應鏈金融服務有限公司) and Quannan Hengbang Real Estate Co., Ltd.^ (全南縣恒邦置業有限公司); six joint ventures: Jiangxi Financial Asset Management Co., Ltd., Jiangxi Financial Holding Foreign Trade Co., Ltd.^ (江西省金控外貿股份有限公司), Jiangxi Joint Equity Exchange Center Co., Ltd., Jiangxi Jinkong Financial Leasing Co., Ltd., Jiangxi Financial Holding Investment Management Center^ (江西金控投資管理中心), Huitong Huifu Co., Ltd.^ (匯通匯付股份有限公司); one affiliated enterprise: Jiangxi Financial Holding Capital Management Co., Ltd.^ (江西省金控資本管理有限公司). Jiangxi Provincial Credit Guarantee Co., Ltd. (江西省信用擔保股份有限公司) and Jiangxi Financial Holding Group Co., Ltd. have the same legal representative.
3	China National Tobacco Corporation Jiangxi Branch^ (中國煙草總公司江西省公司)	De facto controller and controlling shareholder of China National Tobacco Corporation Jiangxi Branch^ (中國煙草總公司江西省公司): China National Tobacco Corporation^ (中國煙草總公司); 16 wholly-owned subsidiaries including Jiangxi Tobacco Corporation Nanchang Branch^ (江西省煙草公司南昌市公司).
4	Nanchang Municipal Bureau of Finance	None



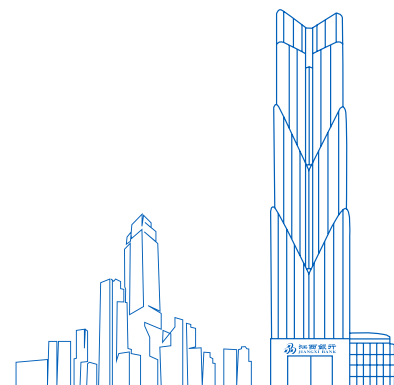
CHAPTER V CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

No.	Name of substantial shareholders	Related parties of substantial shareholders
5	Pingxiang Huixiang Construction Development Co., Ltd.^ (萍鄉市匯翔建設發展有限公司)	De facto controller of Pingxiang Huixiang Construction Development Co., Ltd.: Administration Commission of Pingxiang Economic & Technological Development Zone^ (萍鄉經濟技術開發區管理委員會); controlling shareholder: Pingxiang Huifeng Investment Co., Ltd.^ (萍鄉市滙豐投資有限公司); shareholders: Pingxiang New Area Construction Installation General Company^ (萍鄉市新區建築安裝總公司), Jiangxi Zhenxing Development Huixiang No.1 Investment Center^ (江西振興發展匯翔一號投資中心) and China Agricultural Development Key Construction Fund Co., Ltd.^ (中國農發重點建設基金有限公司); subsidiary: Pingxiang Huiyi Construction Development Co., Ltd.^ (萍鄉市匯怡建設發展有限公司); sub-subsidiary: Jiangxi Xingxing Technology Co. Ltd^ (江西星星科技有限責任公司); joint venture: Pingxiang Jianyu Real Estate Co., Ltd.^ (萍鄉市建宇置業有限公司). Other enterprise under the control of the same parent company of Pingxiang Huixiang Construction Development Co., Ltd.: Pingxiang Huisheng Industrial Investment Management Co., Ltd.^ (萍鄉市匯盛工業投資管理有限公司) and Jiangxi Huiheng Real Estate Co., Ltd.^ (江西匯恒置業有限公司).



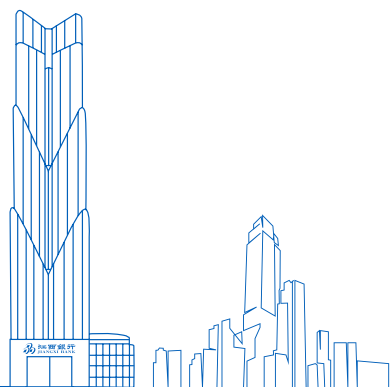
CHAPTER V CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

No.	Name of substantial shareholders	Related parties of substantial shareholders
6	Jiangxi Province Investment Group Co., Ltd.	De facto controller and controlling shareholder of Jiangxi Province Investment Group Co., Ltd.: State-owned Assets Supervision and Administration Commission of Jiangxi Province; six wholly-owned subsidiaries: Jiangxi Natural Gas Group Co., Ltd. (江西省天然氣集團有限公司), Jiangxi Energy Group Co., Ltd. (江西省能源集團有限公司), Jiangtou Real Estate Development Co., Ltd.^ (江西省投資房地產開發有限責任公司), Jiangxi Province Poyang Lake Financial Leasing Co., Ltd., Jiangxi International Advertising Co., Ltd.^ (江西省國際廣告公司), and Jiangxi Investment Sales Co., Ltd.^ (江西省投資經營有限責任公司); 11 subsidiaries in which Jiangxi Province Investment Group Co., Ltd. holds 50% shares or more including Jiangxi Dongjin Power Generation Co., Ltd. (江西東津發電有限責任公司), Jiangxi Provincial Jiangtou Road & Bridge Investment Co., Ltd., and Jiangxi Gan-E-Wan Road & Bridge Investment Co., Ltd. (江西贛鄂皖路橋投資有限公司); 4 relative holding subsidiaries in which Jiangxi Province Investment Group Co., Ltd. holds less than 50% shares including Jiangxi Ganneng Co., Ltd. (江西贛能股份有限公司) and Jiangxi Province Huagan Environment Group Co., Ltd. (江西華贛環境集團有限公司). Enterprise controlling the subsidiaries of Jiangxi Province Investment Group Co., Ltd. including Jiangxi Jiuxian Hotspring Development Co., Ltd. (江西省九仙溫泉開發有限公司). Joint venture: Jiangxi Poyanghu Industry Investment Management Co., Ltd. (江西鄱陽湖產業投資管理有限公司). Affiliated enterprise: Jiangxi Province Jinggangshan Beiqi Investment Management Co., Ltd. (江西省井岡山北汽投資管理有限公司).



CHAPTER V CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

No.	Name of substantial shareholders	Related parties of substantial shareholders
7	Ganshang Union (Jiangxi) Co., Ltd.^	De facto controller of Ganshang Union (Jiangxi) Co., Ltd.^: WU Xuan^ (伍暉); brother enterprise: Nanchang Yatuo Construction Co., Ltd. (南昌雅拓建築有限公司). Other enterprises: Jiangxi Kuncheng Investment Co., Ltd. (江西坤城投資有限公司), Jiangxi Luhui Shengyuan Industrial Co., Ltd. (江西麓匯聖源實業有限公司), Jiangxi Electronic Group Corporation Ltd.^ (江西省電子集團有限公司), Jiangxi Lianchuang Optoelectronic Science and Technology Co., Ltd.^ (江西聯創光電科技股份有限公司), Jiangxi Lianrong Xinguangyuan Collaborative Innovation Co., Ltd.^ (江西聯融新光源協同創新有限公司), and Jiangxi Lianchuang Zhiguang Science & Technology Co., Ltd. ^ (江西聯創致光科技有限公司).
8	Jiangxi Copper Company Limited	De facto controller of Jiangxi Copper Company Limited: State-owned Assets Supervision and Administration Commission of Jiangxi Province; controlling shareholder of Jiangxi Copper Company Limited: Jiangxi Copper Corporation Limited; 32 subsidiaries in which Jiangxi Copper Company Limited directly holds 100% shares including Jiangxi Copper Hotel Management Co., Ltd. (江西銅業酒店管理有限公司); 11 subsidiaries in which Jiangxi Copper Company Limited indirectly holds 100% shares including Sure Spread Limited; 12 subsidiaries in which Jiangxi Copper Company Limited directly holds more than 50% shares including Thermonamic Electronics (Jiangxi) Corp., Ltd; 1 subsidiary in which Jiangxi Copper Company Limited indirectly holds more than 50% shares: Jiangxi Copper Corporation (Dongxiang) Foundry Co., Ltd. (江西銅業集團(東鄉)鑄造有限公司); brother enterprise of Jiangxi Copper Company Limited: Jiangxi Copper Corporation Copper Strip Co., Ltd. (江西銅業集團銅板帶有限公司), etc.; other enterprises controlled by the controlling shareholder of Jiangxi Copper Company Limited: Jiangxi Copper Corporation Qibaoshan Mine Co., Ltd. (江西銅業集團七寶山礦業有限公司).

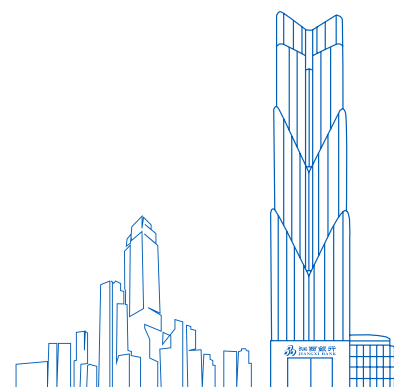


CHAPTER V CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

5.2.7 Related Party Transactions between the Bank and the Substantial Domestic Shareholders and Controlling Shareholders, De Facto Controllers, Related Parties, Persons Acting in Concert, and Ultimate Beneficiaries thereof in the Reporting Period

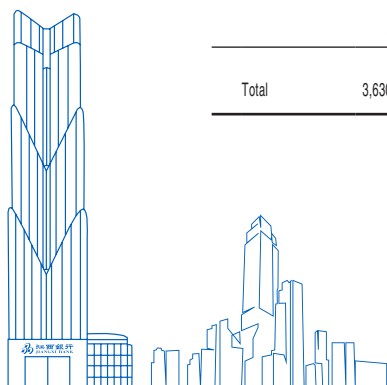
(Unit: millions of RMB)

No.	Name of shareholders	Credit balance	Controlling shareholder of enterprises	Credit balance	De facto controller	Credit balance	Person acting in concert	Credit balance	Ultimate beneficiary	Credit balance	Related party	Credit balance	Total
1	Jiangxi Provincial Expressway Investment Group Co., Ltd.	2,230.22	Department of Transportation of Jiangxi Province	-	Department of Transportation of Jiangxi Province	-	None	-	Jiangxi Provincial Expressway Investment Group Co., Ltd.	2,230.22	Jiangxi Provincial Expressway Investment Group Materials Co., Ltd.	361.03	2,591.25
2	Jiangxi Financial Holding Group Co., Ltd.	300.00	Asset Management Center of Administrative Institutions in Jiangxi Province	-	Asset Management Center of Administrative Institutions in Jiangxi Province	-	None	-	Jiangxi Financial Holding Group Co., Ltd.	300.00	Jiangxi Financial Asset Management Co., Ltd.;	650.00	2,090.74
											Jiangxi Re-guarantee Co., Ltd.;	9.60	
											Jiangxi Provincial Credit Guarantee Co., Ltd. (江西省信用擔保股份有限公司);	741.14	
											Jiangxi Jinzi Supply Chain Financial Services Co., Ltd. [^] (江西金資供應鏈金融服務有限公司);	250.00	
											Quannan Hengabng Real Estate Co., Ltd. [^] (全南縣恒邦置業有限公司);	50.00	
											Jiangxi Financial Holding Foreign Trade Co., Ltd. [^] (江西省金控外貿股份有限公司);	40.00	
											Jiangxi Xingsen International Trade Co., Ltd. [^] (江西星森國際貿易有限公司)	50.00	



CHAPTER V CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

No.	Name of shareholders	Credit balance	Controlling shareholder of enterprises	Credit balance	De facto controller	Credit balance	Person acting in concert	Credit balance	Ultimate beneficiary	Credit balance	Related party	Credit balance	Total
3	China National Tobacco Corporation Jiangxi Branch [^] (including Jiangxi Jinfeng Investment Management Co., Ltd. [^])	-	China National Tobacco Corporation	-	China National Tobacco Corporation	-	None	-	China National Tobacco Corporation Jiangxi Branch [^] (中國煙草總公司江西省公司)	-	-	-	-
4	Nanchang Municipal Bureau of Finance	-	-	-	-	-	None	-	Nanchang Municipal Bureau of Finance	-	-	-	-
5	Pingxiang Huixiang Construction Development Co., Ltd. [^]	300.00	Pingxiang Huifeng Investment Co., Ltd. [^] (萍鄉市滙豐投資有限公司)	1,750.00	Administration Commission of Pingxiang Economic & Technological Development Zone (萍鄉經濟技術開發區管理委員會)	-	None	-	Pingxiang Huixiang Construction Development Co., Ltd. [^]	300.00	Pingxiang Huisheng Industrial Investment Management Co., Ltd. [^] ; Jiangxi Xingxing Technology Co. Ltd. [^] (江西星星科技有限責任公司)	800.00 498.87	3,348.87
6	Jiangxi Province Investment Group Co., Ltd.	800.00	State-owned Assets Supervision and Administration Commission of Jiangxi Province	-	State-owned Assets Supervision and Administration Commission of Jiangxi Province	-	None	-	Jiangxi Province Investment Group Co., Ltd.	800.0	Jiangxi Province Poyang Lake Financial Leasing Co., Ltd.	130.99	930.99
7	Ganshang Union (Jiangxi) Co., Ltd. [^] (贛商聯合(江西)有限公司)	-	WU Xuan [^] (伍珣)	-	WU Xuan [^] (伍珣)	-	None	-	WU Xuan [^] (伍珣)	-	Nanchang Yatuo Architectural Design Co., Ltd. [^] (南昌雅拓建築設計有限公司); Jiangxi Kuncheng Investment Co., Ltd. (江西坤城投資有限公司); Jiangxi Electronic Group Corporation Ltd. [^] (江西省電子集團有限公司); Jiangxi Lianchuang Optoelectronic Science and Technology Co., Ltd. [^] (江西聯創光電科技股份有限公司)	9.40 56.73 879.42 200.00	1,145.55
8	Jiangxi Copper Company Limited	-	Jiangxi Copper Corporation Limited	-	State-owned Assets Supervision and Administration Commission of Jiangxi Province	-	None	-	Jiangxi Copper Company Limited	-	-	-	-
Total		3,630.22	-	1,750.00	-	-	-	-	-	3,630.22	-	4,727.18	10,107.40



CHAPTER V CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

5.2.8 Pledge of Equity in the Bank by Substantial Domestic Shareholders

As of the end of the Reporting Period, the pledge of equity in the Bank by substantial shareholders of the Bank is as follows:

- (1) Jiangxi Financial Holding Group Co., Ltd. held 347,546,956 shares of the Bank and pledged 132,150,000 shares, with a pledge rate of 38.02%. The pledgee was Jiangxi Provincial Branch of the Bank of Communications Co., Ltd., with a term of pledge from November 15, 2016 to November 15, 2018.
- (2) Ganshang Union (Jiangxi) Co., Ltd. ^ held 148,308,400 shares of the Bank and pledged 74,000,000 shares, with a pledge rate of 49.90%. The pledgee was Bank of Jiujiang Co., Ltd. High-Tech District Branch (九江銀行股份有限公司高新支行), among which, 35,260,000 shares with a term of pledge from November 12, 2018 to November 11, 2021, and 38,740,000 shares with a term of pledge from December 3, 2018 to December 2, 2021.

5.2.9 Nomination of Directors and Supervisors by the Shareholders

- (1) Mr. QUE Yong and Mr. LI Zhanrong were nominated as Directors by Jiangxi Provincial Expressway Investment Group Co., Ltd.;
- (2) Mr. LIU Sanglin was nominated as a Director by Jiangxi Financial Holding Group Co., Ltd.;
- (3) Ms. ZHUO Liping was nominated as a Director by China National Tobacco Corporation Jiangxi Branch^;
- (4) Mr. DENG Jianxin was nominated as a Director by Nanchang Municipal Bureau of Finance;
- (5) Mr. HUANG Zhenping was nominated as a Director by Pingxiang Huixiang Construction Development Co., Ltd.^;
- (6) Ms. CHEN Jun was nominated as a Supervisor by Jiangxi Province Investment Group Co., Ltd.;
- (7) Mr. YU Han was nominated as a Supervisor by Ganshang Union (Jiangxi) Co., Ltd.;
- (8) Mr. ZHOU Minhui was nominated as a Supervisor by Jiangxi Copper Company Limited.



CHAPTER V CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

5.2.10 The Number of Pledged Shares of the Bank Reaching or Exceeding 20% of All Its Shares

Nil.

5.2.11 The Number of Shares Pledged by Substantial Domestic Shareholders Reaching or Exceeding 50% of the Total Shares Held by Them in the Bank

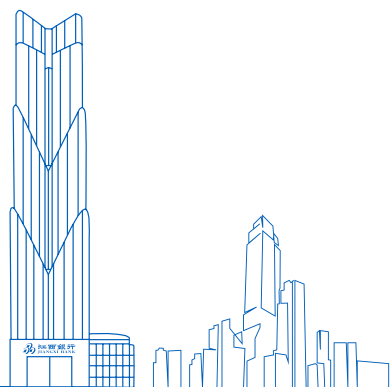
Nil.

5.2.12 The Bank's Pledged Shares being Frozen, Judicially Auctioned, Restricted from Voting Right or Other Rights

- (1) As of the end of the Reporting Period, the Bank had a total of 6,024,276,901 shares, and a total of 847,401,258 Domestic Shares held by 32 Domestic Shareholders were pledged, accounting for 14.07% of the Bank's total shares; 152,949,605 pledged shares were judicially frozen, accounting for 2.54% of the Bank's total shares; and 5,203,054 shares were judicially auctioned, accounting for 0.09% of the Bank's total shares.
- (2) According to the Articles of Association, when the number of shares pledged by a shareholder reaches or exceeds 50% of the total shares held by him/her in the Bank, the said shareholder is required to issue a commitment letter of giving up his/her voting right at the general meeting. As of the end of the Reporting Period, the number of Domestic Shares pledged by 29 shareholders reached or exceeded 50% (inclusive) of the total shares held by them in the Bank, and voting rights represented by 631,359,258 shares were restricted, accounting for 10.48% of the total shares.

5.2.13 Purchase, Sale or Redemption of Listed Securities

Neither the Bank nor its subsidiaries purchased, sold or redeemed any of its listed securities for the year ended December 31, 2019.



CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS, EMPLOYEES AND INSTITUTIONS

6.1 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

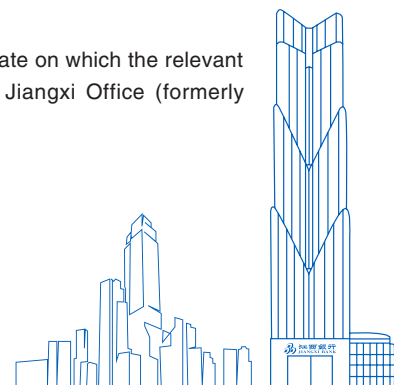
(1) Directors

The Board consists of eleven Directors, including three executive Directors, four non-executive Directors and four independent non-executive Directors. The Directors are elected for a term of three years and are subject to re-election, provided that the cumulative term of an independent non-executive Director shall not exceed six years pursuant to the relevant PRC laws and regulations. The following table sets forth certain information regarding the Directors.

Name	Sex	Date of birth	Date of appointment	Title
CHEN Xiaoming	Male	1966.11	August 2, 2012	Chairman, Executive Director
LUO Yan	Male	1969.2	May 24, 2018	Executive Director, vice Chairman, president
XU Jihong	Male	1965.5	May 24, 2018	Executive Director, vice president, secretary to the Board
QUE Yong	Male	1976.7	March 28, 2016	Non-executive Director
LI Zhanrong	Male	1970.11	March 28, 2016	Non-executive Director
LIU Sanglin	Male	1965.10	March 28, 2016	Non-executive Director
DENG Jianxin	Male	1963.8	November 24, 2016	Non-executive Director
ZHANG Rui	Female	1962.6	March 28, 2016	Independent Non-executive Director
ZHANG Wangxia	Female	1977.8	July 12, 2017	Independent Non-executive Director
WONG Hin Wing	Male	1962.12	February 12, 2018	Independent Non-executive Director
WANG Yun	Female	1966.5	December 20, 2017	Independent Non-executive Director

Note:

- (1) The date of appointment as Director as stated in the report represents the date on which the relevant Director obtained the approval of directorship qualification from CBIRC Jiangxi Office (formerly known as CBRC Jiangxi Office).



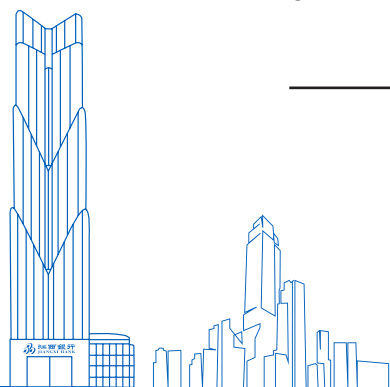
CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS, EMPLOYEES AND INSTITUTIONS

- (2) Approved by the 2018 annual general meeting held on May 31, 2019, Ms. ZHUO Liping and Mr. HUANG Zhenping were appointed as non-executive directors of the Bank, and Mr. OU Minggang and Mr. YAN Hongbo were appointed as independent non-executive directors of the Bank. The terms thereof commence upon approval of their respective directorship by relevant PRC banking regulatory authorities.

(2) Supervisors

The Board of Supervisors has eight Supervisors, including three employee representative Supervisors, two shareholder representative Supervisors and three external Supervisors. The Supervisors are elected for a term of three years and may be subject to re-election, provided that the cumulative term of an external Supervisor shall not exceed six years, pursuant to the relevant PRC laws and regulations. The following table sets forth certain information about the Supervisors.

Name	Sex	Date of birth	Date of appointment	Title
LIU Fulin	Male	1963.11	December 28, 2015	Chairman of the Board of Supervisors, Employee Representative Supervisor
SHI Zhongliang	Male	1944.1	December 29, 2015	External Supervisor
LI Danlin	Female	1964.8	December 29, 2015	External Supervisor
Shi Jing	Male	1968.2	December 29, 2015	External Supervisor
YU Han	Male	1981.11	May 31, 2019	Shareholder Representative Supervisor
ZHOU Minhui	Male	1964.6	September 15, 2017	Shareholder Representative Supervisor
TAO Yulan	Female	1970.11	March 25, 2009	Employee Representative Supervisor
CHEN Xinxiang	Male	1968.2	December 28, 2015	Employee Representative Supervisor



CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS, EMPLOYEES AND INSTITUTIONS

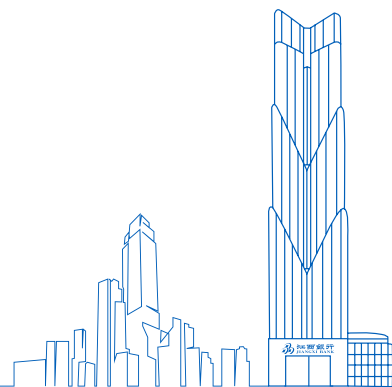
Note:

- (1) Ms. CHEN Jun resigned as shareholder representative supervisor of the Bank on December 31, 2019.

(3) Senior management members

The following table sets forth certain information regarding the senior management of the Bank.

Name	Sex	Date of birth	Title
LUO Yan	Male	1969.2	President
CHEN Yong	Male	1962.2	Vice president
XU Jihong	Male	1965.5	Secretary to the Board, Vice president
CHENG Zongli	Male	1966.9	Vice president
CAI Xiaojun	Male	1966.11	Vice president



6.2 CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS DURING THE REPORTING PERIOD

6.2.1 Changes of Directors During the Reporting Period

The 2018 Annual General Meeting of the Bank was held on May 31, 2019, which elected the second session of the Board, among which, Mr. Chen Xiaoming, Mr. Luo Yan and Mr. Xu Jihong were re-elected as executive directors of the second session of the Board; Mr. Que Yong, Mr. Li Zhanrong, Mr. Liu Sanglin and Mr. Deng Jianxin were re-elected as non-executive directors; Ms. Zhuo Liping and Mr. Huang Zhenping were elected as non-executive directors; Ms. Zhang Rui, Mr. Wong Hin Wing, Ms. Zhang Wangxia and Ms. Wang Yun were re-elected as independent non-executive directors; Mr. Ou Minggang and Mr. Yan Hongbo were elected as independent non-executive directors. The terms of Ms. Zhuo Liping, Mr. Huang Zhenping, Mr. Ou Minggang and Mr. Yan Hongbo commence upon approval of their respective directorship by CBIRC Jiangxi Office. On the same day, due to the expiration of their terms of office, Ms. Chen Yu, Mr. Tang Xianqing, Mr. Zeng Zhibin and Mr. Guo Tianyong ceased to serve as directors of the Bank.

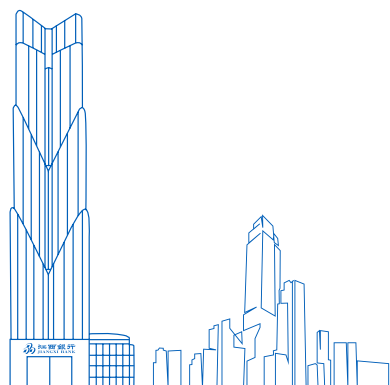
6.2.2 Changes of Supervisors During the Reporting Period

The 2018 Annual General Meeting of the Bank was held on May 31, 2019, which elected the second session of the Board of Supervisors, among which, Mr. Shi Zhongliang, Ms. Li Danlin and Mr. Shi Jing were elected as external supervisors; Ms. Chen Jun, Mr. Yu Han and Mr. Zhou Minhui were elected as shareholder representative supervisors. Mr. Huang Zhenping and Mr. Chen Chuxin ceased to serve as shareholder representative supervisors of the Bank due to the expiration of their terms of office. The 7th Employees' Congress of the First Trade Union Committee was held from March 26 to March 27, 2019, among which, Mr. Liu Fulin, Ms. Tao Yulan, and Mr. Chen Xinxiang were elected as employee representative supervisors.

On December 31, 2019, Ms. Chen Jun, a shareholder representative supervisor, submitted a resignation report to the Board of Supervisors of the Bank, and her resignation took effect on that date.

6.2.3 Changes of Senior Management Members During the Reporting Period

As of the end of the Reporting Period, there was no change in the Senior Management Members of the Bank.



6.3 BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS DURING THE REPORTING PERIOD

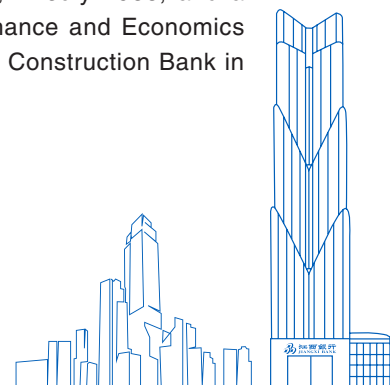
6.3.1 Directors

Executive Directors

Mr. CHEN Xiaoming (陳曉明) is an executive Director and the chairman of the Board and he joined the Bank as the president of the Bank in 2006 and has been the secretary to the party committee and the chairman of the Bank since December 2015. Prior to joining the Bank, Mr. Chen successively served as a cadre at credit division of business department of Nanchang Branch, a cadre of Nanchang Changbei Sub-branch, a deputy director of international business department of Nanchang Branch, the director of business department of Nanchang Branch, a vice president and a member of the party group of Nanchang Branch, a member of the party committee and a vice president of Nanchang Branch, a deputy general manager and a member of the party committee of business department of Jiangxi Branch, a deputy secretary to the party committee and a deputy general manager of business department of Jiangxi Branch, the secretary to the party committee and president of Jiujiang Branch, and the general manager of the planning and financial department of Jiangxi Branch of China Construction Bank (中國建設銀行) (formerly known as the People's Construction Bank of China(中國人民建設銀行)) from July 1988 to March 2006. From March 2006 to December 2015, he successively served as the deputy secretary to the party committee, the president and vice chairman of Nanchang City Commercial Bank, the deputy secretary to the party committee, the president and vice chairman of Bank of Nanchang, the secretary to the party committee, the president and the chairman of Bank of Nanchang as well as the secretary to the party committee and the chairman of Bank of Nanchang.

Mr. Chen was awarded the "National Labor May 1st Medal" (全國五一勞動獎章) by China National Union (中華全國總工會) in 2017. He was elected as a representative of the Fourteenth Congress of Communist Party of China Jiangxi Province (中國共產黨江西省第十四次代表大會) and a member of Twelfth Jiangxi Provincial Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議江西省第十二屆委員會) in 2016 and 2018, respectively.

Mr. Chen received a bachelor's degree in infrastructure construction financial credit from Jiangxi Institute of Finance and Economics (江西財經學院) (currently known as Jiangxi University of Finance and Economics (江西財經大學)) in Jiangxi Province, China, in July 1988, and a doctorate degree in industrial economics from Jiangxi University of Finance and Economics in June 2008. Mr. Chen was accredited as a senior economist by China Construction Bank in December 1999.



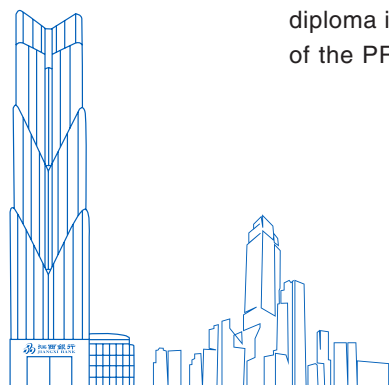
CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS, EMPLOYEES AND INSTITUTIONS

Mr. LUO Yan (羅焱) is an executive Director, the president and vice chairman of the Bank. He joined the Bank as the president of the Bank in February 2018, as the executive Director in May 2018 and as the vice chairman in August 2018. From August 2016 to January 2018, Mr. Luo successively served as the president, a director and a deputy secretary to the party committee of Guangdong Nanyue Bank Co., Ltd. (廣東南粵銀行股份有限公司). From October 2004 to February 2016, Mr. Luo was with China CITIC Bank Corporation Limited (中信銀行股份有限公司) (formerly known as CITIC Industrial Bank (中信實業銀行)), where he successively served as an assistant to the head of the general office, a deputy head of the general office, the secretary to the board, head of the general office and head of the office of board of directors and supervisors, the president and secretary to the party committee of Guangzhou Branch, and the president and secretary to the party committee of Shenyang Branch. From June 1996 to October 2004, Mr. Luo was with China Merchants Bank Co., Ltd. (招商銀行股份有限公司), where he successively served as a deputy manager and a manager of the business division, and a senior manager of the secretarial office of general office and assistant to the head of general office. From August 1990 to June 1996, he successively served as a loan officer and deputy section chief of credit department in Bank of Communications Co., Ltd. Yangzhou Branch (交通銀行揚州分行).

Mr. Luo obtained a bachelor's degree in industrial financial accounting from Inner Mongolia University of Finance and Economics (內蒙古財經大學) (formerly known as Inner Mongolia Institute of Finance and Economics (內蒙古財經學院)) in Inner Mongolia Province in July 1990 and a master's degree in management science and engineering from Zhejiang University (浙江大學) in Zhejiang Province in June 2008. Mr. Luo also obtained an executive master of business administration from Peking University (北京大學) in Beijing in July 2011.

Mr. XU Jihong (徐繼紅) is an executive Director, a vice president of the Bank and the secretary to the Board. Mr. Xu joined the Bank when it was established in 1998 as the president of a sub-branch of the Bank and was promoted as the secretary to the Board in September 2006. Since April 2008, Mr. Xu has also been the vice president of the Bank. Prior to joining the Bank, Mr. Xu was the director and legal representative of Nanchang Science and Technology City Credit Union (南昌科技城市信用社) from May 1995 to January 1998. From July 1986 to May 1995, Mr. Xu was with Nanchang Branch of China Construction Bank and successively worked at the business department and the financial and accounting department.

Mr. Xu completed his correspondence course and obtained a diploma in finance from Jiangxi Institute of Finance and Economics in July 1992. He also completed his long distance learning courses in political education offered by Jiangxi Normal University and obtained a college diploma in December 1999. Mr. Xu was accredited as an accountant by the Ministry of Finance of the PRC in May 1996.



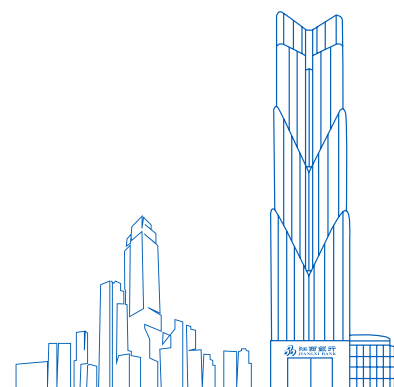
CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS, EMPLOYEES AND INSTITUTIONS

Non-executive Directors

Mr. QUE Yong (闕泳) is a non-executive Director. Mr. Que has over 18 years of experience in financial management and banking industry. Since September 2015, he has been an expert consultant with respect to monetary policy in Nanchang Central Sub-branch of the PBoC (中國人民銀行南昌中心支行). Mr. Que joined Jiangxi Expressway Investment as the head of financial audit department in February 2010 and has been the chief accountant since May 2014. He has been responsible for accounting, financial and budget management of this company. Mr. Que served as the chief financial officer of the Group in November 2019. Mr. Que joined Jiangxi Provincial State-owned Enterprise Assets Operation (Holding) Co., Ltd. (江西省屬國有企業資產經營(控股)有限公司) as vice Chairman in December 2019, and served as the vice Chairman and the general manager in February 2020. From September 2012 until June 2018, Mr. Que has been a director of Jiangxi Ganyue Expressway Co., Ltd. (江西贛粵高速公路股份有限公司) (SSE stock code: 600269). From July 1999 to May 2010, Mr. Que was with Jiangxi Ganyue Expressway Co., Ltd. (江西贛粵高速公路股份有限公司) (SSE stock code: 600269) and successively served as the person in charge of the financial department, a deputy manager and the general manager of the financial department and the chief financial officer. From March 2013 to May 2016, Mr. Que served as an independent director in Jiangzhong Pharmaceutical Co., Ltd. (江中藥業股份有限公司) (SSE stock code: 600750).

Mr. Que was accredited as a “National Advanced Accounting Worker” (全國先進會計工作者) by the Ministry of Finance of the PRC (中華人民共和國財政部) in December 2015.

Mr. Que obtained a master of business administration from Jiangxi University of Finance and Economics in June 2009. Mr. Que was accredited as a senior account by the Shanghai Accreditation Committee for the Qualifications of Senior Professional and Technical Positions for Accountants (上海市會計系列高級專業技術職務任職資格評審委員會) in June 2006. He was also accredited as a senior account by the Jiangxi Accreditation Committee for the Qualifications of Accountant Senior Professional and Technical (江西省會計高級專業技術資格評審委員會) in October 2017. Mr. Que also completed the program designed for national leading accountants and obtained a certificate of “National Leading Accountant” (全國會計領軍人才證書) issued by the Ministry of Finance of the PRC in December 2012.

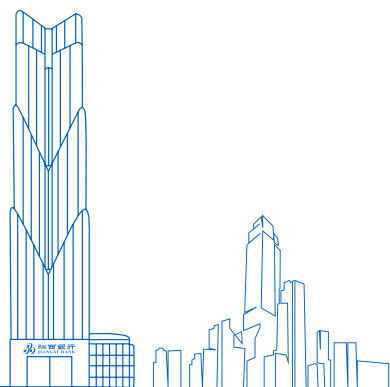


CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS, EMPLOYEES AND INSTITUTIONS

Mr. LI Zhanrong (李占榮) is a non-executive Director. He has a university degree and a master's degree, and is an economist. Mr. LI used to work in Jiangxi Cement Plant (江西水泥廠) (now known as Jiangxi Wannianqing Co., Ltd. (萬年青股份有限公司)) and State-owned Assets Management Bureau of Jiangxi Province (江西省國有資產管理局). Mr. Li later worked in Jiangxi Provincial Department of Finance (江西省財政廳) and successively served as senior staff member, principal staff member and deputy head. Since January 2015, Mr. Li has been the assistant to the general manager and a member of the party committee of Jiangxi Provincial Expressway Investment Group Co., Ltd. (江西省高速公路投資集團有限責任公司), where he was primarily responsible for cost control, enterprise reform, investment operations and fixed asset management. Mr. Li was accredited as "2013 Provincial Advanced Worker in Grain Production" ("2013年度全省糧食生產先進工作者") by Jiangxi Government in March 2014.

Mr. LIU Sanglin (劉桑林) is a non-executive Director. Since October 2015, Mr. Liu has been a director of Jiangxi Ganbo Foreign Trade Development Co., Ltd. (江西贛鄱外貿發展有限公司). Since September 2014, Mr. Liu has been with Jiangxi Financial Holding, where he successively served as the head of asset management department, an assistant to the general manager and the head of human resources department and has been responsible for assets inspection and management, and human resources management of this company. Since December 2009, he has also been a deputy general manager of Jiangxi Provincial Credit Guarantee Co., Ltd. (江西省信用擔保股份有限公司). Mr. Liu's previous working experiences include serving as (i) the director of asset management division of Asset Management Center of Jiangxi Provincial Administrative Institution from June 2009 to August 2016, (ii) senior staff member and principal staff member of Treasury Department of the Jiangxi Provincial Department of Finance (省財政廳國庫處) from January 2001 to June 2009, and (iii) cadre, clerk, staff member and senior staff member of Budget Department of Jiangxi Provincial Department of Finance (省財政廳預算處) from August 1986 to January 2001.

Mr. Liu obtained a diploma in public finance from Jiangxi Finance and Economics Vocational College (江西省財務會計學校) (currently known as Jiangxi Vocational College of Finance and Economics (江西財經職業學院)) in Jiangxi Province, China, in July 1986 and completed his correspondence undergraduate course in Party School of the Central Committee of Communist Party of China, majoring in economics management and graduated in December 1997. He then obtained his postgraduate diploma in international trade from Jiangxi University of Finance and Economics in July 2004.



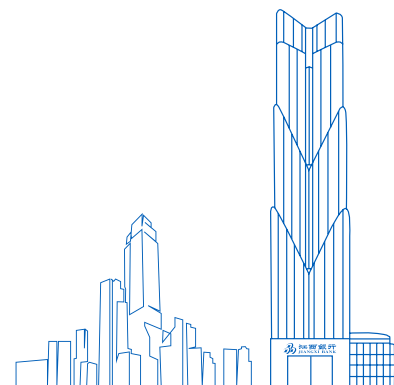
CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS, EMPLOYEES AND INSTITUTIONS

Mr. DENG Jianxin (鄧建新) is a non-executive Director. Since June 2015, Mr. Deng has been a director of Jiangxi Hongcheng Waterworks Co., Ltd. (江西洪城水業股份有限公司) (SSE stock code: 600461). Since April 2014, Mr. Deng has served as the chairman and secretary to the party committee of Nanchang Municipal Public Investment Holding Co., Ltd. (南昌市政公用投資控股有限責任公司). Mr. Deng also serves as a director of Jiangxi Hongcheng Yikatong Investment Co., Ltd. (江西省洪城一卡通投資有限公司) and a director of Nanchang Gas Group Co., Ltd. (南昌市燃氣集團有限公司). From September 2011 to April 2014, Mr. Deng served as the secretary to the leading party group and head of Nanchang Municipal Commission of Development and Reform (南昌市發展和改革委員會). From February 2007 to September 2011, he served as the secretary to the leading party group and head of Safety Production Supervision and Administration Bureau of Nanchang (南昌市安全生產監督管理局). From December 2004 to February 2007, Mr. Deng served as a deputy head and a member of leading party group of Nanchang Municipal Commission of Development and Reform. From September 2002 to February 2007, he served as the head of Nanchang Information Office (南昌市信息化辦公室). From September 2002 to December 2004, Mr. Deng was a deputy head and a member of leading party group of Nanchang Municipal Commission of Development Planning (南昌市發展計劃委員會). From June 1990 to September 2002, Mr. Deng successively held various positions in Nanchang Municipal Commission of Planning (南昌市計委) including a deputy head and a member of leading party group. Mr. Deng was accredited as a “2014 Excellent Entrepreneur of Jiangxi Province” (2014年度江西省優秀企業家) in 2015 by Jiangxi Provincial Association of Enterprises (江西省企業聯合會) and Jiangxi Provincial Association of Entrepreneurs (江西省企業家協會). Mr. Deng was granted the Award for Science and Technology Progress of Jiangxi Province (First Prize) in 2019 and was selected as a “New Age Pioneer of Ganbo” in Nanchang in 2019.

Mr. Deng obtained a college diploma in plant protection from Jiangxi Agricultural University (江西農業大學) in Jiangxi Province, China, in July 1986. Mr. Deng was qualified as a senior economist by Jiangxi Provincial Title Commission Office (江西省職稱工作辦公室) in December 2015.

Independent Non-executive Directors

Ms. ZHANG Rui (張蕊) is an independent non-executive Director and Ms. Zhang has been an expert entitled to special allowance granted by the State Council since August 2005. She also obtained a certificate of Star Teacher in Higher Education Institutions (“高等學校教學名師獎”) issued by the Ministry of Education of the People’s Republic of China in September 2009.



CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS, EMPLOYEES AND INSTITUTIONS

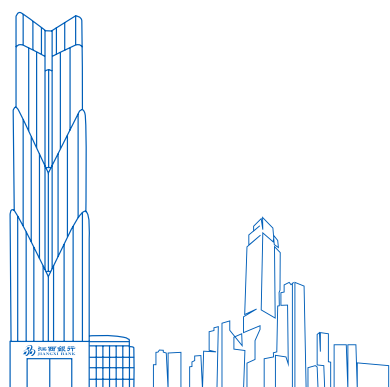
Ms. Zhang received a bachelor's degree in accounting from Jiangxi Institute of Finance and Economics in July 1984, a master's degree in accounting from Jiangxi Institute of Finance and Economics in July 1990 and a doctorate degree in accounting from Zhongnan University of Economics and Law (中南財經政法大學) in December 2001. Ms. Zhang was accredited as a professor by Jiangxi Title Reform Committee (江西省職稱改革領導小組) in September 1998.

Since September 1984, Ms. Zhang has been with Jiangxi University of Finance and Economics (formerly known as Jiangxi Institute of Finance and Economics (江西財經學院)), where she successively served as a teacher in department of finance and accounting, the head of the teaching and research section for auditing of department of finance and accounting, a deputy head of department of finance and accounting, the dean of faculty of accounting and a director of research and development center for accounting development.

From February 2015 to present, Ms. Zhang has been an independent director of Hengbang Property Insurance Co., Ltd. (恒邦財產保險股份有限公司). From April 2016 to present, Ms. Zhang has been an independent director of Changhong Huayi Compressor Co., Ltd. (長虹華意壓縮機股份有限公司) (SZSE stock code: 000404). From May 2019 to present, Ms. Zhang has been an independent director of Jiangxi Fushine Pharmaceutical Co., Ltd. (江西富祥藥業股份有限公司) (SZSE stock code: 300497). From October 2019 to present, Ms. Zhang has been an independent director of Shenzhen Aisidi Co., Ltd. (深圳市愛施德股份有限公司) (SZSE stock code: 0024162011).

Ms. ZHANG Wangxia (張旺霞) is an independent non-executive Director and Ms. Zhang was with the institution department II (機構二處) of Beijing Bureau of CSRC and was appointed as a deputy head (person in charge) in June 2013. Before that, she was a deputy head of inspection department (稽查處) of Beijing Bureau of CSRC. From August 2018 to present, Ms. Zhang has been the vice chairman of China International Futures Co., Ltd.

Ms. Zhang obtained her bachelor's degree in philosophy from Beijing Normal University (北京師範大學) in Beijing, China, in July 1999 and a master's degree in law from Peking University in June 2004. Ms. Zhang also obtained an executive master of business administration from the Hong Kong University of Science and Technology in November 2013. Ms. Zhang received the certificate of the legal profession qualifications granted by Ministry of Justice of the PRC in February 2005.

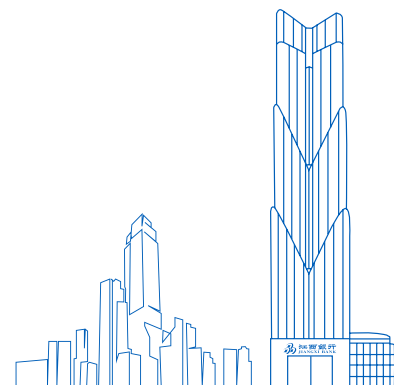


CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS, EMPLOYEES AND INSTITUTIONS

Mr. WONG Hin Wing (黃顯榮) is an independent non-executive Director and since 1997, Mr. Wong has served various positions including the managing director at China Silk Road International Capital Limited, where he has been primarily responsible for offering services in asset management, securities advisory and corporate finance as well as providing financial advisory and investment management services to enterprises in Asia. He is currently a responsible officer of China Silk Road International Capital Limited. From December 2017 to present, Mr. Wong has been an independent non-executive director of Wine's Link International Holdings Limited (威揚酒業國際控股有限公司) (HKEX stock code: 08509). From June 2017 to present, Mr. Wong has been an independent non-executive director of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (廣州白雲山醫藥集團股份有限公司) (SSE stock code: 600332, HKEX stock code: 00874). From May 2017 to present, Mr. Wong has been an independent non-executive director of Inner Mongolia Yitai Coal Co., Ltd. (內蒙古伊泰煤炭股份有限公司) (SSE stock code: 900948, SEHK stock code: 03948). From November 2015 to present, Mr. Wong has been an independent non-executive director of CRCC High-Tech Equipment Corporation Limited (中國鐵建高新裝備股份有限公司) (HKEX Stock Code: 01786). From June 2014 to present, Mr. Wong has been an independent non-executive director of Dongjiang Environmental Company Limited (東江環保股份有限公司) (SZSE stock code: 002672, HKEX stock code: 00895). From October 2004 to present, Mr. Wong has been an independent non-executive director of AEON Credit Service (Asia) Co., Ltd. (HKEX stock code: 00900). From August 1989 to September 1996, he was the chief financial officer of a Hong Kong listed company. From July 1985 to August 1989, Mr. Wong worked with an international audit firm.

Mr. Wong has been a member of Anhui Provincial Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議安徽省委員會委員) since January 2013 and a member of the Nursing Council of Hong Kong since May 2014. He has also been a member of the Securities and Futures Appeals Tribunal since April 2017 and a member of the Construction Industry Council since February 2018. Mr. Wong has been a member of Betting, Gaming and Lotteries Commission since August 2019 and a member of the Panel of Public Interest Entity Auditors Review Tribunal since October 2019.

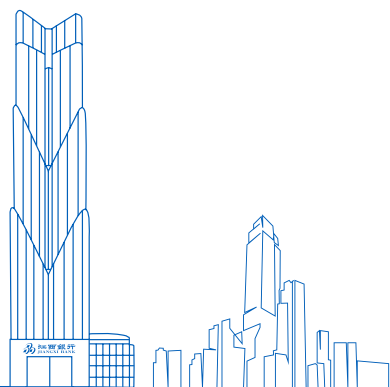
Mr. Wong obtained his master's degree in business administration from The Chinese University of Hong Kong in December 1996. Mr. Wong has been a fellow member of the Hong Kong Institute of Certified Public Accountants since July 1995, the Institute of Chartered Accountants in England and Wales since March 2015, the Chartered Association of Certified Accountants since July 1992, the Hong Kong Institute of Directors since April 2002 and the Institute of Chartered Secretaries and Administrators since June 1995. He has also been a member of the American Institute of Certified Public Accountants since February 1991 and a chartered member of the Chartered Institute for Securities & Investment since March 2011.



CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS, EMPLOYEES AND INSTITUTIONS

Ms. WANG Yun (王芸) is an independent non-executive Director and since September 1989, Ms. Wang has been with East China Jiaotong University and successively served as a teaching assistant, lecturer, head of accounting department, associate professor and deputy dean of faculty of economic management. She is currently a professor of accounting department of faculty of economic management as well as a supervisor of postgraduates. Since May 2017, she has been an independent director of Jiangxi 3L Medical Products Group Co., Ltd. (江西3L醫用製品集團有限公司), where she has also served as a member of audit committee and remuneration and appraisal committee under the board of this company. From September 2012 to September 2018, Ms. Wang was an independent director of Jiangxi Wannianqing Cement Co., Ltd. (江西萬年青水泥股份有限公司) (SZSE stock code: 000789). From December 2009 to May 2016, Ms. Wang was an independent director of Jiangxi Special Electric Motor Co., Ltd. (江西特種電機股份有限公司) (SZSE stock code: 002176). From February 2008 to April 2014, Ms. Wang was an independent director of Winall Hi-tech Seed Co., Ltd. (安徽荃銀高科種業股份有限公司) (SZSE stock code: 300087). From April 2003 to October 2009, Ms. Wang was an independent director of Tellhow Sci-tech Co., Ltd. (泰豪科技股份有限公司) (SSE stock code: 600590). From September 2007 to January 2008, she was a visiting scholar at faculty of management, Fudan University (復旦大學) in Shanghai, China.

Ms. Wang obtained a bachelor's degree in financial accounting and a master's degree in accounting from East China Jiaotong University in June 1993 and June 2005, respectively. She also obtained her doctorate degree in industrial economics from Jiangxi University of Finance and Economics in January 2009. Ms. Wang was accredited as a professor by Jiangxi Provincial Title Commission Office in November 2005.



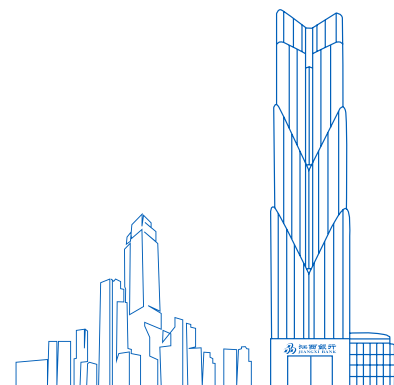
CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS, EMPLOYEES AND INSTITUTIONS

Joint Company Secretaries

Mr. XU Jihong (徐繼紅) is a joint company secretary of the Bank. For biographical details of Mr. Xu, please see “- Executive Directors”.

Dr. NGAI Wai Fung (魏偉峰) is a joint company secretary of the Bank. Dr. Ngai is currently a director and the chief executive officer of SWCS Corporate Services Group (Hong Kong) Limited and had served as the president of the Hong Kong Institute of Chartered Secretaries from 2014 to 2015. Dr. Ngai possesses substantial company secretarial experience. Dr. Ngai became a fellow member of the Hong Kong Institute of Chartered Secretaries in November 2000, a fellow member of the The Chartered Governance Institute (formerly known as Institute of Chartered Secretaries and Administrators) in November 2000, a member of the Hong Kong Institute of Certified Public Accountants in July 2007, a fellow member of the Association of Chartered Certified Accountants in March 2012, and a member of the Chartered Institute of Arbitrators in August 2018. Dr. Ngai was a member of the Working Group on Professional Services under the Economic Development Commission by the Chief Executive of the Hong Kong Special Administrative Region from January 2013 to March 2018. He was appointed as a member of the Qualifications and Examinations Board by the Hong Kong Institute of Certified Public Accountants from 2013 to 2018. Dr. Ngai was appointed as a member of the Standing Committee of the Chamber of Hong Kong Listed Companies in June 2014 and a Finance Expert Consultant by the Ministry of Finance in June 2016.

Dr. Ngai obtained a master’s degree in business administration from Andrews University of Michigan in the United States in August 1992, a bachelor’s degree (Honours) in law from the University of Wolverhampton in the United Kingdom in October 1994, a master’s degree in corporate finance from the Hong Kong Polytechnic University in November 2002, and a doctoral degree in finance from the Shanghai University of Finance and Economics in June 2011.



6.3.2 Supervisors

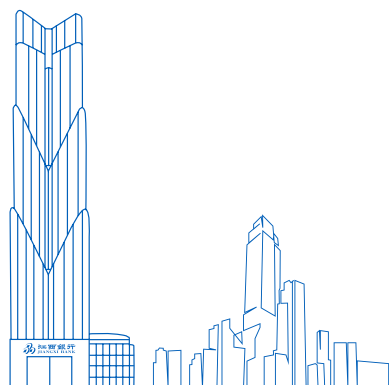
Employee Representative Supervisor

Mr. LIU Fulin (劉福林) joined the Bank as the chairman of the Board of Supervisors in December 2015. From March 2010 to January 2016, Mr. Liu was with Financial Office of People's Government of Jiangxi Province (江西省政府金融辦) and successively served as the director of the division of capital market, a deputy head and the head. From July 1990 to March 2010, he was with Jiangxi Government and successively served as (i) a cadre, senior staff member and principal staff at the financial division of the General Office, (ii) the director of the financial division of the General Office in Bureau of Government Offices Administration (機關事務管理局), (iii) a deputy director and researcher of commercial and finance division (商金處) of the General Office, (iv) a deputy director and researcher of the financial division of the General Office and (v) the director of financial division General Office. From July 1985 to September 1988, Mr. Liu was a teacher and a teaching assistant at Jiangxi Institute of Economic Administrators (江西經濟管理幹部學院).

Mr. Liu obtained his bachelor's degree in mathematics from Jiangxi Normal University in July 1985 and master's degree in accounting from Shanghai University of Finance and Economics (上海財經大學) in Shanghai, China, in January 1994.

Ms. TAO Yulan (陶玉蘭) is an employee representative Supervisor and Ms. Tao joined the Bank when it was established and took various positions in the Bank, including (i) the head of an outlet of Technology Sub-branch, (ii) a deputy manager of the financial and accounting department of Technology Sub-branch, and (iii) a vice president of Zhongshan Sub-branch. Since May 2008, Ms. Tao has been the general manager of the audit department of the Bank. She has been an employee representative Supervisor since March 2009. Ms. Tao served as the head of an outlet of Nanchang Technology Credit Union before joining the Bank.

Ms. Tao obtained a college diploma in computer finance and accounting from Institute of Engineering of Nanchang Aircraft Manufacturing Company (南昌飛機製造公司工學院) in July 1998. He also completed her correspondence undergraduate course in Party School of the Central Committee of Communist Party of China, majoring in economics management, in December 2003. Ms. Tao was accredited as a senior auditor by the General Office of Professional Title in Jiangxi Province in November 2010.



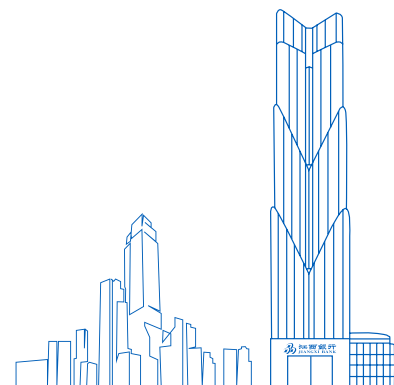
CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS, EMPLOYEES AND INSTITUTIONS

Mr. CHEN Xinxiang (陳新祥) joined the Bank in December 2015 and has served as an employee representative Supervisor of the Bank since then. Since August 2016, Mr. Chen has been a vice president of Jingdezhen Branch. From March 2016 to August 2016, Mr. Chen was a deputy general manager of the planning and finance department of the Bank. From July 2002 to December 2015, Mr. Chen was with Jingdezhen City Commercial Bank, and successively served as a deputy manager of the planning and finance department, manager of business department and the manager of the planning and finance department. From August 1989 to November 1999, Mr. Chen was a teacher at Jingdezhen Grain School (景德鎮市糧食學校).

Mr. Chen obtained a diploma in physics from Jingdezhen College of Education (景德鎮教育學院) (currently known as Jingdezhen College (景德鎮學院)) in July 1989. He also obtained a diploma in accounting from Zhongnan University of Finance and Economics (中南財經大學) (currently known as Zhongnan University of Economics and Law (中南財經政法大學)) in June 1999. Mr. Chen was accredited as an accountant by Ministry of Finance of the PRC in May 1998.

Shareholder Representative Supervisors

Mr. YU Han (于晗) is a shareholder representative Supervisor, and has been with Ganshang Union (Jiangxi) Co., Ltd. since March 2015. He was a cadre of the Planning and Development Division of the Department of Commerce of Gansu Province from December 2005 to May 2006, a staff member of Office of the Department of Commerce of Gansu Province from May 2006 to December 2009, and a senior staff member of Office of the Department of Commerce of Gansu Province from December 2009 to July 2010. From July 2010 to July 2012, he was selected to work in Sangke Township, Xiahe County, Gannan Tibetan Autonomous Prefecture, Gansu Province, and served as Deputy Secretary of the Township Party Committee; from August 2012 to March 2015, he has been the Deputy Chief Staff Officer and Chief Staff Officer of the Foreign Economic Relations Department of the Gansu Provincial Department of Commerce; since March 2015, he has been the general manager of Ganshang United (Jiangxi) Co., Ltd. Mr. Yu obtained a bachelor's degree in economics from Lanzhou University in July 2005.



CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS, EMPLOYEES AND INSTITUTIONS

Mr. ZHOU Minhui (周敏輝) is a shareholder representative Supervisor, and has been with Jiangxi Copper Company Limited since 1982. He has been a full-time director and supervisor of an investment enterprise of Jiangxi Copper Company Limited since April 2018. From July 2016 to April 2018, he was the general manager of the financial management department of that company.

Mr. Zhou completed his long distance learning courses in industrial accounting offered by Jiangxi Radio & TV University (江西廣播電視大學) in July 1986. He also completed his correspondence undergraduate course in Party School of the Central Committee of Communist Party of China, majoring in law in December 2004. Mr. Zhou was qualified as an accountant by the Ministry of Finance of the PRC in December 1992.

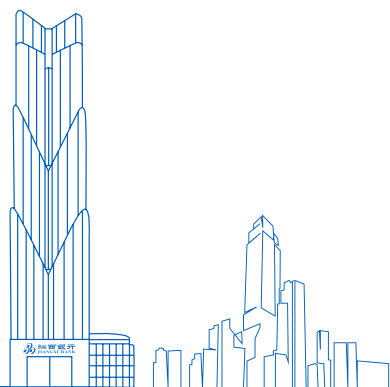
External Supervisors

Mr. SHI Zhongliang (史忠良) is an external Supervisor, and served as the principal and a professor of Jiangxi University of Finance and Economics from February 1995 to October 2004. Mr. Shi received his diploma in political economy from Fudan University in July 1967. Mr. Shi was accredited as a researcher by Jiangxi Title Reform Committee in June 1992.

Ms. LI Danlin (李丹林) is an external Supervisor, and has been a teacher of Communication University of China (中國傳媒大學) or its predecessors since July 1986. She is currently a professor of institute of cultural and business management. Ms. Li obtained a bachelor's degree in law and a master's degree in economic law from Peking University in July 1986 and January 2002, respectively. She also obtained her doctorate degree in communication from Communication University of China (中國傳媒大學) in June 2011. In June 1993, Ms. Li was qualified as a lawyer by Beijing Municipal Bureau of Justice (北京市司法局).

Mr. SHI Jing is an external Supervisor, and has been a professor within the Faculty of Business & Economics of Macquarie University since February 2018. Prior to this, Mr. Shi was a professor of Royal Melbourne Institute of Technology University from March 2014 to February 2018. From February 1997 to March 2014, he was with the Australian National University and successively served as an associate lecturer, a lecturer of finance, a senior lecturer of finance and an associate professor of finance.

Mr. Shi obtained a bachelor's degree in finance from University of Otago in New Zealand in July 1998 and a doctorate degree in finance from the Australian National University in September 2001, respectively.



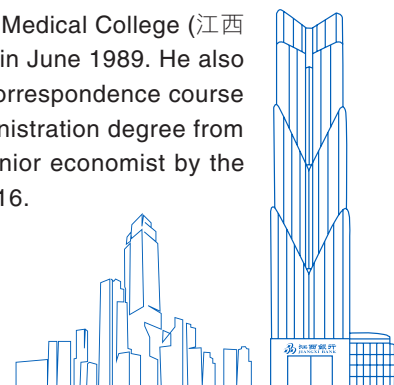
6.3.3 Senior Management Members

Mr. CHEN Yong (陳勇) has served as the vice president of the Bank since June 2006. He joined the Bank in February 1998 and took various positions in the Bank, including (i) a deputy director of the general office of the Bank, (ii) the director of the general office of the Bank, (iii) the head of general office of party committee (黨委辦公室) of the Bank, (iv) a deputy secretary to the party committee, (v) chairman of the labor union, (vi) a party committee member, director and vice president of the Bank. Prior to joining the Bank, Mr. Chen was a cadre at the preparatory office of Nanchang Coordination Bank (南昌市合作銀行) from November 1996 to February 1998. From October 1991 to November 1996, he was with Nanchang Branch of Jiangxi Corporation for International Economic and Technical Cooperation (江西國際經濟技術合作公司南昌分公司) (currently known as Nanchang International Technology Cooperation Co., Ltd. (南昌國際經濟技術合作公司), a company primarily engaged in overseas labor service dispatch and foreign engineering contracting), where he successively served as an engineer, deputy director of manager office, manager of international cooperation division I, manager of labor division I and assistance to general manager. From August 1982 to October 1991, Mr. Chen successively served as a technologist and a deputy factory director of a branch at Jiangxi National Pharmaceutical Factory (江西國藥廠).

Mr. Chen obtained a bachelor's degree in inorganic chemical industry and a bachelor's degree in law from Jiangxi Polytechnic College (江西工學院) (currently known as Nanchang University) and Jiangxi Normal University in July 1982 and April 2001, respectively. He also obtained a master of business administration from New York Institute of Technology in the U. S. in May 2008. Mr. Chen was accredited as a senior engineer by Jiangxi Title Reform Committee in November 1995.

Mr. CHENG Zongli (程宗禮) has served as the vice president of the Bank since April 2011. Mr. Cheng joined the Bank when it was established and took various positions in the Bank, including (i) a deputy director of asset risk management department, (ii) a deputy manager of special assets management department, (iii) a vice president of Yongxing Sub-branch and Minde Sub-branch, (iv) a deputy general manager of corporate business department, (v) the general manager of credit management department, (vi) the president of Railway Sub-branch, and (vii) a vice president and member of party committee of the Bank. Mr. Cheng's previous working experiences also include serving as (i) a clerk in Nanchang City Credit Union (南昌城市信用社) from October 1994 to August 1997 and (ii) a physician at Nanchang No. 9 Hospital (南昌市第九醫院) from August 1989 to October 1994.

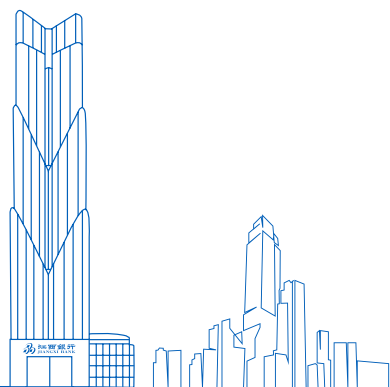
Mr. Cheng obtained a bachelor's degree in clinical medicine from Jiangxi Medical College (江西醫學院) (currently known as the Medical School of Nanchang University) in June 1989. He also obtained a bachelor's degree in money and banking by completing the correspondence course offered by Peking University in July 1999 and a master of business administration degree from Nanchang University in January 2010. Mr. Cheng was qualified as a senior economist by the General Office of Professional Title in Jiangxi Province in November 2016.



CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS, EMPLOYEES AND INSTITUTIONS

Mr. CAI Xiaojun (蔡小俊) has served as the vice president of the Bank since August 2011. Prior to joining the Bank, Mr. Cai was with the CBRC Jiangxi Office (中國銀行業監督管理委員會江西監管局) from October 2003 to August 2011 and held various positions successively, including (i) a principal staff member of supervision division of Industrial and Commercial Bank of China (工行監管處), (ii) a deputy director of supervision division of Industrial and Commercial Bank of China, (iii) a deputy director and party committee member of CBRC Jingdezhen Bureau (景德鎮銀監分局), (iv) a deputy director of statistical and information division (統計信息處), and (v) a deputy director of supervision division of city commercial banks(城市商業銀行監管處). From September 1994 to October 2003, Mr. Cai was with PBoC and successively served as (i) a staff member of the planning department of Financial Research Institution of PBoC Jiangxi Branch (中國人民銀行江西省分行金融研究所), (ii) a vice president of PBoC Jiangxi Xiushui County Sub-branch (中國人民銀行江西省修水縣支行), (iii) a deputy section chief of the general department of planning and fund division in PBoC Nanchang Supervision Office (中國人民銀行南昌監管辦計劃資金處綜合科), (iv) a deputy section chief of the general division in PBoC Nanchang Supervision Office (中國人民銀行南昌監管辦綜合處) and (v) a principal staff member of the general division in PBoC Nanchang Supervision Office, supervision division of banks in PBoC Nanchang Supervision Office (中國人民銀行南昌監管辦銀行檢查處) and supervision division of Industrial and Commercial Bank of China.

Mr. Cai obtained a bachelor's degree in applied mathematics, a master's degree in operational research and cybernetics and a master of business administration from Huazhong College of Engineering (華中工學院) (currently known as Huazhong University of Science and Technology), Fudan University, Southwestern University of Finance and Economics (西南財經大學) in Sichuan Province, China, in July 1986, July 1994 and December 2002, respectively. Mr. Cai was qualified as a senior economist by Senior Professional and Technical Qualification of Economist Review Committee of PBoC (中國人民銀行經濟系列高級專業技術資格評審委員會) in October 2004.



CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS, EMPLOYEES AND INSTITUTIONS

6.4 CONFIRMATION OF INDEPENDENCE FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The Bank has received annual confirmation of independence from each independent non-executive Directors, confirming all independent non-executive directors are independent pursuant to Rule 3.13 of Hong Kong Listing Rules.

6.5 INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

As at December 31, 2019, the interests and short positions of the Directors, Supervisors and chief executives of the Bank in the shares, underlying shares or debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Bank and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Bank and the Stock Exchange pursuant to the Model Code, were as follows:

I) Directors: Nil

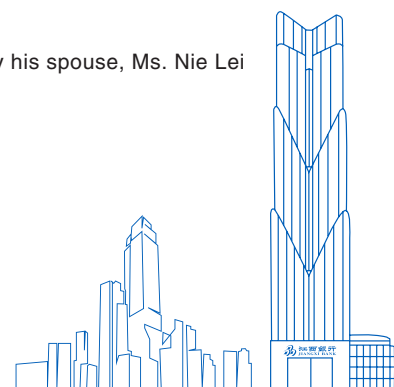
II) Supervisors:

Name	Position	Class of Shares	Nature of interest	Number of Shares directly or indirectly held (unit: share)	Approximate percentage of the issued share capital of the relevant share class	Approximate percentage of the total share capital of the Bank
CHEN Xinxiang	Employee Representative Supervisor	Domestic Shares	Beneficial interest	46,901	0.0010%	0.00078%
LIU Fulin ⁽¹⁾	Employee Representative Supervisor	Domestic Shares	Interest of spouse	2,000	0.000043%	0.000033%

Note:

1 Mr. Liu Fulin is deemed to be interested in 2,000 Domestic Shares held by his spouse, Ms. Nie Lei (聶磊), by virtue of the SFO.

III) Chief executives: Nil



6.6 INFORMATION OF EMPLOYEES

6.6.1 Composition of Employees

As of the end of the Reporting Period, the Bank has a total of 5,061 employees.

(1) *By age*

The Bank has 2,756 employees aged 30 or under, accounting for 54% of the total number of employees; 1,202 employees aged 31 to 40, accounting for 24% of the total number of employees; 977 employees aged 41 to 50, accounting for 19% of the total number of employees; and 126 employees aged over 50, accounting for 3% of the total number of employees.

(2) *By education*

The Bank has 4,546 employees with a bachelor degree or above, accounting for 89.2% of the total number of employees, and 515 employees with a college degree or below, accounting for 10.18% of the total number of employees.

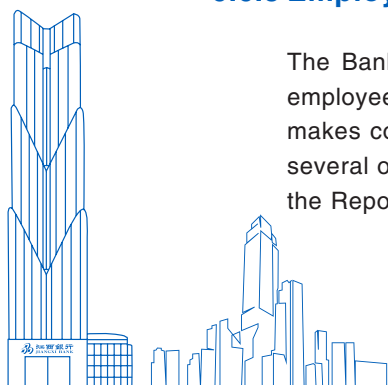
6.6.2 Employee Training Plan

During the Reporting Period, upholding the strategic thinking of “strengthening the Bank by talents”, the Bank adhered to the talent cultivation mechanism of developing together with employees and achieving mutual improvement and the goal of enhancing employees’ quality, and built an all-round and multi-level training system and a learning organization good at learning and attaching importance to practice based on customer service.

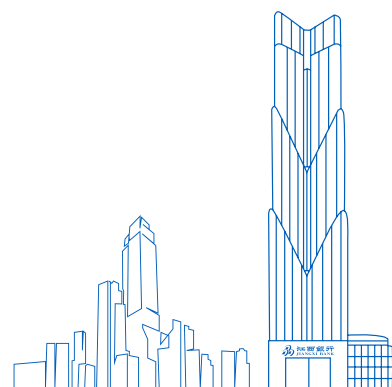
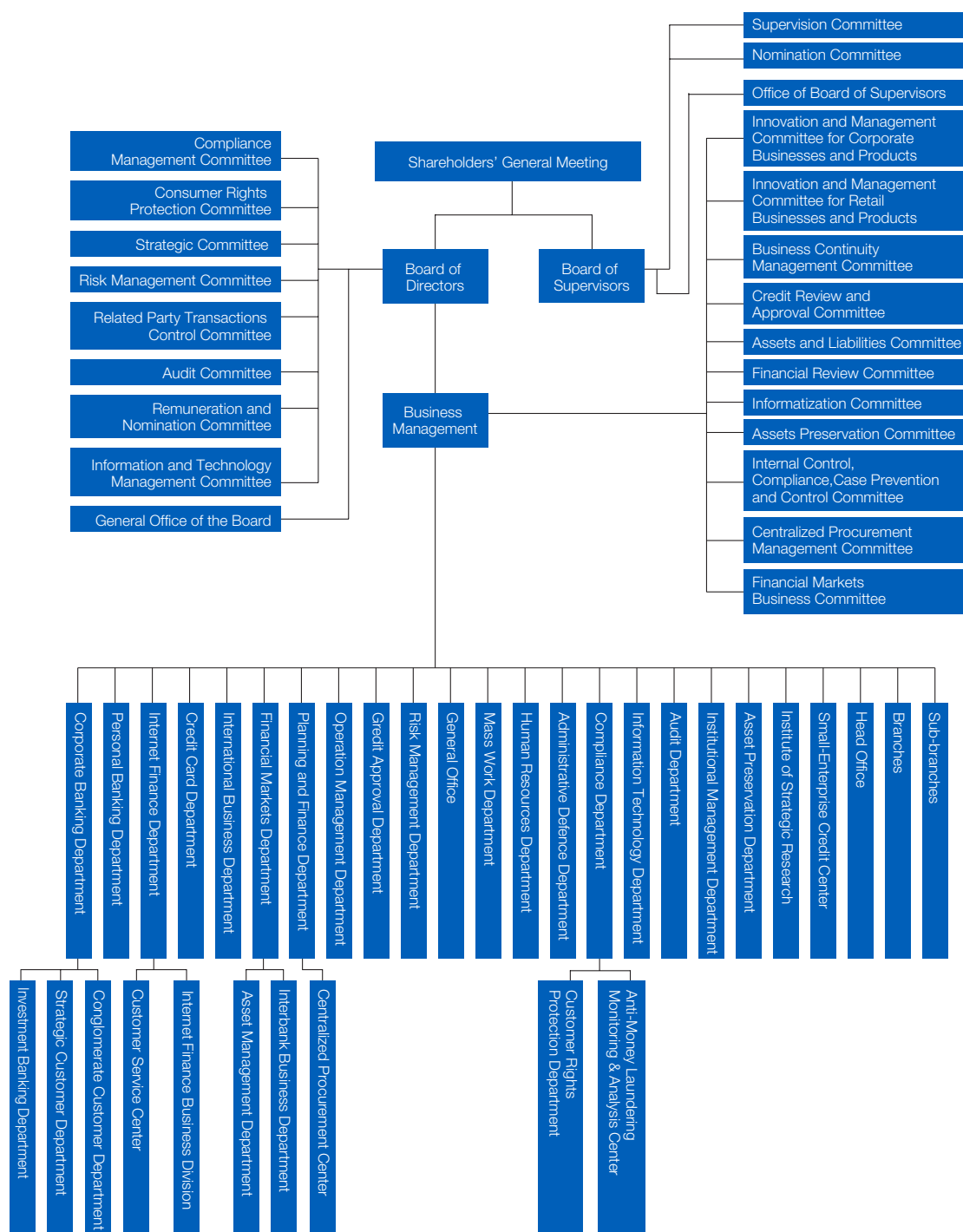
During the Reporting Period, according to the training program under the “Work Plan for Employees’ Educational Training for 2019”, the Bank organized internal trainings and external dispatches, held lecture series “Brainstorm”, conducted studies and researches in advanced banks, participated in external forums and training classes, organized off-job training in colleges and universities, conducted centralized training on new businesses and products and pre-job training for new employees, built a team of internal trainers and conducted capacity improvement training for them. It was committed to building a learning and innovative team.

6.6.3 Employee Remuneration Policy

The Bank has established a position-based remuneration system, with the remuneration of employees determined according to their position value and performance evaluation. The Bank makes contribution to the employees’ social insurance and provides housing allowances and several other staff benefits pursuant to applicable PRC laws and regulations. As of the end of the Reporting Period, the Bank had no significant changes in its remuneration policies.



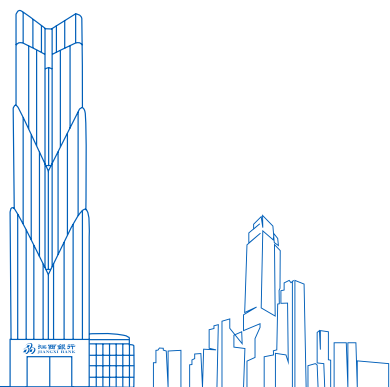
6.7 ORGANIZATIONAL STRUCTURE



CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS, EMPLOYEES AND INSTITUTIONS

6.8 BASIC INFORMATION OF BRANCHES AND SUB-BRANCHES

Area	Name of institutions	Business address (in China)	Notes
Nanchang, Jiangxi	Head office	No. 699 Financial Street, Honggutan New District, Nanchang, Jiangxi Province	Governing 86 licensed branches and sub-branches in Nanchang
Pingxiang, Jiangxi	Pingxiang branch	No. 198 Jianshe Middle Road, Anyuan District, Pingxiang, Jiangxi	Governing 8 licensed institutions in Pingxiang
Jiujiang, Jiangxi	Jiujiang branch	No. 248 Changhong Avenue, Lianxi District, Jiujiang, Jiangxi	Governing 14 licensed institutions in Jiujiang
Ganzhou, Jiangxi	Ganzhou branch	Building 8, Shenghui City Center, Ganxian Road, Zhanggong District, Ganzhou, Jiangxi	Governing 25 licensed institutions in Ganzhou
Yichun, Jiangxi	Yichun branch	No.636 Yichun North Road, Yuanzhou District, Yichun, Jiangxi	Governing 15 licensed institutions in Yichun
Xinyu, Jiangxi	Xinyu branch	No.69 Zhongshan Road, Yushui District, Xinyu, Jiangxi	Governing 6 licensed institutions in Xinyu
Shangrao, Jiangxi	Shangrao branch	No.46 Daihu Road, Xinzhou District, Shangrao, Jiangxi	Governing 12 licensed institutions in Shangrao
Ji'an, Jiangxi	Ji'an branch	1/F, Tianhong Shopping Plaza, Guangchang South Road North, Jinggangshan Avenue West, Jizhou District, Ji'an, Jiangxi	Governing 15 licensed institutions in Ji'an
Fuzhou, Jiangxi	Fuzhou branch	No. 618 Gandong Avenue, Linchuan District, Fuzhou, Jiangxi	Governing 9 licensed institutions in Fuzhou
Yingtian, Jiangxi	Yingtian branch	South of Weisi Road and West of Zhisi Road, Xinjiang New District, Yingtian, Jiangxi	Governing 3 licensed institutions in Yingtian
Jingdezhen, Jiangxi	Jingdezhen branch	1/F, West Area 1, Crown Shopping Plaza, Guangchang South Road, Zhushan District, Jingdezhen, Jiangxi	Governing 16 licensed institutions in Jingdezhen
Nanchang, Jiangxi	Small Enterprise Credit Center	No.96 Zhanqian Road, Xihu District, Nanchang, Jiangxi	Governing 8 licensed institutions in Jiangxi
Guangzhou	Guangzhou branch	Room 102, Block 3, 1/F and Rooms 201-202, Block 3, 2/F, No. 986, Jiefang North Road, Yuexiu District, Guangzhou	Governing 5 licensed institutions in Guangzhou
Suzhou	Suzhou branch	Rongsheng Business Center, No. 135, Wangdun Road, Suzhou Industrial Park, Jiangsu	Governing 5 licensed institutions in Suzhou



CHAPTER VII CORPORATE GOVERNANCE REPORT

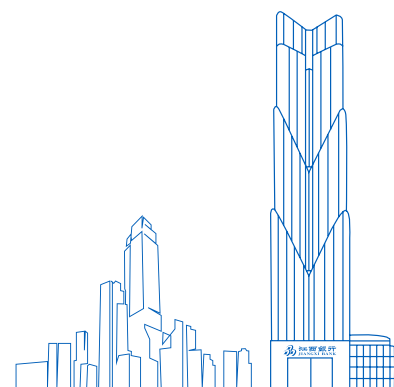
7.1 OVERVIEW OF CORPORATE GOVERNANCE

During the Reporting Period, the Bank continued to improve the transparency of corporate governance to protect the interests of shareholders and enhance corporate value.

The Bank has established a relatively comprehensive corporate governance structure pursuant to the provisions of the Hong Kong Listing Rules. The composition of the Board and the special committees under the Board complies with the requirements of the Hong Kong Listing Rules. The Bank clearly defines the responsibilities of the shareholders' general meeting, the Board, the Board of Supervisors, and senior management. The shareholders' general meeting is the highest authority of the Bank, and the Board is responsible to the shareholders' general meeting. The Board has set up eight special committees that operate under the leadership of the Board and offer opinion on the Board's decision-making. The Board of Supervisors supervises the performance of duties by the Board and senior management as well as the Bank's financial activities, risk management, and internal control. Under the leadership of the Board, senior management is responsible for implementing the resolutions of the Board and for daily business and management of the Bank, and reports to the Board and the Board of Supervisors on a regular basis. The President of the Bank, appointed by the Board, is responsible for the overall business operation and management of the Bank.

The Bank has adopted Appendix 14 to the Hong Kong Listing Rules headed Corporate Governance Code (the “Code”). The Bank has met the requirements of the measures for the administration of domestic commercial banks and the corporate governance requirements and has established a sound corporate governance system. During the Reporting Period, the Bank has complied with all applicable Code provisions as set forth in Appendix 14 to the Hong Kong Listing Rules.

The Bank commits itself to maintaining high-standard corporate governance. The Bank will continue to strengthen its corporate governance, to ensure compliance with the Code and live up to the expectations of shareholders and potential investors.



CHAPTER VII CORPORATE GOVERNANCE REPORT

7.2 SHAREHOLDERS' GENERAL MEETING

7.2.1 Convening of General Meetings

In 2019, the Bank convened one shareholders' general meeting, details of which are set out below:

On May 31, 2019, the Bank convened the 2018 Annual General Meeting, at which fifteen proposals were considered and approved, including the 2018 Financial Statement, 2019 Financial Budget Plan, 2018 Profit Distribution Plan, and proposals on electing directors for the second session of the Board and supervisors for the second session of Board of Supervisors of the Bank.

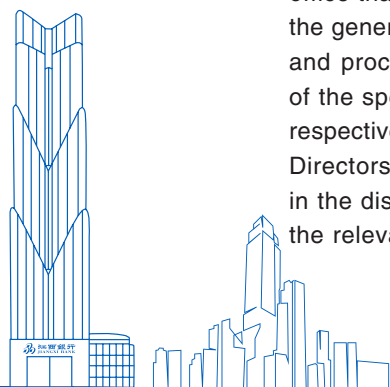
The above general meeting was convened in line with the procedures required by relevant laws and regulations.

For the attendance rate of each director at the general meeting, refer to the section 7.3.6.

7.3 BOARD

7.3.1 Operation of the Board

Regular meetings of the Board shall be convened at least once each quarter and other meetings shall be scheduled if necessary. Board meetings may be convened on site or through a teleconference. The Board must notify all directors prior to Board meetings and provide sufficient information (including background information and other information and data of the proposals presented to assist the directors in making informed decisions) to all directors in a timely manner. For regular meetings of the Board, all directors and supervisors must be notified in writing 14 days before the convening of the meetings, and the meeting agenda and relevant meeting documents shall be sent to all directors three days before the convening of the meetings; and for other Board meetings, a notice shall be sent to all directors 5 days before the convening of the meetings. A good communication and reporting mechanism has been established between the Board and senior management. The President is responsible to the Board and reports to the Board on a regular basis, and is subject to the supervision by the Board of Supervisors. At the Board meetings, all directors are free to express their opinions, and discuss important decisions in detail before making such decisions. The Board has a Board office that serves as the daily office of the Board. The Board office is responsible for preparing the general meetings and Board meetings and meetings of special committees under the Board and processing the tasks assigned by the general meetings, Board meetings, and meetings of the special committees under the Board. The Board and senior management exercise their respective powers corresponding to their responsibilities contained in the Articles of Association. Directors who have a material interest in the proposals must give up the right of participating in the discussion and voting on relevant proposals and must not be included in the quorum of the relevant proposals.



CHAPTER VII CORPORATE GOVERNANCE REPORT

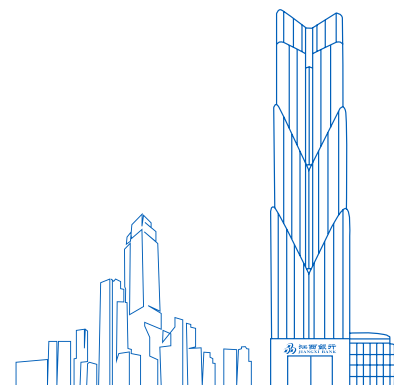
7.3.2 Composition of the Board

As at the date of this annual report, the Board of the Bank consists of eleven directors, including three executive directors, namely, Mr. CHEN Xiaoming (Chairman), Mr. LUO Yan, and Mr. XU Jihong; four non-executive directors, namely, Mr. QUE Yong, Mr. LI Zhanrong, Mr. LIU Sanglin, and Mr. DENG Jianxin; and four independent non-executive directors, namely, Ms. ZHANG Rui, Mr. WONG Hin Wing, Ms. WANG Yun, and Ms. ZHANG Wangxia. As approved by the 2018 Annual General Meeting held on May 31, 2019, Ms. ZHUO Liping and Mr. HUANG Zhenping were appointed as non-executive directors of the Bank, and Mr. OU Minggang and Mr. YAN Hongbo were appointed as independent non-executive directors of the Bank; terms thereof commence upon approval of their respective directorship by relevant PRC banking regulatory authorities. The number and composition of the Board comply with applicable laws and regulations.

For the biographies and term of office of directors, please refer to Chapter VI “Directors, Supervisors, Senior Management, Employees and Institutions” in this report. None of the Board members are associated with other members.

7.3.3 Changes in Board Members During the Reporting Period

The bank elected the second session of the Board at the 2018 Annual General Meeting on May 31, 2019, and Mr. CHEN Xiaoming, Mr. LUO Yan, and Mr. XU Jihong were re-elected as executive directors of the second session of the Board; Mr. QUE Yong, Mr. LI Zhanrong, Mr. LIU Sanglin, and Mr. DENG Jianxin were re-elected as non-executive directors of the second session of the Board; Ms. ZHUO Liping and Mr. HUANG Zhenping were re-elected as non-executive directors of the second session of the Board; Ms. ZHANG Rui, Mr. WONG Hin Wing, Ms. ZHANG Wangxia, and Ms. WANG Yun were re-elected as independent non-executive directors of the second session of the Board; and Mr. OU Minggang and Mr. YAN Hongbo were re-elected as independent non-executive directors of the second session of the Board. Among them, the terms of Ms. ZHUO Liping, Mr. HUANG Zhenping, Mr. OU Minggang, and Mr. YAN Hongbo commence upon approval of their respective directorship by CBIRC Jiangxi Office. They will take office after the approval of their qualifications. On the same day, Ms. CHEN Yu, Mr. TANG Xianqing, Mr. ZENG Zhibin, and Mr. GUO Tianyong ceased to act as the directors of the Bank upon expiration of the term.



CHAPTER VII CORPORATE GOVERNANCE REPORT

7.3.4 Authority of the Board

The Board is responsible to the shareholders' general meeting and exercises the following powers:

to convene a shareholders' general meeting and report to the meeting on the work of the Board;

to implement the resolutions of the shareholders' general meeting;

to formulate the development strategy for the Bank and supervise its implementation, and regularly evaluate the implementation of the strategic plan;

to decide on the Bank's business plan and risk capital allocation plan;

to formulate the Bank's annual financial budget plan, final settlement plan, and investment plan;

to formulate the Bank's profit distribution plan and the plan for making up losses;

to formulate plans for the Bank to increase or decrease its registered capital and to repurchase shares of the Bank;

to formulate the plan for issuing bonds or other securities and the listing plan;

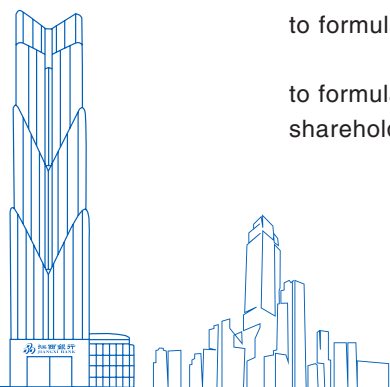
to formulate plans for major acquisition, acquisition of stocks of the Bank, or merger, division, dissolution, and change in corporate form;

to decide on the establishment of the internal management organizations, primary branches and franchisees of the Bank;

to appoint or dismiss President of the Bank and secretary to the Board; according to the nomination of the President, appoint or dismiss the Vice President, Chief Financial Officer, and other senior executives of the Bank as well as other personnel (including but not limited to the Assistant President, chief auditor, chief accountant, chief information officer, risk director, compliance director, audit department head, etc.) that shall be appointed or dismissed by the Board according to relevant laws and regulations and the Articles of Association of the Bank; and decide on their remuneration and rewards and punishments;

to formulate the basic management system for the Bank;

to formulate the proposals for amending the Articles of Association, rules of procedure for the shareholders' general meeting, and rules of procedure for the Board;



CHAPTER VII CORPORATE GOVERNANCE REPORT

to consider the Bank's compliance policy, supervise the implementation of the compliance policy, and bear the ultimate responsibility for the compliance of the Bank's business activities;

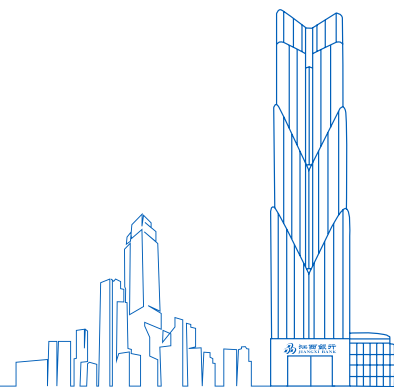
to establish risk culture, assume the ultimate responsibility for comprehensive risk management, determine the risk preference, risk tolerance, risk management policies, and internal control policies of the Bank's parent company and of the Group, and supervise the policy implementation;

to examine and approve the stress testing policy, review the stress testing report that has a significant impact as determined by senior management, understand the key assumptions of stress testing, pay attention to the results of stress testing and its impact, review the subsequent major improvement measures, understand the risk mitigation effects of the improvement measures, and consider the results of stress testing when determining the Bank's risk preference and risk management objectives;

to examine and approve liquidity risk preferences (at least once a year), liquidity risk management strategies, and important policies and procedures; continue to focus on liquidity risk status, obtain liquidity risk reports on a regular basis, and keep abreast of liquidity risk level, management status, and significant changes; and review and approve the disclosure of liquidity risk information to ensure the authenticity and accuracy of the disclosed information;

to be responsible for ensuring that the Bank establishes and implements a fully effective internal control system, to ensure that the Bank operates prudently within the legal and policy framework; be responsible for clearly setting the acceptable risk level for the Bank and ensuring that senior management takes necessary risk control measures; and be responsible for supervising the monitoring and evaluation by senior management of the adequacy and effectiveness of the internal control system;

to formulate the information disclosure system for the Bank, manage the Bank's information disclosure matters, and assume ultimate responsibility for the integrity, accuracy and timeliness of the Bank's accounting and financial reporting system; and examine and approve the Bank's annual report;



CHAPTER VII CORPORATE GOVERNANCE REPORT

to submit to the shareholders' general meeting for appointing, dismissing or no longer re-appointing the accounting firm that provides annual audit for the Bank;

to listen to the work report of senior management and check its work, supervise and ensure that senior management personnel fulfill their management duties effectively;

to examine and approve the information technology strategy, and evaluate the overall effectiveness and efficiency of information technology and risk management; regularly listen to the report of senior management personnel on the implementation of the information technology strategy, information technology budget and actual expenditure, and overall situation of information technology; and examine the annual report of risk management on information technology and submit the report to the banking regulatory authority;

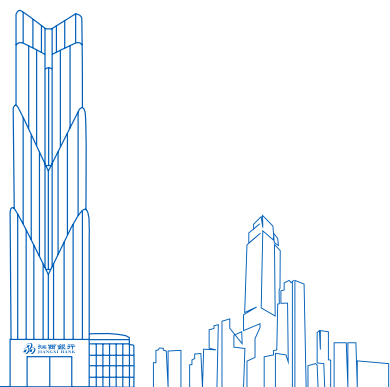
to examine and approve the strategic development plan, risk management system, outsourcing scope, and related arrangements of the Bank's information technology outsourcing, review the relevant reports on information technology outsourcing activities, and regularly arrange internal audits to ensure that the audit covers all outsourcing arrangements;

to formulate policies and objectives for the Bank's data quality management and regularly evaluate the effectiveness and implementation thereof;

to regularly evaluate and improve the corporate governance of the Bank;

to formulate capital planning, assume ultimate responsibility for capital management, examine and approve capital management system and the management plan for capital adequacy ratio, consider and approve the report on the management of capital adequacy ratio and the report on the evaluation of internal capital adequacy, listen to the audit report on capital adequacy ratio management and on the implementation of evaluation procedures of internal capital adequacy, examine and approve the information disclosure policy, procedures, and contents of capital adequacy ratio, and ensure the authenticity, accuracy, and completeness of the disclosed information;

to formulate professional norms and value criteria that the Board and senior management shall follow;



CHAPTER VII CORPORATE GOVERNANCE REPORT

to formulate strategies, policies, and objectives of the protection of consumer rights and interests related to the Bank, and urge senior management to implement and safeguard the legitimate rights and interests of depositors and other stakeholders; and be responsible for supervising and evaluating the allsidedness, timeliness, and effectiveness of the protection of consumer rights and interests of the Bank and the performance of senior management;

to establish a mechanism for identifying, reviewing, and managing conflicts of interest between the Bank and shareholders, particularly major shareholders;

to develop good internal control culture, supervise senior management personnel to formulate relevant policies, procedures, and measures, continue to focus on the internal control of the Bank, and implement whole process management of risk;

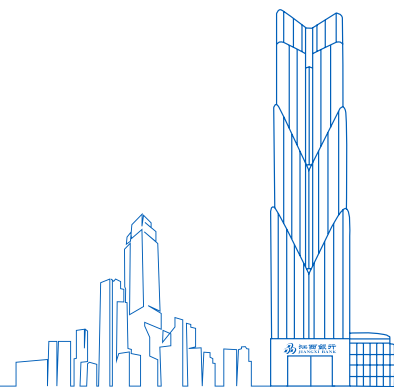
to establish a system for managing case prevention and control that is compatible with the Bank's risk management, asset size and business complexity, and effectively monitor, provide alert for and dispose case risk;

to examine and approve the management strategies, policies, and procedures for the Bank's business continuity; examine and approve the senior management's management responsibilities for business continuity, regularly listen to senior management's report on business continuity management, and supervise and evaluate their performance; and examine and approve the annual audit report on business continuity management;

to review or approve the filing application for the Bank's shareholder qualification, equity transfer, and equity pledge;

to evaluate the performance of duties by directors and appraise the due diligence of senior management members;

to formulate capital adequacy targets that are compatible with the Bank's development strategy, examine and approve the Bank's internal capital adequacy procedures, and ensure that capital fully covers major risk; and examine and approve and supervise the implementation of capital plans, and satisfy the Bank's requirements for continuing operations and replenishing emergency capital;



CHAPTER VII CORPORATE GOVERNANCE REPORT

to listen to senior management's regulatory opinions on regulatory authorities, management recommendations from external auditors, and evaluation reports of the Board and the Board of Supervisors;

to formulate the consolidated management policy for the Bank, and supervise the policy implementation in the Bank and its subsidiaries; examine and approve and supervise major issues related to consolidated management, and supervise the implementation thereof; consider and approve the consolidated management of the Bank and corporate governance and management of major subsidiaries; and supervise and ensure that senior management effectively performs the responsibilities of consolidated management;

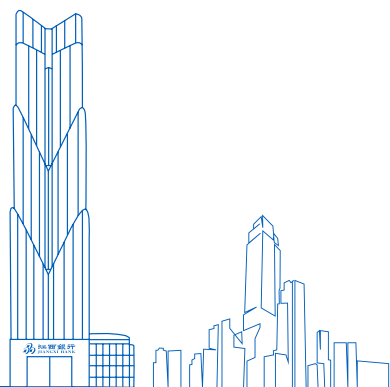
to formulate the strategy objectives of green credit for the Bank, examine and approve the senior management's report on the implementation of green credit, and supervise and evaluate the implementation of the Bank's development strategy of green credit;

to examine and approve major related party (connected) transactions; and

other powers as set forth in laws and regulations, the listing rules of the stock exchanges where the stocks of the Bank are listed or the Articles of Association of the Bank and granted by the shareholders' general meeting.

7.3.5 Directors' Responsibilities for Preparing Financial Statements

The Directors confirm that they are responsible for preparing financial statements for the year ended December 31, 2019 which should truly and fairly reflect the business status and performance of the Bank. To prepare financial statements, the directors shall select and apply appropriate accounting policies, and use accounting estimates that are appropriate for relevant circumstances. With the assistance of accounting and finance personnel, the directors ensure that they have prepared the financial statements for the Bank in accordance with statutory requirements and applicable financial reporting standards.

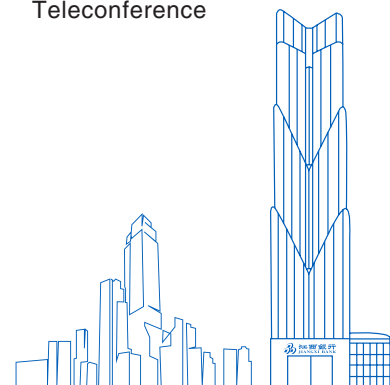


CHAPTER VII CORPORATE GOVERNANCE REPORT

7.3.6 Board Meetings and the Attendance of Directors

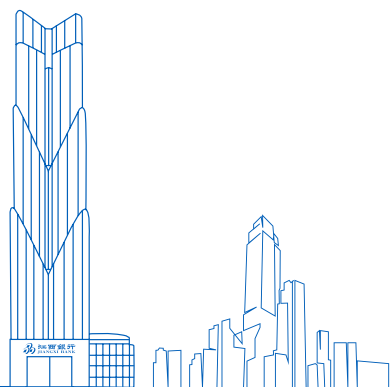
During the Reporting Period, the Bank carried out the change of office and convened a total of 24 Board meetings, at which the Bank debriefed on, considered and approved 147 proposals mainly involving topics such as adoption and/or revision of various corporate governance measures, profit distribution plans, development plans, and business performance. Details of the Board meetings convened during the Reporting Period are set out below:

Session	Date	Form
Periodic meetings		
Fourteenth session of the first Board meeting	March 29, 2019	On-site
First session of the second Board meeting	May 31, 2019	On-site
Second session of the second Board meeting	August 27, 2019	On-site
Third session of the second Board meeting	November 15, 2019	On-site
Extraordinary meetings		
The first extraordinary meeting for 2019 of the first session of the Board	January 4, 2019	Teleconference
The second extraordinary meeting for 2019 of the first session of the Board	January 23, 2019	Teleconference
The third extraordinary meeting for 2019 of the first session of the Board	March 26, 2019	Teleconference
The fourth extraordinary meeting for 2019 of the first session of the Board	April 1, 2019	Teleconference
The fifth extraordinary meeting for 2019 of the first session of the Board	April 16, 2019	Teleconference
The sixth extraordinary meeting for 2019 of the first session of the Board	April 22, 2019	Teleconference
The seventh extraordinary meeting for 2019 of the first session of the Board	April 25, 2019	Teleconference
The eighth extraordinary meeting for 2019 of the first session of the Board	April 30, 2019	Teleconference
The ninth extraordinary meeting for 2019 of the first session of the Board	May 9, 2019	Teleconference
The tenth extraordinary meeting for 2019 of the first session of the Board	May 14, 2019	Teleconference



CHAPTER VII CORPORATE GOVERNANCE REPORT

Session	Date	Form
The first extraordinary meeting for 2019 of the second session of the Board	June 11, 2019	Teleconference
The second extraordinary meeting for 2019 of the second session of the Board	June 25, 2019	Teleconference
The third extraordinary meeting for 2019 of the second session of the Board	July 5, 2019	Teleconference
The fourth extraordinary meeting for 2019 of the second session of the Board	July 22, 2019	Teleconference
The fifth extraordinary meeting for 2019 of the second session of the Board	September 9, 2019	Teleconference
The sixth extraordinary meeting for 2019 of the second session of the Board	October 12, 2019	Teleconference
The seventh extraordinary meeting for 2019 of the second session of the Board	October 29, 2019	Teleconference
The eighth extraordinary meeting for 2019 of the second session of the Board	December 10, 2019	Teleconference
The ninth extraordinary meeting for 2019 of the second session of the Board	December 18, 2019	Teleconference
The tenth extraordinary meeting for 2019 of the second session of the Board	December 24, 2019	Teleconference



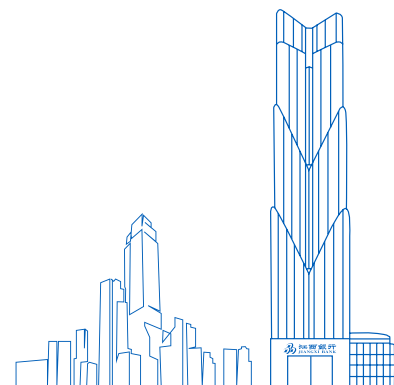
CHAPTER VII CORPORATE GOVERNANCE REPORT

The attendance of each director at the Board meetings during the Reporting Period is as follows:

Members of the Board	Number of Attendances Required at Board Meetings	Number of Attendances in Person at Board Meetings	Number of Attendances by Proxy at Board Meetings	Attendance Rate at Board Meetings ¹	Number of Attendances/ Attendances Required at Shareholders' General Meetings
CHEN Xiaoming	24	24	0	100%	1/1
LUO Yan	24	24	0	100%	1/1
XU Jihong	24	24	0	100%	1/1
QUE Yong	24	23	1	95.83%	1/1
LI Zhanrong	24	23	1	95.83%	1/1
LIU Sanglin	24	23	1	95.83%	1/1
DENG Jianxin	24	23	1	95.83%	0/1
ZHANG Rui	24	23	1	95.83%	1/1
WONG Hin Wing	24	24	0	100%	1/1
WANG Yun	24	24	0	100%	1/1
ZHANG Wangxia	24	23	1	95.83%	1/1
<i>Resigned Directors</i>					
CHEN Yu	11	11	0	100%	0/1
TANG Xianqing	11	10	1	90.91%	0/1
ZENG Zhibin	11	10	1	90.91%	0/1
GUO Tianyong	11	11	0	100%	0/1

Notes:

- ¹ During the Reporting Period, attendance by way of proxy was not treated as attendance, and it is the same below.
- ² As at May 31, 2019, Ms. CHEN Yu, Mr. TANG Xianqing, Mr. ZENG Zhibin, and Mr. GUO Tianyong ceased to act as directors of the Bank upon expiration of the term.



CHAPTER VII CORPORATE GOVERNANCE REPORT

7.3.7 Independent Non-executive Directors

The Board of the Bank has four independent non-executive directors and the number is in compliance with the requirements of the Hong Kong Listing Rules concerning the appointment of at least three independent non-executive directors (representing at least one-third of the Board members), with at least one possessing appropriate professional qualifications or accounting or related financial management expertise.

During the Reporting Period, the independent non-executive directors fulfilled their fiduciary duties, due diligence responsibilities, and those obligations required by the Articles of Association and safeguarded the overall interests of the Bank and its shareholders. The independent non-executive directors of the Bank duly attended the Board meetings and the meetings of special committees, at which they provided objective and independent opinions on multiple matters, and actively participated in the decision-making of the Board and supervised the Board.

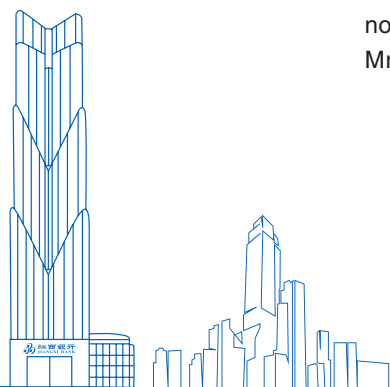
The Bank has received an annual confirmation of independence confirming the independence of each of the independent non-executive directors in writing, which was issued by such directors according to the requirements of the Hong Kong Listing Rules. Therefore, the Bank confirms that all independent non-executive directors have complied with the requirements of the Hong Kong Listing Rules in respect of the independence thereof.

7.3.8 Special Committees of the Board

As at the date of this annual report, the Board of the Bank has eight special committees, including the Strategic Committee, Audit Committee, Risk Management Committee, Related Party Transactions Control Committee, Information and Technology Management Committee, Remuneration and Nomination Committee, Consumer Rights Protection Committee, and Compliance Management Committee.

(1) Strategic Committee (composition, job responsibilities, main resolutions approved, and attendance)

As of May 31, 2019, the Strategic Committee of the first session of the Board consists of six directors, namely, Mr. CHEN Xiaoming, Mr. LUO Yan, Mr. XU Jihong, Mr. QUE Yong, Mr. TANG Xianqing, and Mr. GUO Tianyong. Mr. CHEN Xiaoming, Mr. LUO Yan, and Mr. XU Jihong are executive directors, Mr. QUE Yong and Mr. TANG Xianqing are non-executive directors, and Mr. GUO Tianyong is an independent non-executive director. Mr. CHEN Xiaoming is the chairperson of the Strategic Committee.

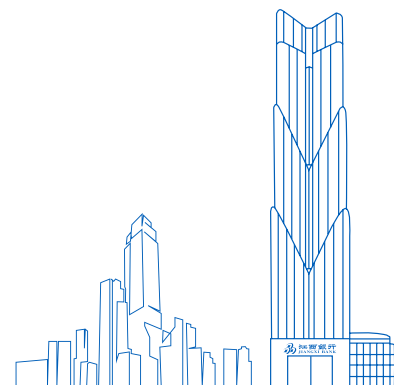


CHAPTER VII CORPORATE GOVERNANCE REPORT

As at December 31, 2019, the Strategic Committee of the second session of the Board consists of five directors, namely, Mr. CHEN Xiaoming, Mr. LUO Yan, Mr. XU Jihong, Mr. QUE Yong, and Mr. DENG Jianxin. Mr. CHEN Xiaoming, Mr. LUO Yan, and Mr. XU Jihong are executive directors, and Mr. QUE Yong and Mr. DENG Jianxin are non-executive directors. Mr. CHEN Xiaoming is the chairperson of the Strategic Committee.

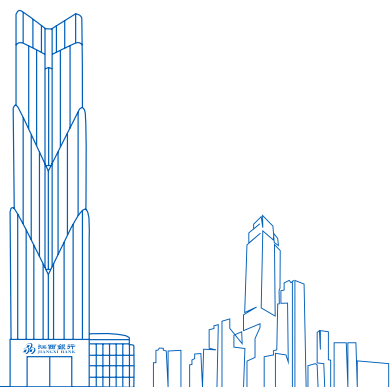
The duties of the Strategic Committee primarily include:

- (I) to be responsible for drawing up the Bank's development strategy and business objectives and supervising the implementation thereof, and regularly evaluating the implementation thereof;
- (II) to draw up capital adequacy targets that are compatible with the Bank's development strategy, draw up the Bank's internal capital adequacy procedures, and ensure that capital fully covers major risk; and supervise the implementation of capital plans, and satisfy the Bank's requirements for continuing operations and replenishing emergency capital;
- (III) to supervise and inspect the implementation of the annual business plan, investment plan, and risk capital allocation;
- (IV) to study major issues of the Bank, including changes in internal management organizations and organizations above primary branches (including franchisees), financial budget and settlement plans, profit distribution plan, risk capital allocation plan, major investment matters, plan for increasing or decreasing registered capital, plan for repurchasing shares of the Bank, plan for issuing bonds or other securities, and listing plan;
- (V) to organize and formulate the implementation plan for new capital management, urge senior management to implement the plan, and regularly evaluate the implementation of the plan;
- (VI) to draw up the strategy objectives of green credit for the Bank, review the senior management's report on the implementation of green credit, and supervise and evaluate the implementation of the Bank's development strategy of green credit;
- (VII) to regularly evaluate and improve the corporate governance of the Bank;



CHAPTER VII CORPORATE GOVERNANCE REPORT

- (VIII) to formulate the Bank's Articles of Association, rules of procedure for the shareholders' general meeting, and rules of procedure for the Board, measures for the administration of authorization by the Board to the President, rules for the work of the President, rules for the work of secretary to the Board, rules for the work of independent non-executive directors, measures for the management of information disclosure, measures for equity management, measures for the management of equity pledge, and plans for modifying the rules for the work of the committee and the working instructions for the working group of the committee;
- (IX) to consider the qualifications of shareholders and equity transfer;
- (X) to consider the purchase of the newly added fixed assets and intangible assets beyond the annual investment plan which is more than 20%, and submit the consideration results to the Board for approval;
- (XI) to consider the donations in which a single external donation amounts to more than RMB10 million and total donations amount to more than RMB30 million for the year, and submit the consideration results to the Board for approval;
- (XII) to examine and approve plan of the newly added expenses beyond the annual financial budget expense plan which is more than 20% and report the results to the Board afterwards;
- (XIII) to examine and approve the loss of a single amount of more than RMB10 million due to other abnormal factors, and submit the results to the Board for approval;
- (XIV) to consider the equity investment of the Bank and report the consider results to the Board for approval; and
- (XV) to perform other duties as authorized by the Board.



CHAPTER VII CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Strategic Committee convened a total of six meetings, at which it considered and approved the 2019 Investment Plan of Jiangxi Bank, 2018 Financial Settlement Report and 2019 Financial Budget Report of Jiangxi Bank, and the Proposal of 2018 Environmental, Social, and Governance Report of Jiangxi Bank and revised the Articles of Association of Jiangxi Bank Co., Ltd. The attendance of each committee member at the Strategic Committee meetings during the Reporting Period is as follows:

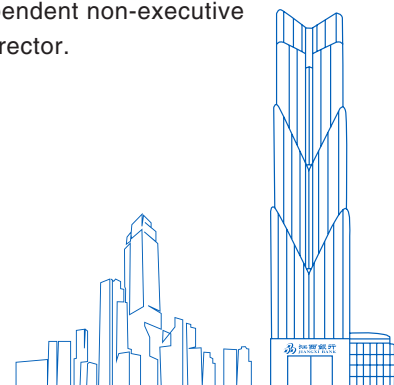
Members of the Committee	Number of Attendances Required at the Meetings	Number of Attendances in Person at Meetings	Number of Attendances by Proxy at Meetings	Attendance Rate at Meetings
CHEN Xiaoming	6	6	0	100%
LUO Yan	6	5	0	83.33%
XU Jihong	6	6	0	100%
QUE Yong	6	6	0	100%
DENG Jianxin	4	4	0	100%
<i>Resigned members</i>				
TANG Xianqing	2	1	1	50%
GUO Tianyong	2	1	1	50%

Note:

- As at May 31, 2019, Mr. TANG Xianqing and Mr. GUO Tianyong ceased to act as directors of the Bank upon expiration of the term.

(2) *Audit committee (composition, job responsibilities, main resolutions approved, and attendance)*

As of May 31, 2019, the Audit Committee of the first session of the Board consists of five directors, namely, Ms. ZHANG Rui, Mr. LI Zhanrong, Ms. CHEN Yu, Mr. GUO Tianyong, and Mr. WONG Hin Wing. Ms. ZHANG Rui is the chairperson of the Audit Committee. Ms. ZHANG Rui, Mr. GUO Tianyong, and Mr. WONG Hin Wing are independent non-executive directors. Mr. LI Zhanrong and Ms. CHEN Yu are non-executive directors. More than half of the members of the Audit Committee of the Bank are independent non-executive directors and the chairperson is an independent non-executive director.



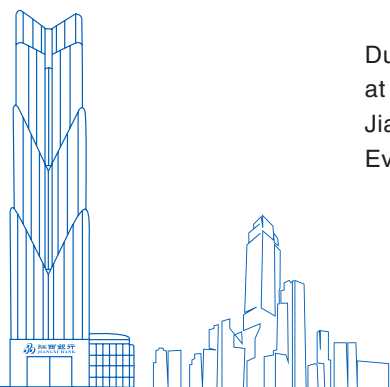
CHAPTER VII CORPORATE GOVERNANCE REPORT

As at December 31, 2019, the Audit Committee of the second session of the Board consists of three directors, namely, Ms. ZHANG Rui, Mr. LI Zhanrong, and Mr. WONG Hin Wing. Ms. ZHANG Rui is the chairperson of the Audit Committee. Ms. ZHANG Rui and Mr. WONG Hin Wing are independent non-executive directors, and Mr. LI Zhanrong is a non-executive director. More than half of the members of the Audit Committee of the Bank are independent non-executive directors and the chairperson is an independent non-executive director.

The duties of the Audit Committee primarily include:

- (I) to guide and supervise the internal audit of the Bank;
- (II) to check the Bank's risk and compliance status and review the financial reports, including:
 - to review the Bank's financial reports, make judgments on the authenticity, accuracy, completeness, and timeliness of the financial reports, and be responsible for the Bank's annual audit and the integrity of annual reports, semi-annual reports and quarterly reports, and review major opinions on relevant financial reporting as set forth in the financial reports and submit them to the Board for deliberation;
- (III) to supervise and evaluate the internal control of the Bank;
- (IV) to supervise and evaluate the external auditor;
- (V) to examine the following arrangements of the Bank: Employees of the Bank may secretly raise concerns about financial reporting, internal control, or other possible misconducts;
- (VI) to report to the Board on matters relating to the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Hong Kong Listing Rules and the provisions of the Code; and
- (VII) to perform other duties as set forth in laws, regulations, rules, normative documents, supervisory regulations of the stock exchanges where the stocks of the Bank are listed, and Articles of Association of the Bank and as authorized by the Board.

During the Reporting Period, the Audit Committee convened a total of two meetings, at which it considered and approved 14 proposals mainly involving topics such as the Jiangxi Bank 2018 Annual Report, Jiangxi Bank 2019 Interim Report, and Report on the Evaluation of the Audit of Jiangxi Bank 2018 Annual Report.



CHAPTER VII CORPORATE GOVERNANCE REPORT

The Audit Committee arranged for the preparation and review of the 2018 Annual Report and the 2019 Interim Report in compliance with the relevant disclosure provisions of the annual financial report. During the Reporting Period, the Audit Committee convened meetings and communicated with external auditors in the absence of executive directors and senior management. As at March 28, 2019, the Audit Committee reviewed the audited consolidated financial statements for the year ended December 31, 2018, which were prepared in accordance with the Bank's accounting principles and policies. The Audit Committee also reviewed the effectiveness of the internal control system and the internal audit function of the Bank by regularly listening to the report of the audit department on internal audit.

The attendance of each committee member at the Audit Committee meetings during the Reporting Period is as follows:

Members of the Committee	Number of Attendances Required at the Meetings	Number of Attendances in Person at the Meetings	Number of Attendances by Proxy at the Meetings	Attendance Rate at the Meetings
ZHANG Rui	2	2	0	100%
LI Zhanrong	2	2	0	100%
WONG Hin Wing	2	2	0	100%
<i>Resigned members</i>				
CHEN Yu	1	1	0	100%
GUO Tianyong	1	0	0	0%

Note:

- As at May 31, 2019, Ms. CHEN Yu and Mr. GUO Tianyong ceased to act as directors of the Bank upon expiration of the term.

(3) *Related Party Transactions Control Committee (composition, job responsibilities, main resolutions approved, and attendance)*

As of May 31, 2019, the Related Party Transactions Control Committee of the first session of the Board consists of Mr. GUO Tianyong, Mr. DENG Jianxin, Ms. CHEN Yu, Ms. ZHANG Rui, and Ms. WANG Yun. Mr. GUO Tianyong is the chairperson of the Related Party Transactions Control Committee. Mr. GUO Tianyong, Ms. ZHANG Rui, and Ms. WANG Yun are independent non-executive directors, and Mr. DENG Jianxin and Ms. CHEN Yu are non-executive directors. More than half of the members of the Related Party Transactions Control Committee of the Bank are independent non-executive directors and the chairperson is an independent non-executive director.



CHAPTER VII CORPORATE GOVERNANCE REPORT

As of December 31, 2019, the Related Party Transactions Control Committee of the second session of the Board consists of Ms. WANG Yun, Mr. DENG Jianxin, and Ms. ZHANG Rui. Ms. WANG Yun is the chairperson of the Related Party Transactions Control Committee. Ms. WANG Yun and Ms. ZHANG Rui are independent non-executive directors, and Mr. DENG Jianxin is a non-executive director. More than half of the members of the Related Party Transactions Control Committee of the Bank are independent non-executive directors and the chairperson is an independent non-executive director.

The duties of the Related Party Transactions Control Committee primarily include:

- (I) to refine, according to the relevant provisions of the banking supervisory authority, relevant laws and regulations, and the Hong Kong Listing Rules, the Bank's standards of related party (connected) transactions and be responsible for confirming the Bank's related (connected) party (persons), and to report to the Board and the Board of Supervisors;
- (II) to formulate the examination and approval system and procedures for the related party (connected) transactions of the Bank;
- (III) to review the general related party (connected) transactions reported by the management for filing according to the provisions of laws, regulations, and the Hong Kong Listing Rules, and make recommendations to the management; and to review major related party transactions where the single transaction amount between the Bank and a related party accounts for more than 1% of the Bank's net capital or the balance of the transactions between the Bank and a related party accounts for more than 5% of the Bank's net capital and submit the review results to the Board for approval;
- (IV) to revise the management measures and its implementation rules for the Bank's related party (connected) transactions, and the working instructions for the working group of the committee; and
- (V) to perform other duties as set forth in laws, regulations, rules, normative documents, supervisory regulations of the stock exchanges where the stocks of the Bank are listed, and Articles of Association of the Bank and as authorized by the Board.

During the Reporting Period, the Related Party Transactions Control Committee convened a total of 23 meetings, at which it considered and approved the Report of Jiangxi Bank on the List of Related (Connected) Parties, Report on Major Related Party Transactions in 2018, and Administrative Measures for Related (Connected) Transactions of Jiangxi Bank Co., Ltd.



CHAPTER VII CORPORATE GOVERNANCE REPORT

The attendance of each committee member at the Related Party Transactions Control Committee meetings during the Reporting Period is as follows:

Members of the Committee	Number of Attendances Required at the Meetings	Number of Attendances in Person at the Meetings	Number of Attendances by Proxy at the Meetings	Attendance Rate at the Meetings
DENG Jianxin	23	23	0	100%
ZHANG Rui	23	23	0	100%
WANG Yun	23	23	0	100%
<i>Resigned members</i>				
CHEN Yu	8	8	0	100%
GUO Tianyong	8	8	0	100%

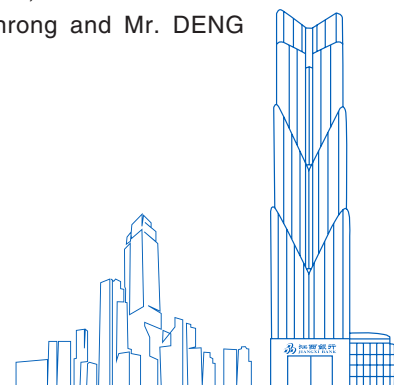
Note:

- As at May 31, 2019, Ms. CHEN Yu and Mr. GUO Tianyong ceased to act as directors of the Bank upon expiration of the term.

(4) Risk Management Committee (composition, job responsibilities, main resolutions approved, and attendance)

As of May 31, 2019, the Risk Management Committee of the first session of the Board consists of seven directors, namely, Mr. ZENG Zhibin, Mr. XU Jihong, Mr. LI Zhanrong, Mr. LIU Sanglin, Mr. DENG Jianxin, Ms. ZHANG Wangxia, and Mr. WONG Hin Wing. Mr. ZENG Zhibin is the chairperson of the Risk Management Committee. Mr. XU Jihong is an executive director, and Ms. ZHANG Wangxia and Mr. WONG Hin Wing are independent non-executive directors. Mr. ZENG Zhibin, Mr. LI Zhanrong, Mr. LIU Sanglin, and Mr. DENG Jianxin are non-executive directors.

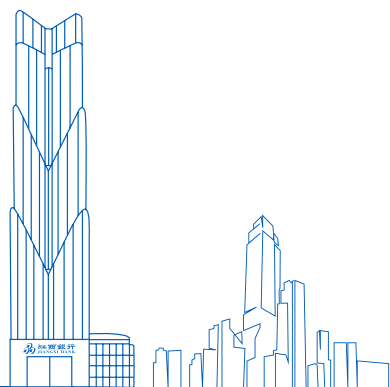
As of December 31, 2019, the Risk Management Committee of the second session of the Board consists of four directors, namely, Mr. XU Jihong, Mr. LI Zhanrong, Mr. DENG Jianxin, and Ms. ZHANG Wangxia. Mr. XU Jihong is the chairperson of the Risk Management Committee. Mr. XU Jihong is an executive director, and Ms. ZHANG Wangxia is an independent non-executive director. Mr. LI Zhanrong and Mr. DENG Jianxin are non-executive directors.



CHAPTER VII CORPORATE GOVERNANCE REPORT

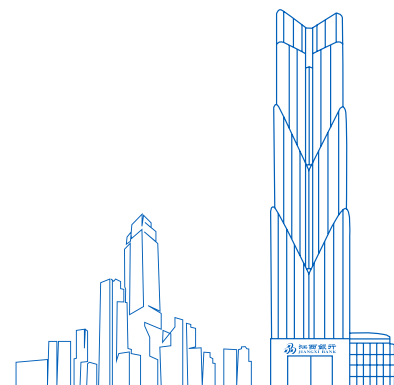
The duties of the Risk Management Committee primarily include:

- (I) to supervise and evaluate the implementation and effectiveness of the Bank's risk management strategy in accordance with the Bank's overall development strategy, and make recommendations of improvement to the Board;
- (II) to formulate, according to the Bank's risk management strategy, parent company and group-level risk preference, risk tolerance, and risk management and internal control policies in line with the Bank's development strategy and external environment; to supervise the control by senior management of credit risk, liquidity risk, operational risk, market risk, reputation risk, off-balance sheet risk, and consolidated risk; and regularly evaluate the Bank's risk management policies, management status, and risk tolerance;
- (III) to discuss the risk management system with the management to ensure that the management has fulfilled its duties to establish an effective system;
- (IV) to conduct research on the important investigation results of risk management and feedback from senior management personnel on their own initiative or as authorized by the Board;
- (V) to review the matters beyond the right of permission of the management;
- (VI) to review the treatment (including sales, purchases, write-offs, pledges, non-operating guarantees and others) of major assets with amount exceeding 30% of audited total assets of the Bank within any twelve consecutive months; the review results is subject to be approved by the Board that shall submit it to the general meeting for review;
- (VII) to perform the management and evaluation of the Good Standards for data quality implemented by the Bank;
- (VIII) to conduct an annual inspection with the Audit Committee of cessation of interest accrual, interest rate cut, delayed interest rate, or interest-free matters particularly granted by the President, confirm whether the relevant procedures and regulations are met, and report the inspection to the Board;



CHAPTER VII CORPORATE GOVERNANCE REPORT

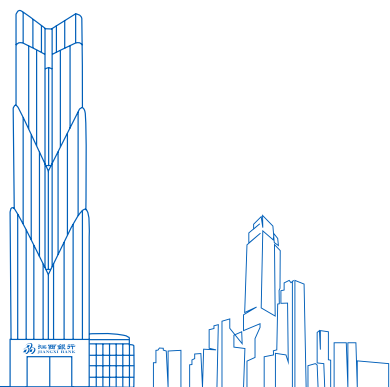
- (IX) to review credit risk management reports and understand the credit risk, changes in large risk exposures and the management of the Bank;
- (X) to consider the Bank's market risk management reports, and examine and approve the strategies, policies, and procedures for market risk management;
- (XI) to review the Bank's liquidity risk level and related stress testing reports; and review the Bank's management system, tolerance, management strategies, important policies, procedures, limits, and contingency plans for liquidity risk, and revise the above contents in a timely manner as required by risk management;
- (XII) to review the Bank's management reports on capital adequacy ratio and evaluation reports on internal capital adequacy, and examine and approve the management plan for capital adequacy ratio; and to ensure that capital fully covers the main risk;
- (XIII) to examine and approve risk management policies and procedures for risk of bank's book interest rate, and review the risk report of the Bank's book interest rate;
- (XIV) to examine and approve the Bank's management strategies, policies, and procedure for business continuity, and consider the Bank's management reports on business continuity;
- (XV) to consider the Bank's management reports on reputational risk, and examine and approve the Bank's duties, authority, and reporting path regarding reputational risk management;
- (XVI) to consider the Bank's operational risk reports, and examine and approve the Bank's duties, authority, and reporting system regarding operational risks;
- (XVII) to organize and guide the anti-money laundering of the entire bank;
- (XVIII) to cooperate with the Board of Supervisors in its audit activities;



CHAPTER VII CORPORATE GOVERNANCE REPORT

- (XIX) to organize and guide the Bank's consolidated management;
- (XX) to develop procedures for identifying, evaluating, and managing significant risk, procedures for reviewing the effectiveness of risk management and internal control systems, procedures for resolving serious internal control deficiencies, and procedures for handling and publishing inside information as well as internal control measures; and
- (XXI) for major innovations in the business model, or matters that need to be submitted to the Special Committee of the Board for consideration, which is specified by the President's office meeting, the business department should submit the proposal to the Risk Management Committee of the Board for examination and approval;
- (XXII) to review the report on innovation of corporate products and retail business products;
- (XXIII) to review the report on recovery of write-off assets;
- (XXIV) to perform other duties as set forth in laws, regulations, rules, normative documents, listing regulations of the stock exchanges where the stocks of the Bank are listed, and Articles of Association of the Bank and as authorized by the Board.

The Bank reviewed the Bank's risk management and internal control system at least once a year to ensure the effectiveness of the existing system. During the Reporting Period, the Risk Management Committee convened a total of 10 meetings, at which it considered and approved a series of reports, including the Administrative Measures of Jiangxi Bank for Market Risk, Administrative Measures of Jiangxi Bank for Reputational Risk (2018 Revision), and 2018 Comprehensive Risk Management Report of Jiangxi Bank. The Risk Management Committee believed that the Bank's existing risk management and internal control system is sufficient and effective.



CHAPTER VII CORPORATE GOVERNANCE REPORT

The attendance of each committee member at the Risk Management Committee meetings during the Reporting Period is as follows:

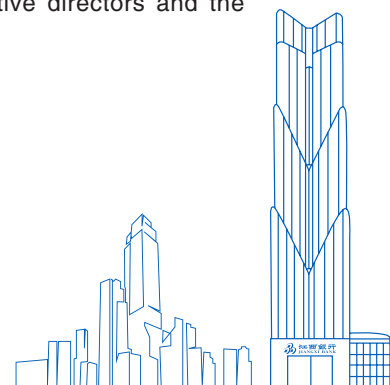
Members of the Committee	Number of Attendances Required at the Meetings	Number of Attendances in Person at the Meetings	Number of Attendances by Proxy at the Meetings	Attendance Rate at the Meetings
XU Jihong	10	10	0	100%
LI Zhanrong	10	10	0	100%
DENG Jianxin	10	10	0	100%
ZHANG Wangxia	10	10	0	100%
<i>Resigned members</i>				
WONG Hin Wing	4	4	0	100%
ZENG Zhibin	4	3	1	75%
LIU Sanglin	4	4	0	100%

Note:

- As at May 31, 2019, Mr. ZENG Zhibin ceased to act as the director of the Bank upon expiration of the term.
- As at May 31, 2019, Mr. WONG Hin Wing and Mr. LIU Sanglin ceased to act as members of the Risk Management Committee due to election of new members.

(5) *Remuneration and Nomination Committee (composition, job responsibilities, main resolutions approved, and attendance)*

As of May 31, 2019, the Remuneration and Nomination Committee of the first session of the Board consists of six directors, namely, Ms. ZHANG Wangxia, Mr. LUO Yan, Mr. ZENG Zhibin, Ms. ZHANG Rui, Mr. GUO Tianyong, and Ms. WANG Yun. Ms. ZHANG Wangxia is the chairperson of the Remuneration and Nomination Committee. Mr. LUO Yan is an executive director, Ms. ZHANG Wangxia, Ms. ZHANG Rui, Mr. GUO Tianyong, and Ms. WANG Yun are independent non-executive directors, and Mr. ZENG Zhibin is a non-executive director. More than half of the members of the Remuneration and Nomination Committee of the Bank are independent non-executive directors and the chairperson is an independent non-executive director.

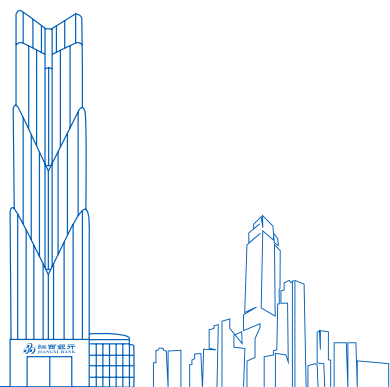


CHAPTER VII CORPORATE GOVERNANCE REPORT

As of December 31, 2019, the Remuneration and Nomination Committee of the second session of the Board consists of three directors, namely, Ms. ZHANG Wangxia, Mr. LUO Yan, and Ms. WANG Yun. Ms. ZHANG Wangxia is the chairperson of the Remuneration and Nomination Committee. Mr. LUO Yan is an executive director, and Ms. ZHANG Wangxia and Ms. WANG Yun are independent non-executive directors. More than half of the members of the Remuneration and Nomination Committee of the Bank are independent non-executive directors and the chairperson is an independent non-executive director.

The duties of the Remuneration and Nomination Committee primarily include:

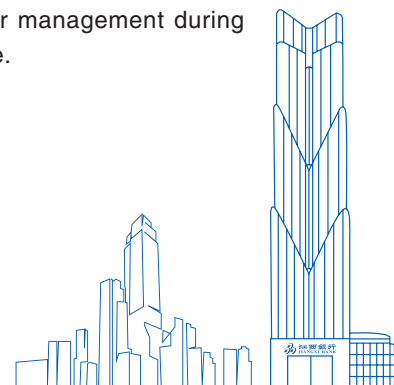
- (I) to advise the Board on the management system, policies, and structure of the remuneration of the entire Bank, and supervise the implementation of the remuneration system;
- (II) to advise the Board on the establishment of formal and transparent procedures for formulating remuneration policies;
- (III) to formulate remuneration schemes for directors and senior management in accordance with the corporate policies and objectives set by the Board, advise the Board on remuneration plans, and supervise the implementation of the plans;
- (IV) to advise the Board on the remuneration packages of individual executive directors and senior management personnel;
- (V) to advise the Board on the remuneration of non-executive directors;
- (VI) to consider the remuneration paid by similar companies, the time to be paid and responsibilities to be fulfilled, and the employment conditions of other positions within the Bank;
- (VII) to review and approve the compensation payable to executive directors and senior management personnel for their loss or termination of their duties or appointments to ensure that such compensation is in conformity with the terms of the contract or the compensation is fair and reasonable;
- (VIII) to review and approve the compensation arrangements arising from the dismissal of certain directors or removal of certain directors from office due to the misconduct of the directors, to ensure that the arrangements are in conformity with the terms of the contract or the compensation is reasonable and appropriate;



CHAPTER VII CORPORATE GOVERNANCE REPORT

- (IX) to ensure that any director or any of its associates (as defined in the Hong Kong Listing Rules) will not participate in determining his own remuneration;
- (X) to evaluate the performance of duties by directors, appraise the due diligence of senior management personnel, and make recommendations for evaluation and appraisal to the Board;
- (XI) to advise the Board on the scale and composition of the Board based on the Bank's business activities, asset size, and equity structure and review the structure, number of people, diversity and composition of the Board (including skills, knowledge, and experience) at least annually, and make recommendations on proposed changes to the Board in line with the Bank's strategy;
- (XII) to formulate the procedures and criteria for the selection and appointment of directors and senior management personnel, and nominate candidates for directors;
- (XIII) to initially review the qualifications and credentials of directors and senior management personnel (reviewing the qualifications of independent director candidates, with the focus on independence, professional knowledge, experience, and ability) and make recommendations to the Board;
- (XIV) to advise the Board on the appointment or re-appointment of directors and the succession plan of the directors (particularly the President and the chief executive officer); and
- (XV) to perform other duties as set forth in laws, regulations, rules, normative documents, listing regulations of the stock exchanges where the stocks of the Bank are listed, and Articles of Association of the Bank and as authorized by the Board.

During the Reporting Period, the Remuneration and Nomination Committee convened a total of two meetings, at which it considered and approved the Nomination of Candidates for the Directors of the Second Session of the Board of Jiangxi Bank, Report on Evaluation of the Performance of Directors and Appraisal of the Due Diligence of Senior Management in 2018, and Report on the Building of the Human Resources Management System of Jiangxi Bank. The Remuneration and Nomination Committee also reviewed the remuneration of the Bank's directors, supervisors, and senior management during the Reporting Period and considered that it is fair and reasonable.



CHAPTER VII CORPORATE GOVERNANCE REPORT

During the Reporting Period, in order to comply with the revised Listing Rules, the Board revised the Board diversity policy which aims to set out the approach to achieving diversity in the Board. All Board appointment will be based on merit while taking into account diversity including gender diversity. The Remuneration and Nomination Committee will regularly review the measurable objectives to ensure its effectiveness to achieve diversity in the Board. The following measurable objectives are set up for implementing the Board diversity policy:

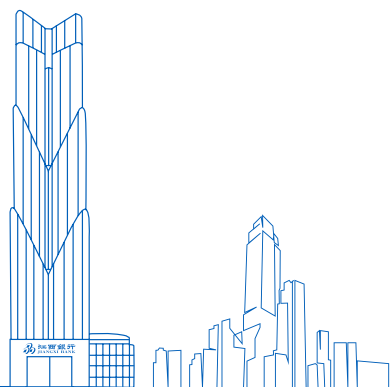
- inclusion of candidates for Board members with overseas working experience (outside of PRC);
- ensuring that there is no limitation on gender in selection of Directors;
- inclusion of candidates for Board members with working experience in other industries; and
- inclusion of candidates for Board members with knowledge and skills in different fields.

As at the date of this annual report, the above objectives were fulfilled. Among the eleven directors, there is one director with overseas working experience and five with accounting or other professional qualification.

Nomination Policy

The Bank adopted the director nomination policy during the Reporting Period. In the assessment of candidates, the Remuneration and Nomination Committee considers the following factors including but not limited to:

- basic requirements of the Articles of Association of the Bank;
- achievements and experiences in banking or other industries;
- time available for engagement in the Bank; and



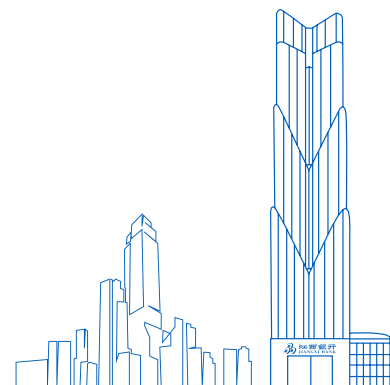
CHAPTER VII CORPORATE GOVERNANCE REPORT

- diversity of the Board in various aspects including but not limited to gender, age, cultural and educational background, ethnicity, professional experiences, skills, knowledge and term of service, etc.

The Remuneration and Nomination Committee shall convene a meeting and ask the Board members to nominate candidates (if any) for consideration by the Remuneration and Nomination Committee before the meeting. The Remuneration and Nomination Committee can also nominate candidates who are not nominated by Board members.

The Remuneration and Nomination Committee will conduct preliminary review on the qualifications and conditions of candidates of director. Qualified candidates will be submitted to the Board for consideration and, upon approval by the Board, to the annual general meeting by written proposals.

In order to provide the information of candidates who are nominated by the Board and proposed to the general meeting and to invite the shareholders to nominate candidates, the Bank will dispatch a circular to shareholders which sets out the time limit for them to deliver the nomination. The information of candidates will be set forth in the circular to shareholders pursuant to applicable laws, rules, and regulations. The nominated person shall not assume that he/she has been recommended by the Board and proposed to the general meeting before the dispatch of the circular to shareholders.



CHAPTER VII CORPORATE GOVERNANCE REPORT

The attendance of each committee member at the Remuneration and Nomination Committee meetings during the Reporting Period is as follows:

Members of the Committee	Number of Attendances Required at the Meetings	Number of Attendances in Person at the Meetings	Number of Attendances by Proxy at the Meetings	Attendance Rate at the Meetings
ZHANG Wangxia	2	2	0	100%
LUO Yan	2	2	0	100%
WANG Yun	2	2	0	100%
Resigned members				
ZENG Zhibin	1	0	1	0
GUO Tianyong	1	0	0	0
ZHANG Rui	1	0	1	0

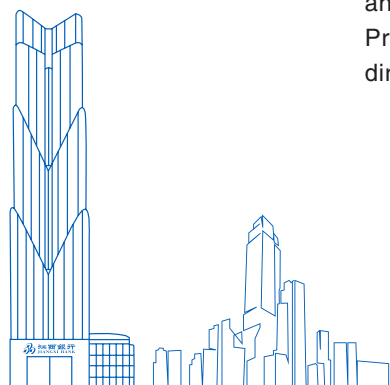
Note:

- As at May 31, 2019, Mr. ZENG Zhibin and Mr. GUO Tianyong ceased to act as directors of the Bank upon expiration of the term.
- As at May 31, 2019, Ms. ZHANG Rui ceased to act as the member of the Remuneration and Nomination Committee due to election of new members.

(6) Consumer Rights Protection Committee (composition, job responsibilities, main resolutions approved, and attendance)

As of May 31, 2019, the Consumer Rights Protection Committee of the first session of the Board consists of five directors, namely, Mr. XU Jihong, Mr. LIU Sanglin, Ms. CHEN Yu, Ms. ZHANG Rui, and Ms. WANG Yun. Mr. XU Jihong is the chairperson of the Consumer Rights Protection Committee. Mr. XU Jihong is an executive director, Mr. LIU Sanglin and Ms. CHEN Yu are non-executive directors, and Ms. ZHANG Rui and Ms. WANG Yun are independent non-executive directors

As of December 31, 2019, the Consumer Rights Protection Committee of the second session of the Board consists of three directors, namely, Mr. QUE Yong, Mr. LIU Sanglin, and Mr. WONG Hin Wing. Mr. QUE Yong is the chairperson of the Consumer Rights Protection Committee. Mr. QUE Yong and Mr. WONG Hin Wing are non-executive directors, and Mr. WONG Hin Wing is an independent non-executive director.

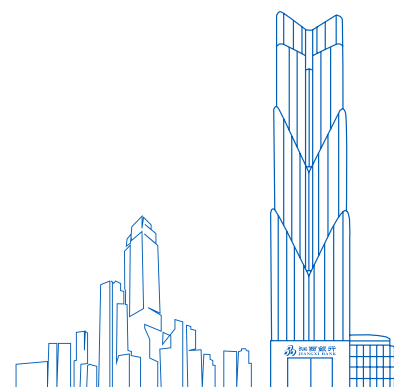


CHAPTER VII CORPORATE GOVERNANCE REPORT

The duties of the Consumer Rights Protection Committee primarily include:

- (I) to be responsible for formulating strategies, policies, and objectives of the protection of consumer rights and interests related to the Bank, and urge Business Management to implement and safeguard the legitimate rights and interests of depositors and other stakeholders;
- (II) to be responsible for supervising and evaluating the allsidedness, timeliness, and effectiveness of the protection of consumer rights and interests of the Bank and the performance of senior management;
- (III) to consider the annual self-evaluation report on consumer rights protection;
- (IV) to consider other major issues related to the protection of consumer rights; and
- (V) to perform other duties as set forth in laws, regulations, rules, normative documents, supervisory regulations of the stock exchanges where the stocks of the Bank are listed, and Articles of Association of the Bank and as authorized by the Board.

During the Reporting Period, the Consumer Rights Protection Committee convened a total of three meetings mainly involving topics such as the 2018 Work Report on Consumer Rights Protection of Jiangxi Bank, 2018 Self-evaluation Report on Consumer Rights Protection of Jiangxi Bank, and Amendment of Work Rules for the Consumer Rights Protection Committee of Jiangxi Bank.



CHAPTER VII CORPORATE GOVERNANCE REPORT

The attendance of each committee member at the Consumer Rights Protection Committee meetings during the Reporting Period is as follows:

Members of the Committee	Number of Attendances Required at the Meetings	Number of Attendances in Person at the Meetings	Number of Attendances by Proxy at the Meetings	Attendance Rate at the Meetings
QUE Yong	2	2	0	100%
LIU Sanglin	3	3	0	100%
WONG Hin Wing	2	2	0	100%
Resigned members				
CHEN Yu	1	1	0	100%
XU Jihong	1	1	0	100%
WANG Yun	1	1	0	100%
ZHANG Rui	1	1	0	100%

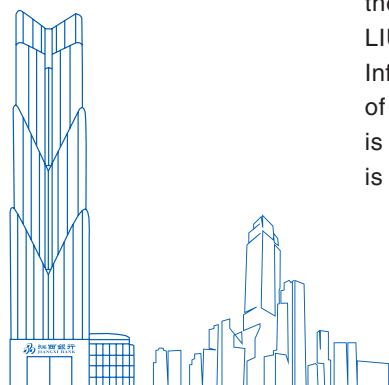
Note:

- As at May 31, 2019, Ms. CHEN Yu ceased to act as the director of the Bank upon expiration of the term.
- As at May 31, 2019, Mr. XU Jihong, Ms. WANG Yun, and Ms. ZHANG Rui ceased to act as members of the Consumer Rights Protection Committee due to election of new members.

(7) Information and Technology Management Committee (composition, job responsibilities, main resolutions approved, and attendance)

As of May 31, 2019, the Information and Technology Management Committee of the first session of the Board consists of five directors, namely, Mr. QUE Yong, Mr. XU Jihong, Mr. LIU Sanglin, Ms. WANG Yun, and Mr. TANG Xianqing. Mr. QUE Yong is the chairperson of the Information and Technology Management Committee. Mr. XU Jihong is an executive director, Mr. QUE Yong, Mr. LIU Sanglin, and Mr. TANG Xianqing are non-executive directors, and Ms. WANG Yun is an independent non-executive director.

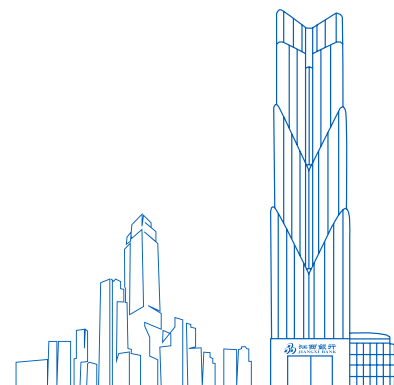
As of December 31, 2019, the Information and Technology Management Committee of the second session of the Board consists of three directors, namely, Mr. XU Jihong, Mr. LIU Sanglin, and Ms. WANG Yun. Mr. OU Minggang will act as the chairperson of the Information and Technology Management Committee after his qualification for the director of the Bank is approved by the banking regulatory authority of the PRC. Mr. XU Jihong is an executive director, Mr. LIU Sanglin is a non-executive director, and Ms. WANG Yun is an independent non-executive director.



CHAPTER VII CORPORATE GOVERNANCE REPORT

The duties of the Information and Technology Management Committee primarily include:

- (I) to follow and implement the state's laws, regulations, and technical standards concerning information and technology management, and implement relevant regulatory requirements of the CBIRC;
- (II) to be responsible for considering the information technology strategy and budget plan, and evaluating the overall effectiveness and efficiency of information technology;
- (III) to master the main information technology risk, determine acceptable risk level, and ensure that relevant risk can be identified, measured, monitored, and controlled;
- (IV) to urge senior management to implement major IT risk management measures; and review the construction and operation of major information technology;
- (V) to consider the strategic development plan, risk management system, outsourcing scope, and related arrangements of the Bank's information technology outsourcing, and regularly review the relevant reports on outsourcing activities of the Bank;
- (VI) to regularly report to the Board on the implementation of the strategic plan of information technology, the information technology budget and actual expenditure, overall status of information technology, and funds required for risk management of information technology;
- (VII) to report to the Board, the CBIRC and its agencies on major information technology accidents or emergencies that occurred in the Bank in a timely manner, and respond promptly according to relevant plans;
- (VIII) to consider annual reports on risk management of information technology and submit the reports to the CBIRC and its agencies; and
- (IX) to perform other duties related to information technology management as authorized by the Board.



CHAPTER VII CORPORATE GOVERNANCE REPORT

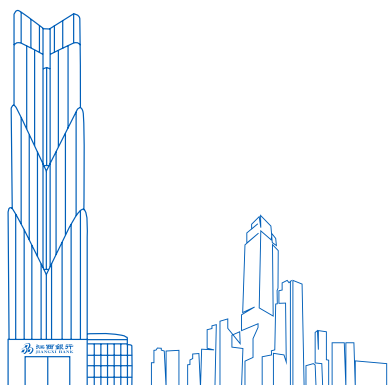
During the Reporting Period, the Information and Technology Management Committee convened a total of four meetings mainly involving topics such as the 2019 Work Plan for the Information and Technology Management Committee of the Board of Jiangxi Bank, 2018 Report on the Completion and Cost Performance of Information and Technology Projects, 2018 Report on Self-evaluation or External Evaluation of Outsourcing Activities, and 2018 Annual Report on Information Technology Risk Management of Jiangxi Bank.

The attendance of each committee member at the Information and Technology Management Committee meetings during the Reporting Period is as follows:

Members of the Committee	Number of Attendances Required at the Meetings	Number of Attendances in Person at the Meetings	Number of Attendances by Proxy at the Meetings	Attendance Rate at the Meetings
XU Jihong	4	4	0	100%
LIU Sanglin	4	4	0	100%
WANG Yun	4	4	0	100%
<i>Resigned members</i>				
QUE Yong	1	1	0	100%
TANG Xianqing	1	0	1	0

Note:

1. As at May 31, 2019, Mr. TANG Xianqing ceased to act as directors of the Bank upon expiration of the term.
2. As at May 31, 2019, Mr. QUE Yong ceased to act as the member of the Information and Technology Management Committee due to election of new members.



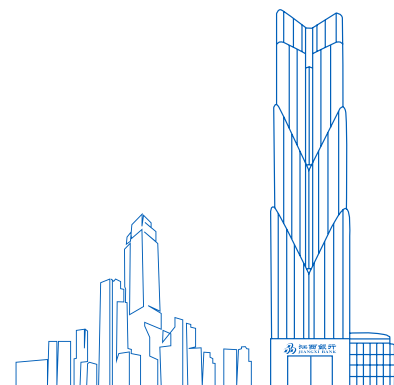
CHAPTER VII CORPORATE GOVERNANCE REPORT

(8) Compliance Management Committee (composition, job responsibilities, main resolutions approved, and attendance)

As at November 15, 2019, the Board established the Compliance Management Committee that consists of three directors, namely, Mr. LIU Sanglin, Mr. QUE Yong, and Mr. WONG Hin Wing. Mr. LIU Sanglin is the chairperson of the Compliance Management Committee. Mr. QUE Yong and Mr. LIU Sanglin are non-executive directors, and Mr. WONG Hin Wing is an independent non-executive director.

The duties of the Compliance Management Committee primarily include:

- (I) according to the Bank's overall development strategy, to consider the Bank's strategies, policies, and procedures for compliance risk management, internal control management, and case prevention and control; supervise senior management in the performance of their duties in compliance risk management, internal control management, and case prevention and control; and make positive proposals and suggestions to the Board to ensure the establishment of a compliance risk management system compatible with the Bank's business scope, organizational structure, and business scale;
- (II) to consider the Bank's basic system for compliance risk management and the report on the Bank's compliance risk management, and make proposals and suggestions; ensure the effective identification and management of compliance risks; and ensure coherent adherence to compliance management policies and procedures within the Bank;
- (III) to consider the Bank's basic system for internal control management and the report on the Bank's internal control management, and make proposals and suggestions; ensure that the Bank establishes and implements a fully effective internal control system; and ensure that the Bank operates prudently within the legal and policy framework;
- (IV) to consider the Bank's basic system for case prevention and control and the report on the Bank's case prevention and control, and make proposals and suggestions; and ensure that the Bank realizes the goal of case prevention and control;



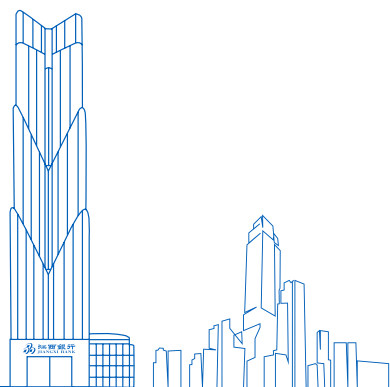
CHAPTER VII CORPORATE GOVERNANCE REPORT

- (V) to set the tone of compliance in the Bank; specify that compliance is the common responsibility of all employees of the Bank; establish the principle that all employees take the initiative to conduct compliance operations under the leadership of senior management to create value; put into practice the work ethics and values of honesty and integrity; and increase the compliance awareness of all employees;
- (VI) to discuss the internal control, compliance, and case prevention and control systems with the management to ensure that the management has fulfilled its duties to establish an effective system;
- (VII) to cooperate with the Board of Supervisors in its supervisory activities; and
- (VIII) to perform other duties as set forth in laws, regulations, rules, normative documents, listing regulations of the stock exchanges where the stocks of the Bank are listed, and Articles of Association of the Bank and as authorized by the Board.

During the Reporting Period, the Compliance Management Committee convened no meetings.

7.4 CORPORATE GOVERNANCE FUNCTIONS

The Bank has not established a corporate governance committee. The Board is responsible for the corporate governance functions of the Bank, such as development and review of the Bank's policies, corporate governance practices; review and monitoring of the training and continuous professional development of the directors, supervisors and senior management; review and monitoring of the Bank's compliance with policies and practices stipulated in laws and regulatory provisions; formulation and review of the code of conduct and compliance manual which are applicable to directors, supervisors and employees; and review of the Bank's compliance with the Code and disclosure in the corporate governance report.



CHAPTER VII CORPORATE GOVERNANCE REPORT

7.5 BOARD OF SUPERVISORS

The Board of Supervisors is the supervisory body of the Bank, responsible to the Shareholders' general meeting, established to protect the legitimate rights and interests of the Bank, shareholders, employees, creditors, and other stakeholders. The Board of Supervisors is responsible for monitoring the Bank's financial activities, risk management, internal control, and the performance of duties by the Board, senior management and its members.

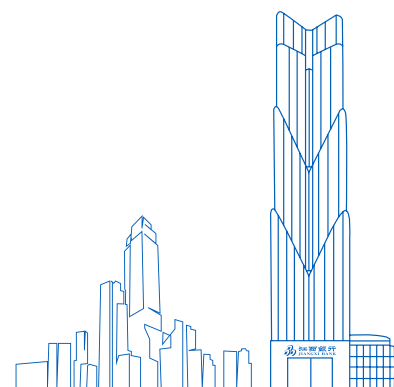
7.5.1 Composition of the Board of Supervisors

The Board of Supervisors has eight Supervisors, including three employee representative Supervisors, three external Supervisors, and two shareholder representative Supervisors. The member structure of the Board of Supervisors is reasonable, sufficiently professional, and independent to ensure that the Board of Supervisors effectively performs its supervisory functions.

During the Reporting Period, the Board of Supervisors was able to perform its duties conscientiously, supervise the legal compliance of the Bank's Board, and senior management and its members in their performance of duties, and supervise the Bank's financial activities, risk management, and internal control according to relevant regulations.

7.5.2 Changes in the Members of the Board of Supervisors During the Reporting Period

On December 31, 2019, Ms. CHEN Jun, a shareholder representative Supervisor, submitted a resignation report to the Board of Supervisors of the Bank, and her resignation took effect on the same day.



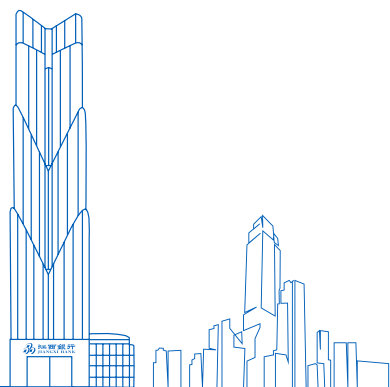
CHAPTER VII CORPORATE GOVERNANCE REPORT

7.5.3 Meetings of the Board of Supervisors and the Attendance of Supervisors

During the Reporting Period, the Board of Supervisors convened a total of six meetings, at which it considered 19 proposals, including the 2018 Work Report on the Board of Supervisors of Jiangxi Bank Co., Ltd., Evaluation Opinion of the Board of Supervisors of Jiangxi Bank Co., Ltd. on Risk Management, and Research Report of the Board of Supervisors of Jiangxi Bank Co., Ltd. on Small and Micro Finance Service, Case Prevention and Control, and Talent Cultivation.

Meetings of the Board of Supervisors

Session	Date	Form
Sixteenth session of the first Board of Supervisors	January 16, 2019	Teleconference
Seventeenth session of the first Board of Supervisors	March 29, 2019	On-site meeting
Eighteenth session of the first Board of Supervisors	April 3, 2019	On-site meeting
First session of the second Board of Supervisors	May 31, 2019	On-site meeting
Second session of the second Board of Supervisors	August 27, 2019	On-site meeting
Third session of the second Board of Supervisors	November 15, 2019	On-site meeting

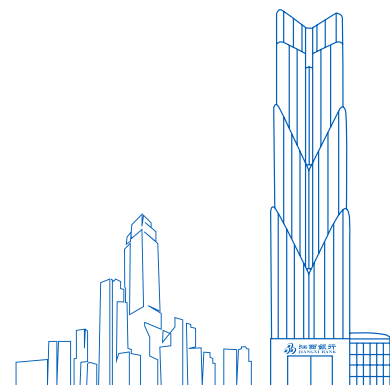


CHAPTER VII CORPORATE GOVERNANCE REPORT

Attendance of Supervisors at meetings of the Board of Supervisors during the Reporting Period

Supervisor	Number of Attendances Required	Number of Attendances in Person	Number of Attendances by Proxy	Attendance Rate
LIU Fulin	6	6	—	100%
TAO Yulan	6	6	—	100%
CHEN Xinxiang	6	6	—	100%
YU Han	3	3	—	100%
ZHOU Minhui	6	5	1	83%
SHI Zhongliang	6	6	—	100%
LI Danlin	6	5	1	83%
Shi Jing	6	4	2	67%
Resigned Supervisors				
HUANG Zhenping	3	2	1	67%
CHEN Chuxin	3	3	—	100%
CHEN Jun	3	3	—	100%

Note: During the Reporting Period, each of Ms. CHEN Jun, Mr. YU Han, Mr. HUANG Zhenping, and Mr. CHEN Chuxin was required to attend three times due to the re-election of the Board of Supervisors. As at December 31, 2019, Ms. CHEN Jun tendered her resignation as a shareholder representative Supervisor of the Bank. Mr. HUANG Zhenping and Mr. CHEN Chuxin ceased to be the Supervisors of the Bank as at May 31, 2019 for expiration of the term.



CHAPTER VII CORPORATE GOVERNANCE REPORT

7.5.4 Committees under the Board of Supervisors

No.	Special Committees under the Board of Supervisors	Chairperson	Member
1	Nomination Committee	SHI Zhongliang	LIU Fulin, SHI Jing, YU Han, and TAO Yulan
2	Supervision Committee	LI Danlin	ZHOU Minhui, TAO Yulan, and CHEN Xinxiang

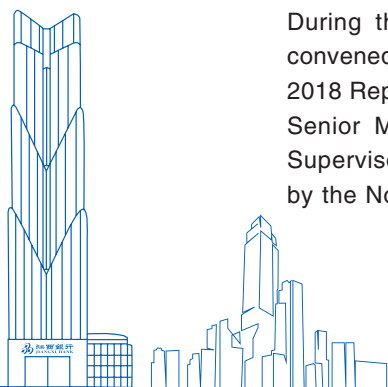
Note: Ms. CHEN Jun resigned as shareholder representative supervisor of the Bank on December 31, 2019.

Nomination Committee under the Board of Supervisors

The duties of the Nomination Committee primarily include:

- to draw up the selection procedures and standards for supervisors and advise the Board of Supervisors;
- to conduct a preliminary review of the qualifications and credentials of the supervisor candidates and submit the opinion to the Board of Supervisors;
- to supervise the selection and appointment procedures for directors;
- to conduct a comprehensive evaluation of the performance of the Board, the Board of Supervisors, and senior management and its members, and report the evaluation result to the Board of Supervisors;
- to supervise the scientificity and rationality of the management system and policies of remuneration across the Bank and the remuneration schemes of senior management; and
- to perform other duties as authorized by the Board.

During the Reporting Period, the Nomination Committee under the Board of Supervisors convened five meetings, at which seven proposals were considered and approved, including the 2018 Report on the Evaluation of the Performance of Duties of the Board, Board of Supervisors, Senior Management and Its Members by the Nomination Committee under the Board of Supervisors and the Report on the Supervision and Inspection of Remuneration Management by the Nomination Committee under the Board of Supervisors of Jiangxi Bank.



CHAPTER VII CORPORATE GOVERNANCE REPORT

Supervision Committee under the Board of Supervisors

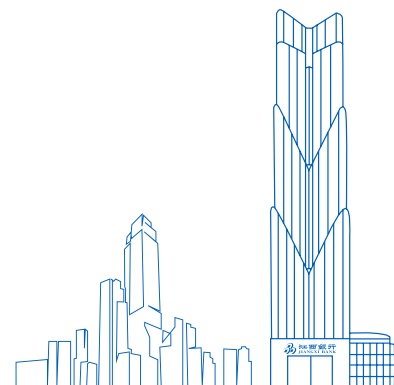
The duties of the Supervision Committee primarily include:

- to be responsible for drawing up the supervision plans for the Bank's financial activities and implementing related inspections;
- to supervise the Board to establish a sound business philosophy and value criteria and develop a development strategy that is in line with the Bank's actual development;
- to supervise and inspect the operating policy decisions, risk management, and internal control of the Bank; and
- to perform other duties as authorized by the Board.

During the Reporting Period, the Supervision Committee under the Board of Supervisors convened five meetings, at which eleven proposals were considered and approved, including the Report on the Supervision and Inspection of Risk Management by the Supervision Committee under the Board of Supervisors of Jiangxi Bank Co., Ltd. and the Report on the Supervision and Inspection of Internal Control by the Supervision Committee under the Board of Supervisors of Jiangxi Bank Co., Ltd.

7.5.5 Attendance at Shareholders' General Meetings During the Reporting Period

During the Reporting Period, the supervisors attended the annual general meeting of the Bank and supervised on site the legal compliance of the meeting procedures and the voting process.



CHAPTER VII CORPORATE GOVERNANCE REPORT

7.6 DIRECTORS' AND SUPERVISORS' TRAINING, DEVELOPMENT, AND RESEARCH DURING THE REPORTING PERIOD

The Bank's directors confirmed that they have complied with the Code provision A.6.5. During the year, all directors, namely Mr. CHEN Xiaoming, Mr. LUO Yan, Mr. XU Jihong, Mr. QUE Yong, Mr. LI Zhanrong, Mr. LIU Sanglin, Mr. DENG Jianxin, Ms. ZHANG Rui, Ms. ZHANG Wangxia, Mr. WONG Hin Wing, and Ms. WANG Yun, have participated in continuous professional development by attending seminars, courses, or conferences or reading related materials to develop and refresh their knowledge and skills.

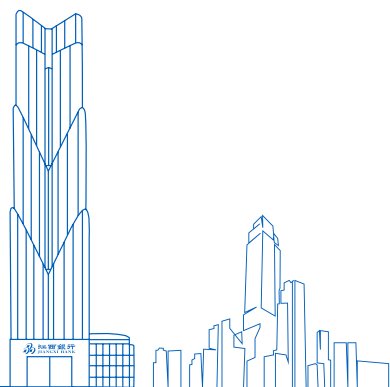
During the Reporting Period, all directors and supervisors participated in the company training for commercial banks arranged by Zhong Lun Law Firm. Some of the supervisors participated in the training on "Governance Practice and Case Analysis of the Board of Supervisors of Commercial Banks", which strengthened the acquiring of professional knowledge and broadened their working concepts and horizon. Other supervisors went to Bank of Suzhou for exchanges and inspections and learned from the experience and practices from their peers there.

During the Reporting Period, the Board also conducted research on the scientific and technical information development of the Bank, and some of the Bank's directors participated in the research. The Board of Supervisors arranged for supervisors to conduct field research in 11 branches/sub-branches and departments of head offices. Afterwards, the supervisors wrote three special research reports.

7.7 SENIOR MANAGEMENT

Senior management has the powers granted by the Board to manage the daily operation of the Bank. The President of the Bank is primarily responsible for implementing the decisions of the Board and is required to report the implementation to the Board. The Bank has also appointed four Vice Presidents and other senior management members who shall fulfill their respective management responsibilities to cooperate with the President.

The Board and the management represented by the President perform their respective duties in accordance with their respective terms of reference established by the Articles of Association. According to the Articles of Association, the senior management of the Bank shall, as required by the Bank's business activities, establish and improve the internal control mechanism focused on internal rules and regulations, operational risk management systems, and credit approval systems, to effectively identify, measure, monitor, and control the various risks faced by the Bank.



CHAPTER VII CORPORATE GOVERNANCE REPORT

7.8 CHAIRMAN OF THE BOARD AND PRESIDENT

During the Reporting Period, the positions of the Chairman of the Board and the President of the Bank were held by different individuals. The responsibilities of the Chairman and the President were clearly defined and complied with the Hong Kong Listing Rules.

As at the date of this annual report, Mr. CHEN Xiaoming is the Chairman of the Board responsible for the overall work of the Party Committee and the Board. Mr. LUO Yan is the President of the Bank responsible for the overall operation and management of the Bank.

7.9 COMPANY SECRETARIES

Mr. XU Jihong has been appointed as secretary to the Board of the Bank since September 2006. Mr. XU Jihong and Dr. NGAI Wai Fung have served as joint company secretaries of the Bank since May 2018. Dr. NGAI Wai Fung is a director and the chief executive officer of SWCS Corporate Services Group (Hong Kong) Limited, and is responsible for assisting Mr. XU Jihong in secretarial matters. Mr. XU Jihong is the main contact person of Dr. NGAI Wai Fung in the Bank.

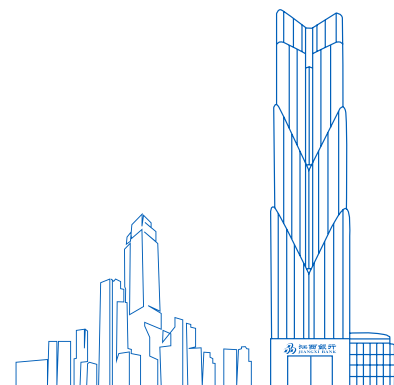
For the year ended December 31, 2019, each of Mr. XU Jihong and Dr. NGAI Wai Fung has taken no less than 15 hours of the relevant professional training on review of the Listing Rules and other compliance requirements.

7.10 RELATIONSHIP AMONG DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT

There is no financial, business, or family relationship among the Bank's directors, supervisors, and senior management.

7.11 AMENDMENTS TO THE ARTICLES OF ASSOCIATION

At its 2018 Annual General Meeting held on May 31, 2019, the Bank considered and approved the resolution to amend the Articles of Association. The amended Articles of Association was approved by CBIRC Jiangxi Office on October 24, 2019. Please refer to the circular dated April 15, 2019 on the websites of the Bank and the Stock Exchange for details of the amended Articles of Association.



CHAPTER VII CORPORATE GOVERNANCE REPORT

7.12 COMMUNICATION WITH SHAREHOLDERS

The Bank values the opinions and suggestions of shareholders and actively organizes various communication activities with investors and analysts, to maintain good relations and respond promptly to the reasonable requirements of shareholders. Shareholders can make inquiries to the Board through the Board office. The contact information of the Board is as follows:

Address: No. 699 Financial Street, Nanchang, Jiangxi Province, the PRC
Postal code: 330038
Contact number: +86-0791-86791009
Fax: +86-0791-86791100
Email: xuc03@jx-bank.com

7.13 SHAREHOLDERS' RIGHTS

7.13.1 Procedures for Convening Extraordinary General Meetings

The Bank effectively protects shareholders' rights in strict accordance with applicable laws and regulations, Hong Kong listing rules, Articles of Association, and corporate governance systems.

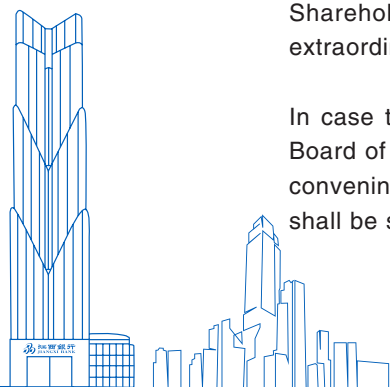
According to the Articles of Association and rules of procedure for the shareholders' general meeting:

Shareholders individually or in aggregate holding 10% or more of the Bank's shares for more than 90 consecutive days (hereinafter referred to as "Requesting Shareholders") shall have the right to request the Board to convene an extraordinary general meeting in writing. The Board shall, according to the provisions of laws, regulations, and Articles of Association, provide written feedback on whether to agree or disagree with the convening of the extraordinary general meeting in ten days after the receipt of the request.

In case the Board agrees to convene an extraordinary general meeting, the Board shall, within five days after the Board resolution is made, issue a notice on convening an extraordinary general meeting. The change in the original proposal in the notice shall be subject to the approval of the Requesting Shareholders.

In case the Board does not agree to convene an extraordinary general meeting, or does not provide written feedback within ten days after the receipt of the request, the Requesting Shareholders shall have the right to request the Board of Supervisors to convene an extraordinary general meeting in writing.

In case the Board of Supervisors agrees to convene an extraordinary general meeting, the Board of Supervisors shall, within five days after the receipt of the request, issue a notice on convening an extraordinary general meeting. The change in the original proposal in the notice shall be subject to the approval of the Requesting Shareholders.



CHAPTER VII CORPORATE GOVERNANCE REPORT

The failure of the Board of Supervisors to issue a notice on convening an extraordinary general meeting within the prescribed time limit will be deemed that the Board of Supervisors does not convene an extraordinary general meeting, and the Requesting Shareholders may unilaterally convene.

Before a resolution is made at the extraordinary general meeting, the shareholding percentage of the Requesting Shareholders shall not be less than 10%.

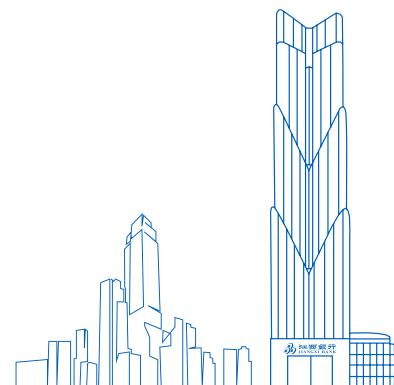
For further details, shareholders may refer to the Articles of Association available on the websites of the Hong Kong Stock Exchange and the Bank.

7.13.2 Procedure for Submitting Proposals at Shareholders' General Meetings

Shareholders, individually or in the aggregate, holding 3% or more of the Shares with voting rights of the Bank shall have the right to submit proposals to the Bank. The requesting shareholders may make extraordinary proposals and submit them to the convener in writing ten days before the shareholders' general meeting is convened. For the extraordinary proposals whose contents and forms comply with the provisions of the Articles of Association, the convener shall, within two days after the receipt of the proposals, issue a supplementary notice to inform the shareholders' general meeting of the contents of the extraordinary proposals. In case the listing rules of the stock exchanges where the stocks of the Bank are listed stipulate otherwise, the proposals shall also meet these stipulations.

7.14 EXTERNAL AUDITORS AND THEIR REMUNERATION

For the year ended 31 December 2019, RMB3.500 million of the total audit fee was agreed to be paid by the Company (including the subsidiary) to KPMG Huazhen LLP and KPMG for the audit of annual financial statement and the review of interim financial statement, and it was agreed to pay RMB0.426 million of the non-audit fee to them. The above fees include related taxes, travel, office expenses and other sundry expenses.



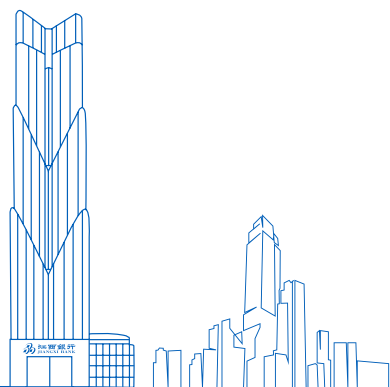
CHAPTER VII CORPORATE GOVERNANCE REPORT

7.15 REMUNERATION OF SENIOR MANAGEMENT

During the Reporting Period, the Company's directors (CHEN Xiaoming, LUO Yan, and XU Jihong), supervisors (LIU Fulin, TAO Yulan, and CHEN Xinxiang), and senior management (CHEN Yong, CHENG Zongli, and CAI Xiaojun), 9 members in total, were paid by the Company. The total remuneration was RMB6,838,200 (part of the performance compensation to senior management was not included because it is still awaiting approval from Jiangxi Provincial Department of Finance).

Remunerations paid to the aforesaid senior management by bands for the year ended December 31, 2019 are set out below:

Band of remuneration	Number of employees	percentage of total
RMB1,000,000 to RMB1,500,000	0	—
RMB500,000 to RMB1,000,000	9	100%
RMB0 to RMB500,000	0	—



CHAPTER VII CORPORATE GOVERNANCE REPORT

7.16 RISK MANAGEMENT AND INTERNAL CONTROL

7.16.1 Risk Management

(1) Procedures for identifying, evaluating, and managing significant risk

The Bank identifies, measures, and controls a series of quantitative and non-quantitative risk that may be faced by the Bank due to business strategies, product mix, customer needs, and interactions of external macroeconomic environment according to the CBIRC's Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) and its annexes, the Basel Committee's definition of risk and related professional terms, and practices of domestic and foreign banks, and in light of the Bank's actual situation.

Based on the capital occupancy of the Bank's risk categories, recognition of the risk faced by the Bank and capital regulatory requirements, the Bank regularly implements the evaluation procedures for comprehensive risk and capital adequacy ratio to effectively identify and assess key risk: credit risk, market risk, operational risk, liquidity risk, bank account interest rate risk, concentration risk, legal compliance risk, reputational risk, and information technology risk, and assess and analyze risk with risk measurement methods and tools.

(2) Characteristics of the risk management system

In the face of increasingly complicated and ever-changing internal and external environments, the Bank optimized the risk management system based on the strategic development plan and the actual operating conditions by drawing on relevant experience of domestic advanced banks, specifically:

- (1) to foster compliant and sound risk culture, foster the awareness of comprehensive risk management continue the critical battle of forestalling and defusing risks, and strictly adhere to the risk bottom line;
- (2) to improve the risk management structure, optimize the mechanism for risk management and control, and effectively improve risk prevention capabilities;
- (3) to continuously strengthen the construction of the risk system, optimize the features of the post-lending monitoring system, and enhance early warning and monitoring;
- (4) to accelerate the development and improvement of the risk measurement model, and provide decision support for risk management for the online retail business of the Bank.



CHAPTER VII CORPORATE GOVERNANCE REPORT

7.16.2 Internal Control

According to the Guidelines for Internal Control of Commercial Banks, Basic Internal Control Norms for Enterprises, Enterprise Internal Control Audit Guidance, Enterprise Internal Control Application Guidance, and other laws and regulations and regulatory regulations, the Bank established an organizational structure with the shareholders' general meeting, Board, Board of Supervisors, and senior management as the core and an internal control system with participation by all staff, by upholding the principles of full coverage, checks and balances, prudence, and matching. According to the hierarchy of the organizational structure and post setting, a restriction mechanism characterized by vertical authorization and horizontal supervision has been established between superior and subordinate and between positions; and an internal control system covering all business and management activities of the Bank has been established, and been revised and supplemented in a timely manner as required by laws and regulations, changes in external operating environments, and risk control.

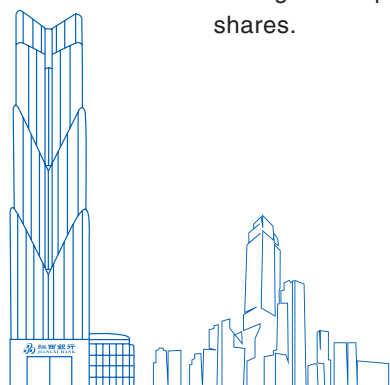
The Bank attaches great importance to the development of internal control culture and commits to fostering compliance culture by creating good atmosphere for the culture. The Bank continuously improves the performance appraisal system, and promotes the standard operation of the Bank and improves the internal control mechanism through appraisal. It also continuously diversifies and improves various internal control measures to ensure the stable business operation.

The Bank has established and improved the supervision and evaluation system for internal control. The Board, Board of Supervisors, and senior management perform their own duties, and supervise, inspect, and evaluate the operation and management activities of all levels and lines according to their duties.

7.17 SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS, AND RELATED EMPLOYEES

The Bank has adopted Appendix 10 to the Listing Rules headed "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as the code of conduct for securities transactions by directors, supervisors, and related employees. Having been made specific enquiry by the Bank, all Directors and Supervisors confirmed that they have complied with requirements under the above Model Code throughout the Reporting Period.

During the Reporting Period, the Directors and Supervisors did not have any dealing in the Bank's shares.



CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

8.1 PRINCIPAL BUSINESS AND BUSINESS REVIEW

The Bank is primarily engaged in banking businesses and related financial services, including corporate banking, retail banking, treasury business and other business. A review of the Bank's business during the Reporting Period is set out in the Chapter IV "Management Discussion and Analysis" in this annual report.

The Bank's business review and analysis of key indicators of financial performance, major risks and uncertainties, and future development prospects of the business during the Reporting Period were set out in the Chapter IV "Management Discussion and Analysis" in this annual report.

8.2 ANNUAL GENERAL MEETING AND DIVIDENDS

8.2.1 Annual General Meeting

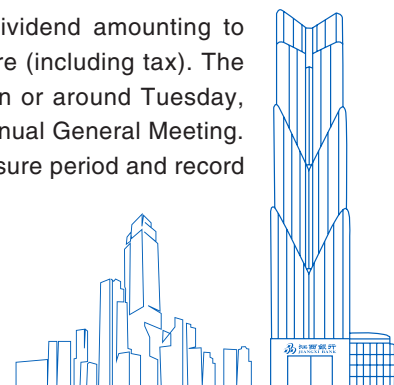
The Bank proposes to hold the 2019 Annual General Meeting on Friday, May 29, 2020. In order to determine the list of Shareholders who are entitled to attend and vote at the 2019 Annual General Meeting, the Bank's register of members will be closed from Wednesday, April 29, 2020 to Friday, May 29, 2020, both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the 2019 Annual General Meeting, all transfer documents together with relevant share certificates and other appropriate documents shall be sent to the office of the Board of the Bank at No. 699 Financial Street, Honggutan New District, Nanchang, Jiangxi Province, the PRC (for holders of Domestic Shares) or to the H Share Registrar, namely, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) before 4:30 p.m. on Tuesday, April 28, 2020 for registration.

A circular and the notice of the 2019 Annual General Meeting of the Bank will be published and dispatched to the Shareholders in due course.

8.2.2 Dividends

The shareholders of the Bank have approved the Bank's profit distribution plan for 2018 at the 2018 annual general meeting held on May 31, 2019. The Bank has approved a distribution of RMB482 million at a ratio of 8% for 2018, i.e. RMB0.08 per share (including tax), which has been distributed to the holders of the Bank's shares on July 30, 2019.

The Board of Directors proposed that the Bank distribute the 2019 dividend amounting to RMB301 million at a ratio of 5% in cash for 2020, i.e. RMB0.05 per share (including tax). The proposed final dividend is expected to be distributed to Shareholders on or around Tuesday, July 28, 2020, subject to the approval of the Shareholders at the 2019 Annual General Meeting. The Bank would make further announcement(s) in respect of the book closure period and record date in relation to the proposed final dividend.



CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

Dividend Policy

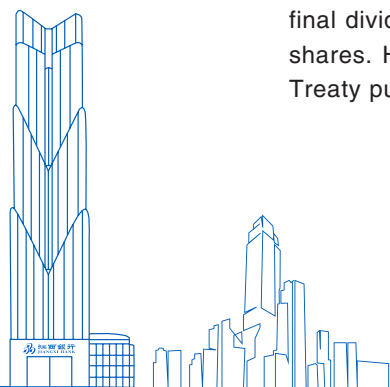
The Bank has adopted the dividend policy with the aim to protect Shareholders' equity and promote the Bank's business development, at the same time, to comply with relevant requirements of the laws, regulations and the Articles of Association. When determining whether to propose dividends distribution and the amount of dividends to be paid, the Board will consider the following factors of the Group (including but not limited to):

- Operating results;
- Cash flow;
- Financial condition;
- Capital adequacy ratio;
- Future business prospects;
- Statutory and regulatory restrictions on the payment of dividends; and
- Other factors that the Board considers relevant.

8.2.3 Tax Relief

Withholding foreign non-resident enterprises' enterprise income tax

Pursuant to the applicable provisions and the implementing regulations of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), Notice of the State Taxation Administration on Issues Concerning the Disbursement of Dividends by Chinese Resident Enterprises to Shareholders of Overseas H-Share Non-Resident Enterprises and Deduction of Enterprise Income Tax (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897) and Approval of the State Taxation Administration on the Issue of Enterprise Income Tax on Non-Resident Enterprises Obtaining B Shares and Other Stock Dividends (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) (Guo Shui Han [2009] No. 394), the Bank shall withhold the enterprise income tax at the rate of 10% for non-resident enterprise holders of H Shares (including the H Shares registered in the name of HKSCC Nominees Limited) when distributing final dividends for 2019 to the non-resident enterprises listed on the register of member of H shares. Holders of H shares of non-resident enterprises who enjoy the treatment under Tax Treaty pursuant to relevant regulations shall be treated correspondingly.



CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

Withholding foreign non-resident individual shareholder's individual income tax

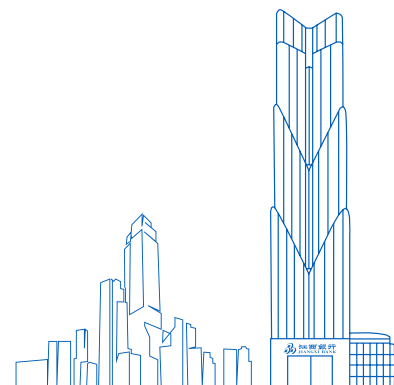
Pursuant to the applicable provisions and the implementing regulations of the Individual Income Tax Law of the PRC and Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 issued by State Administration of Taxation as well as the Announcement of the State Taxation Administration on the Promulgation of Measures for “the Administration of the Treatment of Non-Resident Taxpayer under Tax Treaty” (hereinafter referred to as “Tax Treaty”) (《國家稅務總局關於發佈〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》), the Bank shall withhold individual income tax from the holders of H Shares according to the following arrangement when distributing final dividends for 2019 to the non-resident individual shareholders listed on the register of member of H shares;

For an individual holder of H Shares who is a resident of Hong Kong, Macau or a country/region that has signed a tax treaty with the PRC stipulating a dividend rate of 10%, the Bank shall withhold and pay individual income tax at the rate of 10% on behalf of such H Shareholders when distributing the final dividend;

For an individual holder of H Shares who is a resident of a country/region which has signed a tax treaty with the PRC stipulating a dividend rate of lower than 10%, the Bank shall temporarily withhold and pay individual income tax at the rate of 10% on behalf of such holders of H Shares while distributing the final dividend. In case the relevant holders of H Shares are to apply for refund of the tax over-withheld, the Bank will follow the Notice of Tax to handle the application of the relevant tax benefits on their behalf. The qualified holders of H Shares are required to submit in a timely manner the written authorization and all application materials to the H Share Registrar of the Bank, Computershare Hong Kong Investor Services Limited; the Bank will forward the received documents to the competent tax authorities for review, and if approved, the Bank will assist in handling the refund of the over-withheld tax;

For an individual holder of H Shares who is a resident of a country/region that has signed a tax treaty with the PRC stipulating a dividend rate higher than 10% but lower than 20%, the Bank shall withhold and pay individual income tax at the applicable rate stipulated in the relevant tax treaty while distributing the final dividend; and

For an individual holder of H Shares who is a resident of a country/region which has signed a tax treaty with the PRC stipulating a dividend rate of 20% or has no tax treaty with China or otherwise, the Bank shall withhold and pay individual income tax at the rate of 20% while distributing the final dividend.



CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

8.3 SHARE CAPITAL AND SHAREHOLDERS

For details of the share capital and substantial shareholders of the Bank, please refer to the section headed “Changes in Share Capital and Information on Shareholders”.

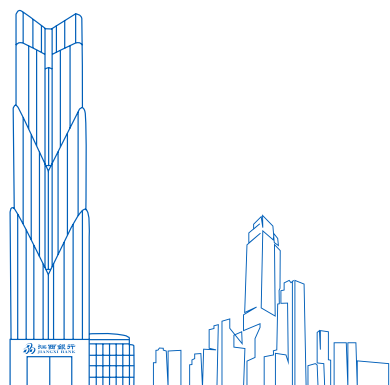
8.4 BOND ISSUE AND REPURCHASE

(1) Bonds issued

Approved by the PBOC and Jiangxi Office of China Banking Regulatory Commission, in July 2016, the Bank issued five-year green financial bonds with a total principal amount of RMB1.5 billion (calculated at a fixed interest rate of 3.70% per annum, and the interest payment method is annual payment, which will expire on July 14, 2021). In August 2016, the Bank issued five-year green financial bonds with a total principal amount of RMB1.5 billion (calculated at a fixed interest rate of 3.48% per annum, and the interest payment method is annual payment, which will expire on August 8, 2021). All of the proceeds from the two bond issues above have been placed into loan programs in green industries according to the approvals of regulatory authorities.

Approved by the PBOC and Jiangxi Office of China Banking Regulatory Commission, in June 2017, the Bank issued the 10-year tier-2 capital bonds with a total principal amount of RMB3 billion (calculated at a fixed interest rate of 5.00% per annum, and the interest payment method is annual payment, which will expire on June 7, 2027). The bonds may be partially or fully repurchased by the Bank at its discretion on June 7, 2022, upon approval by the relevant regulatory authorities. The proceeds from this capital bond issue have been used as supplementary tier-2 capitals of the Bank according to applicable laws and approvals of regulatory authorities.

Approved by the PBOC and Jiangxi Office of China Banking Regulatory Commission, in September 2017, the Bank issued the 10-year tier-2 capital bonds with a total principal amount of RMB3 billion (calculated at a fixed interest rate of 5.00% per annum, and the interest payment method is annual payment, which will expire on September 28, 2027). The bonds may be partially or fully repurchased by the Bank at its discretion on September 28, 2022, upon approval by the relevant regulatory authorities. The proceeds from this capital bond issue have been used as supplementary tier-2 capitals of the Bank according to applicable laws and approvals of regulatory authorities.



CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

The detailed information of bonds is as follows:

Detailed information of bonds

Bond name	Variety of bonds	Issue size	Duration	Interest rate of bonds	Interest payment method
16 Green Finance of Jiangxi Bank 02	Fixed interest rate	RMB1.5 billion	5 years	3.70%	Annual payment
16 Green Finance of Jiangxi Bank 04	Fixed interest rate	RMB1.5 billion	5 years	3.48%	Annual payment
17 Jiangxi Bank Tier-2 01	Fixed interest rate	RMB3.0 billion	10 years (redemption rights with preconditions at the end of the fifth year)	5.00%	Annual payment
17 Jiangxi Bank Tier-2 02	Fixed interest rate	RMB3.0 billion	10 years (redemption rights with preconditions at the end of the fifth year)	5.00%	Annual payment

(2) Issue of interbank deposit receipts

As of December 31, 2019, the Bank has issued 107 interbank deposit receipts throughout the year, totaling book balance of interbank deposit of RMB46.014 billion.

(3) Repurchase

During the Reporting Period, the Bank or any of its subsidiaries did not repurchase any bonds.

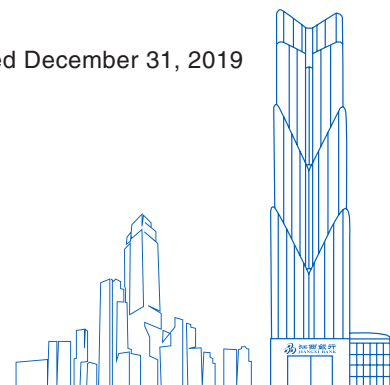
8.5 RESERVE

Details of the changes in the reserves of the Group for the year ended December 31, 2019 are set out in the consolidated statements of changes in shareholders' equity.

The distributable reserves of the Group as of December 31, 2019 were RMB5,467 million.

8.6 PROPERTY AND EQUIPMENT

Details of changes in the property and equipment of the Group for the year ended December 31, 2019 are set out in note 22 to the financial statements.



CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

8.7 RELATED PARTY TRANSACTIONS

In the ordinary and usual course of business, the Bank provides commercial banking services and products to the public in China, including connected persons such as Shareholders, Directors, Supervisors, President and their respective associates. Pursuant to the Listing Rules, such transactions, being conducted on normal commercial terms in the ordinary and usual course of the business of the Bank, shall be exempted from reporting, annual review, disclosure and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Bank has reviewed all its related party transactions and acknowledged that those transactions had complied with the requirements under Chapter 14A of the Listing Rules.

The definition of connected persons under Chapter 14A of the Listing Rules is different from the definition of related parties under International Accounting Standard, and its interpretations by the IASB. Certain related party transactions set out in Note 36 to the financial statements also constitute connected transactions or continuing connected transactions as defined under the Listing Rules, but none of them constitutes any connected transaction required to be disclosed as defined under the Listing Rules.

8.8 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details regarding the Directors, Supervisors and senior management of the Bank are set out in the section headed "Directors, Supervisors, Senior Management Members, Employees and Institutions" in this annual report.

8.9 INTERESTS OF DIRECTORS AND SUPERVISORS IN BUSINESS IN COMPETITION WITH THE BANK

None of Directors and Supervisors of the Bank holds any interest in any business which competes or is likely to compete, whether directly or indirectly, with the Bank.

8.10 REMUNERATION AND RETIREMENT BENEFITS OF DIRECTORS AND SUPERVISORS

Details of the emoluments of the Directors and Supervisors of the Bank are set out in note 9 to the financial statements.

8.11 SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

During the Reporting Period, none of the Bank's Directors and Supervisors entered into a service contract with the Bank which was not determinable by the Bank within one year without payment of compensation (other than statutory compensation).



CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

8.12 INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at December 31, 2019, none of the Bank's Directors and Chief Executive had any interests or short positions in any of the shares, underlying shares and debentures of the Bank or its associated corporations.

The interests and short positions of the Bank's supervisors are set out in the section headed "Directors, Supervisors, Senior Management Members, Employees and Institutions" of this annual report.

8.13 MATERIAL INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the Reporting Period, neither the Bank nor any of its subsidiaries entered into any significant transaction, arrangement or contract in which the Bank or entity connected with the Bank's Directors or Supervisors directly or indirectly had a material interest.

8.14 ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the Reporting Period, was the Bank or any of its subsidiaries a party to any arrangement to enable the Directors and Supervisors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

8.15 MANAGEMENT CONTRACTS

During the Reporting Period, no management or administrative contracts regarding the whole or any substantial part of any business were entered into by the Bank.

8.16 PERMITTED INDEMNITY PROVISIONS

During the Reporting Period, the Bank has purchased appropriate liability insurance to indemnify its Directors, Supervisors and senior management in respect of the liabilities arising from engaging in the activities of the Bank. Such arrangements remained effective during the Reporting Period.

8.17 PURCHASE, SALE OR REPURCHASE OF LISTED SECURITIES OF THE BANK

During the Reporting Period, the Bank and its subsidiaries did not purchase, sell or redeem any listed securities of the Bank.



CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

8.18 PRE-EMPTIVE RIGHTS

During the Reporting Period, the Bank did not have provisions in respect of pre-emptive rights in the Articles of Association and under PRC law.

8.19 DONATION

During the Reporting Period, the Group made charitable and other donations totaling approximately RMB10.22 million.

8.20 EQUITY-LINKED AGREEMENTS

During the Reporting Period, the Bank did not enter into or renew any other equity-linked agreements.

8.21 RELATIONS WITH EMPLOYEES AND CUSTOMERS

The Bank treats its employees as the most valuable asset of the Bank and pays great attention to safeguarding the legitimate rights and interests of its employees, striving to establish a harmonious and stable employment relationship. The Bank enters into labor contracts with its employees in accordance with the relevant laws, and continuously improves the relevant labor employment system and employee security system. By conscientiously implementing the national policies and regulations on salary and welfare, the Bank has developed the Salary Management System of Jiangxi Bank, under which it pays employees full salaries on time, contributes various social insurance and housing provident fund and built a multi-level pension and medical security system. The Bank also keeps helping employees to enhance their value and providing them with a wide range of professional training to help them grow up quickly.

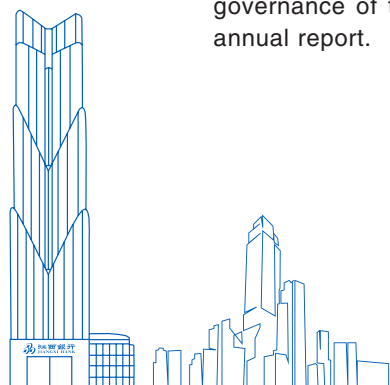
Details for the Bank's relations with customers are set out in Chapter IV "Management Discussion and Analysis" of this annual report.

8.22 PUBLIC FLOAT

As at the Latest Practicable Date, according to the data publicly available to the Bank and to the knowledge of directors, the Bank has complied with the public float requirements under the Listing Rules.

8.23 CORPORATE GOVERNANCE

The Bank is committed to maintaining a high standard of corporate governance. Details of corporate governance of the Bank are set out in the section headed "Corporate Governance Report" of this annual report.



CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

8.24 MAJOR DEPOSITORS AND BORROWERS

The Bank is not dependent on a single major depositor/borrower. As at the end of the Reporting Period, the deposits balance of the five largest depositors and loan balance of the five largest borrowers of the Bank represented no more than 30% of the total deposits balance, gross loans and advances of the Bank.

8.25 ENVIRONMENTAL POLICIES

In recent years, the Bank has actively undertaken the social responsibilities under relevant environmental policies. The Bank actively advocates the concept of environmental protection in the course of operation. Specifically, the Bank optimizes online services, practices green office, advocates green public welfare and develops green credit to promote green financial undertakings. Meanwhile, in order to actively carry out green financial innovation, the Bank introduces environmental risk stress tests and incorporates environmental factors into its risk management process. For details of the Bank's environmental policies and performance, please refer to the Environment, Social and Governance Report to be issued by the Bank after the annual report.

8.26 COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

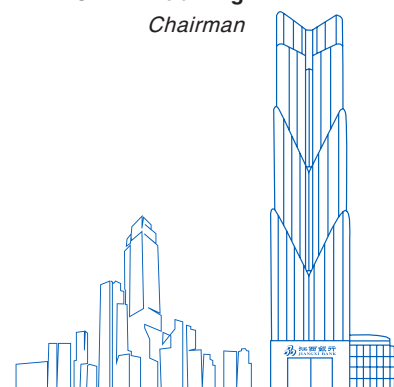
The Bank has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Bank.

8.27 SUBSEQUENT EVENTS

Details of the subsequent events are set out in note 45 to the financial statements.

Nanchang, China
March 27, 2020

By Order of the Board
CHEN Xiaoming
Chairman



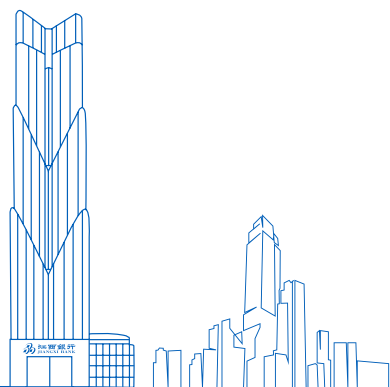
CHAPTER IX REPORT OF THE BOARD OF SUPERVISORS

During the Reporting Period, the Board of Supervisors of the Bank fulfilled the duty of supervision pursuant to relevant laws and regulations, conducted supervision in an orderly manner, actively safeguarded the interests of the Bank and all shareholders, and successfully accomplished each annual work and task in strict accordance with the Company Law, the Guidelines on Corporate Governance of Commercial Banks, the Guidelines on the Functioning of Supervisory Board of Commercial Banks and the Articles of the Bank.

9.1 MAJOR WORKS

(I) Consolidate the Foundation and Regulations to Improve the Normative Duty Performance of the Board of Supervisors

1. The Board of Supervisors positively promoted the election of the latest Board of Supervisors. In accordance with the laws and regulations and the provisions of the Articles of the Bank, the Board of Supervisors carefully nominated candidates for supervisors, reviewed their qualifications, and submitted them to Shareholders' Meeting for consideration, by which members of the second session of the Board of Supervisors and relevant special committees were elected in accordance with laws and regulations. The members of the new Board of Supervisors have high professional quality and good reputation, and thus the staff structure and professional structure of the Board of Supervisors were further optimized. During the election of the Board of Supervisors, it reviewed and summarized the work of the first session of the Board of Supervisors for the past three years and formed the "Duty Performance Summary of the First Board of Supervisors of Jiangxi Bank", summing up the experience and providing references for the better duty performance of the second session of the Board of Supervisors.
2. The Board of Supervisors carefully performed the supervision function. During the Reporting Period, Board of Supervisors held 6 meetings of the Board of Supervisors, 5 meetings of the Supervision Committee and 5 meetings of the Nomination Committee, at which the Board of Supervisors discussed and considered 37 topics including duty performance evaluation reports, annual work reports, evaluation opinions for risk management. All members of the Board of Supervisors complied with the requirements of their duties by actively attending the meetings, carefully considering proposals presented by the Board of Supervisors and its specialized committees, and independently and objectively providing their professional opinions at the meetings. The Board of Supervisors also organized the supervisors to attend 1 general meeting and 4 meetings of the Board of Directors, at which the supervisors legally supervised the agenda, contents of proposals and voting procedure of the meetings.



CHAPTER IX REPORT OF THE BOARD OF SUPERVISORS

3. The Board of Supervisors timely amended and improved various systems. In accordance with the policies and deployment of the central government on improving Party building in state-owned enterprises and requirements of inspection and rectification of the Bank, researches and discussions of the Bank's Party Committee was made the prepositive procedure before the Board of Supervisors making major decisions. Meanwhile, with the latest regulatory guidelines issued by CBIRC, Board of Supervisors amended rules of procedure for the Board of Supervisors, working rules for the Nomination Committee and working rules for the Supervision Committee, and supplemented relevant duties of the Board of Supervisors and its specialized committees, which provided necessary system assurance for the standardized performance of duties for the Board of Supervisors.
4. The Board of Supervisors positively strengthened the investigation and communication with peers. The Board of Supervisors integrated "going out" and "bringing in". On the one hand, it organized supervisors to investigate and study in Bank of Suzhou; on the other hand, it received the Board of Supervisors from Guilin Bank and Huaxing Bank for visit and investigation. Therefore, both sides would learn from each other, explore new idea, and improve the construction capability of the Board of Supervisors. Besides, the Board of Supervisors also organized supervisors to participate in professional training in supervision policies, supervision practices and business knowledge, helping supervisors to further understand "what the regulatory requirements are, what their responsibilities are, and how to fulfil their responsibilities" to meet the higher duty performance requirements after listing.

(II) Optimize Mechanism to Improve the Valid Duty Performance of the Board of Supervisors

1. The routine supervision mechanism was continuously optimized. The Board of Supervisors further optimized the mechanism of information submission and analysis, supplementing contents including risk events, new products and new businesses for submitting. Meanwhile, the Board of Supervisors organized and analyzed the information of supervision collected monthly, compiling 12 monthly reports on the information of supervision throughout the year. For the detected risks and abnormal operating indicators, the Board of Supervisors promptly conducted off-site inspections and compiled 3 routine supervision reports.
2. The mechanism of debriefing was initially established. On the basis of head office research in the past, the Board of Supervisors focused on key field of supervision guidance and explored to establish a reporting mechanism to debrief relevant department of head office on internal audit, business development, risk control, Internal Control, etc on a quarterly basis. Meanwhile, it urged business lines to fulfil their responsibilities and strengthen risk prevention and control for management cooperation.

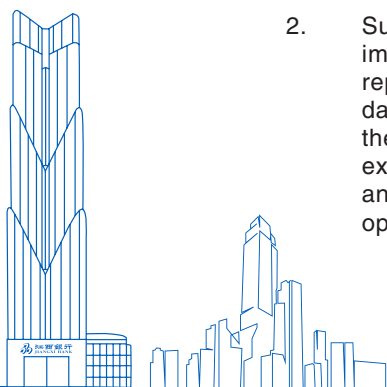


CHAPTER IX REPORT OF THE BOARD OF SUPERVISORS

3. The mechanism of supervision and coordination was generally improved. The Board of Supervisors strengthened the linkage of supervision and review with the supervision department, external audit and internal audit, and participated in the “trilateral talks” among CBIRC Jiangxi Office, external auditors and Jiangxi Bank, notifying and communicating problems including the audit of the annual report and issues found. Meanwhile, the Board of Supervisors strengthened the supervision on the independence and effectiveness of external audit, and organized the internal audit to conduct special reviews of financial statements.
4. The mechanism of special research was actively innovated. Focusing on the central work of the Bank and the “top ten actions”, the Board of Supervisors researched and determined three topics, namely, talent training, case prevention and control, and small and micro finance services, organized supervisors to conduct field research in 11 branches and sub-branches and head office departments, and compiled 3 research reports on special topics for senior management’s reference.
5. The mechanism of urging and rectification was constantly optimized. The Board of Supervisors organized and convened the annual briefing on relevant supervision and inspection, reporting the problems found in the supervision and inspection and reminding relevant departments to pay attention to it. In addition, the Board of Supervisors established and improved the mechanism of rectification, tracking and urging, and improved the closed-loop management of “inspection, rectification and urging” supervision work, which effectively promoted the reasonable application of supervision results.

(III) Strengthen Supervision to Continue to Enhance the Targeted Duty Performance of the Board of Supervisors

1. Supervision on the duty performance of directors, supervisors and senior executives was carefully conducted. The first is the monitoring of duty performance. The Board of Supervisors collected and sorted out various duty performance information of directors, supervisors and senior executives in a timely manner, and completed the duty performance table. The second is the evaluation of the duty performance. Based on the personal work report and self-evaluation of each director, supervisor and senior executive, the Board of Supervisors comprehensively considered the evaluation results of directors and senior executives made by the Board of Directors, and comprehensively evaluated the duty performance of the Board of Directors, the Board of Supervisors and senior management and their members. Both the results of the evaluations were “competent”. The last is the application of the evaluation results. The Board of Supervisors promptly reported the evaluation results of duty performance to the Board of Directors and senior management, and reported to the general meeting and the regulatory authorities as required.
2. Supervision on the financial management was implemented step by step. By attending important conferences, reviewing financial statements, reviewing various business reports, and interviewing financial personnel, the Board of Supervisors carried out daily supervision on the Bank’s important financial decisions and the execution thereof, the implementation of financial strategic objectives, and the management of business expenses. In addition, the Board of Supervisors also reviewed the Bank’s regular reports and profit distribution plans in accordance with laws and regulations, and issued written opinions as required.



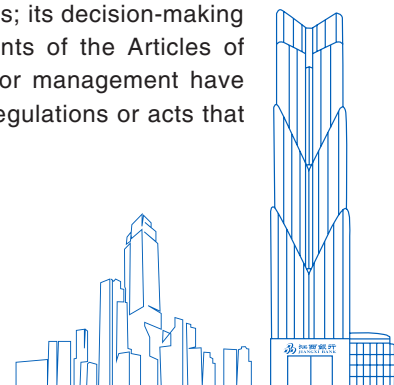
CHAPTER IX REPORT OF THE BOARD OF SUPERVISORS

3. Supervision on the strategic management was generally strengthened. According to the requirements of the “Notice of CBRC Jiangxi Office on Off-site Supervision of the ‘Four Systems’ of City Commercial Banks under Its Jurisdiction” (《江西銀監局辦公室關於做好轄內城市商業銀行“四制”非現場監管的通知》), the Board of Supervisors evaluated the implementation of the Bank’s “Five-year Strategic Plan” and its 2018 strategic goals from directions such as the effectiveness of supporting policies, integrating degree of regulatory requirements, and integrating degree of market positioning and economic development situation. Furthermore, it proposed to adjust strategic planning timely, keep the power of transformation development, and constantly improve the strategic supports.
4. Supervision on the risk management was consciously emphasized. During the Reporting Period, the Board of Supervisors continued to focus on the comprehensive establishment and improvement of the Bank’s risk management, as well as the duty performance of the Board of Directors and senior management in risk management. Meanwhile, based on the concerns of the regulatory authorities and the main risks faced by the Bank, the Board of Supervisors focused on the management of credit risk, liquidity risk and operational risk, and proposed targeted suggests for the shortcomings in the comprehensive risk management
5. Supervision on the internal control management was constantly strengthened. By reviewing relevant meeting minutes, reviewing audit reports and external inspection materials, going to branches and sub-branches to research, listening to reports from the compliance department, etc., the Board of Supervisors detailedly learnt about the improvement of the Bank’s internal control system and the performance of the duty of internal control by the Board of Directors, senior management and its members, and put forward suggestions on deficiencies in the internal control system and mechanism to further create a compliance operating atmosphere, cover shortcomings in internal control management, and improve the internal control management mechanism.
6. Supervision on the consolidated financial statements management was conducted positively. The Board of Supervisors inspected and evaluated the construction and operation effectiveness of the Group’s consolidated financial statements management and capital management mechanism, and the Board of Directors’ and senior management’s performance of duties related to consolidated financial statements management and capital management. It also suggested to continuously strengthen the concentration of risk control to promote the stable operation and sound development of the Group.

9.2 INDEPENDENT OPINIONS ON RELEVANT MATTERS

(I) Supervision Opinions on Legal Operation

During the Reporting Period, the Bank complied with laws and regulations; its decision-making procedures were in line with laws and regulations and the requirements of the Articles of Association of the Bank. Members of the Board of Directors and senior management have performed their duties conscientiously. No violations against laws and regulations or acts that harmed the Bank were found.



CHAPTER IX REPORT OF THE BOARD OF SUPERVISORS

(II) Supervision Opinions on Financial Reporting

During the Reporting Period, KPMG and KPMG Huazhen LLP audited our financial report and issued a standard audit report with unqualified opinions. The financial report is a fair, objective and accurate reflection of the Bank's financial position and operating results.

(III) Supervision Opinions on Related Party Transactions

During the Reporting Period, for the related party transactions of the Bank, the Board of Supervisors found no acts that harmed the interest of shareholders and the Bank.

(IV) Supervision Opinions on Implementation of General Meeting's Resolutions

During the Reporting Period, the Board of Supervisors had no objection to the contents of reports and proposals submitted by the Board of Directors to the general meeting for consideration. The Board of Supervisors supervised the implementation of general meeting's resolutions and believed that the Board of Directors was able to conscientiously implement the relevant resolutions of the general meeting.

(V) Supervision Opinions on Disclosure of Information

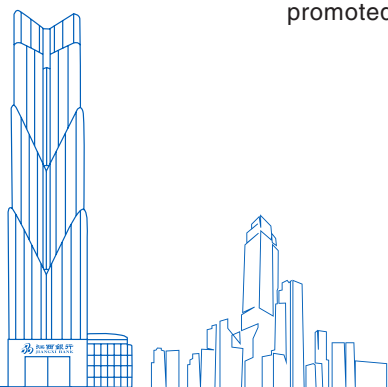
During the Reporting Period, the Bank conscientiously performed on an open, fair and impartial basis its disclosure obligation as a listed company, timely disclosed its information and ensured fair access of all shareholders to the material information of the Bank.

(VI) Supervision Opinions on Liquidity Risk Management

During the Reporting Period, the Board of Directors and senior management continued to optimize the structure of assets and liabilities, rationally controlled the duration of assets, gradually strengthened the management of liquidity limits, and well performed the relevant duties of liquidity risk management.

(VII) Supervision Opinions on Capital Management and Consolidated Financial Statements Management

During the Reporting Period, The Board of Directors and senior management conscientiously performed their duties in accordance with the requirements of the regulatory guidelines. Besides, capital management and consolidated financial statements management were continuously promoted and optimized.



CHAPTER X IMPORTANT MATTERS

10.1 USE OF PROCEEDS

As of the end of the Reporting Period, the Bank has issued a total of 1.3455 billion H shares, with a balance of net proceeds from the global offering of approximately HKD8.598 billion. The funds raised by the Bank in the global offering have been fully utilized for the purpose disclosed in the prospectus, namely to strengthen the Bank's capital base and in turn support the continuous growth of the Group's business.

10.2 MAJOR LAWSUITS, ARBITRATIONS AND MAJOR CASES DURING THE REPORTING PERIOD

As of the end of the Reporting Period, there were 89 pending litigation and arbitration cases with a principal amount of RMB30 million or above claimed by the Bank as a plaintiff and an arbitration applicant, involving a total principal amount of approximately RMB5.358 billion (including the amount written off); there were three pending litigation and arbitration cases with the principal amount of RMB10 million or above with the Bank as a defendant and a respondent, involving a total principal amount of approximately RMB70 million.

As of the end of the Reporting Period, the court has made a judgment in the first instance of "Bank B Case" in which the Bank is a defendant on November 15, 2018 as disclosed in the prospectus. All claims from Bank B, the plaintiff, were rejected and the Bank did not bear any responsibility. Bank B submitted an appeal to the Supreme People's Court. The Supreme People's Court made a final judgement on June 26, 2019, rejected the appeal, and upheld the original judgement.

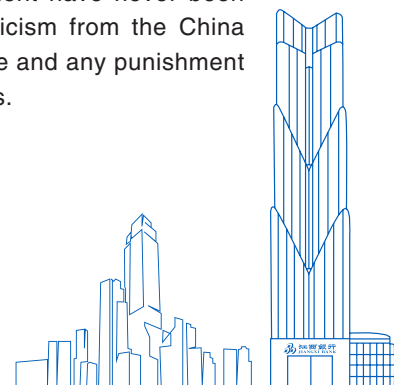
As of the end of the Reporting Period, the Bank expected that the above ongoing litigation or arbitration cases (whether individually or jointly) will not have a material adverse impact on the Bank's operating and financial position.

10.3 SIGNIFICANT RELATED PARTY TRANSACTIONS

During the Reporting Period, there were no significant related party transactions of the Bank which adversely affected its operating results and financial position.

10.4 PUNISHMENT AGAINST THE BANK AND THE BANK'S DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, our directors, supervisors and senior management have never been subject to any inspection, administrative penalty, circulation of notice of criticism from the China Securities Regulatory Commission, public punishment from the Stock Exchange and any punishment with significant impact on the Bank's operations from other regulatory agencies.



CHAPTER X IMPORTANT MATTERS

10.5 MATERIAL CONTRACTS AND THEIR PERFORMANCE

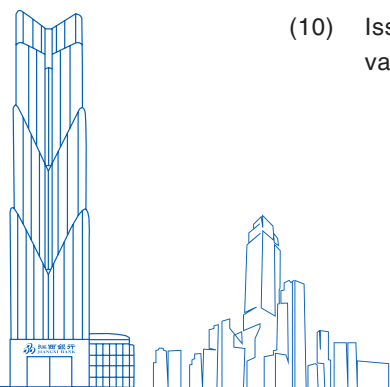
During the Reporting Period, the Bank did not have any material contracts subject to disclosure.

10.6 MAJOR GUARANTEES AND COMMITMENTS

10.6.1 Major Guarantees

As of the end of the Reporting Period, the Bank had following eighteen major guarantees:

- (1) Issue an overseas bond guarantee of USD310,000,000 to Customer A, equivalent to RMB2.163 billion, validity from December 3, 2019 to January 3, 2023;
- (2) Issue a loan guarantee of RMB500 million to Customer B, validity from September 29, 2018 to September 27, 2023;
- (3) Issue a loan guarantee of RMB400 million to Customer C, validity from June 28, 2019 to June 26, 2021;
- (4) Issue a domestic letter of credit of RMB308 million to Customer D, validity from May 15, 2019 to May 14, 2020;
- (5) Issue a loan guarantee of RMB300 million to Customer E, validity from November 30, 2017 to November 28, 2022;
- (6) Issue a loan guarantee of RMB300 million to Customer F, validity from May 14, 2019 to May 12, 2024;
- (7) Issue a domestic letter of credit of RMB300 million to Customer G, validity from December 18, 2019 to December 14, 2020;
- (8) Issue a loan guarantee of USD35,040,000 to Customer H, equivalent to RMB244 million, validity from October 25, 2019 to October 23, 2020;
- (9) Issue a loan guarantee of USD35,040,000 to Customer H, equivalent to RMB244 million, validity from November 08, 2019 to October 23, 2020;
- (10) Issue a loan guarantee of USD31,140,000 to Customer I, equivalent to RMB217 million, validity from May 29, 2019 to May 29, 2020;



CHAPTER X IMPORTANT MATTERS

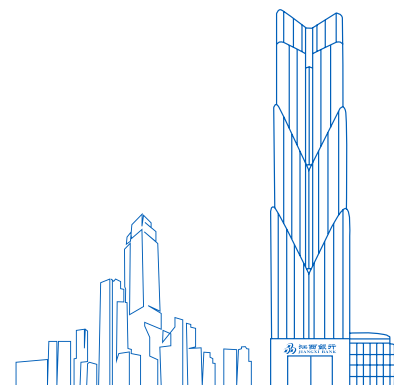
- (11) Issue a domestic letter of credit of RMB154 million to Customer J, validity from March 11, 2019 to March 6, 2020;
- (12) Issue a domestic letter of credit of RMB154 million to Customer K, validity from April 24, 2019 to April 24, 2020;
- (13) Issue a project performance bond of RMB150 million to Customer L, validity from December 11, 2019 to June 11, 2020;
- (14) Issue a loan guarantee of RMB145 million to Customer M, validity from December 8, 2017 to December 7, 2022;
- (15) Issue a domestic letter of credit of RMB138 million to Customer N, validity from September 20, 2019 to September 22, 2020;
- (16) Issue a loan guarantee of RMB130 million to Customer O, validity from October 25, 2017 to June 27, 2022;
- (17) Issue a loan guarantee of RMB125 million to Customer P, validity from November 14, 2019 to November 16, 2020;
- (18) Issue a loan guarantee of RMB105 million to Customer Q, validity from January 29, 2019 to January 22, 2020.

10.6.2 Major Commitments

As of the end of the Reporting Period, there is no major commitment of the Bank.

10.7 AUDIT REVIEW

The annual financial statements which have been prepared in accordance with IFRS disclosed in this annual report have been audited by KPMG. KPMG has issued an audit report with unqualified opinions. This annual financial report has been reviewed and approved by the Audit Committee under the Board of Directors and the Board of the Directors of the Bank.



CHAPTER X IMPORTANT MATTERS

10.8 APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

At its 2018 annual general meeting held on May 31, 2019, the Bank considered and approved to re-appointed KPMG and KPMG Huazhen LLP as international and domestic auditors of the Bank for 2019 respectively. The Bank did not change auditors in the past three years.

10.9 MAJOR ASSET ACQUISITIONS, SALES AND BUSINESS MERGERS

During the Reporting Period, the Bank did not have any major asset acquisitions, sales or business mergers.

10.10 SIGNIFICANT INVESTMENTS

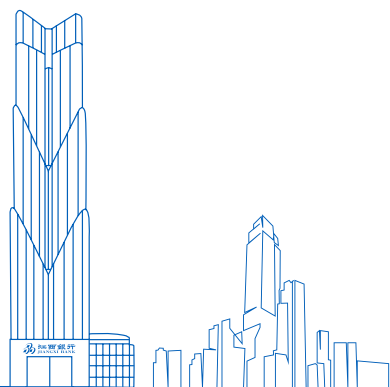
During the Reporting Period, the Bank did not have any significant investment plans.

10.11 LOAN AGREEMENT

During the Reporting Period, the Bank did not violate any loan agreement.

10.12 SHARE OPTION SCHEME

During the Reporting Period, the Bank did not implement any share option scheme.



CHAPTER XI INTERNAL CONTROL AND INTERNAL AUDIT

11.1 INTERNAL CONTROL

During the reporting period, the internal control management system of the Bank was further improved.

First, the internal control management structure was improved continually, a Compliance Management Committee was set up at the level of the Board of Directors, and the Compliance Department was set up and full-time compliance personnel were deployed in all first-level branches.

Second, business and management processes were standardized continually, for example, the operation requirements for the pre-lending phase, the lending phase and the post-lending phase were updated, and the authenticity and standardization control in the credit field were strengthened.

Third, the management of rules and regulations was strengthened continually, the formulation and revision of the system were carried out in a timely manner in accordance with changes of internal and external requirements, centralized cleaning of the current effective rules and regulations was organized, and the management foundation of various rules and regulations was consolidated continually.

Fourth, the duties of supervision and inspection were performed continually, the inspection plan for annual internal control compliance was implemented, the special inspections under the theme of “prohibited acts” against the priority areas including “three investigations” in credit operations were carried out, a number of special inspections were promoted in accordance with regulatory arrangements, and the internal control defects found in the inspections were followed up to ensure correction.

Fifth, the control of employee behaviors was strengthened continually, the requirements for employee behaviors were improved, the “three-thirds” system for violation prevention was implemented to form a new mechanism of employee management and control with coordination and joint management, and the form of innovate animation was adopted to strengthen the normative education of employee behaviors.

Sixth, punishment for violations was implemented continually, the new version of violation points was used to continually investigate the responsibility of non-compliant personnel and managers, and the use of points was increased to play a role of disciplinary deterrent.

Seventh, the scientific and technological support for risk control was improved continually, the “three-in-one” system for compliance operation risk of internal control was upgraded and reformed, the functions of signature verification for credit business and “double recording” of post-lending inspection were launched, and tax data was introduced to enhance the monitoring effectiveness of the Cloud Mirror system to credit risk.

Eighth, the internal control reporting mechanism was optimized continually, a regular internal control management report mechanism was established, opinions and suggestions on the internal control management was collected irregularly, and employees were encouraged to monitor and report illegal behaviors.

During the Reporting Period, no major deficiencies were found in the Bank’s internal control.

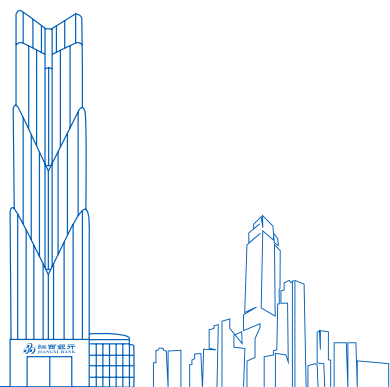


CHAPTER XI INTERNAL CONTROL AND INTERNAL AUDIT

11.2 INTERNAL AUDIT

The Group has established an independent internal audit system and the Board assumes ultimate responsibility for the independence and effectiveness of internal audit. The Board has established an Audit Committee to guide and supervise the internal audit work of the Bank. The Board of Supervisors is responsible for supervising the internal audit work. The general manager of the audit department reports to the Board, Audit Committee and Board of Supervisors on a regular basis and informs the senior management. The audit department prepares annual audit plan and submits it to the Audit Committee and the Board for approval. In daily audit work, the Group reviews its operation, information system, financial reporting and risk management through systematic and standardized internal audit methods, and evaluates the effectiveness of the Bank's internal control and corporate governance. The Group also conducts special audits on various risks faced by the Bank, e.g. credit risk, market risk, operational risk and information technology risk. The Group conducts internal audit work on site or offsite and then issues an audit report. To ensure that the audited department takes appropriate corrective actions according to audit suggestions, the audit department of the Bank conducts follow-up audits based on the results of corrective actions and provides follow-up audit reports.

During the reporting period, under the principal of “keeping steady and making progress”, with the aim to enhance the bank's key work, keeping audit quality control as the basis and audit operation platform as the guarantee, the Group's internal audit department keeps innovating audit concept, continues to strengthen audit supervision in the key areas, departments and funds, to assist the industry for steady development.



CHAPTER XII INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the shareholders of Jiangxi Bank Co., Ltd.

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

OPINION

We have audited the consolidated financial statements of Jiangxi Bank Co., Ltd. (the "Bank") and its subsidiary ("the Group") set out on pages 197 to 358, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

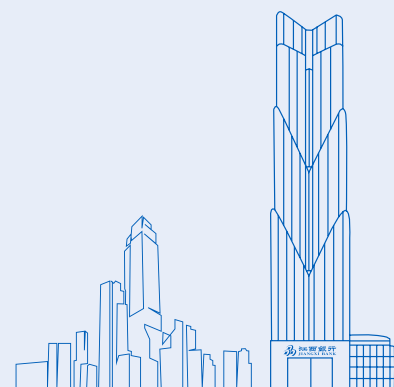
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

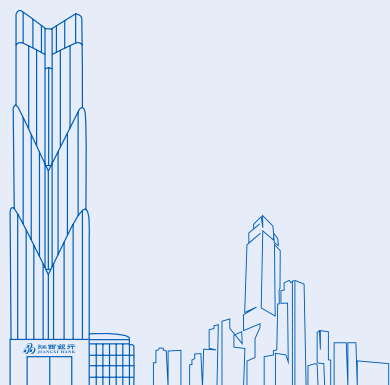


CHAPTER XII INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Loss allowances of loans and advances to customers and financial investments measured at amortized cost
Refer to Note 18 and Note 19 to the consolidated financial statements and the accounting policies in Note 2(9).

The Key Audit Matter	How the matter was addressed in our audit
<p>The Group uses the expected credit loss (“ECL”) model to calculate the loss allowance in accordance with International Financial Reporting Standard 9 Financial instruments (“IFRS 9”).</p> <p>The determination of loss allowances using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions.</p> <p>In particular, the determination of the loss allowances is heavily dependent on the external macro environment and the Group’s internal credit risk management strategy. The expected credit losses for corporate loans and financial investments are derived from estimates including the historical losses, internal and external credit grading and other adjustment factors. The expected credit losses for personal loans are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience for personal loans and other adjustment factors.</p>	<p>Our audit procedures to assess loss allowances of loans and financial investments measured at amortized cost included the following:</p> <ul style="list-style-type: none">• understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of loans and financial investments measured at amortized cost, the credit grading process and the measurement of loss allowances;• with the assistance of our internal specialists, assessing the reliability of the expected credit loss model used by management in determining loss allowances, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments;

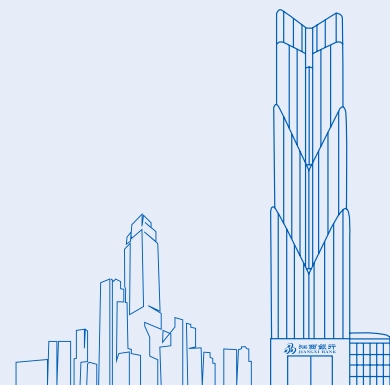


CHAPTER XII INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Loss allowances of loans and advances to customers and financial investments measured at amortized cost
Refer to Note 18 and Note 19 to the consolidated financial statements and the accounting policies in Note 2(9).

The Key Audit Matter	How the matter was addressed in our audit
<p>Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. Management refers to valuation reports issued by qualified third party valuers and considers the influence of various factors including the market price, location and use when assessing the value of property held as collateral. The enforceability, timing and means of realization of collateral can also have an impact on the recoverable amount of collateral and, therefore, the amount of loss allowances as at the end of the reporting period.</p> <p>We identified the impairment of loans and advances to customers and financial investments measured at amortized cost as a key audit matter because of the inherent uncertainty and management judgment involved and because of its significance to the financial results and capital of the Group.</p>	<ul style="list-style-type: none">• assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model. For key parameters derived from internal data relating to original loan agreements, we compared the total balance of the loan and financial investment list used by management to assess the loss allowances with the general ledger, selecting samples and comparing individual loan and investment information with the underlying agreements and other related documentation to assess the accuracy of compilation of the loan and investment list. For key parameters derived from external data, we selected samples to inspect the accuracy of such data by comparing them with public resources;• for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Group's internal records including historical loss experience and type of collateral. As part of these procedures, we challenged the reasons for modifications to estimates and input parameters compared with prior period and considered the consistency of judgement. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development;

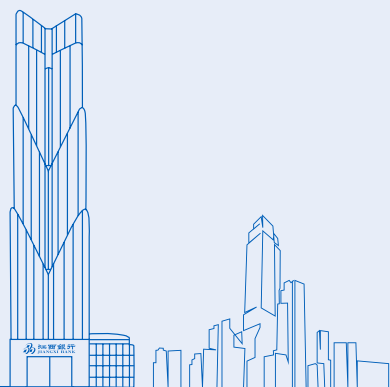


CHAPTER XII INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Loss allowances of loans and advances to customers and financial investments measured at amortized cost
Refer to Note 18 and Note 19 to the consolidated financial statements and the accounting policies in Note 2(9).

The Key Audit Matter	How the matter was addressed in our audit
	<ul style="list-style-type: none">for key parameters used in the expected credit loss model which were derived from system-generated internal data, assessing the accuracy of input data by comparing the input data with original documents on a sample basis. In addition, we involved our IT specialists to assess the logics and compilation of the overdue information and the operational process of the credit grading of corporate customers for selected samples;evaluating the validity of management's assessment on whether the credit risk of the loan has, or has not, increased significantly since initial recognition and whether the loan is credit-impaired by selecting risk-based samples. We analyzed the portfolio by industry sector to select samples in industries more vulnerable to the current economic situation with reference to other borrowers with potential increased credit risk. We checked loan overdue information, making enquiries of the credit managers about the borrowers' business operations, checking borrowers' financial information and researching market information about borrowers' businesses;

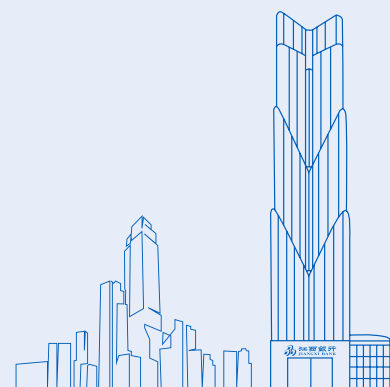


CHAPTER XII INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Loss allowances of loans and advances to customers and financial investments measured at amortized cost
Refer to Note 18 and Note 19 to the consolidated financial statements and the accounting policies in Note 2(9).

The Key Audit Matter	How the matter was addressed in our audit
	<ul style="list-style-type: none">for selected samples of loans and advances to customers that are credit-impaired, evaluating management's assessment of the value of any property collateral held by comparison with market prices based on the location and use of the property and the prices of neighbouring properties. We also evaluated the timing and means of realization of collateral, evaluated the forecast cash flows, challenged the viability of the Group's recovery plans and evaluated other credit enhancements that are integral to the contract terms;recalculating the amount of credit loss allowance for 12 month and life time credit losses using the expected credit loss model based on the above parameters and assumptions for a sample of loans and investments where the credit risk of the loan has not, or has, increased significantly since initial recognition, respectively; andevaluating whether the disclosures on impairment of loans and financial investments measured at amortized cost comply with the disclosure requirements of the prevailing accounting standards.



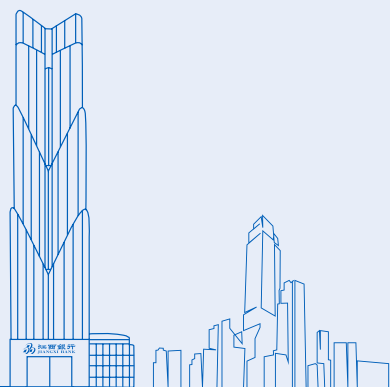
CHAPTER XII INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Fair value of financial instruments

Refer to Note 37 to the consolidated financial statements and the accounting policies in Note 2(9).

The Key Audit Matter	How the matter was addressed in our audit
<p>Financial instruments carried at fair value account for a significant part of the Group's assets. The effect of fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income.</p> <p>The valuation of the Group's financial instruments measured at fair value is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data, in particular for level 1 and level 2 financial instruments in the fair value hierarchy, the valuation techniques for which use quoted market prices and observable inputs, respectively. Where one or more significant inputs are unobservable in the valuation techniques, as in the case of level 3 financial instruments, then estimates need to be developed which can involve significant management judgment.</p> <p>The Group has developed its own models to value certain level 3 financial instruments, which also involve significant management judgment.</p> <p>We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the degree of judgment exercised by management in determining the inputs used in the valuation models.</p>	<p>Our audit procedures to assess the fair value of financial instruments included the following:</p> <ul style="list-style-type: none"> • understanding and assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification, front office and back office reconciliations and model approval for financial instruments; • assessing the level 1 fair values, on a sample basis, by comparing the fair values applied by the Group with publicly available market data; • performing, on a sample basis, independent valuations of level 2 and level 3 financial instruments measured at fair value and comparing these valuations with the valuations of the Group. Our procedures included comparing the valuation models of the Group with our knowledge of practice, testing inputs to the fair value calculations or, with the assistance of our internal valuation specialists, establishing our own valuation models to perform revaluations; and • assessing whether the disclosures in the consolidated financial statements appropriately reflected the Group's exposure to financial instrument valuation risk and met the requirements of the prevailing accounting standards.



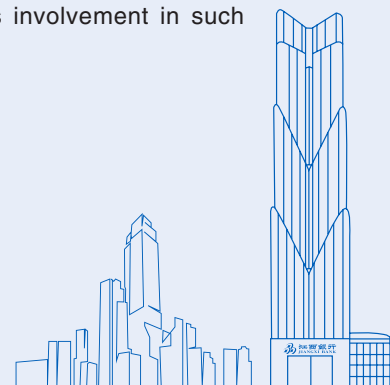
CHAPTER XII INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Consolidation of structured entities

Refer to Note 40 to the consolidated financial statements and the accounting policies in Note 2(27).

The Key Audit Matter	How the matter was addressed in our audit
<p>Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities.</p> <p>The Group may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity, through issuing an asset management plan, a trust plan or a wealth management product.</p> <p>In determining whether a structured entity is required to be consolidated by the Group, management is required to consider the risks and rewards retained, the power the Group is able to exercise over the activities of the entity and its ability to influence the Group's own returns from the entity. These factors are not purely quantitative and need to be considered collectively in the overall substance of the transactions.</p> <p>We identified the consolidation of structured entities as a key audit matter because of the complex nature of certain of these structured entities and the judgement exercised by management in the qualitative assessment of the terms and nature of each entity.</p>	<p>Our audit procedures to assess the consolidation of structured entities included the following:</p> <ul style="list-style-type: none">• understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over consolidation of structured entities;• selecting significant structured entities of each key product type and performing the following procedures for each structured entity selected:<ul style="list-style-type: none">– inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity;– inspecting the risk and reward structure of the structured entity, including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns to assess management's judgement as to the exposure, or rights, to variable returns from the Group's involvement in such an entity;



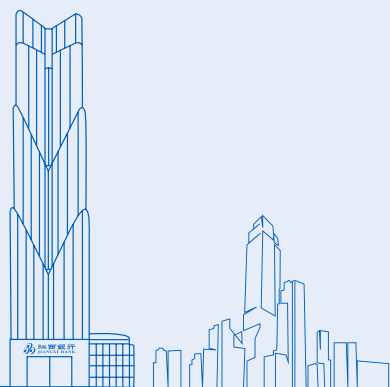
CHAPTER XII INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Consolidation of structured entities

Refer to Note 40 to the consolidated financial statements and the accounting policies in Note 2(27).

The Key Audit Matter	How the matter was addressed in our audit
	<ul style="list-style-type: none">– evaluating management's analysis of the structured entity, including qualitative analysis and the calculation of the magnitude and variability associated with the Group's economic interests in the structured entity to assess management's judgement over the Group's ability to influence its own returns from the structured entity;– assessing management's judgement over whether the structured entity should be consolidated or not; and• assessing whether the disclosures in the consolidated financial statements in relation to structured entities comply with the requirements of the prevailing accounting standards.



CHAPTER XII INDEPENDENT AUDITOR'S REPORT

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

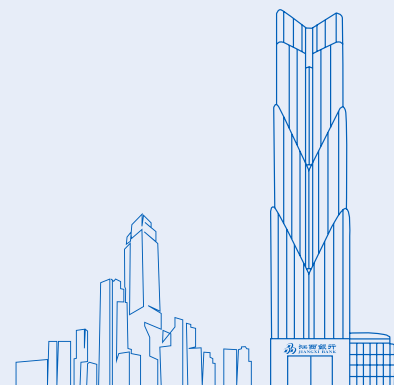
If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.



CHAPTER XII INDEPENDENT AUDITOR'S REPORT

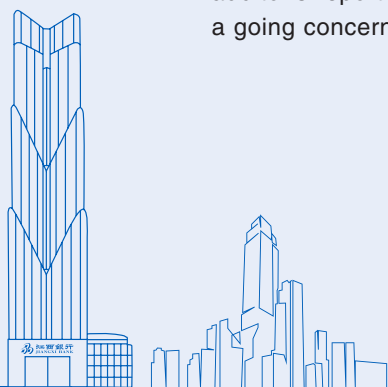
AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



CHAPTER XII INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

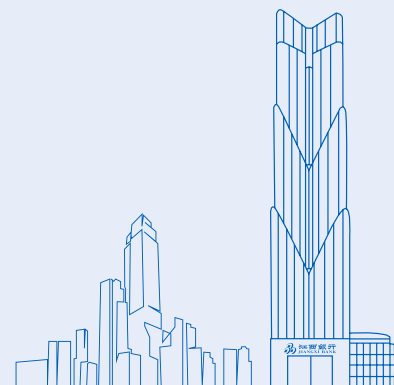
The engagement partner on the audit resulting in this independent auditor's report is Li Ka Lam.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

27 March 2020



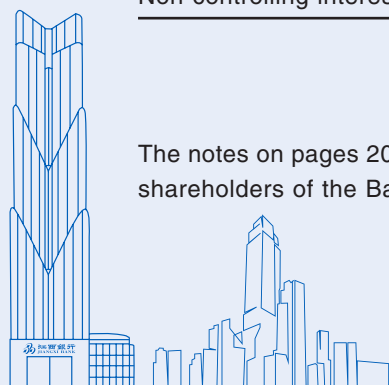
CHAPTER XIII FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

	Note	2019	2018 (Note)
Interest income		20,490,162	18,509,149
Interest expense		(9,871,279)	(9,593,625)
Net interest income	3	10,618,883	8,915,524
Fee and commission income		1,199,146	1,140,403
Fee and commission expense		(532,172)	(487,111)
Net fee and commission income	4	666,974	653,292
Net trading gains	5	138,544	92,729
Net gains arising from financial investments	6	1,474,653	1,367,903
Other operating income	7	53,766	321,161
Operating income		12,952,820	11,350,609
Operating expenses	8	(3,508,048)	(3,529,618)
Impairment losses on assets	11	(6,489,592)	(4,438,373)
Operating profit		2,955,180	3,382,618
Share of profits/(losses) of associates		1,985	(15,544)
Profit before taxation		2,957,165	3,367,074
Income tax expense	12	(848,002)	(595,809)
Profit for the year		2,109,163	2,771,265
Attributable to:			
Equity shareholders of the Bank		2,050,589	2,733,558
Non-controlling interests		58,574	37,707

The notes on pages 206 to 358 form part of these financial statements. Details of dividends payable to equity shareholders of the Bank attributable to the profit for the year are set out in Note 34(a).



CHAPTER XIII FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

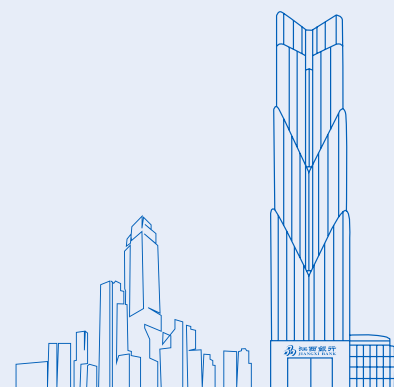
FOR THE YEAR ENDED 31 DECEMBER 2019

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

	Note	2019	2018 (Note)
Profit for the year		2,109,163	2,771,265
Basic and diluted earnings per share (in RMB)	13	0.34	0.51
Other comprehensive income for the year, net of tax			
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		193,571	439,179
– Financial assets at fair value through other comprehensive income: net movement in impairment losses, net of tax		467,818	212,639
Other comprehensive income for the year	33(a)	661,389	651,818
Total comprehensive income for the year		2,770,552	3,423,083
Attributable to:			
Equity shareholders of the Bank		2,711,978	3,385,376
Non-controlling interests		58,574	37,707
Total comprehensive income for the year		2,770,552	3,423,083

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(3).

The notes on pages 206 to 358 form part of these financial statements.



CHAPTER XIII FINANCIAL STATEMENTS

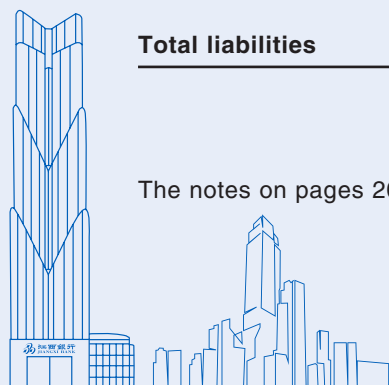
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

	Note	31 December 2019	31 December 2018 (Note)
Assets			
Cash and deposits with the central bank	14	38,810,810	37,740,620
Deposits with banks and other financial institutions	15	1,997,570	3,204,920
Placements with banks and other financial institutions	16	6,301,907	4,024,945
Financial assets held under resale agreements	17	6,833,743	10,966,471
Loans and advances to customers	18	202,989,370	165,523,323
Financial investments :	19		
– Financial investments at fair value through profit or loss		34,921,594	34,324,103
– Financial investments at fair value through other comprehensive income		26,075,381	34,338,819
– Financial investments at amortized cost		128,580,694	122,041,078
Interest in associates	20	120,707	113,722
Property and equipment	22	2,318,010	2,507,638
Deferred tax assets	23	3,022,733	2,194,395
Other assets	24	4,146,010	2,084,240
Total assets		456,118,529	419,064,274
Liabilities and equity			
Liabilities			
Borrowing from the central bank		7,696,259	1,590,065
Deposits from banks and other financial institutions	25	31,212,140	31,863,890
Placements from banks and other financial institutions	26	2,555,016	6,149,980
Borrowing from other financial institutions	27	14,863,272	10,944,698
Financial assets sold under repurchase agreements	28	19,704,409	10,186,847
Deposits from customers	29	284,548,914	260,448,653
Income tax payable		877,231	567,441
Debt securities issued	30	55,178,643	61,129,810
Other liabilities	31	4,394,951	3,371,556
Total liabilities		421,030,835	386,252,940

The notes on pages 206 to 358 form part of these financial statements.



CHAPTER XIII FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

	Note	31 December 2019	31 December 2018 (Note)
Equity			
Share capital	32	6,024,277	6,024,277
Capital reserve	33	14,381,671	13,720,282
Surplus reserve	33	2,709,402	2,518,794
General reserve	33	5,873,807	5,505,856
Retained earnings	34	5,467,098	4,457,010
Total equity attributable to equity shareholders of the Bank		34,456,255	32,226,219
Non-controlling interests		631,439	585,115
Total equity		35,087,694	32,811,334
Total liabilities and equity		456,118,529	419,064,274

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

CHEN Xiaoming
Legal Representative

LUO Yan
President

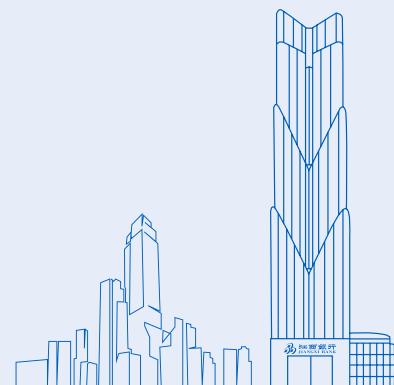
XU Jihong
*The Person In Charge of
Accounting Affairs*

ZHAO Wanxiant
*The Head of the Accounting
Department*

Jiangxi Bank Co., Ltd.
(Company stamp)

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(3).

The notes on pages 206 to 358 form part of these financial statements.



CHAPTER XIII FINANCIAL STATEMENTS

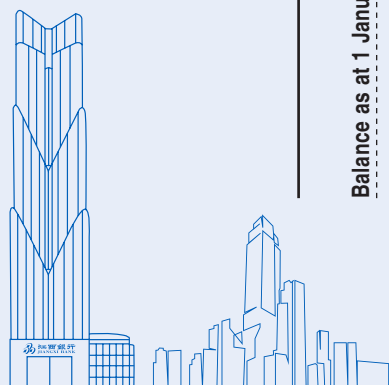
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

	Attributable to equity shareholders of the Bank						Non-controlling interests	Total
	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	Sub-total	
Balance as at 1 January 2019		6,024,277	13,720,282	2,518,794	5,505,856	4,457,010	32,226,219	32,811,334
Changes in equity for the year								
Profit for the year		-	-	-	-	2,050,589	2,050,589	2,109,163
Other comprehensive income		-	661,389	-	-	-	661,389	661,389
Total comprehensive income		-	661,389	-	-	2,050,589	2,711,978	2,770,552
Appropriation of profits	34							
- Appropriation to surplus reserve		-	-	190,608	-	(190,608)	-	-
- Appropriation to general reserve		-	-	-	367,951	(367,951)	-	-
- Appropriation to shareholders		-	-	-	-	(481,942)	(481,942)	(494,192)
Balance at 31 December 2019		6,024,277	14,381,671	2,709,402	5,873,807	5,467,098	34,456,255	35,087,694

The notes on pages 206 to 358 form part of these financial statements.



CHAPTER XIII FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

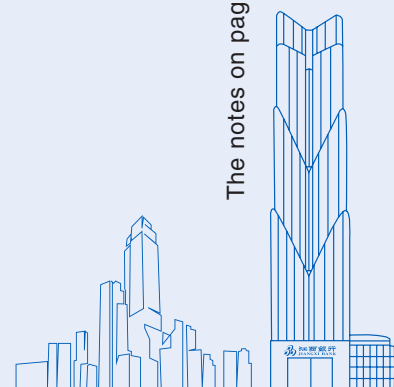
FOR THE YEAR ENDED 31 DECEMBER 2019

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

	Attributable to equity shareholders of the Bank						Non-controlling interests	Total
	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	Sub-total	
Balance at 1 January 2018		4,678,777	7,408,342	2,253,652	4,700,715	3,261,613	22,303,099	22,859,711
Changes in equity for the year								
Profit for the year		-	-	-	-	2,733,558	2,733,558	2,771,265
Other comprehensive income		-	651,818	-	-	-	651,818	651,818
Total comprehensive income		-	651,818	-	-	2,733,558	3,385,376	3,423,083
Issue of H Shares		1,345,500	5,672,967	-	-	-	7,018,467	7,018,467
Change in interest in subsidiary		-	(12,845)	-	-	-	(12,845)	-
Appropriation of profits	34	-	-	265,142	-	(265,142)	-	-
- Appropriation to surplus reserve		-	-	265,142	-	(265,142)	-	-
- Appropriation to general reserve		-	-	-	805,141	(805,141)	-	-
- Appropriation to shareholders		-	-	-	-	(467,878)	(467,878)	(489,927)
Balance at 31 December 2018 (Note)		6,024,277	13,720,282	2,518,794	5,505,856	4,457,010	32,226,219	32,811,334

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(3).

The notes on pages 206 to 358 form part of these financial statements.



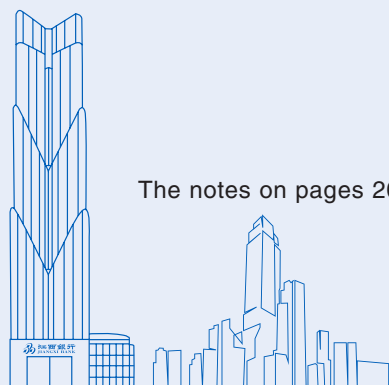
CHAPTER XIII FINANCIAL STATEMENTS

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

	Note	2019	2018 (Note)
Cash flows from operating activities			
Profit before taxation		2,957,165	3,367,074
<i>Adjustments for:</i>			
Impairment losses on assets		6,489,592	4,438,373
Depreciation and amortization		516,675	365,301
Interest income on financial investments		(7,773,018)	(8,266,548)
Unrealized foreign exchange (gains)/losses		(38,168)	38,428
Fair value change of financial investments held for trading		8,794	(33,800)
Net gains arising from financial investments		(1,474,653)	(1,367,903)
Share of (profits)/losses of associates		(1,985)	15,544
Interest expense on lease liabilities		52,589	—
Interest expense on debt securities issued		1,956,612	2,463,019
Net losses on disposal of property and equipment		438	1,064
Others		(118,932)	(89,324)
		2,575,109	931,228
<i>Changes in operating assets</i>			
Net decrease in deposits with the central bank		92,956	3,997,974
Net decrease/(increase) in deposits with banks and other financial institutions		2,051,395	(1,797,504)
Net decrease/(increase) in placements with banks and other financial institutions		412,818	(417,858)
Net decrease in financial assets held under resale agreements		7,610	—
Net increase in loans and advances to customers		(41,724,509)	(42,750,953)
Net increase in financial investments held for trading purpose		(750,052)	(2,196,479)
Net (increase)/decrease in other operating assets		(517,381)	531,229
		(40,427,163)	(42,633,591)

The notes on pages 206 to 358 form part of these financial statements.



CHAPTER XIII FINANCIAL STATEMENTS

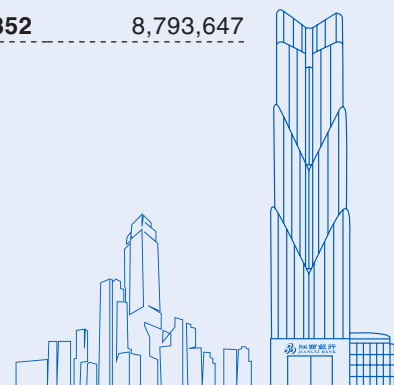
CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

	Note	2019	2018 (Note)
Cash flows from operating activities (continued)			
<i>Changes in operating liabilities</i>			
Net increase/(decrease) in borrowing from the central bank		6,008,688	(2,433,118)
Net (decrease)/increase in deposits from banks and other financial institutions		(401,420)	1,698,105
Net (decrease)/increase in placements from banks and other financial institutions		(3,520,059)	4,720,000
Net increase in borrowing from other financial institutions		3,906,434	2,323,566
Net increase in financial assets sold under repurchase agreements		9,520,088	3,493,721
Net increase in deposits from customers		23,570,280	13,648,693
Net increase/(decrease) in other operating liabilities		27,689	(1,597,998)
		39,111,700	21,852,969
Net cash flows generated from/(used in)			
operating activities before tax		1,259,646	(19,849,394)
Income tax paid		(1,431,073)	(1,079,792)
Net cash flows used in operating activities		(171,427)	(20,929,186)
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		68,101,630	153,084,710
Net cash received from investment gains and interest		8,638,668	8,780,436
Proceeds from disposal of property and equipment and other assets		5,968	3,176
Payments on acquisition of investments		(66,886,756)	(152,689,548)
Payments on acquisition of property and equipment, intangible assets and other assets		(482,158)	(385,127)
Payments on acquisition of interest in associates		(5,000)	—
Net cash flows generated from investing activities		9,372,352	8,793,647

The notes on pages 206 to 358 form part of these financial statements.



CHAPTER XIII FINANCIAL STATEMENTS

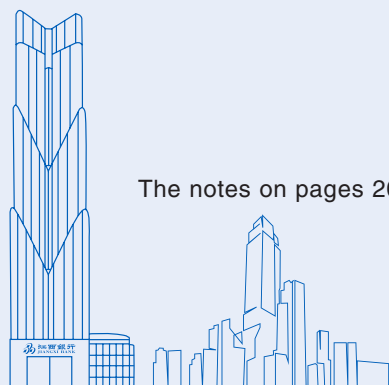
CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

	Note	2019	2018 (Note)
Cash flows from financing activities			
Proceeds from capital contribution by equity shareholders		—	7,018,467
Proceeds from debt securities issued	35(c)	58,087,761	65,525,717
Repayment of debt securities issued	35(c)	(65,420,000)	(49,970,000)
Interest paid on debt securities issued		(575,540)	(671,545)
Capital element of lease rentals paid		(150,876)	—
Dividends paid		(491,942)	(509,777)
Payments for initial public offering (“IPO”) costs		—	(165,592)
Net cash flows (used in)/generated from financing activities		(8,550,597)	21,227,270
Effect of foreign exchange rate changes on cash and cash equivalents		(12,005)	(39,698)
Net increase in cash and cash equivalents	35(a)	638,323	9,052,033
Cash and cash equivalents as at 1 January		22,998,915	13,946,882
Cash and cash equivalents as at 31 December	35(b)	23,637,238	22,998,915
Net cash flows generated from operating activities include:			
Interest received		12,444,127	9,799,173
Interest paid		(7,614,493)	(6,537,524)

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(3).

The notes on pages 206 to 358 form part of these financial statements.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

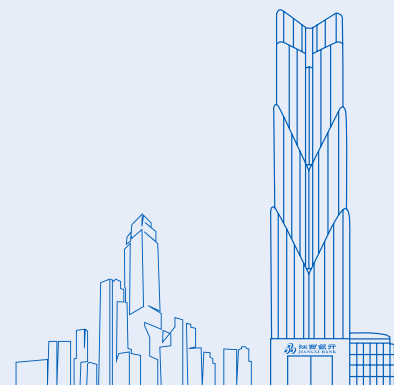
1 BACKGROUND INFORMATION

Jiangxi Bank Co., Ltd. (the “Bank”), formerly known as Nanchang Bank Co., Ltd., headquartered in Nanchang, Jiangxi Province. On 31 December 1997, the Bank was established by Nanchang Municipal Bureau of Finance, several business entities and natural persons, on the basis of formerly 40 urban credit cooperatives located in Nanchang City, with the approval of the People’s Bank of China (“PBOC”). On 18 February 1998, the Bank was registered as Nanchang City Commercial Bank Co., Ltd., with the approval of Jiangxi Province Administration of Industry and Commerce.

On 6 August 2008, the Bank changed its name from Nanchang City Commercial Bank Co., Ltd. to Nanchang Bank Co., Ltd.. On 3 December 2015, the former China Banking Regulatory Commission (the “former CBRC”) promulgated Yinjianfu 2015 No.658 <Approval of the Acquisition of Jingdezhen City Commercial Bank by Nanchang Bank>. On 7 December 2015, Jiangxi Province State Council promulgated GanFuzi 2015 No. 85 <Notice on the Issuance of Establishment Plan for Jiangxi Bank Co., Ltd.>, Nanchang Bank Co., Ltd. acquired Jingdezhen City Commercial Bank Co., Ltd. by acquiring its entire equity interest and changed its name to Jiangxi Bank Co., Ltd. on 11 December 2015. The acquisition is accounted for using acquisition method under IFRS 3, Business Combinations.

The Bank obtained its finance permit No. B0792H236010001 from the former CBRC. The principal activities of the Bank and its subsidiary (collectively referred to as the “Group”) are deposit taking; granting of loans; domestic settlement; foreign exchange business, bill acceptances and discounting; issuing financial bonds; acting as agent to issue, settle and underwrite government bonds; trading of government bonds; inter-bank placement; providing guarantee; acting as agent on inward and outward payments, acting as insurance agent; safe-box service; entrusted loans based on local government fund and other business activities approved by the former CBRC. The Bank is regulated by China Banking Insurance Regulatory Commission (the “CBIRC”) authorized by the State Council.

In June 2018, the Bank’s H Shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 1916).



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (the “IFRSs”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (the “IASB”) and the disclosure requirement of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

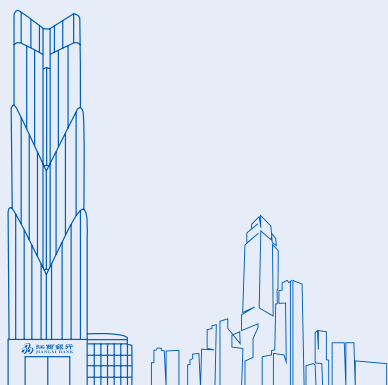
The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(3) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(2) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 comprise the Bank and its subsidiary and the Group’s interest in associates.

The measurement basis used in the preparation of the financial statements is the historical basis, except that financial investments at fair value through other comprehensive income or financial investments at fair value through profit or loss (see Note 2(9)) are stated at their fair value as explained in the accounting policies.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(2) Basis of preparation of the financial statements (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future years if the revision affects both current and future years.

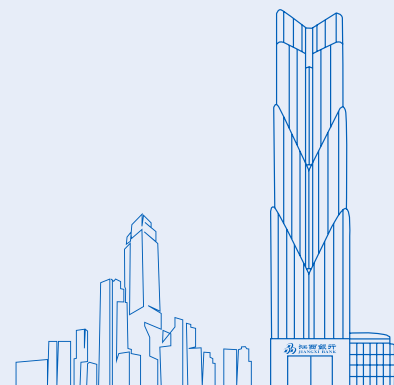
Judgments made by management in the application of IFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 2(27).

The financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the Group.

(3) Changes in accounting policies

The IASB has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(3) Changes in accounting policies (continued)

IFRS 16, Leases

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases – incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognize a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“short-term leases”) and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

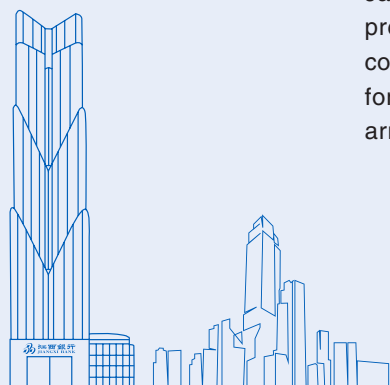
The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognized the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(3) Changes in accounting policies (continued)

IFRS 16, Leases (continued)

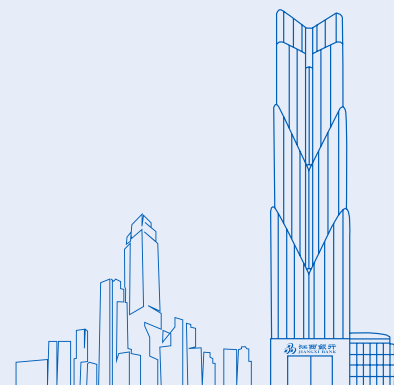
(ii) Lessee accounting and transitional impact

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalize all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalized leases are primarily in relation to property and equipment as disclosed in Note 39(c).

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.25%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

- (a) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019;
- (b) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(3) Changes in accounting policies (continued)

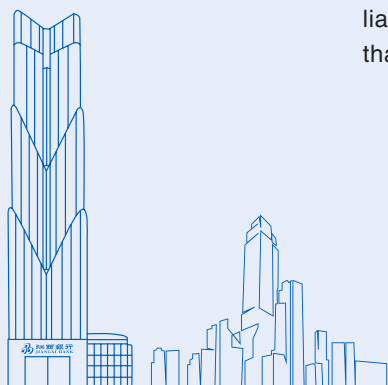
IFRS 16, Leases (continued)

(ii) Lessee accounting and transitional impact (continued)

The following table reconciles the operating lease commitments as disclosed in Note 39(c) as at 31 December 2018 to the opening balance for lease liabilities recognized as at 1 January 2019:

	1 January 2019
Operating lease commitments at 31 December 2018	749,123
Less: commitments relating to leases exempt from capitalisation: – short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(2,219)
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	949,883
	1,696,787
Less: total future interest expenses	(406,827)
Lease liabilities recognized at 1 January 2019	1,289,960
Right-of-use assets recognized at 1 January 2019	1,289,960

The right-of-use assets in relation to leases previously classified as operating leases have been recognized at an amount equal to the amount recognized for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position at 31 December 2018.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(3) Changes in accounting policies (continued)

IFRS 16, Leases (continued)

(iii) Impact on the financial result and cash flows of the Group

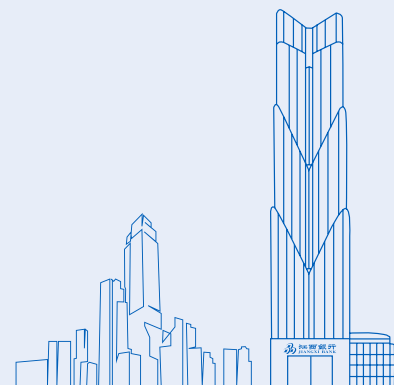
After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognize interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalized leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

(iv) Lessor accounting

The Group leases out a number of items of machinery as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under IAS 17.

Under IFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of IFRS 16 does not have a significant impact on the Group's financial statements in this regard.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(4) Business combinations

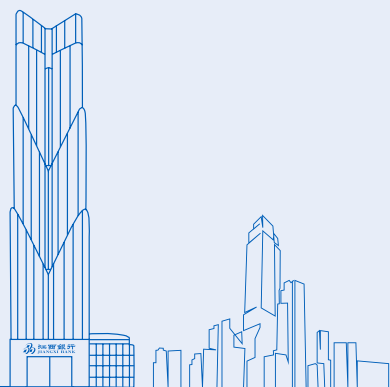
The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

(5) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-Group balances, transactions and cash flows and any unrealized profits arising from intra-Group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-Group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Bank, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

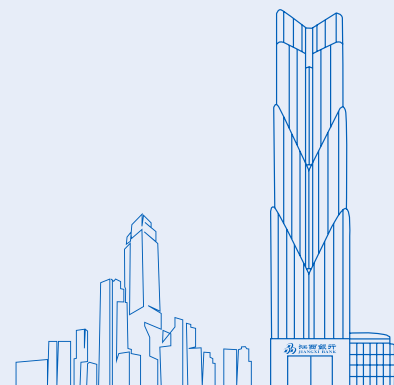
(5) Subsidiaries and non-controlling interests (continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Bank. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Bank.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(9)) or, when appropriate, the cost on initial recognition of an investment in an associate (see Note 2(6)).

In the Bank's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(17)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(6) Associates

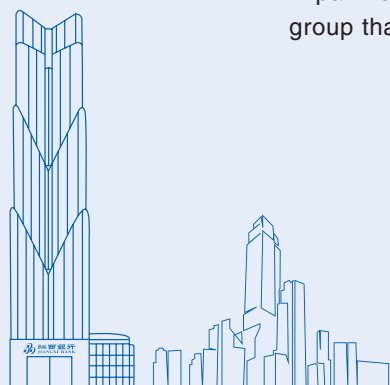
An associate is an entity in which the Group or the Bank has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(17)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognized in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with the Group's any other long-term interests that in substance form part of the Group's net investment in the associate.

Unrealized profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

In the Bank's statement of financial position, investments in associates are stated at cost less impairment losses (see Note 2(17)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(7) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognized in other comprehensive income.

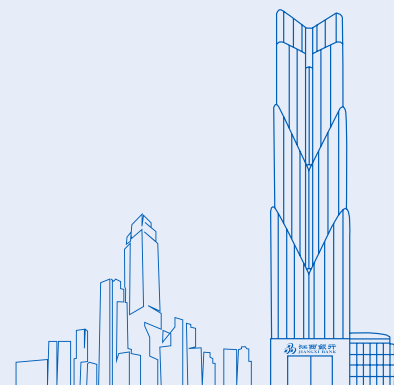
Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognizes such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

(8) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted balances with central bank, short-term deposits and placements with banks and other financial institutions, financial assets held under resale agreements and highly liquid short-term investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(9)(vi).

(9) Financial instruments

Financial instruments include cash and deposits with the central bank, financial investments, receivables, payables, loans and advances to customers, debt securities issued and share capital.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(9) Financial instruments (continued)

(i) *Recognition and initial measurement of financial assets and financial liabilities*

A financial asset or financial liability is recognized in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

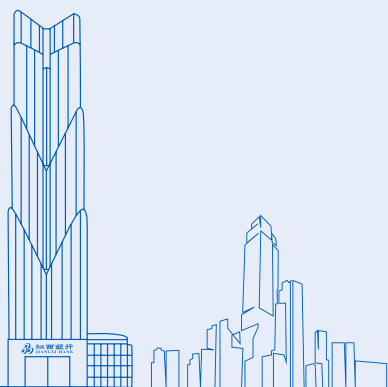
A financial asset and financial liability is measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

(ii) *Classification and subsequent measurement of financial assets*

(a) *Classification of financial assets*

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortized cost, at fair value through other comprehensive income ("FVOCI"), or at fair value through profit or loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(9) Financial instruments (continued)

(ii) Classification and subsequent measurement of financial assets (continued)

(a) Classification of financial assets (continued)

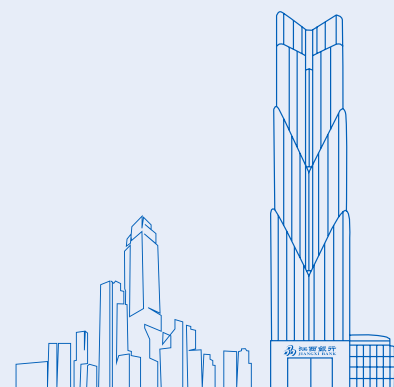
A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(9) Financial instruments (continued)

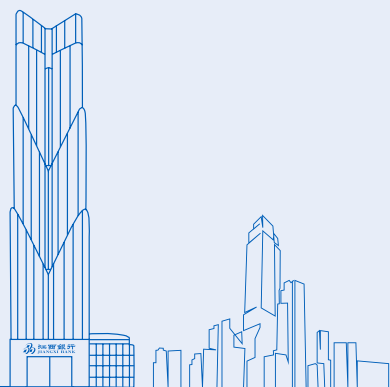
(ii) *Classification and subsequent measurement of financial assets (continued)*

(a) *Classification of financial assets (continued)*

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(9) Financial instruments (continued)

(ii) Classification and subsequent measurement of financial assets (continued)

(b) Subsequent measurement of financial assets

– Financial assets at FVTPL

These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss unless the financial assets are part of a hedging relationship.

– Financial assets at amortized cost

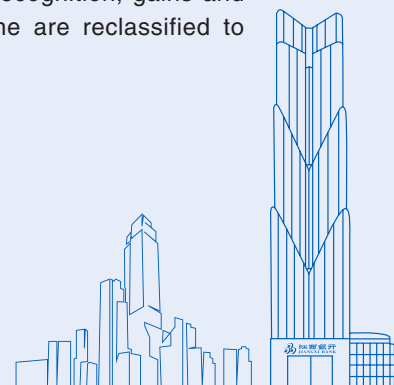
These assets are subsequently measured at amortized cost using the effective interest method. A gain or loss on a financial asset that is measured at amortized cost and is not part of a hedging relationship shall be recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize impairment gains or losses.

– Debt investments measured at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

– Equity investments measured at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(9) Financial instruments (continued)

(iii) *Classification and subsequent measurement of financial liabilities*

Financial liabilities are classified as measured at FVTPL or amortized cost.

- Financial liabilities at FVTPL

A financial liability is classified as at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

Financial liabilities at FVTPL are subsequently measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss, unless the financial liabilities are part of a hedging relationship.

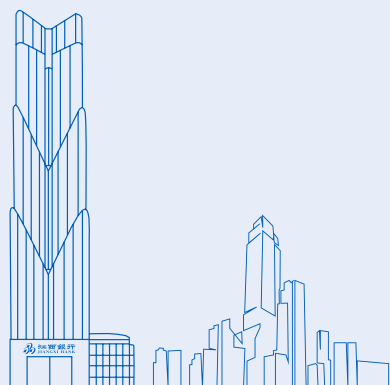
- Financial liabilities at amortized cost

Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

(iv) *Offsetting*

Financial assets and financial liabilities are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- The Group currently has a legally enforceable right to set off the recognized amounts;
- the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(9) Financial instruments (continued)

(v) *Derecognition of financial assets and financial liabilities*

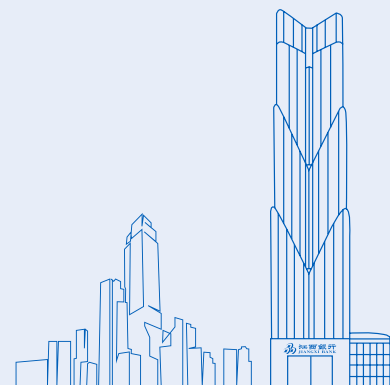
Financial asset is derecognized when one of the following conditions is met:

- the Group's contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or
- the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognized in profit or loss:

- the carrying amount of the financial asset transferred measured at the date of derecognition;
- the sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment measured at FVOCI, any cumulative gain or loss that has been recognized directly in other comprehensive income for the part derecognized.

The Group derecognizes a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(9) Financial instruments (continued)

(vi) Impairment

The Group recognizes loss allowances for expected credit loss (ECL) on:

- financial assets measured at amortized cost;
- loans and advances to customers and debt investments measured at FVOCI;
- lease receivables;
- credit commitments.

Other financial assets measured at fair value, including debt or equity securities at FVTPL and equity securities designated at FVOCI (non-recycling), are not subject to the ECL assessment.

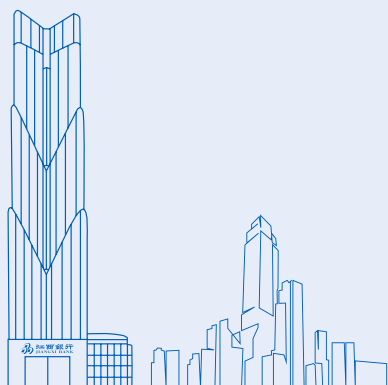
Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months).



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(9) Financial instruments (continued)

(vi) Impairment (continued)

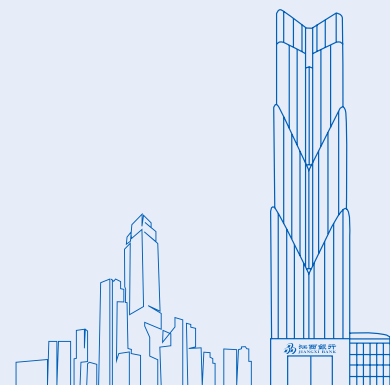
Measurement of ECLs (continued)

The Group measures loss allowances at an amount equal to 12-month ECL for the following financial instruments, and at an amount equal to lifetime ECL for all other financial instruments.

- If the financial instrument is determined to have low credit risk at the balance sheet date;
- If the credit risk on a financial instrument has not increased significantly since initial recognition.

Financial instruments that have low credit risk

The credit risk on a financial instrument is considered low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(9) Financial instruments (continued)

(vi) Impairment (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including forward-looking information. In particular, the following information is taken into account:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(9) Financial instruments (continued)

(vi) Impairment (continued)

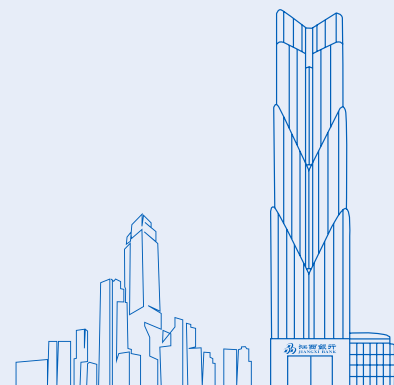
Credit-impaired financial assets

At each balance sheet date, the Group assesses whether financial assets carried at amortized cost and debt investments measured at FVOCI are 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 data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract, such as a default or past due event;
- for economic or contractual reasons relating to the borrower's financial difficulty, the Group having granted to the borrower a concession that would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Presentation of allowances for ECL

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt investments that are measured at FVOCI, for which the loss allowance is recognized in other comprehensive income.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(9) Financial instruments (continued)

(vi) Impairment (continued)

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

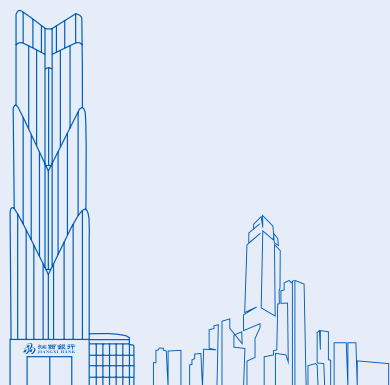
Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(10) Financial assets held under resale and repurchase agreements

Financial assets purchased under agreements to resell are reported not as purchases of the assets but as receivables and are carried in the statements of financial position at amortized cost. Financial assets held under resale agreements are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(9)(vi).

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the statements of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortized cost.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are recognized respectively as interest income and interest expense over the life of each agreement using the effective interest method.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(11) Investment in subsidiaries

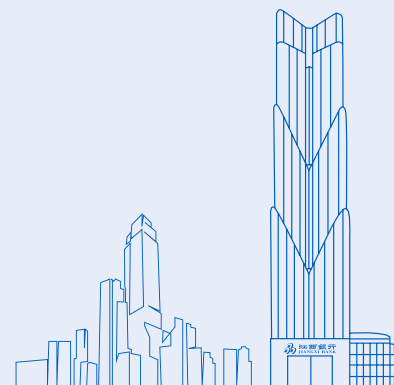
In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the principles described in Note 2(5).

In the Bank's financial statements, investments in subsidiaries are accounted for using the cost method. An investment in a subsidiary acquired other than through a business combination is initially recognized at actual payment cost if the Bank acquires the investment by cash. The investment is stated at cost less impairment loss (see Note 2(17)) in the statements of financial position. Except for declared but not yet distributed cash dividends or profits distribution that have been included in the price or consideration paid in obtaining the investments, the Group recognizes its share of the cash dividends or profit distribution declared by the investees as investment income.

(12) Investment property

Investment property is a property held either for earning rental income or for capital appreciation or for both. Investment property is accounted for using the cost model and stated in the statements of financial position at cost less accumulated depreciation and impairment loss (see Note 2(17)). Investment property is depreciated using the straight-line method over its estimated useful life after taking into account its estimated residual value.

	Estimated useful life	Estimated rate of residual value	Depreciation rate
Premises	20 years	3.00%	4.85%
Land use rights	30 – 50 years	2.00%	1.96% – 3.27%



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(13) Property and equipment and construction in progress

Property and equipment are assets held by the Group for operation and administration purposes with useful lives over one year.

Property and equipment are stated in the statements of financial position at cost less accumulated depreciation and impairment loss (see Note 2(17)). Construction in progress is stated in the statements of financial position at cost less impairment loss (see Note 2(17)).

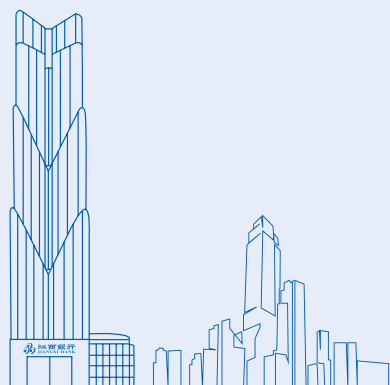
The cost of a purchased property and equipment comprises the purchase price, related taxes, and any expenditure directly attributable to bringing the asset into working condition for its intended use.

All direct and indirect costs that are related to the construction of property and equipment and incurred before the assets are ready for their intended use are capitalized as the cost of construction in progress. Construction in progress is transferred to property and equipment when the item being constructed is ready for its intended use. No depreciation is provided against construction in progress.

Where the individual component parts of an item of property and equipment have different useful lives or provide benefits to the Group in different patterns thus necessitating use of different depreciation rates or methods, they are recognized as a separate property and equipment.

The subsequent costs including the cost of replacing part of an item of property and equipment are recognized in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(13) Property and equipment and construction in progress (continued)

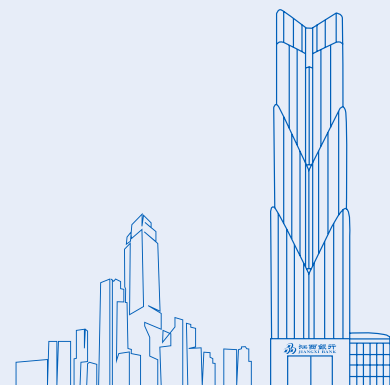
Property and equipment are depreciated using the straight-line method over their estimated useful lives, after taking into account their estimated residual values. The estimated useful lives, residual values and depreciation rates of each class of property and equipment are as follows:

Asset category	Estimated useful life	Estimated rate of residual value	Depreciation rate
Premises	5 – 20 years	3.00% – 5.00%	4.75% – 19.40%
Electronic equipments	3 – 5 years	3.00% – 5.00%	19.00% – 32.33%
Fixtures	5 – 20 years	0.00% – 5.00%	4.75% – 20.00%
Others	3 – 10 years	3.00% – 5.00%	9.50% – 32.33%

Useful lives, residual values and depreciation methods are reviewed at least at each year-end.

(14) Leases assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(14) Leases assets (continued)

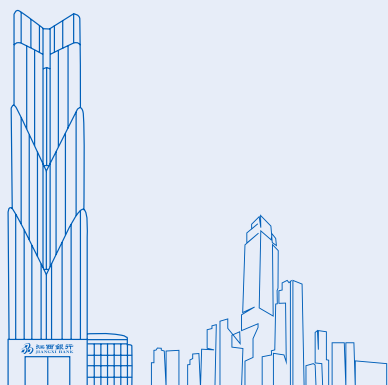
(i) As a lessee

(a) Policy applicable from 1 January 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(14) Leases assets (continued)

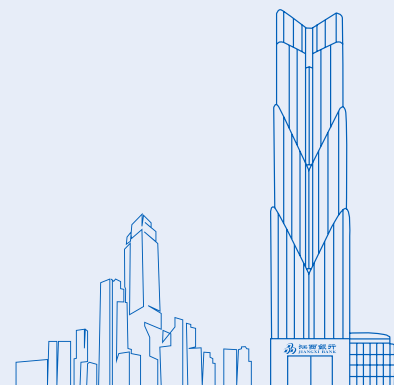
(i) As a lessee (continued)

(a) Policy applicable from 1 January 2019 (continued)

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(17)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'other assets' and presents lease liabilities in 'other liabilities' separately in the statement of financial position.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(14) Leases assets (continued)

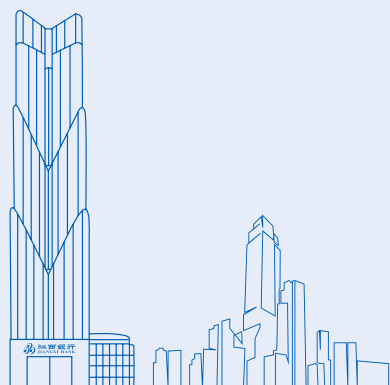
(i) As a lessee (continued)

(b) Policy applicable prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases, with the following exception:

- land held for own use under an operating lease, the fair value of which could not be measured separately from the fair value of a building situated thereon at the inception of the lease, was accounted for as being held under a finance lease, unless the building was also clearly held under an operating lease. For these purposes, the inception of the lease was the time that the lease was first entered into by the Group, or taken over from the previous lessee.

Where the Group acquired the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets were recognized as property, plant and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation was provided at rates which wrote off the cost or valuation of the assets over the term of the relevant lease or, where it was likely the Group would obtain ownership of the asset, the life of the asset, as set out in Note 2(13). Finance charges implicit in the lease payments were charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(14) Leases assets (continued)

(i) As a lessee (continued)

(b) Policy applicable prior to 1 January 2019 (continued)

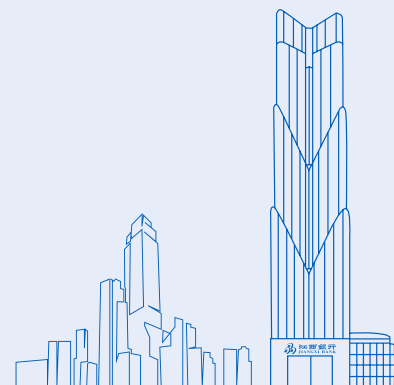
Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognized in accordance with Note 2(22).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 2(14)(i), then the Group classifies the sub-lease as an operating lease.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(15) Intangible assets

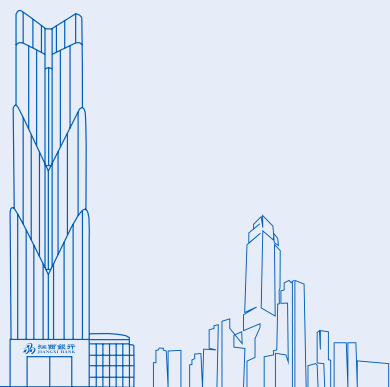
The intangible assets of the Group have finite useful lives. The intangible assets are stated at cost less accumulated amortization and impairment loss (see Note 2(17)). The cost of intangible assets less residual value and impairment loss is amortized on the straight-line method over the estimated useful lives.

The respective amortization periods for intangible assets are as follows:

– Land use rights	30 – 50 years
– Real estate use rights	20 – 25 years
– Computer software	3 – 10 years
– Core deposits	10 years
– Others	20 years

(16) Repossessed assets

Reposessed assets are physical assets or property rights obtained by the Group from debtors, warrantors or third parties following the enforcement of its creditor's rights. The reposessed assets are initially recognized at fair value, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the reposessed assets, the assets are written down to the recoverable amount.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

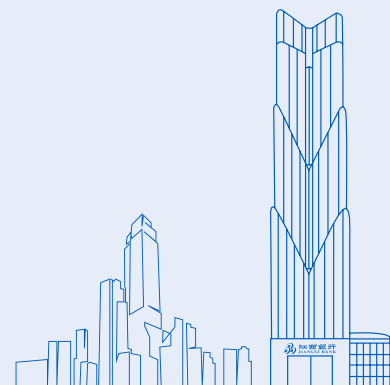
(17) Allowances for impairment losses on non-financial assets

The carrying amounts of the following assets are reviewed at the end of each of the reporting period based on the internal and external sources of information to determine whether there is any indication of impairment:

- property and equipment;
- construction in progress;
- intangible assets;
- right-of-use assets;
- investment property measured using a cost model;
- long-term deferred expenses; and
- investment in subsidiaries and associates.

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated.

A cash-generating unit (“CGU”) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. A CGU is composed of assets directly relating to cash-generation. Identification of a CGU is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Group also considers how management monitors the Group’s operations and how management makes decisions about continuing or disposing of the Group’s assets.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

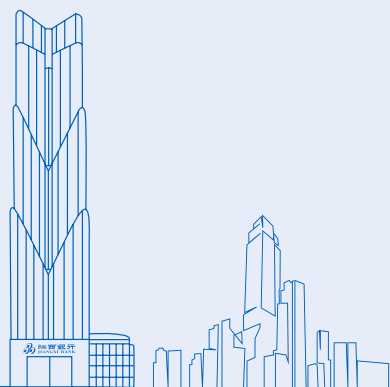
(17) Allowances for impairment losses on non-financial assets (continued)

The recoverable amount of an asset or CGU, or a group of CGUs (hereinafter called “asset”) is the higher of its fair value less costs to sell and its present value of expected future cash flows. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset; if it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the assets belongs.

An asset’s fair value less costs to sell is the amount determined by the price of a sale agreement in an arm’s length transaction, less the costs that are directly attributable to the disposal of the asset. The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using a pre-tax discount rate that reflects expected future cash flows, the useful life and the discount rate specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. A provision for an impairment loss of the asset is recognized accordingly.

If, in a subsequent period, the amount of impairment loss of the non-financial asset decreases and the decrease can be linked objectively to an event occurring after impairment was recognized, the previously recognized impairment loss is reversed through the profit or loss. A reversal of impairment loss is limited to the asset’s carrying amount that would have been determined had no impairment loss been recognized in prior periods.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(18) Employee benefits

(i) *Short-term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

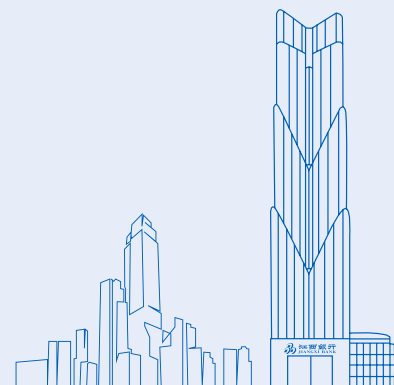
The defined contribution retirement plans of the Group include the social pension schemes.

Social pension schemes

Pursuant to the relevant laws and regulations in the PRC, the Group has participated in the social pension schemes for the employees arranged by local government labour and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the government. The contributions are charged to the profit or loss on an accrual basis. When employees retire, the local government labour and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

Housing fund and other social insurances

In addition to the retirement benefits above, the Group has joined social security contributions schemes for employees pursuant to the relevant laws and regulations of the PRC. These schemes include a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances schemes at the applicable rates based on the amounts stipulated by the relevant government authorities. The contributions are charged to profit or loss on an accrual basis.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(18) Employee benefits (continued)

(ii) *Supplementary retirement benefits*

Early retirement benefits

According to the Group's policy on early retirement benefits, certain employees are entitled to take leave of absence and in return receive a certain level of staff salaries and related benefits from the Group. The salaries and benefit payments are made from the date of early retirement to the normal retirement date. The amounts of retirement benefits expense and present value of these liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, retirement benefit growth rates and other factors. Gains and losses arising from the changes in assumptions and amendments to pension plans are recognized in the income statement as they occur.

Retirement benefit annuity plan

In addition to the basic pension insurance scheme, employees and early retirees of the Group also participate in a defined contribution plan established by the Group (the "Annuity Plan"). The Group and its employees are required to contribute a certain percentage of the employees' previous year basic salaries to the Annuity Plan. The contribution is charged to the income statement when it incurs. The Group has no obligation to pay further contributions if the Annuity Plan does not hold sufficient assets to pay all employee benefits.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(19) Income tax

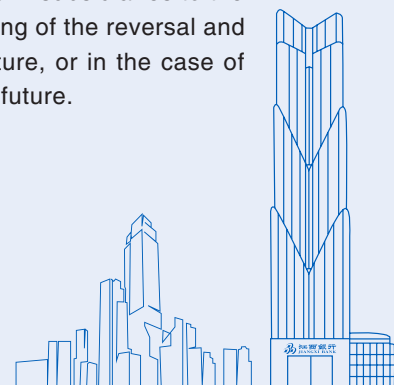
Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(19) Income tax (continued)

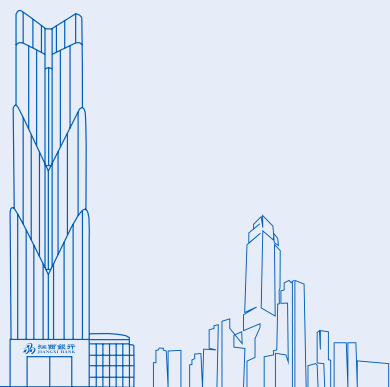
The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Bank or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Bank or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(20) Financial guarantees, provisions and contingent liabilities

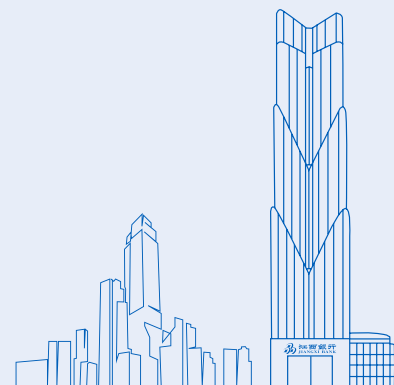
(i) *Financial guarantees*

Financial guarantees are contracts that require the issuer (the “guarantor”) to make specified payments to reimburse the beneficiary of the guarantee (“holder”) for a loss that the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The fair value of the guarantee (being the guarantee fees received) is initially recognized as deferred income in other liabilities. The deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued. Provisions are recognized in the statements of financial position as stated in Note 2(20)(ii) if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and the amount of that claim on the Group is expected to exceed the carrying amount of the deferred income.

(ii) *Other provisions and contingent liabilities*

A provision is recognized for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows.

For a possible obligation resulting from a past transaction or event whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events or a present obligation resulting from a past transaction or event, where it is not probable that the settlement of the above obligation will cause an outflow of economic benefits, or the amount of the outflow cannot be estimated reliably, the possible or present obligation is disclosed as a contingent liability.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(21) Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding (“entrusted funds”) to the Group, and the Group grants loans to third parties (“entrusted loans”) under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No allowances for impairment loss is made for entrusted loans.

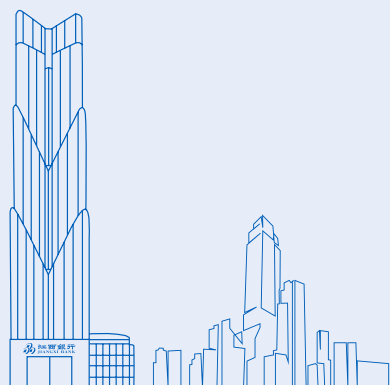
(22) Income recognition

Income is recognized when the Group satisfies the performance obligation in the contract which by transferring the control over relevant goods or services to the customers.

The following is the description of accounting policies regarding income from the Group's principal activities.

(i) Interest income

Interest income for financial assets is recognized in profit or loss as it is incurred, based on the time for alienation of right to use capital and effective interest rates. Interest income includes the amortization of any discount or premium or differences between the initial carrying amount of an interest-bearing asset and its amount at maturity calculated using the effective interest rate.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(22) Income recognition (continued)

(i) Interest income (continued)

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.

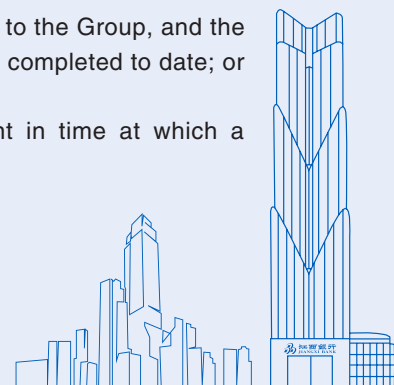
Interest on the impaired assets is recognized using the rate of interest used to discount future cash flows for the purpose of measuring the related impairment loss.

(ii) Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. The fee and commission income recognized by the Group reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring promised services to customers, and income is recognized when its performance obligation in contracts is satisfied.

The Group recognizes income over time by measuring the progress towards the complete satisfaction of a performance obligation, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The customer controls the service provided by the Group in the course of performance;
- The Group does not provide service with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date; or
- In other cases, the Group recognizes revenue at a point in time at which a customer obtains control of the promised services.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(22) Income recognition (continued)

(iii) Government grants

Government grants are recognized in the statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(iv) Other income

Other income is recognized on an accrual basis.

(23) Expenses recognition

(i) Interest expense

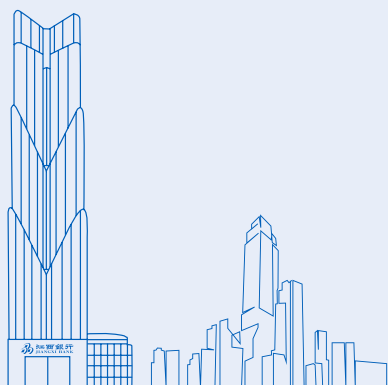
Interest expense from financial liabilities is accrued on a time proportion basis with reference to the amortized cost and the applicable effective interest rate.

(ii) Other expenses

Other expenses are recognized on an accrual basis.

(24) Dividends

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorized and declared after the end of each of the reporting period are not recognized as a liability at the end of each of the reporting period but disclosed separately in the notes to the financial statements.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

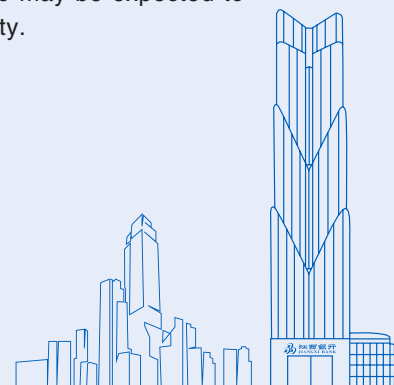
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(25) Related parties

- (i) A person, or a close member of that person's family, is related to the Group if that person:
 - (a) has control or joint control over the Group;
 - (b) has significant influence over the Group; or
 - (c) is a member of the key management personnel of the Group or the Group's parent.
- (ii) An entity is related to the Group if any of the following conditions applies:
 - (a) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member);
 - (c) Both entities are joint ventures of the same third party;
 - (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (f) The entity is controlled or jointly controlled by a person identified in (i);
 - (g) A person identified in (i) (a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
 - (h) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(26) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

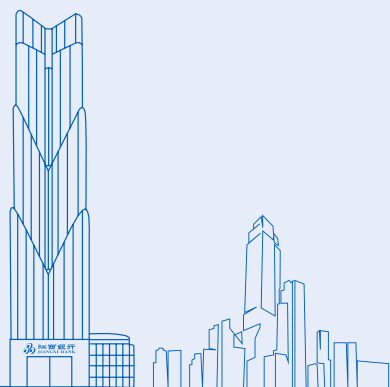
Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(27) Significant accounting estimates and judgements

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. Estimates as well as underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Except for accounting estimates relating to depreciation and amortization of assets such as investment property, property and equipment and construction in progress, intangible assets and other assets (see Note 2(12), Note 2(13) and Note 2(15)) and allowances for impairment losses of various types of assets (see Notes 15, 16, 17, 18, 19, 22 and 24). Other significant accounting estimates are as follows:

- (i) Note 23: Recognition of deferred tax assets;
- (ii) Note 37: Fair value measurements of financial instruments; and
- (iii) Note 40: Equity in a structured entity not included in the consolidation scope.

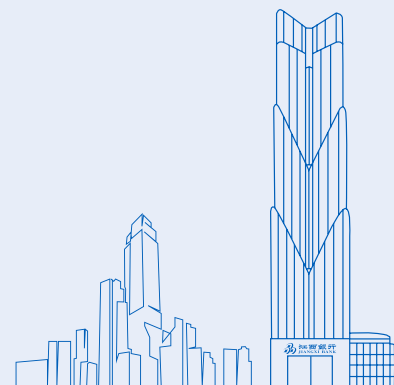


CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

3 NET INTEREST INCOME

	2019	2018
Interest income arising from		
Financial investments	7,773,018	8,266,548
Loans and advances to customers		
– Corporate loans and advances	6,419,602	5,358,527
– Personal loans and advances	4,901,204	3,616,701
– Discounted bills	416,796	153,220
Deposits with the central bank	462,620	520,277
Financial assets held under resale agreements	409,583	380,596
Deposits with banks and other financial institutions	26,376	109,413
Placements with banks and other financial institutions	80,963	103,867
Sub-total	20,490,162	18,509,149
Interest expense arising from		
Deposits from customers	(5,510,929)	(4,391,182)
Debt securities issued	(1,956,612)	(2,463,019)
Deposits from banks and other financial institutions	(1,175,217)	(1,598,383)
Borrowing from other financial institutions	(545,292)	(502,353)
Financial assets sold under repurchase agreements	(377,821)	(402,966)
Placements from banks and other financial institutions	(158,318)	(214,352)
Borrowing from the central bank	(124,328)	(17,747)
Bill rediscounted	(22,762)	(3,623)
Sub-total	(9,871,279)	(9,593,625)
Net interest income	10,618,883	8,915,524



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

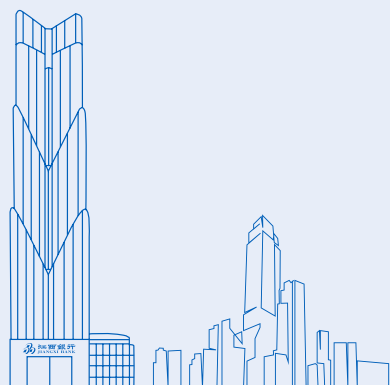
4 NET FEE AND COMMISSION INCOME

	2019	2018
Fee and commission income		
Agency and custody services fees	490,234	392,746
Financial leasing service fees	235,871	163,395
Bank card service fees	209,112	212,071
Settlement and electronic channel business fees	142,285	224,647
Acceptance and guarantee service fees	73,977	47,101
Advisory and consulting fees	37,793	85,629
Others	9,874	14,814
Sub-total	1,199,146	1,140,403
Fee and commission expense		
Platform cooperation fees	(399,850)	(352,968)
Transaction fees	(55,614)	(59,452)
Settlement and clearing fees	(50,092)	(71,398)
Financial leasing service fees	(25,701)	(2,794)
Others	(915)	(499)
Sub-total	(532,172)	(487,111)
Net fee and commission income	666,974	653,292

5 NET TRADING GAINS

	2019	2018
Net gains from debt securities	138,544	92,729

Net gains from debt securities include gains arising from the buying and selling of, and changes in the fair value of financial assets held for trading.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

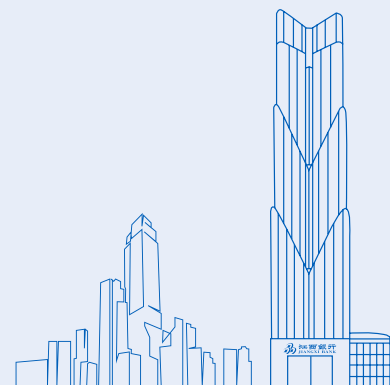
6 NET GAINS ARISING FROM FINANCIAL INVESTMENTS

	Note	2019	2018
Net gains on financial investments at fair value through profit or loss	(i)	925,401	506,128
Realized gains from investment funds		493,392	821,114
Net gains on financial investments at fair value through other comprehensive income		48,723	39,932
Dividend income		5,983	1,100
Net gains/(losses) on financial investments at amortized cost		1,154	(371)
Total		1,474,653	1,367,903

- (i) Net gains on financial investments at fair value through profit or loss include the investment income and fair value changes of financial investments at fair value through profit or loss except for debt securities held for trading.

7 OTHER OPERATING INCOME

	2019	2018
Foreign exchange gains	15,230	327,933
Government grants	28,520	18,451
Rental income	8,463	7,865
Net losses on disposal of property and equipment	(438)	(1,064)
Others	1,991	(32,024)
Total	53,766	321,161



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

8 OPERATING EXPENSES

	2019	2018
Staff costs		
– Salaries, bonuses and allowances	1,460,453	1,340,248
– Social insurance and supplementary retirement benefits	240,652	232,193
– Housing fund	94,254	82,592
– Staff welfares	84,025	124,675
– Employee education expenses and labour union expenses	40,754	36,395
– Others	29,730	24,612
Sub-total	1,949,868	1,840,715
Depreciation and amortization	516,675	365,301
Tax and surcharges	130,134	70,078
Rental and property management expenses	78,389	201,893
Interest expense on lease liabilities	52,589	–
Other general and administrative expenses	780,393	1,051,631
Total	3,508,048	3,529,618

Auditor's remuneration for the year ended 31 December 2019 was RMB3.50 million (31 December 2018: RMB3.50 million).



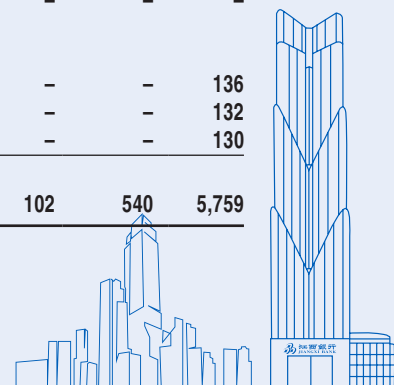
CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' and supervisors' emoluments disclosed pursuant to Section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Year ended 31 December 2019								
	Note	Fees	Salaries	Discretionary bonuses	Sub-total	Contributions by the employer to social insurance and staff welfares, housing fund, etc	Other welfares	Total
Executive directors								
Chen Xiaoming	(5)	–	711	–	711	17	104	832
Luo Yan	(5)	–	711	–	711	17	164	892
Xu Jihong	(5)	–	575	–	575	17	99	691
Non-executive directors								
Que Yong		–	–	–	–	–	–	–
Li Zhanrong		–	–	–	–	–	–	–
Liu Sanglin		–	–	–	–	–	–	–
Zhuo Liping	(3)	–	–	–	–	–	–	–
Huang Zhenping	(3)	–	–	–	–	–	–	–
Deng Jianxin		–	–	–	–	–	–	–
Independent non-executive directors								
Zhang Rui		151	–	–	151	–	–	151
Zhang Wangxia		138	–	–	138	–	–	138
Wong Hin Wing		222	–	–	222	–	–	222
Wang Yun		156	–	–	156	–	–	156
Ou Minggang	(3)	–	–	–	–	–	–	–
Yan Hongbo	(3)	–	–	–	–	–	–	–
Internal Supervisors								
Liu Fulin	(5)	–	711	–	711	17	104	832
Tao Yulan		–	874	–	874	17	42	933
Chen Xinxiang		–	470	–	470	17	27	514
Zhou Minhui		–	–	–	–	–	–	–
Yu Han	(4)	–	–	–	–	–	–	–
External supervisors								
Shi Zhongliang		136	–	–	136	–	–	136
Li Danlin		132	–	–	132	–	–	132
Shi Jing		130	–	–	130	–	–	130
Total		1,065	4,052	–	5,117	102	540	5,759

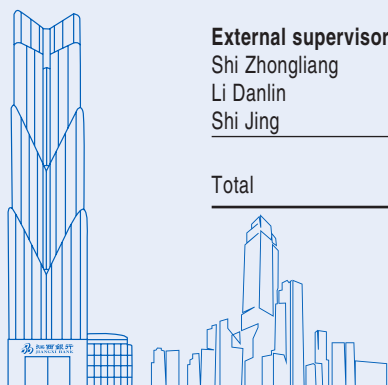


CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

Year ended 31 December 2018								
	Note	Fees	Salaries	Discretionary bonuses	Sub-total	Contributions by the employer to social insurance and staff welfares, housing fund, etc	Other welfares	Total
Executive directors								
Chen Xiaoming		–	2,527	–	2,527	17	131	2,675
Luo Yan		–	2,317	–	2,317	16	93	2,426
Xu Jihong		–	2,022	–	2,022	17	126	2,165
Wu Hongtao	(1)	–	59	–	59	1	–	60
Tong Yuming	(1)	–	674	–	674	5	38	717
Non-executive directors								
Que Yong		–	–	–	–	–	–	–
Li Zhanrong		–	–	–	–	–	–	–
Liu Sanglin		–	–	–	–	–	–	–
Chen Yu	(2)	–	–	–	–	–	–	–
Zeng Zhibin	(2)	–	–	–	–	–	–	–
Deng Jianxin		–	–	–	–	–	–	–
Tang Xianqing	(2)	–	–	–	–	–	–	–
Independent non-executive directors								
Zhang Rui		150	–	–	150	–	–	150
Guo Tianyong	(2)	150	–	–	150	–	–	150
Zhang Wangxia		150	–	–	150	–	–	150
Wong Hin Wing		200	–	–	200	–	–	200
Wang Yun		150	–	–	150	–	–	150
Internal Supervisors								
Liu Fulin		–	2,527	–	2,527	17	131	2,675
Tao Yulan		–	797	132	929	17	64	1,010
Chen Xinxiang		–	402	28	430	17	39	486
Chen Chuxin	(2)	–	–	–	–	–	–	–
Zhou Minhui		–	–	–	–	–	–	–
Huang Zhenping	(3)	–	–	–	–	–	–	–
External supervisors								
Shi Zhongliang		164	–	–	164	–	–	164
Li Danlin		168	–	–	168	–	–	168
Shi Jing		161	–	–	161	–	–	161
Total		1,293	11,325	160	12,778	107	622	13,507



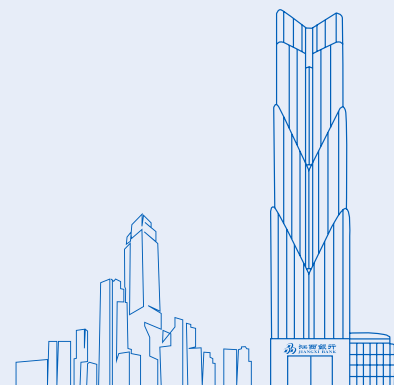
CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

- (1) Wu Hongtao resigned as executive director of the Bank on 6 February 2018. Tong Yuming retired as executive director of the Bank on 26 March 2018.
- (2) At the 2018 Shareholders' annual general meeting held on 31 May 2019, Chen Yu, Zeng Zhibin and Tang Xianqing resigned as non-executive director of the Bank. Guo Tianyong resigned as Independent non-executive director of the Bank. Chen Chuxin resigned as internal supervisor of the Bank.
- (3) At the 2018 Shareholders' annual general meeting held on 31 May 2019, Zhuo Liping and Huang Zhenping were elected as non-executive directors of the Bank; Ou Minggang and Yan Hongbo were elected as independent non-executive directors of the Bank. The appointments of the four directors are still awaiting approval from the CBRIC.
- (4) At the 2018 Shareholders' annual general meeting held on 31 May 2019, Yu Han and Chen Jun were elected as internal supervisor of the Bank. On 31 December 2019, Chen Jun resigned as internal supervisor of the Bank.
- (5) The performance compensation included in salaries of Chen Xiaoming, Luo Yan, Xu Jihong and Liu Fulin is still awaiting approval from Jiangxi Provincial Department of Finance. Therefore, the performance compensation was not included in the above directors' and supervisors' emoluments.

There was no amount paid during the year ended 31 December 2019 to the directors in connection with their retirement from employment or compensation for loss of office with the Group, or inducement to join the Group (31 December 2018: nil). There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the year ended 31 December 2019 (31 December 2018: nil).



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the year ended 31 December 2019, the five individuals with the highest emolument included 2 directors and 2 supervisors (2018: 3 directors and 1 supervisor). Their emoluments are disclosed in Note 9.

The emoluments for the other highest paid individuals as at 31 December were as follows:

	2019	2018
Salaries and other emoluments	575	2,022
Discretionary bonuses	—	—
Contributions by the employer to social insurance and staff welfares, housing fund, etc	17	17
Others	135	126
Total	727	2,165

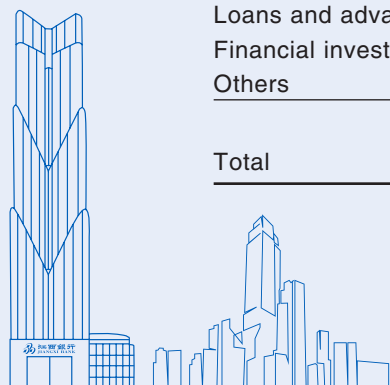
The number of these individuals whose emoluments are within the following bands is set out below:

	2019	2018
RMB2,000,001-2,500,000	—	1
Total	—	1

None of these individuals received any inducement to join or upon joining the Group or compensation for loss of office, or waived any emoluments during the year ended 31 December 2019 (31 December 2018: nil).

11 IMPAIRMENT LOSSES ON ASSETS

	2019	2018
Loans and advances to customers	4,638,403	2,410,366
Financial investments	1,780,938	1,980,662
Others	70,251	47,345
Total	6,489,592	4,438,373



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

12 INCOME TAX EXPENSE

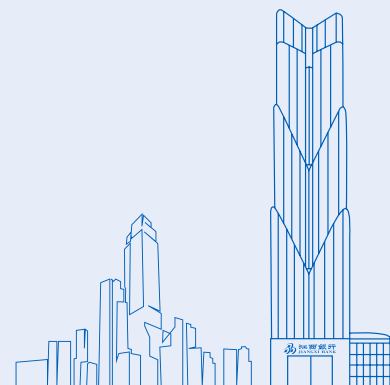
(a) Income tax expense:

	Note	2019	2018
Current tax		1,670,800	1,259,777
Tax filing differences		70,063	(45,224)
Changes in deferred tax	23(b)	(892,861)	(618,744)
Total		848,002	595,809

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

	Note	2019	2018
Profit before taxation		2,957,165	3,367,074
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		739,291	841,769
Non-taxable income	(i)	(234,703)	(309,306)
Non-deductible expenses		273,351	108,570
Tax filing differences		70,063	(45,224)
Income tax expense		848,002	595,809

- (i) The non-taxable income mainly represents the interest income arising from the PRC government bonds and realized gains from investment funds.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

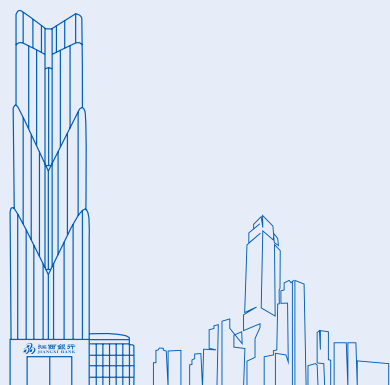
13 BASIC AND DILUTED EARNINGS PER SHARE

	Note	2019	2018
Net profit attributable to equity shareholders of the Bank		2,050,589	2,733,558
Weighted average number of ordinary shares (in thousands)	(i)	6,024,277	5,363,902
Basic and diluted earnings per share attributable to equity shareholders of the Bank (in RMB)		0.34	0.51

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

(i) Weighted average number of ordinary shares (in thousand shares)

	2019	2018
Number of ordinary shares as at 1 January	6,024,277	4,678,777
Increase in weighted average number of ordinary shares	—	685,125
Weighted average number of ordinary shares	6,024,277	5,363,902



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

14 CASH AND DEPOSITS WITH THE CENTRAL BANK

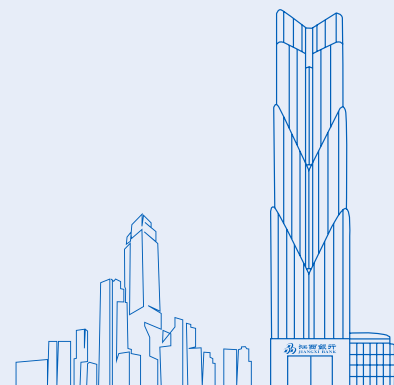
	Note	31 December 2019	31 December 2018
Cash on hand		716,685	776,920
Deposits with the central bank			
– Statutory deposit reserves	(a)	27,090,864	27,543,290
– Surplus deposit reserves	(b)	7,790,607	6,575,168
– Fiscal deposits		3,199,718	2,831,913
Sub-total		38,797,874	37,727,291
Accrued interest		12,936	13,329
Total		38,810,810	37,740,620

- (a) The Bank places statutory deposit reserves with the PBOC in accordance with relevant regulations. As at 31 December, the statutory deposit reserve ratios applicable to the Bank were as follows:

	31 December 2019	31 December 2018
Reserve ratio for RMB deposits	9.5%	11.0%
Reserve ratio for foreign currency deposits	5.0%	5.0%

The statutory deposit reserves are not available for the Bank's daily business.

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



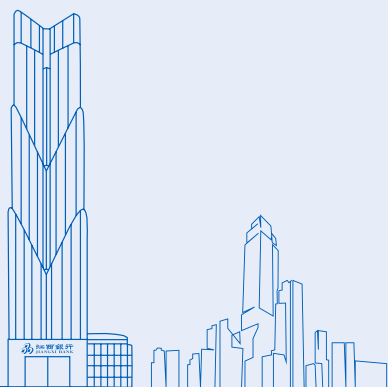
CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

15 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analyzed by type and location of counterparty

	31 December 2019	31 December 2018
In mainland China		
– Banks	1,098,896	2,999,606
– Other financial institutions	–	10,183
Sub-total	1,098,896	3,009,789
Outside mainland China		
– Banks	897,780	125,763
Gross balance	1,996,676	3,135,552
Accrued interest	1,122	69,794
Less: Allowances for impairment losses	(228)	(426)
Net balance	1,997,570	3,204,920



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

16 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

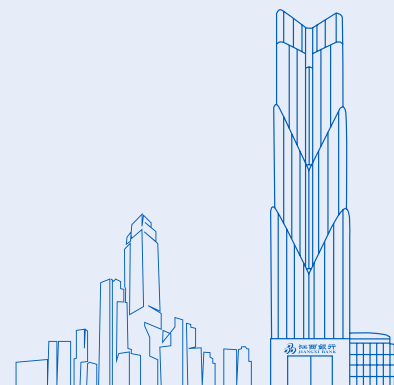
Analyzed by type and location of counterparty

	31 December 2019	31 December 2018
In mainland China		
– Banks	–	212,756
– Other financial institutions	6,300,000	3,800,002
Gross balance	6,300,000	4,012,758
Accrued interest	3,019	12,633
Less: Allowances for impairment losses	(1,112)	(446)
Net balance	6,301,907	4,024,945

17 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analyzed by type and location of counterparty

	31 December 2019	31 December 2018
In mainland China		
– Banks	6,833,270	10,962,670
Accrued interest	491	3,805
Less: Allowances for impairment losses	(18)	(4)
Net balance	6,833,743	10,966,471



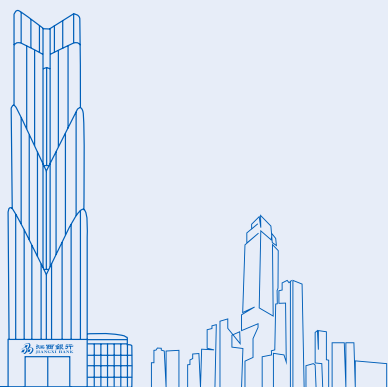
CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

17 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (continued)

(b) Analyzed by type of collateral

	31 December 2019	31 December 2018
Debt securities		
– Government	5,699,400	1,300,000
– Policy Banks	799,460	9,440,480
– Corporate	250,260	–
– Commercial banks and other financial institutions	84,150	222,190
Sub-total	6,833,270	10,962,670
Accrued interest	491	3,805
Less: Allowances for impairment losses	(18)	(4)
Net balance	6,833,743	10,966,471



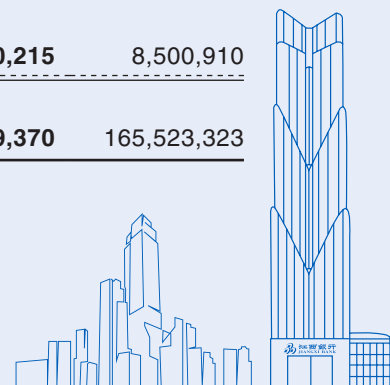
CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

18 LOANS AND ADVANCES TO CUSTOMERS

(a) Analyzed by nature

	31 December 2019	31 December 2018
Loans and advances to customers measured at amortized cost		
Corporate loans and advances	112,289,372	95,069,386
Personal loans and advances		
– Residential mortgage	55,481,153	43,821,630
– Personal business loans	8,080,562	6,441,537
– Personal consumption loans	13,458,846	13,184,086
– Credit cards	3,706,981	3,483,152
Sub-total	80,727,542	66,930,405
Gross loans and advances to customers measured at amortized cost	193,016,914	161,999,791
Accrued interest	765,603	581,136
Less: Allowances for impairment losses on loans and advances to customers measured at amortized cost	(7,793,362)	(5,558,514)
Net loans and advances to customers measured at amortized cost	185,989,155	157,022,413
Loans and advances to customers measured at FVOCI		
Corporate loans and advances	1,552,483	538,711
Discounted bills	15,447,732	7,962,199
Total amount of loans and advances to customers measured at FVOCI	17,000,215	8,500,910
Net loans and advances to customers	202,989,370	165,523,323



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

18 LOANS AND ADVANCES TO CUSTOMERS (continued)

(b) Analyzed by industry sector

	31 December 2019		Loans and advances secured by collaterals
	Amount	Percentage	
Leasing and commercial services	26,183,587	12.47%	10,036,462
Wholesale and retail trade	19,376,997	9.23%	5,113,582
Water conservancy, environment and public facility management	16,702,338	7.95%	5,508,095
Manufacturing	12,575,138	5.99%	2,019,960
Construction	11,309,428	5.39%	2,029,482
Real estate	10,676,667	5.08%	3,828,860
Transportation, storage and postal services	2,407,706	1.15%	1,638,439
Finance	1,899,756	0.90%	—
Information transmission, computer services and software	1,699,123	0.81%	290,706
Production and Distribution of Electricity, Heating Power, Gas and Water	1,606,695	0.77%	873,385
Others	9,404,420	4.47%	2,466,869
Sub-total of corporate loans and advances	113,841,855	54.21%	33,805,840
Personal loans and advances	80,727,542	38.44%	57,593,074
Discounted bills	15,447,732	7.35%	—
Gross loans and advances to customers	210,017,129	100.00%	91,398,914



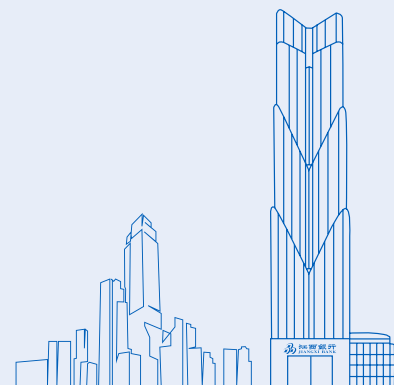
CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

18 LOANS AND ADVANCES TO CUSTOMERS (continued)

(b) Analyzed by industry sector (continued)

	31 December 2018		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail	19,650,000	11.52%	5,327,732
Water conservancy, environment and public facility management	15,946,956	9.35%	4,984,651
Leasing and commercial services	15,254,968	8.95%	5,419,739
Manufacturing	13,189,390	7.74%	2,313,891
Construction	9,275,280	5.44%	2,215,088
Real estate	7,571,747	4.44%	3,303,040
Transportation, storage and postal services	3,007,737	1.76%	1,708,726
Production and distribution of electricity, heating power, gas and water	1,869,125	1.10%	1,064,275
Accommodation and catering	1,616,348	0.95%	1,170,084
Education	1,279,736	0.75%	154,676
Others	6,946,810	4.07%	1,489,218
Sub-total of corporate loans and advances	95,608,097	56.07%	29,151,120
Personal loans and advances	66,930,405	39.26%	44,791,279
Discounted bills	7,962,199	4.67%	—
Gross loans and advances to customers	170,500,701	100.00%	73,942,399



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

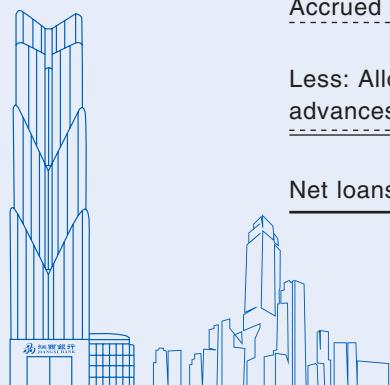
18 LOANS AND ADVANCES TO CUSTOMERS (continued)

(c) Analyzed by geographical area

	31 December 2019	
	Amount	Percentage
Nanchang area	87,130,155	41.49%
Within Jiangxi Province (apart from Nanchang area)	75,300,619	35.85%
Outside Jiangxi Province	30,845,347	14.69%
Head office	16,741,008	7.97%
Gross loans and advances to customers	210,017,129	100.00%
	31 December 2018	
	Amount	Percentage
Nanchang area	72,115,931	42.29%
Within Jiangxi Province (apart from Nanchang area)	64,312,112	37.72%
Outside Jiangxi Province	24,801,682	14.55%
Head office	9,270,976	5.44%
Gross loans and advances to customers	170,500,701	100.00%

(d) Analyzed by type of collateral

	31 December 2019	31 December 2018
Unsecured loans	23,489,528	21,955,798
Guaranteed loans	86,549,984	66,163,667
Collateralized	91,398,914	73,942,399
Pledged	8,578,703	8,438,837
Gross loans and advances to customers	210,017,129	170,500,701
Accrued interest	765,603	581,136
Less: Allowances for impairment losses on loans and advances to customers measured at amortized cost	(7,793,362)	(5,558,514)
Net loans and advances to customers	202,989,370	165,523,323



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

18 LOANS AND ADVANCES TO CUSTOMERS (continued)

(e) Overdue loans analyzed by overdue period

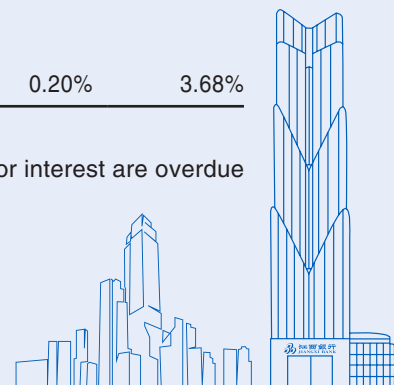
	31 December 2019				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	234,159	654,014	51,069	1,408	940,650
Guaranteed loans	2,555,944	1,198,194	777,742	135,947	4,667,827
Collateralized	1,595,181	985,880	346,024	346,979	3,274,064
Pledged	15,240	21,948	213,660	10,103	260,951
Total	4,400,524	2,860,036	1,388,495	494,437	9,143,492

As a percentage of gross loans and advances to customers	2.10%	1.36%	0.66%	0.24%	4.36%
---	-------	-------	-------	-------	-------

	31 December 2018				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	292,528	234,533	72,490	2,602	602,153
Guaranteed loans	2,037,922	812,271	664,312	55,874	3,570,379
Collateralized	965,757	251,488	295,274	265,003	1,777,522
Pledged	82,465	163,949	60,062	10,060	316,536
Total	3,378,672	1,462,241	1,092,138	333,539	6,266,590

As a percentage of gross loans and advances to customers	1.98%	0.86%	0.64%	0.20%	3.68%
---	-------	-------	-------	-------	-------

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



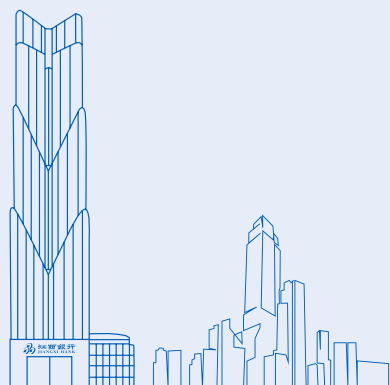
CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

18 LOANS AND ADVANCES TO CUSTOMERS (continued)

(f) Loans and advances and allowances for impairment losses

	31 December 2019			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
Total loans and advances to customers measured at amortized cost	170,240,982	17,126,683	5,649,249	193,016,914
Accrued interest	717,386	34,226	13,991	765,603
Less: Allowances for impairment losses on loans and advances to customers measured at amortized cost	(1,091,078)	(2,166,126)	(4,536,158)	(7,793,362)
Carrying amount of loans and advances to customers measured at amortized cost	169,867,290	14,994,783	1,127,082	185,989,155
Carrying amount of loans and advances to customers measured at FVOCI	17,000,215	—	—	17,000,215
Total carrying amount of loans and advances to customers	186,867,505	14,994,783	1,127,082	202,989,370



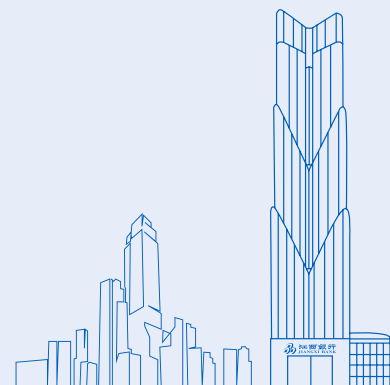
CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

18 LOANS AND ADVANCES TO CUSTOMERS (continued)

(f) Loans and advances and allowances for impairment losses (continued)

	31 December 2018			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
Total loans and advances to customers measured at amortized cost	108,620,738	49,958,699	3,420,354	161,999,791
Accrued interest	487,662	93,128	346	581,136
Less: Allowances for impairment losses on loans and advances to customers measured at amortized cost	(575,414)	(2,583,944)	(2,399,156)	(5,558,514)
Carrying amount of loans and advances to customers measured at amortized cost	108,532,986	47,467,883	1,021,544	157,022,413
Carrying amount of loans and advances to customers measured at FVOCI	8,207,716	293,194	—	8,500,910
Total carrying amount of loans and advances to customers	116,740,702	47,761,077	1,021,544	165,523,323



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

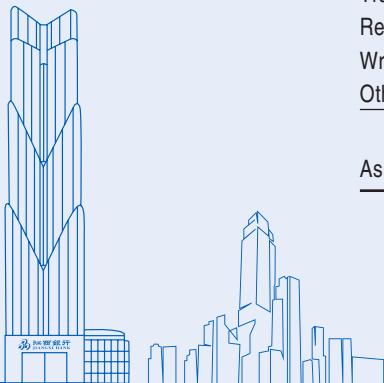
18 LOANS AND ADVANCES TO CUSTOMERS (continued)

(g) Movements of allowances for impairment losses

- (i) Movements of allowances for impairment losses on loans and advances to customers measured at amortized cost:

	Year ended 31 December 2019			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
As at 1 January	575,414	2,583,944	2,399,156	5,558,514
Transferred				
– to 12-month ECL	64,989	(57,178)	(7,811)	–
– to lifetime ECL not credit-impaired	(26,261)	75,069	(48,808)	–
– to lifetime ECL credit-impaired	(22,074)	(217,349)	239,423	–
Charged/(released) for the year	499,010	(218,360)	4,314,283	4,594,933
Transferred out	–	–	(289,572)	(289,572)
Recoveries	–	–	256,088	256,088
Write-offs	–	–	(2,207,669)	(2,207,669)
Others	–	–	(118,932)	(118,932)
As at 31 December	1,091,078	2,166,126	4,536,158	7,793,362

	Year ended 31 December 2018			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
As at 1 January	295,810	2,477,203	1,891,273	4,664,286
Transferred				
– to 12-month ECL	163,155	(147,843)	(15,312)	–
– to lifetime ECL not credit-impaired	(9,010)	9,748	(738)	–
– to lifetime ECL credit-impaired	(1,895)	(119,913)	121,808	–
Charged for the year	127,354	364,749	1,914,455	2,406,558
Transferred out	–	–	(282,092)	(282,092)
Recoveries	–	–	166,731	166,731
Write-offs	–	–	(1,307,645)	(1,307,645)
Others	–	–	(89,324)	(89,324)
As at 31 December	575,414	2,583,944	2,399,156	5,558,514



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

18 LOANS AND ADVANCES TO CUSTOMERS (continued)

(g) Movements of allowances for impairment losses (continued)

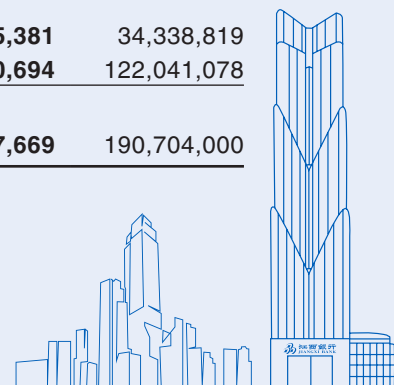
- (ii) Movements of allowances for impairment losses on loans and advances to customers measured at fair value through other comprehensive income:

	12-month ECL	Year ended 31 December 2019 Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
As at 1 January	5,962	3,794	–	9,756
Charged/(released) for the year	47,264	(3,794)	–	43,470
As at 31 December	53,226	–	–	53,226

	12-month ECL	Year ended 31 December 2018 Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
As at 1 January	197	5,751	–	5,948
Charged/(released) for the year	5,765	(1,957)	–	3,808
As at 31 December	5,962	3,794	–	9,756

19 FINANCIAL INVESTMENTS

	Note	31 December 2019	31 December 2018
Financial investments at fair value through profit or loss	(a)	34,921,594	34,324,103
Financial investments at fair value through other comprehensive income	(b)	26,075,381	34,338,819
Financial investments at amortized cost	(c)	128,580,694	122,041,078
Total		189,577,669	190,704,000



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

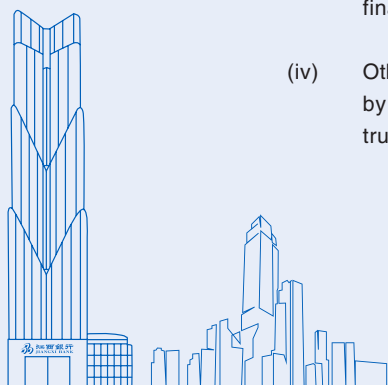
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

19 FINANCIAL INVESTMENTS (continued)

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

	Note	31 December 2019	31 December 2018
Debt securities issued by the following institutions in mainland China	(i)		
– Government		163,334	60,919
– Policy banks		2,364,048	1,565,443
– Commercial banks and other financial institutions		–	1,153,654
– Corporate		4,511,913	943,308
Sub-total		7,039,295	3,723,324
Equity instruments	(ii)	139,185	104,507
Fund investments	(iii)	17,893,984	18,919,490
Other financial investments	(iv)	9,849,130	11,576,782
Total		34,921,594	34,324,103
Listed		130,239	104,507
Unlisted		34,791,355	34,219,596
Total		34,921,594	34,324,103

- (i) Certain debt securities were pledged for repurchase agreements (Note 39(f)). No other investment were subject to material restrictions in the realization.
- (ii) Equity instruments are acquired by the Group through debt repayments. The Group intends to dispose of them at appropriate opportunity.
- (iii) The fund investments held by the Group are monetary market funds and bond funds issued by financial institutions.
- (iv) Other financial investments held by the Group at FVTPL include wealth management products issued by financial institutions, investment management products managed by securities companies and trust plans.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

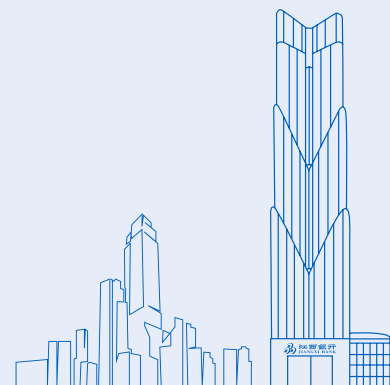
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

19 FINANCIAL INVESTMENTS (continued)

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

	Note	31 December 2019	31 December 2018
Debt securities issued by the following institutions in mainland China	(i)		
– Government		2,288,748	5,156,536
– Policy banks		7,724,004	9,051,744
– Corporate		1,114,351	1,502,107
Sub-total		11,127,103	15,710,387
Equity instruments	(ii)	10,250	10,250
Investment management products managed by securities companies and trust plans		14,619,873	18,190,994
Accrued interest		318,155	427,188
Total		26,075,381	34,338,819
Unlisted		26,075,381	34,338,819
Total		26,075,381	34,338,819
Allowances for impairment losses recognized in OCI	(iii)	(813,307)	(388,959)

- (i) Certain debt securities were pledged for repurchase agreements (Note 39(f)). No other investment were subject to material restrictions in the realization.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

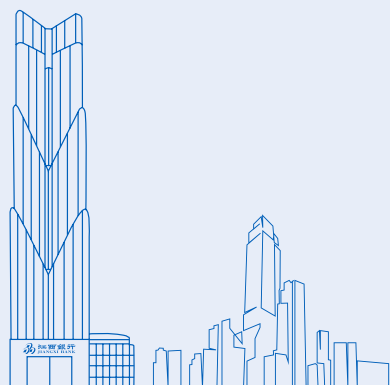
19 FINANCIAL INVESTMENTS (continued)

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

- (ii) The Group designated the investments shown in the table below as equity instruments that are measured at FVOCI, as the Group intended to hold the equity instruments for a long term. The details are as follows:

	31 December 2019	Dividend income recognized for the year ended 31 December 2019	31 December 2018	Dividend income recognized for the year ended 31 December 2018
Clearing Centre for City Commercial Banks	250	—	250	—
China UnionPay	10,000	1,500	10,000	1,100
Total	10,250	1,500	10,250	1,100
Unlisted	10,250		10,250	
Total	10,250		10,250	

The Group did not sell the above equity instruments in 2019.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

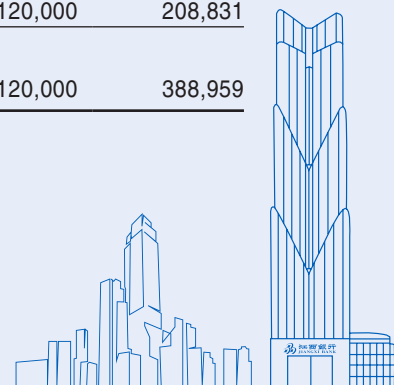
19 FINANCIAL INVESTMENTS (continued)

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

- (iii) Movements of allowances for impairment of financial investments at fair value through other comprehensive income:

	Year ended 31 December 2019			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
As at 1 January	236,325	32,634	120,000	388,959
Transferred				
– to 12-month ECL	4,403	(4,403)	–	–
– to lifetime ECL not credit-impaired	(16,254)	16,254	–	–
– to lifetime ECL credit-impaired	(4,045)	(20,719)	24,764	–
(Released)/charged for the year	(31,002)	177,820	277,530	424,348
As at 31 December	189,427	201,586	422,294	813,307

	Year ended 31 December 2018			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
As at 1 January	180,128	–	–	180,128
Transferred				
– to lifetime ECL not credit-impaired	(15,633)	15,633	–	–
Charged for the year	71,830	17,001	120,000	208,831
As at 31 December	236,325	32,634	120,000	388,959



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

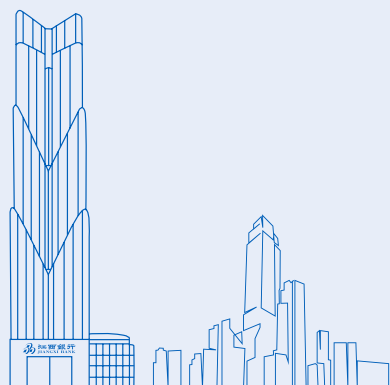
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

19 FINANCIAL INVESTMENTS (continued)

(c) Financial investments at amortized cost

	Note	31 December 2019	31 December 2018
Debt securities issued by the following institutions in mainland China	(i)		
– Government		15,857,902	7,032,157
– Policy banks		20,967,417	15,445,100
– Commercial banks and other financial institutions		30,000	730,000
Sub-total		36,855,319	23,207,257
Investment management products managed by securities companies and trust plans		95,772,710	101,853,335
Accrued interest		1,148,860	927,336
Less: Allowances for impairment losses	(ii)	(5,196,195)	(3,946,850)
Net carrying amount		128,580,694	122,041,078
Unlisted		128,580,694	122,041,078
Total		128,580,694	122,041,078

- (i) Certain debt securities were pledged for repurchase agreements (Note 39(f)). No other investment were subject to material restrictions in the realization.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

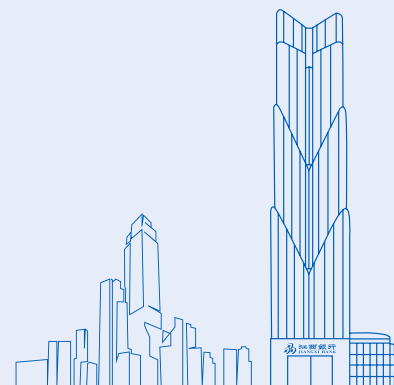
19 FINANCIAL INVESTMENTS (continued)

(c) Financial investments at amortized cost (continued)

(ii) Movements of allowances for impairment of financial investments at amortized cost:

	Year ended 31 December 2019			Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
As at 1 January	1,603,073	103,195	2,240,582	3,946,850
Transferred				
– to 12-month ECL	27,638	(27,638)	–	–
– to lifetime ECL				
not credit-impaired	(4,476)	142,594	(138,118)	–
– to lifetime ECL credit-impaired	(25,267)	(42,697)	67,964	–
(Released)/charged for the year	(361,596)	143,737	1,574,449	1,356,590
Transfer out	–	–	(107,245)	(107,245)
As at 31 December	1,239,372	319,191	3,637,632	5,196,195

	Year ended 31 December 2018			Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
As at 1 January	1,007,560	–	1,167,459	2,175,019
Transferred				
– to 12-month ECL	6,352	–	(6,352)	–
– to lifetime ECL				
not credit-impaired	(19,075)	175,304	(156,229)	–
– to lifetime ECL credit-impaired	(43,242)	–	43,242	–
Charged/(Released) for the year	651,478	(72,109)	1,192,462	1,771,831
As at 31 December	1,603,073	103,195	2,240,582	3,946,850



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

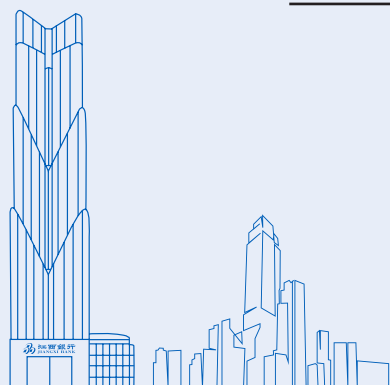
20 INTEREST IN ASSOCIATES

The following list contains the Group's associates, all of which are individually immaterial to the Group and are unlisted rural banks whose quoted market price are not available:

	31 December 2019	31 December 2018
Nanchang Dafeng County Bank Co., Ltd. ("南昌大豐村鎮銀行有限責任公司")	58,221	54,569
Nanfeng Judu County Bank Co., Ltd. ("南豐桔都村鎮銀行有限責任公司")	25,446	18,109
Si Ping Tie Dong De Feng County Bank Co., Ltd. ("四平鐵東德豐村鎮銀行股份有限公司")	18,486	17,202
Guangchang Nanyin County Bank Co., Ltd. ("廣昌南銀村鎮銀行股份有限公司")	13,758	13,705
Jinxian Ruifeng County Bank Co., Ltd. ("進賢瑞豐村鎮銀行有限責任公司")	4,796	10,137
Total	120,707	113,722

- (a) The following table illustrates the aggregate information of the Group's associates that are not individually material:

	31 December 2019	31 December 2018
Aggregate carrying amount of the individually immaterial associates in the consolidated statements of financial position of the Group	120,707	113,722
Aggregate amounts of the Group's share of results of the associates		
– Profit from continuing operations	1,985	(15,544)
– Other comprehensive income	–	–
– Total comprehensive income	1,985	(15,544)



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

20 INTEREST IN ASSOCIATES (continued)

(b) Detailed information of the Group's associates that are not individually material is as follows:

(i) Nanchang Dafeng County Bank Co., Ltd. ("Nanchang Dafeng") was incorporated on 30 September 2010 at Nanchang County, Jiangxi Province, with registered capital of RMB220.00 million. The principal activities of Nanchang Dafeng are the provision of corporate and retail banking services. The Bank holds 28.18% of equity interest of Nanchang Dafeng.

(ii) Nanfeng Judu County Bank Co., Ltd. ("Nanfeng Judu") was incorporated on 20 December 2011 at Nanfeng County, Fuzhou City, Jiangxi Province, with registered capital of RMB50.00 million. The principal activities of Nanfeng Judu are the provision of corporate and retail banking services.

On 10 January 2019, Jiangxi Banking Insurance Regulatory Bureau promulgated Ganyinbaojianfu 2019 No.30 <Approval of the change of equity of Nanfeng Judu County Bank Co., Ltd.>, agreeing the shareholder of Nanfeng Judu, ZhengBang Group Co., Ltd., to transfer 5 million shares at the price of RMB1.00 of Nanfeng Judu to the Bank. As at 31 December 2019, the Bank holds 40% of equity interest of Nanfeng Judu (31 December 2018: 30%).

(iii) Si Ping Tie Dong De Feng County Bank Co., Ltd. ("Si Ping De Feng") was incorporated on 22 July 2011 at Si Ping City, Jilin Province, with registered capital of RMB30.00 million. The principal activities of Si Ping De Feng are the provision of corporate and retail banking services. The Bank holds 20% of equity interest of Si Ping De Feng.

(iv) Guangchang Nanyin County Bank Co., Ltd. ("Guangchang Nanyin") was incorporated on 30 December 2013 at Fuzhou City, Jiangxi Province, with registered capital of RMB50.00 million. The principal activities of Guangchang Nanyin are the provision of corporate and retail banking services. The Bank holds 30% of equity interest of Guangchang Nanyin.

(v) Jinxian Ruifeng County Bank Co., Ltd. ("Jinxian Ruifeng") was incorporated on 15 June 2012 at Jinxian County, Jiangxi Province, with registered capital of RMB50.00 million. The principal activities of Jinxian Ruifeng are the provision of corporate and retail banking services. The Bank holds 30% of equity interest of Jinxian Ruifeng.

21 INVESTMENTS IN SUBSIDIARY

	31 December 2019	31 December 2018
Jiangxi Financial Leasing Co., Ltd. ("江西金融租賃股份有限公司")	1,734,000	1,734,000

Jiangxi Financial Leasing Co., Ltd. ("JXFL") was incorporated on 24 November 2015 at Nanchang City, Jiangxi Province, with registered capital of RMB1.00 billion. The principal activities of JXFL are financial leasing services. In accordance with the resolution on the capital increase of Jiangxi Financial Leasing Co., Ltd. at the Bank's Annual General Meeting on 20 April 2017, the Bank subscribed for 1.02 billion shares at the price of RMB1.20 per share in JXFL on 13 February 2018. As at 31 December 2019, the Bank holds 75.74% of equity interest of JXFL (31 December 2018: 75.74%).

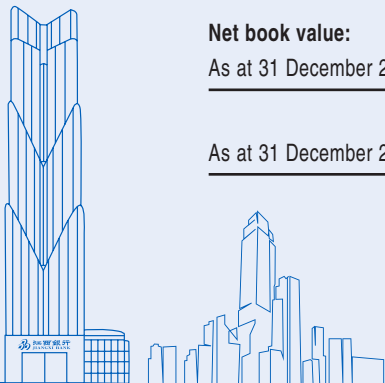


CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

22 PROPERTY AND EQUIPMENT

	Premises	Construction in progress	Electronic equipments	Fixtures	Others	Total
Cost:						
As at 1 January 2018	2,372,910	377,123	656,706	122,270	225,613	3,754,622
Additions	4,010	124,453	38,883	488	48,544	216,378
Transfers from/(out of) construction in progress	208,213	(451,467)	37,327	106,867	5,719	(93,341)
Disposals	—	—	(3,739)	(3,302)	(4,108)	(11,149)
As at 31 December 2018	2,585,133	50,109	729,177	226,323	275,768	3,866,510
As at 1 January 2019	2,585,133	50,109	729,177	226,323	275,768	3,866,510
Additions	257	65,913	18,260	1,289	56,827	142,546
Transfers from/(out of) construction in progress	2,357	(89,840)	1,073	27,865	715	(57,830)
Disposals	(5,912)	—	(7,704)	(46)	(6,124)	(19,786)
As at 31 December 2019	2,581,835	26,182	740,806	255,431	327,186	3,931,440
Accumulated depreciation:						
As at 1 January 2018	(444,556)	—	(491,832)	(67,810)	(107,527)	(1,111,725)
Charged for the year	(111,686)	—	(84,529)	(24,569)	(33,272)	(254,056)
Disposals	—	—	3,611	120	3,178	6,909
As at 31 December 2018	(556,242)	—	(572,750)	(92,259)	(137,621)	(1,358,872)
As at 1 January 2019	(556,242)	—	(572,750)	(92,259)	(137,621)	(1,358,872)
Charged for the year	(119,594)	—	(67,978)	(37,901)	(42,481)	(267,954)
Disposals	605	—	7,001	15	5,775	13,396
As at 31 December 2019	(675,231)	—	(633,727)	(130,145)	(174,327)	(1,613,430)
Net book value:						
As at 31 December 2018	2,028,891	50,109	156,427	134,064	138,147	2,507,638
As at 31 December 2019	1,906,604	26,182	107,079	125,286	152,859	2,318,010



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

22 PROPERTY AND EQUIPMENT (continued)

As at 31 December 2019 the net book value of premises of which title deeds were not yet finalised was RMB103.38 million (31 December 2018: RMB154.73 million). The Group is still in the progress of application for the outstanding title deeds for the above premises. The directors of the Bank are of the opinion that there would be no significant cost in obtaining the title deeds.

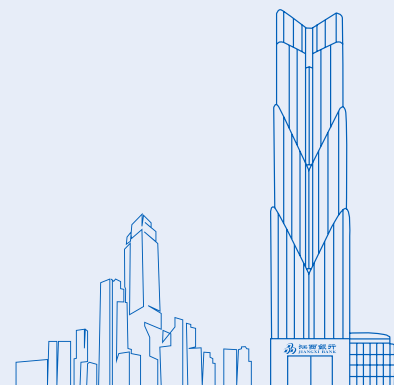
The net book values of premises at 31 December were analyzed by the remaining terms of the leases as follows:

	31 December 2019	31 December 2018
Held in mainland China		
– Medium-term leases (10 – 50 years)	1,906,604	2,028,891

23 DEFERRED TAX ASSETS

(a) Analyzed by nature

	31 December 2019	31 December 2018
Deferred tax assets	3,227,305	2,262,904
Deferred tax liabilities	(204,572)	(68,509)
Net balances	3,022,733	2,194,395



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

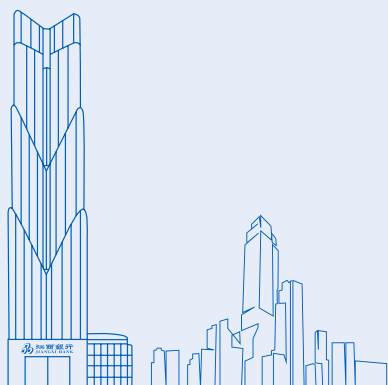
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

23 DEFERRED TAX ASSETS (continued)

(b) Movements of deferred tax

	Allowance for impairment losses	Accrued staff cost	Fair value changes of financial instruments Note (i)	Others	Net balance of deferred tax assets
1 January 2018	1,492,388	44,562	124,942	60,152	1,722,044
Recognized in profit or loss	617,813	7,003	(47,058)	40,986	618,744
Recognized in other comprehensive income	—	—	(146,393)	—	(146,393)
31 December 2018	2,110,201	51,565	(68,509)	101,138	2,194,395
1 January 2019	2,110,201	51,565	(68,509)	101,138	2,194,395
Recognized in profit or loss	893,554	49,917	(71,540)	20,930	892,861
Recognized in other comprehensive income	—	—	(64,523)	—	(64,523)
31 December 2019	3,003,755	101,482	(204,572)	122,068	3,022,733

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



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

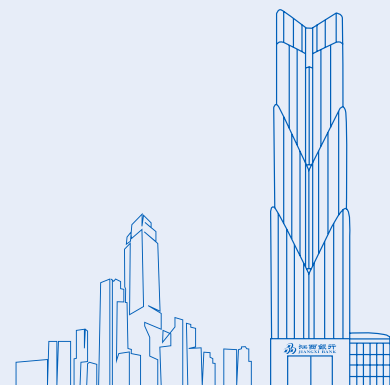
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

24 OTHER ASSETS

	Note	31 December 2019	31 December 2018
Right-of-use assets	(a)	1,213,554	—
Prepayments for acquisition of property and equipment		862,675	694,825
Interests receivable	(b)	421,191	222,842
Land use rights	(c)	192,203	150,963
Settlement and clearing accounts		154,358	89,467
Long-term deferred expenses		147,233	251,883
Intangible assets	(d)	143,757	106,505
Repossessed assets	(e)	107,660	109,231
Deferred expenses		69,660	55,143
Investment property		13,077	13,442
Others		888,449	427,228
Gross balance		4,213,817	2,121,529
Less: Allowances for impairment losses		(67,807)	(37,289)
Net balance		4,146,010	2,084,240

(a) Right-of-use assets

As at 1 January 2019	1,289,960
Additions	59,494
Depreciation	(135,900)
As at 31 December 2019	1,213,554



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

24 OTHER ASSETS (continued)

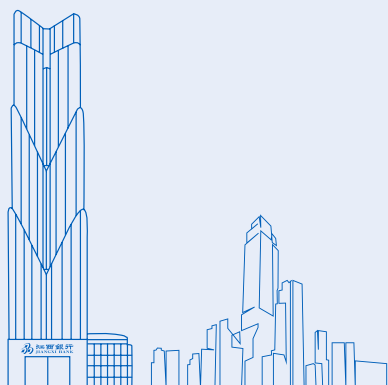
(b) Interests receivable

	31 December 2019	31 December 2018
Interests receivable arising from:		
Financial investments	370,749	169,439
Loans and advances to customers	50,442	53,403
Total	421,191	222,842

As at 31 December 2019, interest receivable only includes 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 corresponding financial instruments.

(c) Land use rights

	31 December 2019	31 December 2018
Located in Mainland China		
Over 50 years	23,712	24,465
10 – 50 years	168,491	126,498
Total	192,203	150,963



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

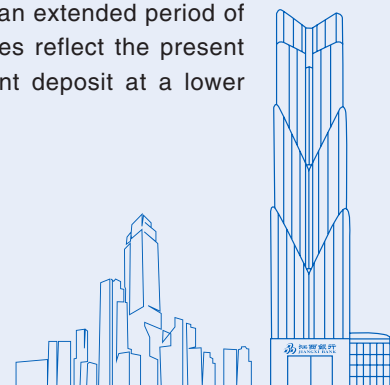
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

24 OTHER ASSETS (continued)

(d) Intangible assets

Cost:	
As at 1 January 2018	87,793
Additions	72,828
As at 31 December 2018	160,621
As at 1 January 2019	160,621
Additions	51,221
As at 31 December 2019	211,842
Accumulated amortization:	
As at 1 January 2018	(46,749)
Charged for the year	(7,367)
As at 31 December 2018	(54,116)
As at 1 January 2019	(54,116)
Charged for the year	(13,969)
As at 31 December 2019	(68,085)
Net book value:	
As at 31 December 2018	106,505
As at 31 December 2019	143,757

Intangible assets include core deposits, real estate use rights, computer software, etc. Core deposits are accounts that a financial institution expects to maintain for an extended period of time due to ongoing business relationships. The core deposit intangibles reflect the present value of the additional cash flow resulting from the use of the account deposit at a lower alternative financing cost in the future period.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

24 OTHER ASSETS (continued)

(e) Repossessed assets

	31 December 2019	31 December 2018
Land use rights and buildings	107,660	109,231
Less: Impairment allowances	(20,988)	(11,565)
Net repossessed assets	86,672	97,666

25 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

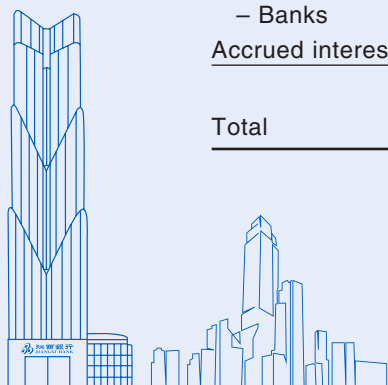
Analyzed by type and location of counterparty

	31 December 2019	31 December 2018
In mainland China		
– Banks	14,265,565	19,763,242
– Other financial institutions	16,590,754	11,760,493
Accrued interest	355,821	340,155
Total	31,212,140	31,863,890

26 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analyzed by type and location of counterparty

	31 December 2019	31 December 2018
In mainland China		
– Banks	2,550,000	6,070,000
Accrued interest	5,016	79,980
Total	2,555,016	6,149,980



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

27 BORROWING FROM OTHER FINANCIAL INSTITUTIONS

Analyzed by type and location of counterparty

	31 December 2019	31 December 2018
In mainland China		
– Other financial institutions	14,680,000	10,773,566
Accrued interest	183,272	171,132
Total	14,863,272	10,944,698

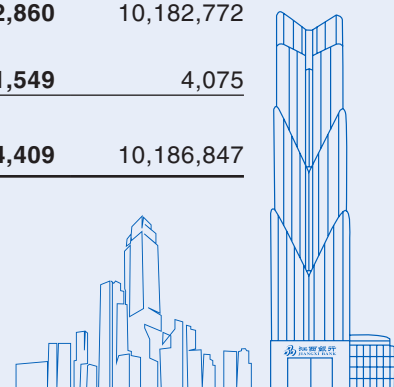
28 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analyzed by type and location of counterparty

	31 December 2019	31 December 2018
In mainland China		
– Banks	19,702,860	10,182,772
Accrued interest	1,549	4,075
Total	19,704,409	10,186,847

(b) Analyzed by type of collateral

	31 December 2019	31 December 2018
Debt securities		
– Government	5,699,300	—
– Policy banks	14,003,560	10,182,772
Sub-total	19,702,860	10,182,772
Accrued interest	1,549	4,075
Total	19,704,409	10,186,847

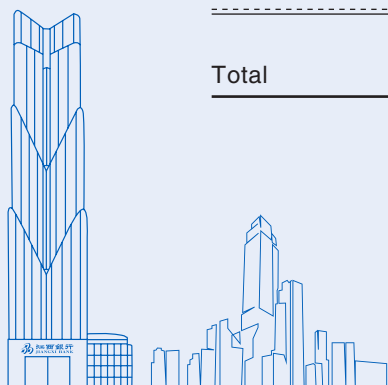


CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

29 DEPOSITS FROM CUSTOMERS

	31 December 2019	31 December 2018
Demand deposits		
– Corporate customers	108,783,987	117,737,508
– Individual customers	21,058,161	19,289,361
Sub-total	129,842,148	137,026,869
Time deposits		
– Corporate customers	74,771,729	63,772,441
– Individual customers	64,962,035	45,616,960
Sub-total	139,733,764	109,389,401
Pledged deposits		
– Acceptances	7,814,621	6,225,961
– Letters of guarantees	2,557,526	2,164,502
– Letters of credit	1,296,134	679,940
– Others	33,825	56,410
Sub-total	11,702,106	9,126,813
Inward and outward remittances	44,254	43,276
Structured deposits		
– Corporate customers	–	407,990
– Individual customers	–	1,481,530
Sub-total	–	1,889,520
Accrued interest	3,226,642	2,972,774
Total	284,548,914	260,448,653



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

30 DEBT SECURITIES ISSUED

	Note	31 December 2019	31 December 2018
Tier-two capital debts issued	(a)	5,995,492	5,995,016
Other debt securities issued	(b)	2,998,292	7,995,513
Certificates of interbank deposits issued	(c)	46,014,020	46,892,764
Accrued interest		170,839	246,517
Total		55,178,643	61,129,810

(a) Tier-two capital debts issued

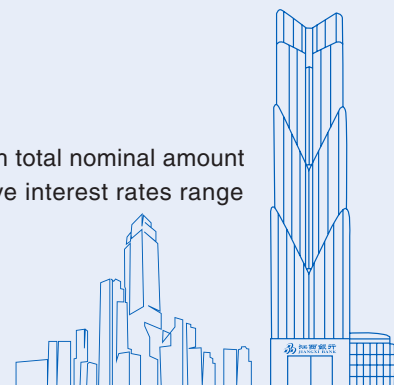
- (i) The Group issued 10-year fixed-rate tier-two capital bonds with face value of RMB3,000.00 million on 5 June 2017. The coupon interest rate per annum is 5.00%. The Group has an option to redeem the tier-two capital bonds at the end of the fifth year.
- (ii) The Group issued 10-year fixed-rate tier-two capital bonds with face value of RMB3,000.00 million on 26 September 2017. The coupon interest rate per annum is 5.00%. The Group has an option to redeem the tier-two capital bonds at the end of the fifth year.

(b) Other debt securities issued

- (i) The Group issued 3-year fixed interest rate bonds with face value of RMB3,500.00 million on 12 July 2016. The coupon interest rate per annum is 3.41%. The Group redeemed the bonds on 12 July 2019.
- (ii) The Group issued 5-year fixed interest rate bonds with face value of RMB1,500.00 million on 12 July 2016. The coupon interest rate per annum is 3.70%.
- (iii) The Group issued 3-year fixed interest rate bonds with face value of RMB1,500.00 million on 4 August 2016. The coupon interest rate per annum is 3.20%. The Group redeemed the bonds on 4 August 2019.
- (iv) The Group issued 5-year fixed interest rate bonds with face value of RMB1,500.00 million on 4 August 2016. The coupon interest rate per annum is 3.48%.

(c) Certificates of interbank deposits issued

In 2019, the Group issued a number of certificates of interbank deposit with total nominal amount of RMB25,414.00 million and duration between 1-12 months. The effective interest rates range from 2.73% to 3.46% per annum.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

31 OTHER LIABILITIES

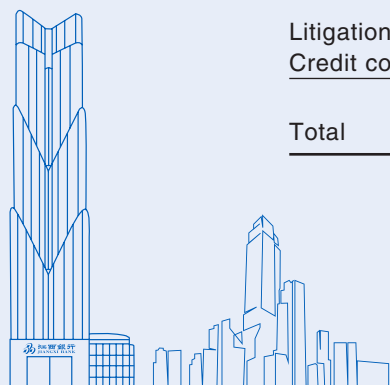
	Note	31 December 2019	31 December 2018
Lease liabilities		1,251,167	—
Guarantee deposits from leases		1,058,247	791,275
Accrued staff cost	(a)	819,182	626,515
Other tax payables		293,083	148,387
Provisions	(b)	281,344	278,859
Receipt in advance		163,469	212,697
Deferred income		130,108	113,441
Settlement and clearing accounts		93,241	474,036
Payables for purchase of fixed assets		44,881	47,959
Non-performing assets collection		37,183	237,573
Dividend payable		17,979	15,729
Others		205,067	425,085
Total		4,394,951	3,371,556

(a) Accrued staff cost

	31 December 2019	31 December 2018
Salaries, bonuses and allowances	659,755	496,152
Social insurance	1,103	755
Housing fund	305	385
Employee education costs and labor union expenditure	16,148	15,483
Supplementary retirement benefits	141,807	113,740
Employee benefits	64	—
Total	819,182	626,515

(b) Provisions

	Note	31 December 2019	31 December 2018
Litigations and disputes provision		19,606	36,415
Credit commitments provision	(i)	261,738	242,444
Total		281,344	278,859



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

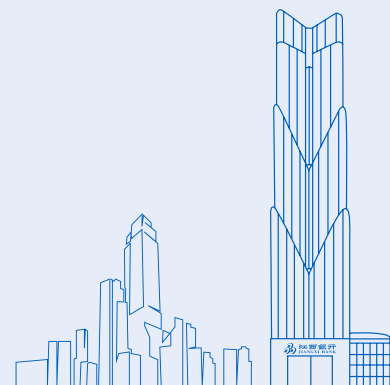
31 OTHER LIABILITIES (continued)

(b) Provisions (continued)

(i) Movements of credit commitments provision is as follows:

	Year ended 31 December 2019			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
As at 1 January	208,208	1,859	32,377	242,444
Transferred:				
– to 12-month ECL	4	(4)	–	–
– to lifetime ECL				
not credit-impaired	(527)	527	–	–
– to lifetime ECL credit-impaired	(285)	(7)	292	–
(Released)/charged for the year	(20,166)	12,474	26,986	19,294
As at 31 December	187,234	14,849	59,655	261,738

	Year ended 31 December 2018			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
As at 1 January	207,005	3,435	948	211,388
Transferred:				
– to 12-month ECL	496	(411)	(85)	–
– to lifetime ECL				
not credit-impaired	(3)	3	–	–
– to lifetime ECL credit-impaired	(3)	(797)	800	–
Charged/(released) for the year	713	(371)	30,714	31,056
As at 31 December	208,208	1,859	32,377	242,444



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

32 SHARE CAPITAL

Share capital of the Group as at 31 December represented share capital of the Bank, which was fully paid.

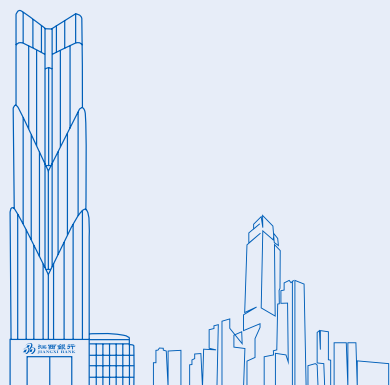
	31 December 2019	31 December 2018
Ordinary shares in Mainland China	4,678,777	4,678,777
Ordinary shares listed in Hong Kong (H-share)	1,345,500	1,345,500
Total	6,024,277	6,024,277

	Note	Number of shares	Amount
As at 1 January 2018		4,678,777	4,678,777
Capital contribution by equity shareholders	(i)	1,345,500	1,345,500
As at 31 December 2018/1 January 2019		6,024,277	6,024,277
Capital contribution by equity shareholders		—	—
As at 31 December 2019		6,024,277	6,024,277

- (i) On 26 June 2018, the Bank issued 1,170.00 million H Shares with a par value of RMB1.00 at an offering price of HKD6.39 per share (the “H-share offering”).

On 24 July 2018, the Bank issued 175.50 million H Shares with a par value of RMB1.00 at an offering price of HKD6.39 per share (the “H-share offering”).

All the H shares have been listed on the Stock Exchange of Hong Kong Limited. The H Shares rank pari passu in all respects with the existing ordinary shares in Mainland China including the right to receive all dividends and distributions declared or made.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

33 RESERVES

(a) Capital reserve

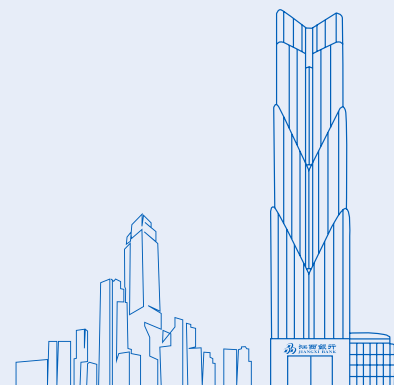
	Note	31 December 2019	31 December 2018
Share premium	(i)	13,291,249	13,291,249
Other comprehensive income	(ii)	1,090,422	429,033
Total		14,381,671	13,720,282

(i) Share premium

- (1) As stated in Note 32, the Bank issued H shares with a par value of RMB1.00 at an offering price of HKD6.39 per share in 2018. The premium arising from the issuance of new shares amounting to RMB5.67 billion was recorded in capital reserve.
- (2) As stated in Note 21, the Bank subscribed for 1.02 billion shares at the price of RMB1.20 per share in JXFL on 13 February 2018. Changes in the Group's interests in JXFL resulted in adjustments of the amounts of share premium.

(ii) Other comprehensive income

	2019	2018
As at 1 January	429,033	(222,785)
Changes in fair value recognized in other comprehensive income	328,952	645,585
Transfer to profit or loss upon disposal	(70,858)	(60,013)
Changes in impairment losses recognized in other comprehensive income	467,818	212,639
Less: Deferred income tax	(64,523)	(146,393)
As at 31 December	1,090,422	429,033



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

33 RESERVES (continued)

(b) Surplus reserve

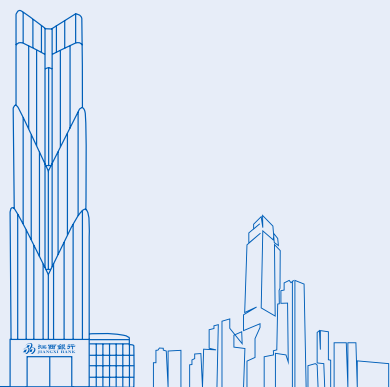
The surplus reserve at the end of each of the reporting period represented statutory surplus reserve fund and discretionary surplus reserve fund. Pursuant to the Company Law of the PRC and the Article of Association of the Bank, the Bank is required to appropriate 10% of its net profit as on an annual basis determined under the PRC GAAP after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

The Bank appropriated an amount of RMB190.61 million to the statutory surplus reserve fund for the year ended 31 December 2019 (31 December 2018: RMB265.14 million).

The Bank may also appropriate discretionary surplus reserve fund in accordance with the resolution of 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 ("MOF"), the Bank is required to set aside a general reserve through net profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets on an annual basis. The balance of the general reserve amounted to RMB5,873.81 million as at 31 December 2019 (31 December 2018: RMB5,505.86 million).



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

34 RETAINED EARNINGS

(a) Appropriation of profits

In accordance with the resolution of the Bank's Board of Directors Meeting held on 27 March 2020, the proposed profit appropriations for the year ended 31 December 2019 is listed as follows:

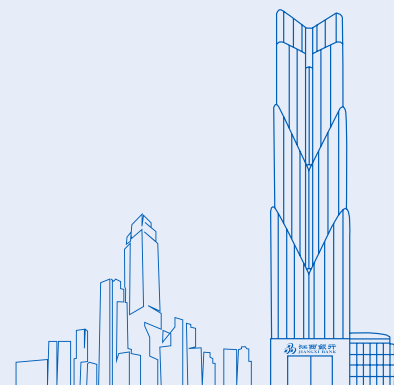
- Appropriation of statutory surplus reserve amounted to RMB190.61 million;
- Appropriation of general reserve amounted to RMB367.95 million; and
- Declaration of cash dividend of RMB0.5 per 10 shares before tax and in an aggregation amount of RMB301.21 million to all existing shareholders of record.

The profit appropriation resolution mentioned above has yet to be approved by the Bank's shareholders.

In accordance with the resolution of the Bank's Annual General Meeting on 31 May 2019, the shareholders approved the following profit appropriations for the year ended 31 December 2018:

- Appropriation of statutory surplus reserve amounted to RMB265.14 million;
- Appropriation of general reserve amounted to RMB805.14 million; and
- Declaration of cash dividend of RMB0.8 per 10 shares before tax and in an aggregation amount of RMB481.94 million to all existing shareholders of record on 12 June 2019.

As at 31 December 2019, the consolidated retained profit attributable to equity shareholders of the Bank included an appropriation of RMB56.68 million to surplus reserve made by subsidiary (31 December 2018: RMB30.64 million).



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

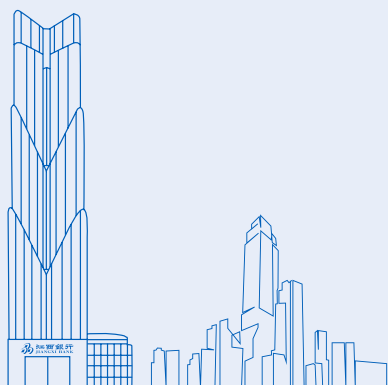
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

34 RETAINED EARNINGS (continued)

(b) Movements in components of equity

Details of the changes in the Bank's individual components of equity between the beginning and the end of the year are set out below.

	Share capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	Total
Balance as at						
1 January 2019	6,024,277	13,733,127	2,518,794	5,405,879	4,405,378	32,087,455
Changes in equity for the year						
Profit for the year	–	–	–	–	1,906,081	1,906,081
Other comprehensive income	–	661,389	–	–	–	661,389
Total comprehensive income	–	661,389	–	–	1,906,081	2,567,470
Appropriation of profits						
– Appropriation to surplus reserve	–	–	190,608	–	(190,608)	–
– Appropriation to general reserve	–	–	–	292,205	(292,205)	–
– Appropriation to shareholders	–	–	–	–	(481,942)	(481,942)
Balance at						
31 December 2019	6,024,277	14,394,516	2,709,402	5,698,084	5,346,704	34,172,983



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

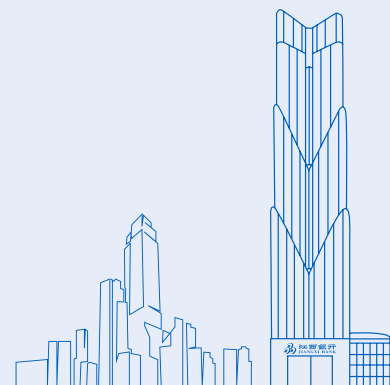
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

34 RETAINED EARNINGS (continued)

(b) Movements in components of equity (continued)

	Share capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	Total
Balance at 1 January 2018	4,678,777	7,408,342	2,253,652	4,663,995	3,228,864	22,233,630
Changes in equity for the year						
Profit for the year	–	–	–	–	2,651,418	2,651,418
Other comprehensive income	–	651,818	–	–	–	651,818
Total comprehensive income	–	651,818	–	–	2,651,418	3,303,236
Issue of H Shares	1,345,500	5,672,967	–	–	–	7,018,467
Appropriation of profits						
– Appropriation to surplus reserve	–	–	265,142	–	(265,142)	–
– Appropriation to general reserve	–	–	–	741,884	(741,884)	–
– Appropriation to shareholders	–	–	–	–	(467,878)	(467,878)
Balance at 31 December 2018 (Note)	6,024,277	13,733,127	2,518,794	5,405,879	4,405,378	32,087,455

Note: The Bank has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

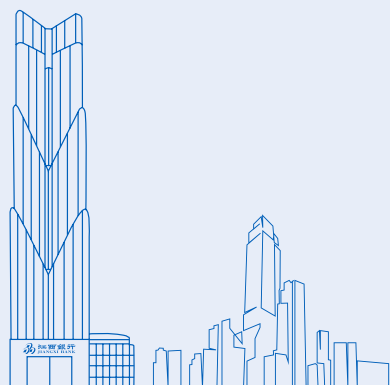
35 NOTES TO CONSOLIDATED CASH FLOW STATEMENTS

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

	2019	2018
Cash and cash equivalents as at 31 December	23,637,238	22,998,915
Less: Cash and cash equivalents as at 1 January	(22,998,915)	(13,946,882)
Net increase in cash and cash equivalents as at 31 December	638,323	9,052,033

(b) Cash and cash equivalents

	31 December 2019	31 December 2018
Cash on hand	716,685	776,920
Deposits with the central bank	7,790,607	6,575,168
Deposits with banks and other financial institutions	1,996,676	1,084,157
Placements with banks and other financial institutions	6,300,000	3,600,000
Financial assets held under resale agreements	6,833,270	10,962,670
Total	23,637,238	22,998,915



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

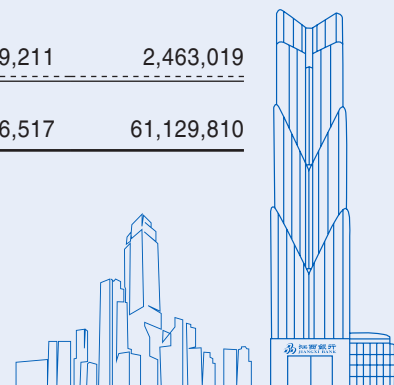
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

35 NOTES TO CONSOLIDATED CASH FLOW STATEMENTS (continued)

(c) Reconciliation of liabilities arising from financing activities

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

	Debt securities issued	Accrued interest arising from debt securities issued	Total
Balance at 1 January 2019	60,883,293	246,517	61,129,810
Changes from financing cash flows:			
– Net proceeds from debt securities issued	58,087,761	–	58,087,761
– Interest paid on debt securities issued	–	(575,540)	(575,540)
– Repayments of debt securities issued	(65,420,000)	–	(65,420,000)
Total changes from financing cash flows	53,551,054	(329,023)	53,222,031
Other change:			
– Interest expense	1,456,750	499,862	1,956,612
Balance at 31 December 2019	55,007,804	170,839	55,178,643
	Debt securities issued	Accrued interest arising from debt securities issued	Total
Balance as at 1 January 2018	43,473,768	308,851	43,782,619
Changes from financing cash flows:			
– Net proceeds from debt securities issued	65,525,717	–	65,525,717
– Interest paid on debt securities issued	–	(671,545)	(671,545)
– Repayment of debt securities issued	(49,970,000)	–	(49,970,000)
Total changes from financing cash flows	59,029,485	(362,694)	58,666,791
Other change:			
– Interest expense	1,853,808	609,211	2,463,019
Balance as at 31 December 2018	60,883,293	246,517	61,129,810



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

36 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 shareholding, or with the right to appoint a director in the Bank.

Shareholding in the Bank:

	31 December 2019	31 December 2018
Jiangxi Provincial Expressway Investment Group Co., Ltd. ("江西省高速公路投資集團有限責任公司")	15.56%	15.56%
Jiangxi Financial Holding Group Co., Ltd. ("江西省金融控股集團有限公司")	5.77%	5.77%
China National Tobacco Corporation Jiangxi Branch ("中國煙草總公司江西省分公司")	4.37%	4.37%
Nanchang Municipal Bureau of Finance ("南昌市財政局")	4.21%	4.21%
Pingxiang Huixiang Construction Development Co., Ltd. ("萍鄉市匯翔建設發展有限公司")	4.00%	4.00%

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

(ii) Subsidiary of the Bank

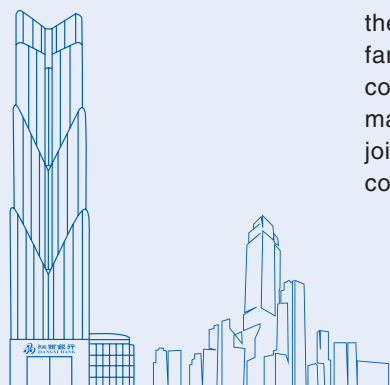
The detailed information of the Bank's subsidiary is set out in Note 21.

(iii) Associates of the Bank

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

(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 subsidiaries) controlled or jointly controlled by members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 36(a) or their controlling shareholders.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

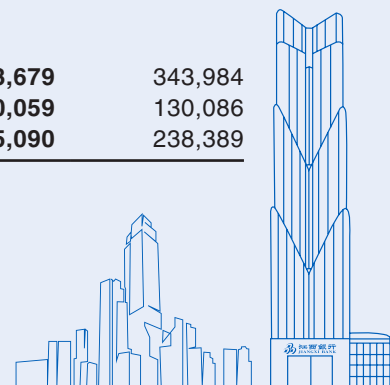
(i) Transactions between the Group and major shareholders

	2019	2018
Transactions during the year:		
Interest expense	253,996	327,086
Interest income	54,374	50,265
	31 December 2019	31 December 2018
Balances as at the year end:		
Deposits from customers	21,055,232	24,247,952
Financial investments	1,491,478	—
Loans and advances to customers	939,445	550,593

(ii) Transactions between the Bank and subsidiary

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

	2019	2018
Transactions during the year:		
Interest expense	14,918	5,059
Interest income	12,124	1,321
Fee and commission income	1,346	192
	31 December 2019	31 December 2018
Balances as at the year end:		
Deposits from banks and other financial institutions	953,679	343,984
Placements from banks and other financial institutions	700,059	130,086
Bank acceptances	45,090	238,389



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

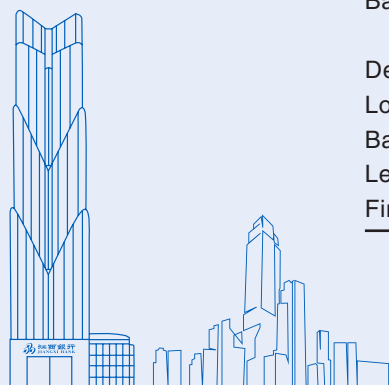
(b) Transactions with related parties other than key management personnel (continued)

(iii) Transactions between the Bank and associates

	2019	2018
Transactions during the year:		
Interest expense	19,722	7,888
Fee and commission income	17	—
	31 December 2019	31 December 2018
Balances as at the year end:		
Deposits from banks and other financial institutions	336,681	508,311

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

	2019	2018
Transactions during the year:		
Interest income	68,124	179,838
Interest expense	53,146	70,552
Fee and commission income	—	557
	31 December 2019	31 December 2018
Balances as at the year end:		
Deposits from customers	3,905,743	5,074,801
Loans and advances to customers	1,817,760	3,171,242
Bank acceptances	741,500	437,241
Letters of guarantees	800	—
Financial investments	—	259,938



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(c) Key management personnel

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

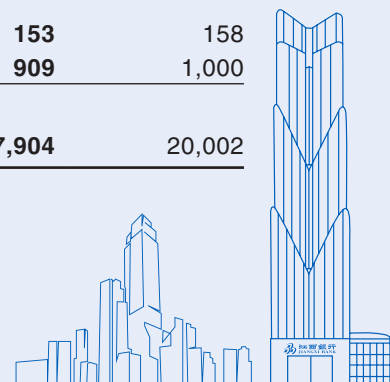
(i) Transactions between the Bank and key management personnel

	2019	2018
<hr/>		
Transactions during the year:		
Interest income	166	522
Interest expense	83	19
<hr/>		
	31 December 2019	31 December 2018
<hr/>		
Balances as at the year end:		
Deposits from customers	15,380	6,503
Loans and advances to customers	—	9,514
<hr/>		

(ii) Key management personnel compensation

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

	31 December 2019	31 December 2018
<hr/>		
Salaries and other emoluments	6,842	18,684
Discretionary bonuses	—	160
Contributions by the employer to social insurance and staff welfares, housing fund, etc	153	158
Other welfare	909	1,000
<hr/>		
Total	7,904	20,002
<hr/>		



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

37 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.

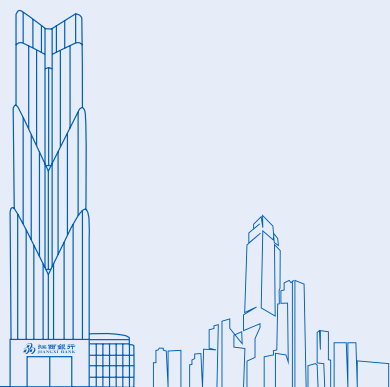
(ii) Financial investments and other financial assets

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 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 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.

The Group has established policies and internal controls with respect to the measurement of fair values, specified the framework of fair value measurement of financial instruments, fair value measurement methodologies and procedures.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

37 FAIR VALUE (continued)

(b) Fair value measurement

(i) Financial assets

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

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

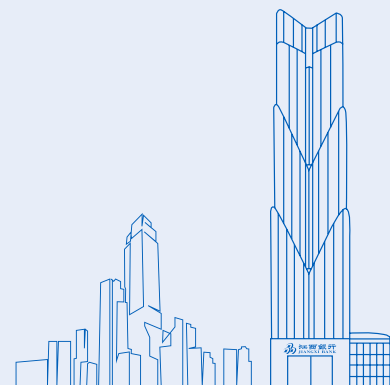
Loans and advances to customers are mostly priced at floating rates close to the PBOC rates. Accordingly, the carrying amounts approximate the fair values. The fair values of loans and advances to customers measured at fair value through other comprehensive income are based on valuation techniques.

Financial investments at fair value through other comprehensive income and financial investments at fair value through profit or loss are stated at fair value. The carrying amounts of financial investments at amortized 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 payables to banks and other financial institutions, deposits from customers and debt securities issued.

The book value and the fair value of debt securities issued are presented in Note 37(d). The carrying amounts of other financial liabilities approximate their fair value.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

37 FAIR VALUE (continued)

(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, categorized 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:

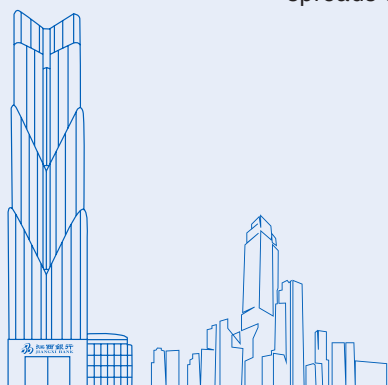
- Level 1: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and
- Level 3: Fair value measured using significant unobservable inputs

Financial investments

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 and discounted cash flow analysis. The inputs used in valuation techniques include risk-free and benchmark interest rates and credit spreads. Where discounted cash flow analysis is used, estimated cash flows are based on the management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

Loans and advances to customers

Discounted bills and forfeiting in loans and advances to customers are valued by using a discounted cash flow model. For the bank acceptance bills, the discounted rate is established based on the acceptors' credit risk and market transaction data; for the commercial acceptance bills and forfeiting, the discounted rate is established based on the interbank offered rates and spreads adjusted by credit risk and liquidity.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

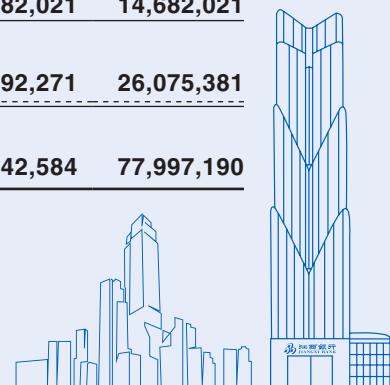
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

37 FAIR VALUE (continued)

(c) Fair value hierarchy (continued)

Loans and advances to customers (continued)

	31 December 2019			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements assets				
<i>Loans and advances to customers measured at FVOCI</i>				
– Corporate loans and advances	–	–	1,552,483	1,552,483
– Discounted bills	–	–	15,447,732	15,447,732
Sub-total	–	–	17,000,215	17,000,215
<i>Financial investments at fair value through profit or loss</i>				
– Debt securities	–	3,647,273	3,392,022	7,039,295
– Equity instruments	130,239	–	8,946	139,185
– Fund investments	17,893,984	–	–	17,893,984
– Other financial investments	–	–	9,849,130	9,849,130
Sub-total	18,024,223	3,647,273	13,250,098	34,921,594
<i>Financial investments at fair value through other comprehensive income</i>				
– Debt securities	–	11,383,110	–	11,383,110
– Equity instruments	–	–	10,250	10,250
– Investment management products managed by securities companies and trust plans	–	–	14,682,021	14,682,021
Sub-total	–	11,383,110	14,692,271	26,075,381
Total	18,024,223	15,030,383	44,942,584	77,997,190



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

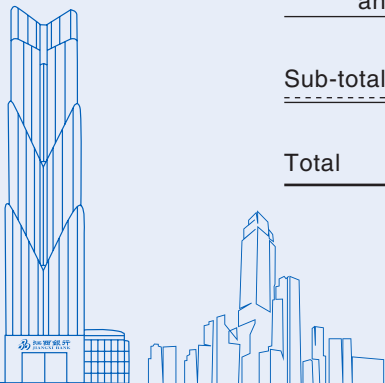
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

37 FAIR VALUE (continued)

(c) Fair value hierarchy (continued)

Loans and advances to customers (continued)

	31 December 2018			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements assets				
<i>Loans and advances to customers measured at FVOCI</i>				
– Corporate loans and advances	–	–	538,711	538,711
– Discounted bills	–	–	7,962,199	7,962,199
Sub-total	–	–	8,500,910	8,500,910
<i>Financial investments at fair value through profit or loss</i>				
– Debt securities	–	3,710,809	12,515	3,723,324
– Equity instruments	104,507	–	–	104,507
– Fund investments	18,919,490	–	–	18,919,490
– Other financial investments	–	–	11,576,782	11,576,782
Sub-total	19,023,997	3,710,809	11,589,297	34,324,103
<i>Financial investments at fair value through other comprehensive income</i>				
– Debt securities	–	16,064,263	–	16,064,263
– Equity instruments	–	–	10,250	10,250
– Investment management products managed by securities companies and trust plans	–	–	18,264,306	18,264,306
Sub-total	–	16,064,263	18,274,556	34,338,819
Total	19,023,997	19,775,072	38,364,763	77,163,832



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

37 FAIR VALUE (continued)

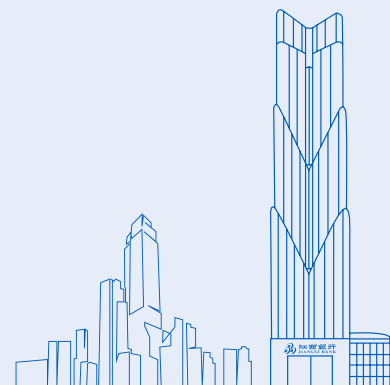
(c) Fair value hierarchy (continued)

Loans and advances to customers (continued)

During the reporting periods, the Group had no significant transfers among instruments in Level 1, Level 2 and Level 3.

A reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy on an on-going basis is as below:

	Year ended 31 December 2019	
	Loans and advances to customers	Financial investments
As at 1 January 2019	8,500,910	29,863,853
Total gains or (losses)		
– In profit or loss for the current year	443,125	1,651,765
– In other comprehensive income for the current year	(2,863)	202,451
Purchases	16,986,362	13,153,609
Settlements	(8,927,319)	(16,929,309)
As at 31 December 2019	17,000,215	27,942,369
Total unrealized gains or losses for the year included in profit or loss for assets and liabilities held at the end of the year	(43,470)	(352,214)



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

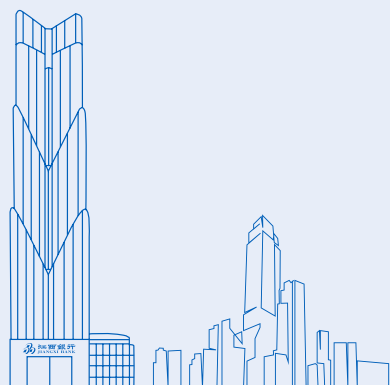
37 FAIR VALUE (continued)

(c) Fair value hierarchy (continued)

Loans and advances to customers (continued)

	Year ended 31 December 2018	
	Loans and advances to customers	Financial investments
As at 1 January 2018	3,525,609	25,863,312
Total gains or (losses)		
– In profit or loss for the current year	178,964	1,682,065
– In other comprehensive income for the current year	367	(35,428)
Purchases	17,008,046	27,355,109
Settlements	(12,212,076)	(25,001,205)
As at 31 December 2018	8,500,910	29,863,853
Total unrealized gains or losses for the year included in profit or loss for assets and liabilities held at the end of the year	(3,808)	(344,254)

During the year ended 31 December 2019, there were no significant transfers into or out of Level 3 (31 December 2018: nil).



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

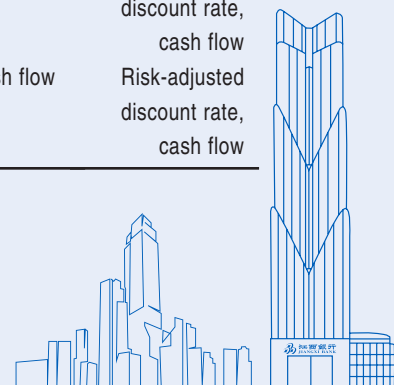
37 FAIR VALUE (continued)

(c) Fair value hierarchy (continued)

Loans and advances to customers (continued)

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

	Fair value as at 31 December 2019 The Group	Valuation techniques	Unobservable input
Loans and advances to customers measured at FVOCI			
– Corporate loans and advances	1,552,483	Discounted cash flow	Risk-adjusted discount rate, cash flow
– Discounted bills	15,447,732	Discounted cash flow	Risk-adjusted discount rate, cash flow
Financial investments at fair value through other comprehensive income			
– Equity instruments	10,250	Market comparison technique	Adjusted market multiple
– Investment management products managed by securities companies and trust plans	14,682,021	Discounted cash flow	Risk-adjusted discount rate, cash flow
Financial investments at fair value through profit or loss			
– Debt securities	3,392,022	Discounted cash flow	Risk-adjusted discount rate, cash flow
– Other financial investments	9,849,130	Discounted cash flow	Risk-adjusted discount rate, cash flow
– Equity instruments	8,946	Discounted cash flow	Risk-adjusted discount rate, cash flow



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

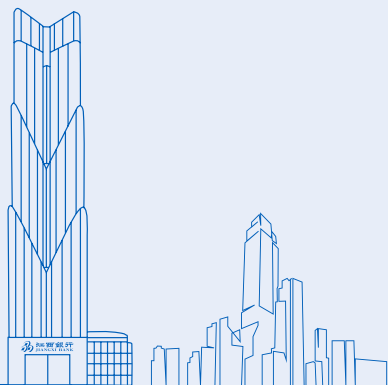
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

37 FAIR VALUE (continued)

(c) Fair value hierarchy (continued)

Loans and advances to customers (continued)

	Fair value as at 31 December 2018 The Group	Valuation techniques	Unobservable input
Loans and advances to customers measured at FVOCI			
– Corporate loans and advances	538,711	Discounted cash flow	Risk-adjusted discount rate, cash flow
– Discounted bills	7,962,199	Discounted cash flow	Risk-adjusted discount rate, cash flow
Financial investments at fair value through other comprehensive income			
– Equity instruments	10,250	Market comparison technique	Adjusted market multiple
– Investment management products managed by securities companies and trust plans	18,264,306	Discounted cash flow	Risk-adjusted discount rate, cash flow
Financial investments at fair value through profit or loss			
– Debt securities	12,515	Discounted cash flow	Risk-adjusted discount rate, cash flow
– Other financial investments	11,576,782	Discounted cash flow	Risk-adjusted discount rate, cash flow



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

37 FAIR VALUE (continued)

(c) Fair value hierarchy (continued)

Loans and advances to customers (continued)

During the year ended 31 December 2019, there were no significant change in the valuation techniques (31 December 2018: nil).

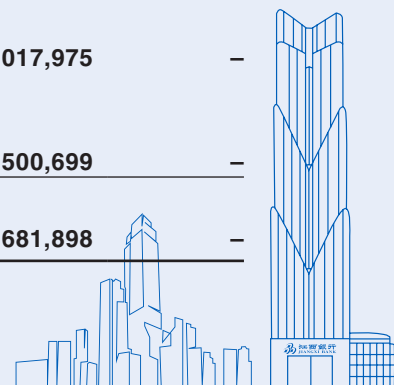
As at 31 December 2019, unobservable inputs such as risk-adjusted discount rate and cash flow were used in the valuation of financial investments at fair value classified as Level 3, which were mainly discounted bills and forfeiting in loans and advances to customers and investment management products managed by securities companies and trust plans. The fair value of these financial investments fluctuates according to the changes in the unobservable inputs.

The sensitivity of the fair value measurement on changes in unobservable inputs for Level 3 financial instruments measured at fair value on an ongoing basis.

(d) Financial instruments carried at other than fair value

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

	31 December 2019				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
– Financial investments at amortized cost					
– debt securities	36,848,415	37,284,346	–	37,284,346	–
Financial liabilities					
– Tier-two capital debts issued	5,995,492	6,163,224	–	6,163,224	–
– Other debt securities issued	2,998,292	3,017,975	–	3,017,975	–
– Certificates of interbank deposits issued	46,014,020	45,500,699	–	45,500,699	–
Total	55,007,804	54,681,898	–	54,681,898	–



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

37 FAIR VALUE (continued)

(d) Financial instruments carried at other than fair value (continued)

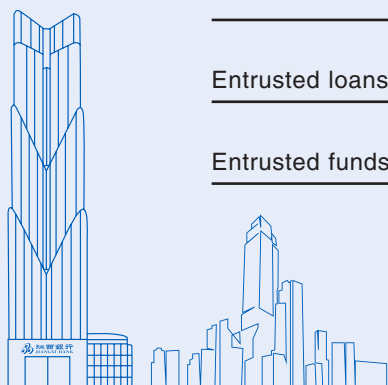
	31 December 2018				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
– Financial investments at amortized cost					
– debt securities	23,206,693	23,326,570	–	23,326,570	–
Financial liabilities					
– Tier-two capital debts issued	5,995,016	6,044,514	–	6,044,514	–
– Other debt securities issued	7,995,513	7,963,371	–	7,963,371	–
– Certificates of interbank deposits issued	46,892,764	46,134,046	–	46,134,046	–
Total	60,883,293	60,141,931	–	60,141,931	–

38 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 recognized in the statements of financial position. Surplus funding is accounted for as deposits from customers.

As at 31 December, the entrusted assets and liabilities were as follows:

	31 December 2019	31 December 2018
Entrusted loans	53,156,681	61,674,908
Entrusted funds	(53,156,681)	61,674,908



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

39 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Credit commitments

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

The contractual amounts of loans 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.

	31 December 2019	31 December 2018
Loan commitments		
– Original contractual maturity within one year	6,000	35,000
– Original contractual maturity more than one year (inclusive)	268,010	484,820
Sub-total	274,010	519,820
Unused credit card commitments		
– Original contractual maturity within one year	5,655,793	5,803,017
Sub-total	5,655,793	5,803,017
Bank acceptances	19,365,047	17,482,026
Letters of credit	2,982,121	1,401,309
Letters of guarantees	9,762,586	4,928,763
Total	38,039,557	30,134,935

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



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

39 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

(b) Credit risk-weighted amount

	31 December 2019	31 December 2018
Credit risk weighted amount	18,142,341	15,726,089

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

(c) Operating lease commitments

As at 31 December 2018, the Group's future minimum lease payments under non-cancellable operating leases for properties are as follows:

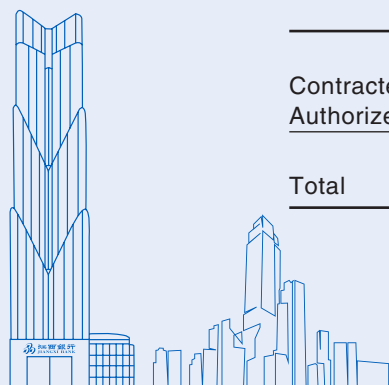
	31 December 2018
Within one year (inclusive)	161,865
After one year but within five years (inclusive)	432,943
After five years	154,315
Total	749,123

The Group is the lessee in respect of a number of properties and items of plant and machinery and office equipment held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognize lease liabilities relating to these leases (see Note 2(3)). From 1 January 2019 onwards, future lease payments are recognized as lease liabilities in the statement of financial position in accordance with the policies set out in Note 2(3) and Note 31.

(d) Capital commitments

As at 31 December, the Group's authorized capital commitments are as follows:

	31 December 2019	31 December 2018
Contracted but not paid for	14,996	48,840
Authorized but not contracted for	299,083	—
Total	314,079	48,840



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

39 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

(e) Outstanding litigations and disputes

As at 31 December 2019, there was no outstanding legal proceedings that had a significant impact on the financial statements against the Group (31 December 2018: nil).

(f) Pledged assets

(i) Assets pledged as collaterals

Analyzed by type of collateral

	31 December 2019	31 December 2018
Debt securities		
– Government	4,661,000	–
– Policy banks	15,859,483	10,542,579
Total	20,520,483	10,542,579

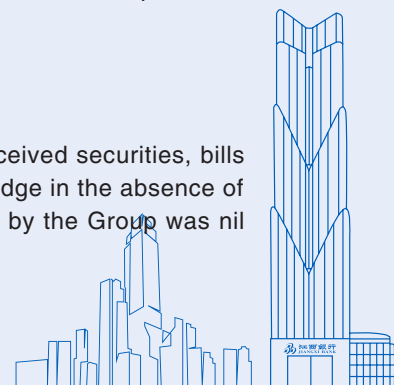
Analyzed by type of asset

	31 December 2019	31 December 2018
Financial investment		
– Financial assets at fair value through other comprehensive income	2,250,000	2,044,759
– Financial assets at amortized cost	17,919,000	8,497,820
– Financial assets at fair value through profit or loss	351,483	–
Total	20,520,483	10,542,579

Financial assets pledged by the Group as collaterals for liabilities are for repurchase agreements.

(ii) Received pledged assets

As part of the reverse repurchase agreements, the Group has received securities, bills and other documents as collateral that it is allowed to sell or repledge in the absence of default by their owners; the fair value of such collateral accepted by the Group was nil as at 31 December 2019 (31 December 2018: nil).



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

39 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

(g) Redemption obligations

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 held. 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 are calculated in accordance with relevant rules of the 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 the end of the reporting period:

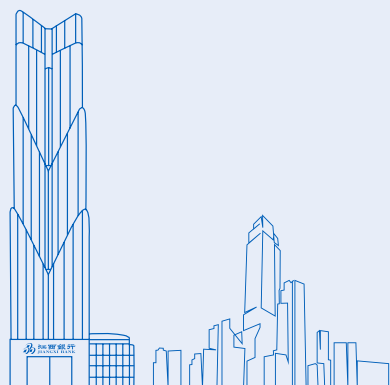
	31 December 2019	31 December 2018
Redemption obligations	1,244	1,421

The Group expects that the amount of redemption before the maturity date of these government bonds through the Group will not be material.

40 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

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

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include investment management products managed by securities companies and trust plans 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.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

40 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

(continued)

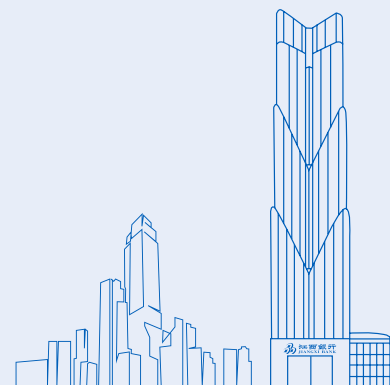
(a) Structured entities sponsored by third party institutions in which the Group holds an interest (continued)

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 consolidated statement of financial position in which relevant assets are recognized as at 31 December:

	31 December 2019	
	Carrying amount	Maximum exposure
Financial investments at fair value through profit or loss	27,743,114	27,743,114
Financial investments at fair value through other comprehensive income	14,619,873	14,619,873
Financial investments at amortized cost	90,583,419	90,583,419
Total	132,946,406	132,946,406

	31 December 2018	
	Carrying amount	Maximum exposure
Financial investments at fair value through profit or loss	30,496,272	30,496,272
Financial investments at fair value through other comprehensive income	18,190,994	18,190,994
Financial investments at amortized cost	97,907,049	97,907,049
Total	146,594,315	146,594,315

As at 31 December 2019, the carrying amounts of the unconsolidated structural entities equal to the maximum exposures.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

40 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

(continued)

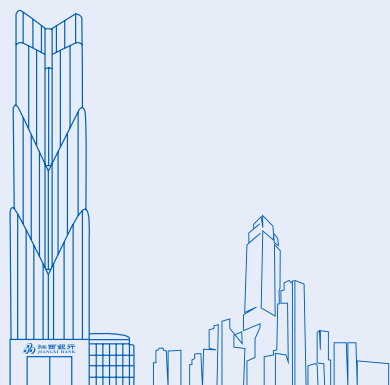
(b) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in

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

As at 31 December 2019, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products, which are sponsored by the Group, was RMB33,201.11 million (31 December 2018: RMB32,630.85 million).

(c) Unconsolidated structure entities sponsored by the Group during the year which the Group does not consolidate and does not have an interest in as at 31 December

During the year ended 31 December 2019, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January, but matured before 31 December amounted to RMB36,313.59 million (31 December 2018: RMB34,564.63 million). During 2019, the Group recorded commission income as the manager of these wealth management products amounting to RMB10.65 million (31 December 2018: RMB33.17 million).



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

41 CAPITAL MANAGEMENT

The Group's capital management includes capital adequacy ratio management, capital financing management and economic capital management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines issued by the 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.

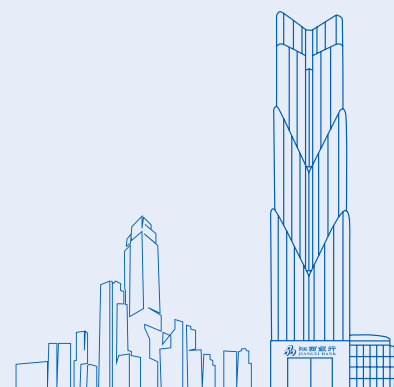
The Group considers its strategic development plans, business expansion plans and risk variables when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio.

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

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

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



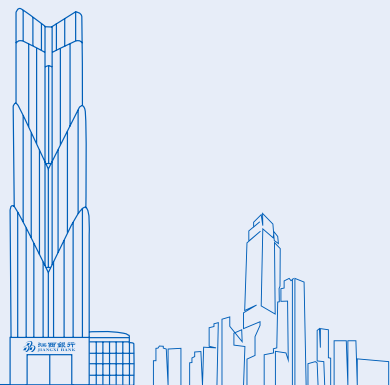
CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

41 CAPITAL MANAGEMENT (continued)

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

	31 December 2019	31 December 2018
Total core tier-one capital	34,803,626	32,499,536
– Share capital	6,024,277	6,024,277
– Qualifying portion of capital reserve	14,381,671	13,720,282
– Surplus reserve	2,709,402	2,518,794
– General reserve	5,873,807	5,505,856
– Retained earnings	5,467,098	4,457,010
– Qualifying portions of non-controlling interests	347,371	273,317
Core tier-one capital deductions	(231,246)	(220,227)
Net core tier-one capital	34,572,380	32,279,309
Other tier-one capital	46,316	36,442
Net tier-one capital	34,618,696	32,315,751
Tier-two capital	9,205,502	8,392,784
– Qualifying portions of tier-two capital instruments issued	6,000,000	6,000,000
– Surplus allowances for loan impairment	3,112,870	2,319,900
– Qualifying portions of non-controlling interests	92,632	72,884
Net capital base	43,824,198	40,708,535
Total risk weighted assets	347,120,024	299,426,697
Core tier-one capital adequacy ratio	9.96%	10.78%
Tier-one capital adequacy ratio	9.97%	10.79%
Capital adequacy ratio	12.63%	13.60%



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

42 SEGMENT REPORTING

(a) Operating segments

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 and deposit taking activities, agency services, consulting and advisory services, remittance and settlement services and guarantee services.

Retail banking and credit card

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

Financial markets business

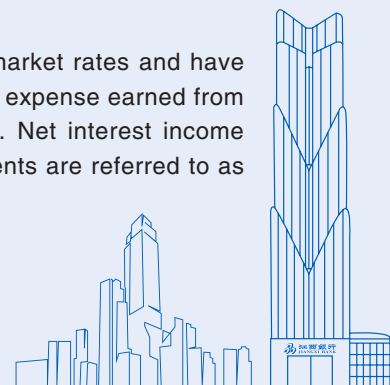
This segment covers the Group's financial markets business operations. The financial markets business includes inter-bank money market transactions, repurchases transactions and investments. It also trades in debt securities. The financial markets business segment also covers management of the Group's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

Others

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

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

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



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

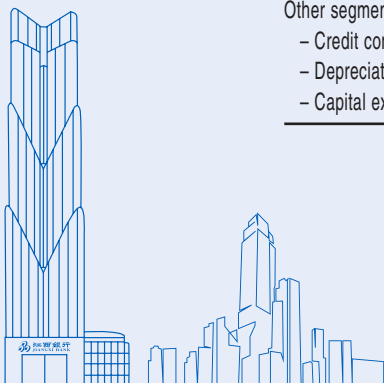
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

42 SEGMENT REPORTING (continued)

(a) Operating segments (continued)

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

	Year ended 31 December 2019				
	Corporate banking	Retail banking and credit card	Financial markets business	Others	Total
External net interest income	2,582,232	2,862,314	5,174,337	–	10,618,883
Internal net interest income/(expense)	2,669,633	119,942	(3,100,860)	311,285	–
Net interest income	5,251,865	2,982,256	2,073,477	311,285	10,618,883
Net fee and commission income/(expense)	504,350	(148,846)	319,356	(7,886)	666,974
Net trading gains	–	–	138,544	–	138,544
Net gains arising from financial investments	6,259	–	1,468,394	–	1,474,653
Other operating income/(expenses)	138,360	(385)	(149,431)	65,222	53,766
Operating income	5,900,834	2,833,025	3,850,340	368,621	12,952,820
Operating expenses	(741,756)	(1,253,060)	(1,502,810)	(10,422)	(3,508,048)
Impairment losses on assets	(4,214,878)	(581,419)	(1,645,915)	(47,380)	(6,489,592)
Share of gains of associates	–	–	–	1,985	1,985
Profit before taxation	944,200	998,546	701,615	312,804	2,957,165
Segment assets	121,515,491	93,438,117	239,203,448	1,961,473	456,118,529
Segment liabilities	(212,395,574)	(88,879,076)	(119,557,452)	(198,733)	(421,030,835)
Other segment information					
– Credit commitments	32,383,764	5,655,793	–	–	38,039,557
– Depreciation and amortization	37,516	164,055	315,104	–	516,675
– Capital expenditure	15,720	68,746	132,042	–	216,508



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

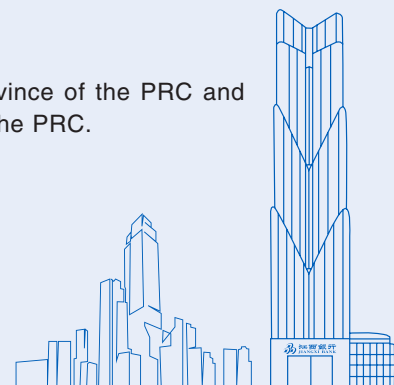
42 SEGMENT REPORTING (continued)

(a) Operating segments (continued)

	Year ended 31 December 2018				
	Corporate banking	Retail banking and credit card	Financial markets business	Others	Total
External net interest income	2,108,272	2,228,540	4,578,712	–	8,915,524
Internal net interest income/(expense)	2,627,481	391,049	(2,986,162)	(32,368)	–
Net interest income/(expense)	4,735,753	2,619,589	1,592,550	(32,368)	8,915,524
Net fee and commission income/(expense)	472,807	(36,296)	215,975	806	653,292
Net trading gains	–	–	92,729	–	92,729
Net gains arising from financial investments	1,661	–	1,366,242	–	1,367,903
Other operating income/(expenses)	22,845	2,055	(162,995)	459,256	321,161
Operating income	5,233,066	2,585,348	3,104,501	427,694	11,350,609
Operating expenses	(1,656,893)	(1,251,873)	(620,487)	(365)	(3,529,618)
Impairment losses on assets	(2,096,865)	(310,526)	(2,014,553)	(16,429)	(4,438,373)
Share of losses of associates	–	–	–	(15,544)	(15,544)
Profit before taxation	1,479,308	1,022,949	469,461	395,356	3,367,074
Segment assets	118,061,392	78,723,907	221,089,953	1,189,022	419,064,274
Segment liabilities	(204,129,085)	(66,777,524)	(114,908,707)	(437,624)	(386,252,940)
Other segment information					
– Credit commitments	24,331,918	5,803,017	–	–	30,134,935
– Depreciation and amortization	172,780	94,453	87,275	10,793	365,301
– Capital expenditure	195,606	106,932	98,805	12,219	413,562

(b) Geographical segments

Geographically, the Group mainly conducts its business in Jiangxi Province of the PRC and majority of its customers and assets are located in Jiangxi Province of the PRC.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT

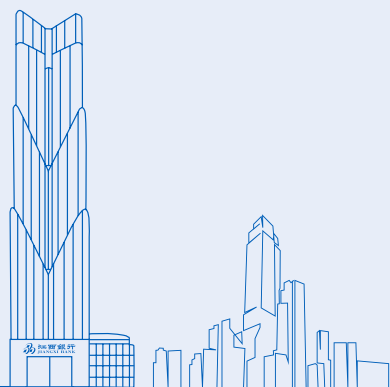
The Group has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk and operational risk.

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.

The Group aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and minimize potential adverse effects.

The Board of Directors is the highest decision-making authority within the Group in terms of risk management and oversees the Group's risk management functions through the Risk Management Committee. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Senior management is the highest execution level in the risk management structure and reports directly to the Risk Management Committee of the Board of Directors. Based on the risk management strategies determined by the Board of Directors, senior management is responsible for formulating and implementing risk management policies and systems, as well as supervising, identifying and controlling the risks that various businesses are exposed to.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(a) Credit risk

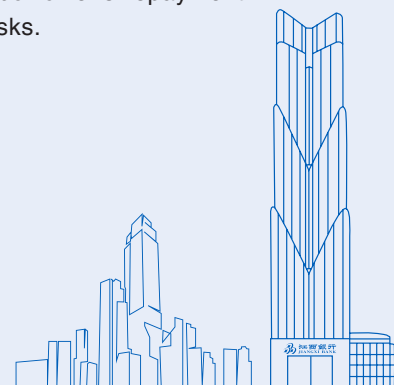
Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and bond investment portfolios and guarantees granted.

Credit business

The Board of Directors is responsible for setting the Group's risk management strategy and the overall risk tolerance level. The Board of Directors also monitors the Group's risk management process and regularly assesses the Group's risk position and risk management strategies. The Board of Directors gives advice on internal controls relating to risk management. The responsible departments for credit risk management include the Credit Approval Department and Risk Management Department. The Risk Management Department is responsible for implementing the Group's overall risk management system. Besides risk monitoring and control, the Risk Management Department is also responsible for formulating risk management policies. To ensure the independence of credit approval, the Credit Approval Department is independent from customer relationship and product management departments. Front office departments of branches 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. It has put in place continuous monitoring mechanism, with regular reporting of credit exposures to the Board of Directors. The Group's credit risk management covers key operational phases, including pre-lending evaluations, credit approval, and post-lending monitoring. 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.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Credit business (continued)

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 application and their recommendations to the loan-approval departments for further approval. The Group monitors borrowers' repayment ability, the status of collaterals 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.

Treasury Business

The Group's treasury business are exposed to the credit risk associated with the investment business and interbank business. The Group manages the credit risk exposures by setting up credit on its treasury business and interbank business. Credit risk exposure is closely monitored on a systematic, real-time basis. Credit risk limits are reviewed and updated regularly.

Measurement of ECL

Based on whether there is a significant increase in credit risk and whether the asset has incurred credit impairment, the Group measures allowances for loss of different assets with 12-month ECL or lifetime ECL respectively.

The Group measures loss provision of the financial instruments that meet the following conditions according to the amount of expected credit losses within the next 12 months, and measures loss allowances for other financial instruments in accordance with the amount of lifetime expected credit losses.

- The financial instruments that are determined to have low credit risk at the reporting date; or
- The financial instruments for which credit risk has not increased significantly since initial recognition.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Measurement of ECL (continued)

(i) Significant increase in credit risk

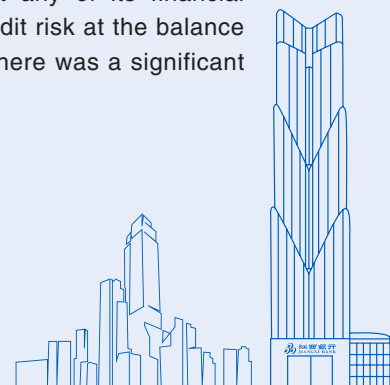
When one or more quantitative, qualitative standards or upper limits are triggered, the Group assumes that credit risk on financial instruments has increased significantly.

If the counterparty 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 counterparty's business, financial and economic status;
- Application of a grace period or debt-restructuring;
- Significant changes with an adverse effect in the counterparty's operating conditions;
- Less value of the collaterals (for the collateralized loans and pledged loans only);
- Early indicators of problems of cash flow/liquidity, such as late payment of accounts payable/repayment of loans;
- The payment is more than 30 days past due.

The Group uses watch lists to monitor credit risk of financial instruments 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 the management for the appropriateness.

As at 31 December 2019, the Group has not considered that any of its financial instruments 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 (31 December 2018: nil).



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Measurement of ECL (continued)

(ii) Definition of “default” and “credit-impaired assets”

When a financial instrument meets one or more of the following conditions, the Group considers the financial asset to be in default, and the criteria are consistent with the definition of credit-impaired assets.

(a) Quantitative criterion

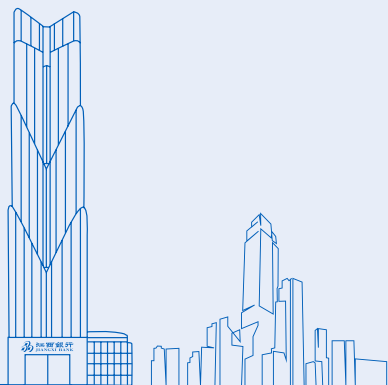
The financial asset is more than 90 days past due.

(b) Qualitative criterion

The counterparty meets the criterion of “having difficulty in repayment”, which indicates that the counterparty has significant financial difficulty, including:

- the counterparty has been in the grace period for a long time;
- the death of the counterparty;
- the counterparty enters bankruptcy;
- the counterparty breaches (one or more) terms of the contract that the debtor shall be subject to;
- the disappearance of an active market for the related financial asset because of financial difficulties faced by the counterparty;
- the creditor make concessions due to the financial difficulties faced by the counterparty;
- it becomes probable that the counterparty will enter bankruptcy;
- a higher discount was obtained during the acquisition of assets, and the assets has incurred credit loss when they are acquired.

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



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Measurement of ECL (continued)

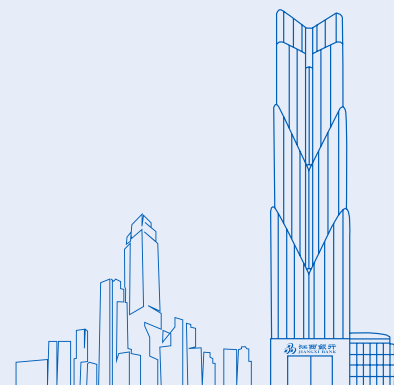
(iii) Notes to the parameters, assumptions and valuation techniques

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 counterparty 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 collaterals or other credit support.

The Group determines the expected credit losses 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 expected credit losses for the future months. The results of calculation for each month are then discounted to the balance sheet date and added up. The discount rate used in the calculation of 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 observational data and applicable to all assets in the same portfolio with the same credit rating. The above method is supported by empirical analysis.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

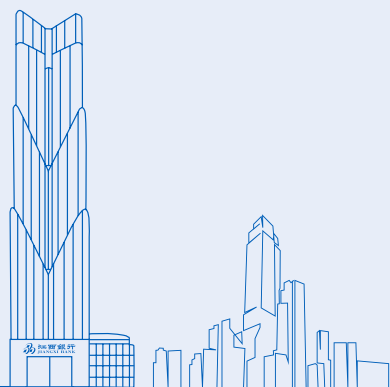
(a) Credit risk (continued)

Measurement of ECL (continued)

(iii) Notes to the parameters, assumptions and valuation techniques (continued)

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 loans 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 over-limit repayment and prepayments/refinancing made by the counterparty.
- In respect of the products of revolving credit agreement, the Group estimates the remaining withdrawal within the limits by using the balance of the loan after previous withdrawals and the “credit conversion factor”, so as to predict the exposure at default. Based on the Group’s analysis on recent default data, these assumptions vary based on differences in product type and utilization rate of the limits.
- The Group determines the 12-month LGD and lifetime LGD based on the factors that affects post-default recovery. LGD for different product types are different.
- As to loans classified as guarantees, the Group determines the LGD according to the types of collaterals and their expected value, the discount rate at the compulsory sale, the recovery time and the estimated recovery cost.
- As to fiduciary loans, the Group usually determines LGD in the product level due to the limited differences in recoverable amounts from different counterparties. The LGD is affected by the recovery strategies, which include the transfer plan and pricing of loans.
- Forward-looking economic information should be considered when determining the 12-month and lifetime PD, EAD and LGD.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Measurement of ECL (continued)

(iii) Notes to the parameters, assumptions and valuation techniques (continued)

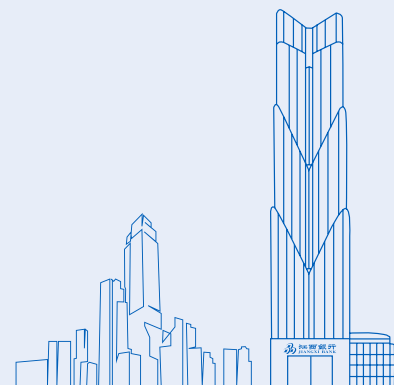
The Group quarterly monitors and reviews assumptions related to the calculation of expected credit losses, including the changes in PD and the value of collaterals under the different time limits.

Both the assessment of the 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 GDP, increase in RMB loans, PPI, etc.

There has been no significant changes in the valuation techniques and key assumptions during the reporting period.

(1) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets at the end of the reporting period. The maximum exposure to credit risk in respect of those off-balance sheet items as at 31 December is disclosed in Note 39(a).



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(a) Credit risk (continued)

(2) The credit quality of financial assets is analyzed as follows:

	31 December 2019			
	Loans and advances to customers	Deposits/ placements with banks and other financial institutions	Financial assets held under resale agreements	Financial Investments (a)
Balance of financial assets that are assessed for expected credit losses over the next 12 months				
– Overdue but not credit-impaired	4,901	–	–	–
– Neither overdue nor credit-impaired	187,953,682	8,300,817	6,833,761	147,981,882
Sub-total	187,958,583	8,300,817	6,833,761	147,981,882
Balance of financial assets that are not credit impaired and assessed for lifetime expected credit losses				
– Overdue but not credit-impaired	4,278,824	–	–	2,813,535
– Neither overdue nor credit-impaired	12,882,085	–	–	1,151,121
Sub-total	17,160,909	–	–	3,964,656
Balance of credit-impaired financial assets that are assessed for lifetime expected credit losses				
– Overdue and credit-impaired	4,859,767	–	–	6,386,932
– Credit-impaired but not overdue	803,473	–	–	1,508,550
Sub-total	5,663,240	–	–	7,895,482
Less: Allowances for impairment losses	(7,793,362)	(1,340)	(18)	(5,196,195)
Total	202,989,370	8,299,477	6,833,743	154,645,825



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

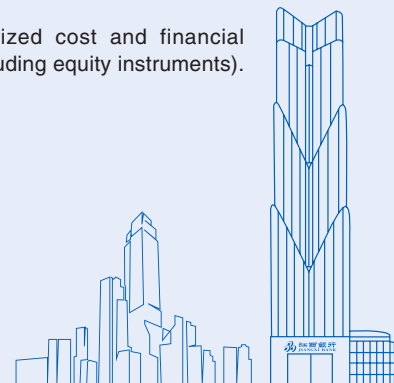
43 RISK MANAGEMENT (continued)

(a) Credit risk (continued)

(2) The credit quality of financial assets is analyzed as follows: (continued)

	31 December 2018			
	Loans and advances to customers	Deposits/ placements with banks and other financial institutions	Financial assets held under resale agreements	Financial Investments (a)
Balance of financial assets that are assessed for expected credit losses over the next 12 months				
– Overdue but not credit-impaired	254,413	–	–	–
– Neither overdue nor credit-impaired	117,061,703	7,230,737	10,966,475	150,427,755
Sub-total	117,316,116	7,230,737	10,966,475	150,427,755
Balance of financial assets that are not credit impaired and assessed for lifetime expected credit losses				
– Overdue but not credit-impaired	2,816,992	–	–	1,950,742
– Neither overdue nor credit-impaired	47,528,029	–	–	2,853,286
Sub-total	50,345,021	–	–	4,804,028
Balance of credit-impaired financial assets that are assessed for lifetime expected credit losses				
– Overdue and credit-impaired	3,195,185	–	–	3,640,240
– Credit-impaired but not overdue	225,515	–	–	1,444,474
Sub-total	3,420,700	–	–	5,084,714
Less: Allowances for impairment losses	(5,558,514)	(872)	(4)	(3,946,850)
Total	165,523,323	7,229,865	10,966,471	156,369,647

(a) Financial investments comprise financial investments at amortized cost and financial investments at fair value through other comprehensive income (excluding equity instruments).



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(a) Credit risk (continued)

- (2) The credit quality of financial assets is analyzed as follows: (continued)

The fair value of collaterals held against loans and advances overdue but not credit-impaired at 31 December 2019 amounted to RMB1,627.93 million (31 December 2018: RMB1,379.87 million).

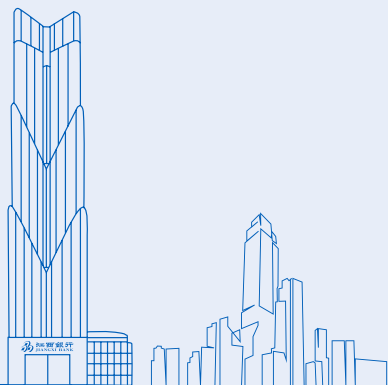
The fair value of collaterals held against loans and advances credit-impaired at 31 December 2019 amounted to RMB1,706.78 million (31 December 2018: RMB1,120.45 million). The collaterals mainly include land use rights, buildings, machinery and equipment, etc. The fair value of collaterals were estimated by the Bank based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

- (3) Rescheduled loans and advances to customers

The Group has formulated a set of loan restructuring policies to reschedule the contractual terms with customers, to maximize the collectability of loans and to manage customer relationships.

The carrying amount of rescheduled loans and advances to customers is as follows:

	31 December 2019	31 December 2018
Rescheduled loans and advances to customers	278,838	85,887
Credit-impaired/impaired loans and advances to customers included in above	278,838	85,887



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

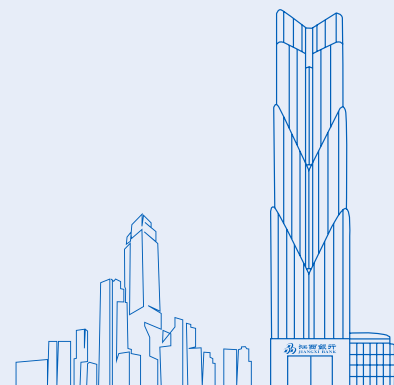
(a) Credit risk (continued)

(4) Credit rating of debt securities

The Group adopts a credit rating approach in managing the credit risk of 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 analyzed by the rating agency designations as at the end of the reporting period are as follows:

	31 December 2019	31 December 2018
Neither overdue nor credit-impaired/impaired		
<i>Ratings</i>		
– AAA	52,081,006	40,012,408
– AA- to AA+	440,327	3,435,687
Sub-total	52,521,333	43,448,095
<i>Unrated</i>	3,392,022	12,515
Sub-total	3,392,022	12,515
Total	55,913,355	43,460,610

The above financial investments include debt securities issued by the government and policy banks, which amounted to RMB50.26 billion as at 31 December 2019 (31 December 2018: RMB39.07 billion).



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(b) Market risk

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

The Board of Directors is ultimately responsible for monitoring the Group's market risk to ensure that the Group has effectively identified, measured and monitored all types of market risk. The Risk Management Committee monitors the market risk management process within the scope authorized by the Board of Directors, which include review and approval of market risk management strategies, policies and procedures. The Group is primarily exposed to market risk in its financial markets business. The Financial Market Department is responsible for carrying out capital investments and transactions. The Finance Management Department and International Business Department are responsible for monitoring and managing the interest rate risk and foreign exchange risk on a daily basis. The Risk Management Department is responsible for formulating the market risk management policies and procedures, as well as identifying, measuring and monitoring the Group's market risk.

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

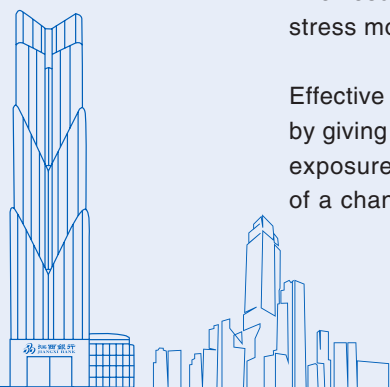
Scenario analysis is a multi-factor analysis method which assesses the impact of multiple factors interacting simultaneously, taking into consideration of the probabilities of various scenarios.

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

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

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

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



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(b) Market risk (continued)

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.

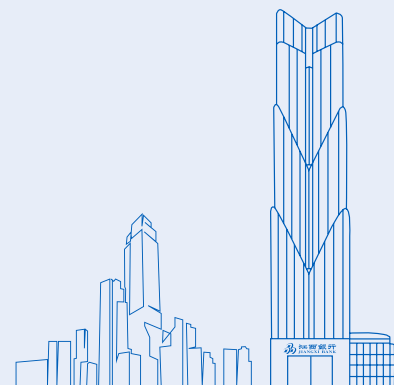
Repricing risk

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 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.

The Finance Management Department is responsible for measuring, monitoring and managing interest rate risk. The Group regularly performs assessment on the interest rate repricing gap between the assets and liabilities that are sensitive to changes in interest rates and sensitivity analysis on the net interest income as a result of changes in interest rates. The primary objective of interest rate risk management is to minimize potential adverse effects on its net interest income or its inherent economic value caused by interest rate volatility.

Trading interest rate risk

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



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

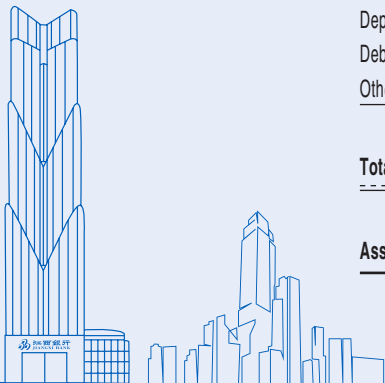
43 RISK MANAGEMENT (continued)

(b) Market risk (continued)

Interest rate risk (continued)

- (i) The following tables indicate the assets and liabilities as at 31 December by the expected next repricing dates or by maturity dates, depending on which is earlier:

	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	38,810,810	3,929,339	34,881,471	-	-	-
Deposits with banks and other financial institutions	1,997,570	899,903	1,097,667	-	-	-
Placements with banks and other financial institutions	6,301,907	3,019	6,298,888	-	-	-
Financial assets held under resale agreements	6,833,743	491	6,833,252	-	-	-
Loans and advances to customers (Note (a))	202,989,370	765,603	126,862,644	65,634,589	9,694,982	31,552
Financial Investments (Note (b))	189,577,669	1,665,776	26,493,580	25,771,801	111,157,549	24,488,963
Others	9,607,460	9,607,460	-	-	-	-
Total assets	456,118,529	16,871,591	202,467,502	91,406,390	120,852,531	24,520,515
Liabilities						
Borrowing from the central bank	7,696,259	98,347	69,607	7,528,305	-	-
Deposits from banks and other financial institutions	31,212,140	355,821	12,794,033	17,512,286	550,000	-
Placements from banks and other financial institutions	2,555,016	5,016	1,750,000	800,000	-	-
Borrowing from other financial institutions	14,863,272	183,272	3,130,000	11,550,000	-	-
Financial assets sold under repurchase agreements	19,704,409	1,549	19,702,860	-	-	-
Deposits from customers	284,548,914	5,644,110	166,537,915	59,372,958	52,982,214	11,717
Debt securities issued	55,178,643	170,839	12,614,004	33,109,104	3,289,204	5,995,492
Others	5,272,182	5,272,182	-	-	-	-
Total liabilities	421,030,835	11,731,136	216,598,419	129,872,653	56,821,418	6,007,209
Asset-liability gap	35,087,694	5,140,455	(14,130,917)	(38,466,263)	64,031,113	18,513,306



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(b) Market risk (continued)

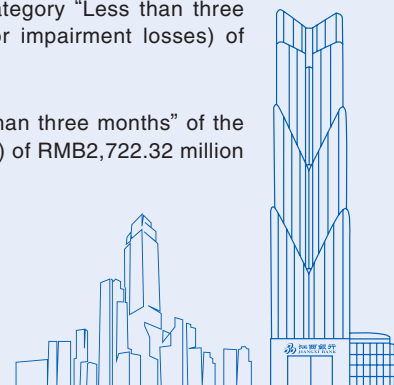
Interest rate risk (continued)

- (i) The following tables indicate the assets and liabilities as at 31 December by the expected next repricing dates or by maturity dates, depending on which is earlier: (continued)

	31 December 2018					
	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	37,740,620	3,622,162	34,118,458	-	-	-
Deposits with banks and other financial institutions	3,204,920	196,545	2,808,433	199,942	-	-
Placements with banks and other financial institutions	4,024,945	12,633	3,812,361	199,951	-	-
Financial assets held under resale agreements	10,966,471	3,805	10,962,666	-	-	-
Loans and advances to customers <i>(Note (a))</i>	165,523,323	581,136	98,597,173	48,450,790	17,739,659	154,565
Financial Investments <i>(Note (b))</i>	190,704,000	1,537,692	26,788,563	24,457,672	101,242,491	36,677,582
Others	6,899,995	6,899,995	-	-	-	-
Total assets	419,064,274	12,853,968	177,087,654	73,308,355	118,982,150	36,832,147
Liabilities						
Borrowing from the central bank	1,590,065	840	112,058	1,477,167	-	-
Deposits from banks and other financial institutions	31,863,890	340,185	15,982,384	15,541,321	-	-
Placements from banks and other financial institutions	6,149,980	79,980	4,700,000	1,200,000	170,000	-
Borrowing from other financial institutions	10,944,698	171,132	6,398,576	4,374,990	-	-
Financial assets sold under repurchase agreements	10,186,847	4,075	10,182,772	-	-	-
Deposits from customers	260,448,653	5,538,334	164,885,399	42,831,423	47,193,497	-
Debt securities issued	61,129,810	246,517	16,994,518	34,896,507	2,997,252	5,995,016
Others	3,938,997	3,938,997	-	-	-	-
Total liabilities	386,252,940	10,320,060	219,255,707	100,321,408	50,360,749	5,995,016
Asset-liability gap	32,811,334	2,533,908	(42,168,053)	(27,013,053)	68,621,401	30,837,131

- (a) As at 31 December 2019, for loans and advances to customers, the category “Less than three months” of the Group includes overdue amounts (net of allowances for impairment losses) of RMB2,133.94 million (31 December 2018: RMB1,769.66 million).

- (b) As at 31 December 2019, for financial investments, the category “Less than three months” of the Group includes overdue amounts (net of allowances for impairment losses) of RMB2,722.32 million (31 December 2018: RMB2,506.16 million).



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(b) Market risk (continued)

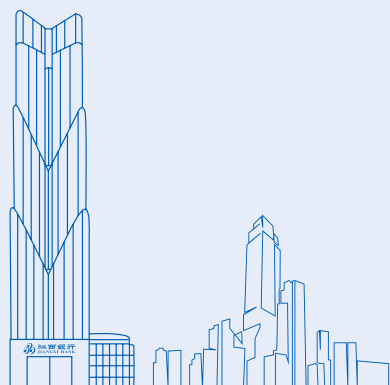
Interest rate risk (continued)

(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.

	2019 (decrease)/ increase	2018 (decrease)/ increase
Changes in net profit		
Up 100 bps parallel shift in yield curves	(217,704)	(433,894)
Down 100 bps parallel shift in yield curves	165,582	349,383

	2019 (decrease)/ increase	2018 (decrease)/ increase
Changes in equity		
Up 100 bps parallel shift in yield curves	(284,302)	(532,986)
Down 100 bps parallel shift in yield curves	299,364	566,987



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(b) Market risk (continued)

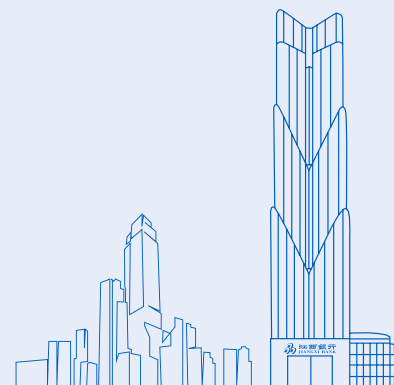
Interest rate risk (continued)

(ii) Interest rate sensitivity analysis (continued)

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 annualized net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

- Interest rate movements at the end of each of the reporting period apply to financial instruments of the Group;
- At the end of each of the reporting period, an interest rate movement of 100 basis points is based on the assumption of interest rates movement over the next 12 months;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

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



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(b) Market risk (continued)

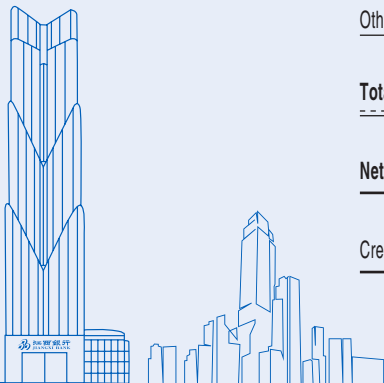
Foreign exchange risk

Foreign currency risk

The Group's currency risk mainly arises from foreign currency deposits with banks and other financial institutions and deposits from customers. The Group manages currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies.

(i) The Group's currency exposures as at 31 December were as follows:

	31 December 2019				
	RMB	USD	HKD	Others	Total
		(RMB	(RMB	(RMB	(RMB
		equivalent)	equivalent)	equivalent)	equivalent)
Assets					
Cash and deposits with the central bank	38,793,057	14,965	2,461	327	38,810,810
Deposits with banks and other financial institutions	1,021,599	869,198	55,749	51,024	1,997,570
Placements with banks and other financial institutions	6,301,907	-	-	-	6,301,907
Financial assets held under resale agreements	6,833,743	-	-	-	6,833,743
Loans and advances to customers	202,346,362	643,008	-	-	202,989,370
Financial investments	189,577,669	-	-	-	189,577,669
Others	9,604,568	2,892	-	-	9,607,460
Total assets	454,478,905	1,530,063	58,210	51,351	456,118,529
Liabilities					
Borrowing from the central bank	7,696,259	-	-	-	7,696,259
Deposits from banks and other financial institutions	31,002,065	209,636	269	170	31,212,140
Placements from banks and other financial institutions	2,555,016	-	-	-	2,555,016
Borrowing from other financial institutions	14,863,272	-	-	-	14,863,272
Financial assets sold under repurchase agreements	19,704,409	-	-	-	19,704,409
Deposits from customers	284,127,686	393,690	26,838	700	284,548,914
Debt securities issued	55,178,643	-	-	-	55,178,643
Others	5,227,881	28,490	15,809	2	5,272,182
Total liabilities	420,355,231	631,816	42,916	872	421,030,835
Net position	34,123,674	898,247	15,294	50,479	35,087,694
Credit commitments	35,048,375	2,989,810	-	1,372	38,039,557



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

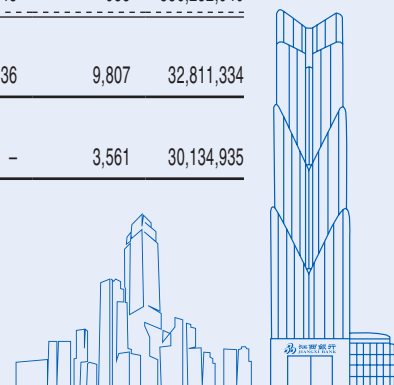
(b) Market risk (continued)

Foreign exchange risk (continued)

Foreign currency risk (continued)

(i) The Group's currency exposures as at 31 December were as follows: (continued)

	31 December 2018				
	RMB	USD	HKD	Others	Total
		(RMB	(RMB	(RMB	(RMB
		equivalent)	equivalent)	equivalent)	equivalent)
Assets					
Cash and deposits with the central bank	37,714,668	24,242	1,093	617	37,740,620
Deposits with banks and other financial institutions	2,414,643	709,941	70,191	10,145	3,204,920
Placements with banks and other financial institutions	3,812,186	212,759	–	–	4,024,945
Financial assets held under resale agreements	10,966,471	–	–	–	10,966,471
Loans and advances to customers	164,688,308	835,015	–	–	165,523,323
Financial investments	190,704,000	–	–	–	190,704,000
Others	6,894,253	5,742	–	–	6,899,995
Total assets	417,194,529	1,787,699	71,284	10,762	419,064,274
Liabilities					
Borrowing from the central bank	1,590,065	–	–	–	1,590,065
Deposits from banks and other financial institutions	31,626,782	236,850	88	170	31,863,890
Placements from banks and other financial institutions	6,149,980	–	–	–	6,149,980
Borrowing from other financial institutions	10,944,698	–	–	–	10,944,698
Financial assets sold under repurchase agreements	10,186,847	–	–	–	10,186,847
Deposits from customers	259,955,611	489,166	3,091	785	260,448,653
Debt securities issued	61,129,810	–	–	–	61,129,810
Others	3,921,243	2,285	15,469	–	3,938,997
Total liabilities	385,505,036	728,301	18,648	955	386,252,940
Net position	31,689,493	1,059,398	52,636	9,807	32,811,334
Credit commitments	28,550,418	1,580,956	–	3,561	30,134,935



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(b) Market risk (continued)

Foreign exchange risk (continued)

Foreign currency risk (continued)

(ii) Exchange rate sensitivity analysis

	2019 (decrease)/ increase	2018 (decrease)/ increase
Changes in net profit		
Foreign exchange rate decrease by 100 bps	(7,230)	(8,431)
Foreign exchange rate increase by 100 bps	7,230	8,431

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

- The foreign exchange sensitivity is the gain and loss recognized as a result of 100 basis points fluctuation in the foreign currency exchange rates against RMB;
- The fluctuation of exchange rates by 100 basis points is based on the assumption of exchange rates movement over the next 12 months;
- The exchange rates against RMB for the US dollars and other foreign currencies change in the same direction simultaneously, and thus other foreign currencies are converted into US dollars for the sensitivity analysis mentioned above to show how net profit or loss and equity would have been affected; and
- Other variables (including interest rates) remain unchanged.

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

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



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(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. This risk exists even if a bank's solvency remains strong. In accordance with liquidity policies, the Group monitors the future cash flows and maintains an appropriate level of highly liquid assets.

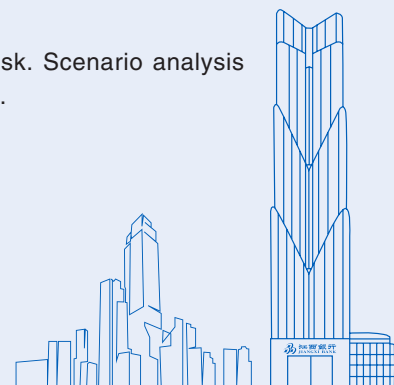
The Asset and Liability Management Committee ("ALMC") is responsible for managing the Group's overall liquidity risk. The ALMC is responsible for the formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

- Maintaining liquidity at a stable and sufficient level; establishing integrated liquidity risk management system; ensuring the meeting on a timely basis of liquidity requirements and the payment of assets, liabilities, and off-balance sheet business, whether under a normal operating environment or a state of stress; balancing the effectiveness and security of funds in an efficient manner; and
- Making timely and reasonable adjustments to capital structure and scale in response to market changes and business developments; pursuing profit maximization and cost minimization to a modest extent while ensuring appropriate liquidity; achieving the integration of the security, liquidity, and effectiveness of the Bank's funds.

The Finance Management Department takes the lead to execute liquidity management policies and is responsible for formulating and revising the liquidity management strategies, and for identifying, measuring, monitoring and releasing the liquidity risk of the Bank. It is also responsible for managing and forecasting the working capital on a regular basis together with the Finance Market Department, and ensuring the liquidity of working capital meets management requirements based on the liquidity strategies. The Finance Market Department is responsible for performing the operation following the instructions of the Finance Management Department. Significant disbursement or portfolio changes must be reported to the ALMC on a timely basis.

A substantial portion of the Group's assets are funded by deposits from customers. These deposits from customers, which have been growing in recent years, are widely diversified in terms of type and duration and represent a stable source of funds.

The Group principally uses liquidity gap analysis to measure liquidity risk. Scenario analysis and stress testing are also adopted to assess the impact of liquidity risk.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

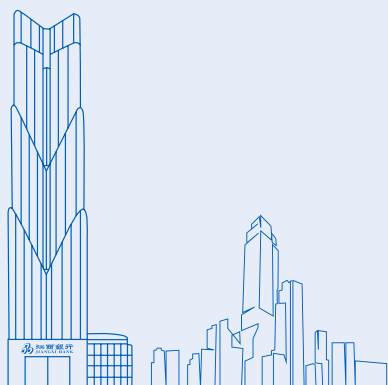
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at 31 December:

	Indefinite Note(a)/(b)/(c)	Repayable on demand	Within one month	31 December 2019			More than five years	Total
				Between one month and three months	Between three months and one year	Between one year and five years		
Assets								
Cash and deposits with the central bank	30,290,582	8,520,228	-	-	-	-	-	38,810,810
Deposits with banks and other financial institutions	-	1,997,570	-	-	-	-	-	1,997,570
Placements with banks and other financial institutions	-	-	6,301,907	-	-	-	-	6,301,907
Financial assets held under resale agreements	-	-	6,833,743	-	-	-	-	6,833,743
Loans and advances to customers	1,556,836	4,305,220	6,269,090	11,518,377	69,662,850	51,456,652	58,220,345	202,989,370
Financial investments	4,371,084	18,224,899	1,541,544	4,911,796	25,805,837	109,981,875	24,740,634	189,577,669
Others	7,607,977	421,235	130,297	2,415	86,466	241,478	1,117,592	9,607,460
Total assets	43,826,479	33,469,152	21,076,581	16,432,588	95,555,153	161,680,005	84,078,571	456,118,529



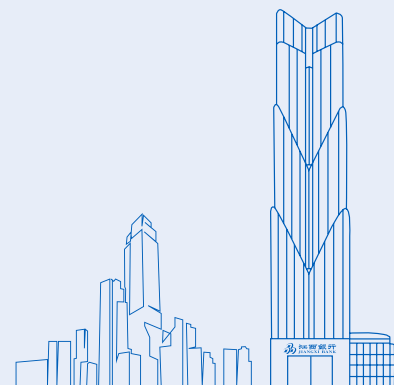
CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

	Indefinite Note(a)/(b)/(c)	Repayable on demand	Within one month	31 December 2019				Total
				Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Liabilities								
Borrowing from the central bank	-	-	8,332	61,275	7,626,652	-	-	7,696,259
Deposits from banks and other financial institutions	-	2,271,289	4,193,892	6,535,633	17,643,552	567,774	-	31,212,140
Placements from banks and other financial institutions	-	-	-	1,753,442	801,574	-	-	2,555,016
Borrowing from other financial institutions	-	-	580,773	2,603,688	11,678,811	-	-	14,863,272
Financial assets sold under repurchase agreements	-	-	19,704,409	-	-	-	-	19,704,409
Deposits from customers	-	136,775,073	12,867,303	21,250,850	60,053,939	53,589,897	11,852	284,548,914
Debt securities issued	-	-	1,529,214	11,085,344	33,109,105	3,335,790	6,119,190	55,178,643
Others	209,754	475,781	647,304	1,346,508	195,100	1,637,276	760,459	5,272,182
Total liabilities	209,754	139,522,143	39,531,227	44,636,740	131,108,733	59,130,737	6,891,501	421,030,835
Long/(short) position	43,616,725	(106,052,991)	(18,454,646)	(28,204,152)	(35,553,580)	102,549,268	77,187,070	35,087,694



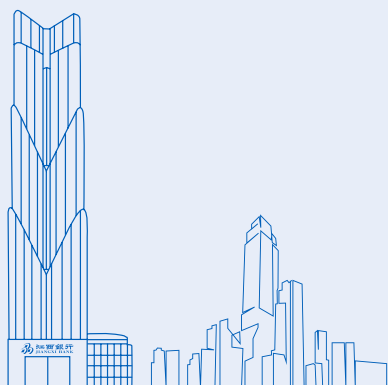
CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

				31 December 2018				
				Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
	Indefinite Note(a)/(b)/(c)	Repayable on demand	Within one month					
Assets								
Cash and deposits with the central bank	30,375,203	7,365,417	–	–	–	–	–	37,740,620
Deposits with banks and other financial institutions	–	986,863	1,499,853	518,262	199,942	–	–	3,204,920
Placements with banks and other financial institutions	–	–	3,608,718	212,725	203,502	–	–	4,024,945
Financial assets held under resale agreements	–	–	10,966,471	–	–	–	–	10,966,471
Loans and advances to customers	1,308,533	4,093,486	5,279,482	9,993,396	54,155,086	45,450,574	45,242,766	165,523,323
Financial investments	3,114,485	19,311,634	2,401,869	4,331,444	24,119,131	100,747,859	36,677,578	190,704,000
Others	6,146,253	224,143	101,291	1,879	56,202	258,296	111,931	6,899,995
Total assets	40,944,474	31,981,543	23,857,684	15,057,706	78,733,863	146,456,729	82,032,275	419,064,274



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

				31 December 2018				
				Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
	Indefinite Note(a)/(b)/(c)	Repayable on demand	Within one month					
Liabilities								
Borrowing from the central bank	–	–	11,870	100,187	1,478,008	–	–	1,590,065
Deposits from banks and other financial institutions	–	5,796,797	2,519,864	5,450,104	18,097,125	–	–	31,863,890
Placements from banks and other financial institutions	–	2	2,352,534	2,346,718	1,280,726	170,000	–	6,149,980
Borrowing from other financial institutions	–	–	594,771	2,279,648	8,070,279	–	–	10,944,698
Financial assets sold under repurchase agreements	–	–	10,186,847	–	–	–	–	10,186,847
Deposits from customers	–	141,816,179	11,990,472	14,248,386	43,896,031	48,497,585	–	260,448,653
Debt securities issued	–	–	6,578,922	10,415,596	35,143,024	2,997,252	5,995,016	61,129,810
Others	703,791	199,138	780,694	1,174,684	184,697	521,977	374,016	3,938,997
Total liabilities	703,791	147,812,116	35,015,974	36,015,323	108,149,890	52,186,814	6,369,032	386,252,940
Long/(short) position	40,240,683	(115,830,574)	(11,158,289)	(20,957,617)	(29,416,027)	94,269,915	75,663,243	32,811,334

- (a) Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank.
- (b) Indefinite amount of loans and advances to customers includes all the credit-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.
- (c) Financial investments comprise financial investments at amortized cost, financial investments at fair value through profit or loss and financial investments at fair value through other comprehensive income. Indefinite amount of financial investments represent credit-impaired investments or those overdue more than one month. Equity investments is listed in the category of indefinite.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

The following tables provide an analysis of the Group's contractual undiscounted cash flows and credit commitments as at 31 December:

	31 December 2019								
	Carrying amount	Contractual undiscounted cash flow	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Financial assets									
Cash and deposits with the central bank	38,810,810	38,810,810	30,290,582	8,520,228	-	-	-	-	-
Deposits with banks and other financial institutions	1,997,570	1,997,570	-	1,997,570	-	-	-	-	-
Placements with banks and other financial institutions	6,301,907	7,003,669	-	-	7,003,669	-	-	-	-
Financial assets held under resale agreements	6,833,743	6,834,709	-	-	6,834,709	-	-	-	-
Loans and advances to customers	202,989,370	253,473,546	3,036,385	4,305,220	6,282,175	11,622,795	71,867,556	60,853,126	95,506,289
Financial investments	189,577,669	212,904,682	4,578,511	18,224,899	1,565,077	5,383,754	32,345,496	122,161,628	28,645,317
Others	3,610,298	3,610,298	3,059,590	421,191	129,517	-	-	-	-
Total financial assets	450,121,367	524,635,284	40,965,068	33,469,108	21,815,147	17,006,549	104,213,052	183,014,754	124,151,606

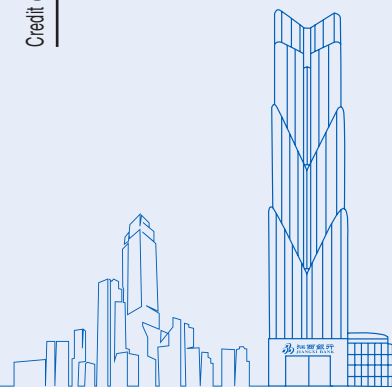
CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

	31 December 2019								
	Carrying amount	Contractual undiscounted cash flow	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Financial liabilities									
Borrowing from the central bank	7,696,259	7,709,184	-	-	8,333	61,493	7,639,358	-	-
Deposits from banks and other financial institutions	31,212,140	31,664,719	-	2,271,289	4,200,319	6,573,089	17,950,736	669,286	-
Placements from banks and other financial institutions	2,555,016	2,593,057	-	-	-	1,766,715	826,342	-	-
Borrowing from other financial institutions	14,863,272	15,092,130	-	-	586,325	2,623,691	11,882,114	-	-
Financial assets sold under repurchase agreements	19,704,409	19,707,757	-	-	19,707,757	-	-	-	-
Deposits from customers	284,548,914	288,626,309	-	136,775,073	13,104,463	21,667,924	61,316,856	55,748,948	13,045
Debt securities issued	55,178,643	56,565,400	-	-	1,530,000	11,140,000	33,780,000	3,515,400	6,600,000
Total financial liabilities	415,758,653	421,958,556	-	139,046,362	39,137,197	43,832,912	133,395,406	59,933,634	6,613,045
Long/short position	34,362,714	102,676,728	40,965,068	(105,577,254)	(17,322,050)	(26,826,363)	(29,182,354)	123,081,120	117,538,561
Credit commitments	38,039,557	38,039,557	-	8,659,672	3,313,500	7,357,305	14,223,564	4,485,516	-



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

	31 December 2018					
	Carrying amount	Contractual undiscounted cash flow	Indefinite	Repayable on demand	Within one month	Between one month and three months
						Between one month and five years
						More than five years
Financial assets						
Cash and deposits with the central bank	37,740,620	37,740,620	30,375,203	7,365,417	-	-
Deposits with banks and other financial institutions	3,204,920	3,215,137	-	986,863	1,501,287	206,467
Placements with banks and other financial institutions	4,024,945	4,163,281	-	-	3,732,759	209,156
Financial assets held under resale agreements	10,966,471	10,973,230	-	-	10,973,230	-
Loans and advances to customers	165,523,323	206,407,901	2,192,068	4,093,486	5,292,364	55,939,954
Financial investments	190,704,000	218,473,633	3,488,979	19,311,634	2,445,024	117,794,378
Others	1,492,853	1,492,853	1,199,176	222,842	70,835	-
Total financial assets	413,657,132	482,466,655	37,255,426	31,980,242	24,015,499	171,636,784
						116,481,425

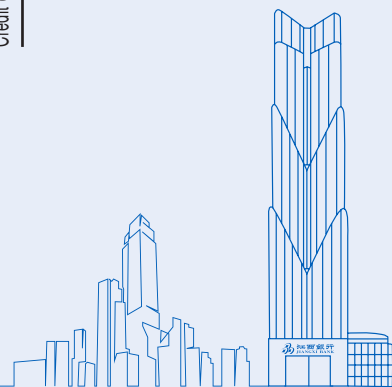
CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

	31 December 2018								
	Carrying amount	Contractual undiscounted cash flow	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Financial liabilities									
Borrowing from the central bank	1,590,065	1,611,624	-	-	11,885	107,461	1,492,278	-	-
Deposits from banks and other financial institutions	31,863,890	32,323,881	-	5,796,797	2,524,524	5,564,327	18,438,233	-	-
Placements from banks and other financial institutions	6,149,980	6,206,187	-	2	2,352,875	2,362,115	1,313,120	178,075	-
Borrowing from other financial institutions	10,944,698	11,212,411	-	-	613,629	2,329,933	8,268,849	-	-
Financial assets sold under repurchase agreements	10,186,847	10,188,418	-	-	10,188,418	-	-	-	-
Deposits from customers	260,448,653	263,461,061	-	141,816,179	12,151,576	14,532,837	44,801,673	50,158,796	-
Debt securities issued	61,129,810	64,830,450	-	-	6,590,000	10,490,000	36,135,050	4,415,400	7,200,000
Total financial liabilities	382,313,943	389,834,032	-	147,612,978	34,432,907	35,386,673	110,449,203	54,752,271	7,200,000
Long/(short) position	31,343,189	92,632,623	37,255,426	(115,632,736)	(10,417,408)	(19,720,128)	(25,018,469)	116,884,513	109,281,425
Credit commitments	30,134,935	30,134,935	-	7,008,262	2,124,349	5,578,122	14,099,973	1,324,229	-



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

43 RISK MANAGEMENT (continued)

(d) Operational risk

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

The Group establishes a framework of policies and procedures to identify, assess, control, manage and report operational risk. The framework covers all business functions ranging from corporate banking, retail banking, trading, corporate finance, settlement, intermediary business, asset management and all supporting functions, including human resource management, financial management, legal affairs, anti-money laundering and administration management. The key elements of the framework are listed as below:

- A multi-level operational risk management framework with segregation of duties between front and back offices under the leadership of senior management;
- A series of operational risk management policies covering all businesses on the basis of core operational risk management policy;
- An emergency plan and a business continuity system designed to deal with emergent and adverse circumstances, including public relation issues, natural disasters, IT system errors, bank runs, robberies, etc.;
- An evaluation system on the operational risk management as well as an inquiry and disciplinary system on the non-compliance issues; and
- An independent risk assessment framework based on the internal audit and the compliance review.

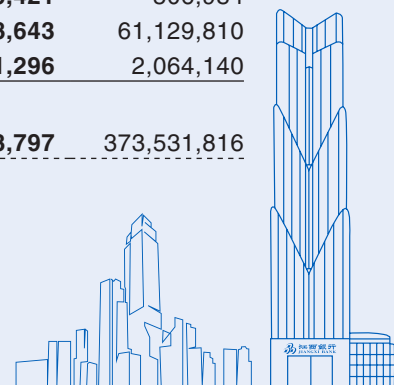


CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

44 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	31 December 2019	31 December 2018 (Note)
Assets		
Cash and deposits with the central bank	38,810,810	37,740,620
Deposits with banks and other financial institutions	1,560,339	3,193,016
Placements with banks and other financial institutions	7,001,966	3,935,586
Financial assets held under resale agreements	6,833,743	10,966,471
Loans and advances to customers	185,096,020	151,758,656
Financial investments:		
– Financial investments at fair value through profit or loss	34,421,594	33,994,103
– Financial investments at fair value through other comprehensive income	26,075,381	34,338,819
– Financial investments at amortized cost	128,144,618	121,251,461
Interest in associates	120,707	113,722
Investment in subsidiary	1,734,000	1,734,000
Property and equipment	2,293,036	2,505,496
Deferred tax assets	2,873,136	2,133,114
Other assets	4,111,430	1,954,207
Total assets	439,076,780	405,619,271
Liabilities and equity		
Liabilities		
Borrowing from the central bank	7,696,259	1,590,065
Deposits from banks and other financial institutions	32,165,819	32,207,874
Placements from banks and other financial institutions	1,802,036	5,397,443
Financial assets sold under repurchase agreements	19,704,409	10,186,847
Deposits from customers	284,548,914	260,448,653
Income tax payable	776,421	506,984
Debt securities issued	55,178,643	61,129,810
Other liabilities	3,031,296	2,064,140
Total liabilities	404,903,797	373,531,816



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

44 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (continued)

	31 December 2019	31 December 2018 (Note)
Equity		
Share capital	6,024,277	6,024,277
Capital reserve	14,394,516	13,733,127
Surplus reserve	2,709,402	2,518,794
General reserve	5,698,084	5,405,879
Retained earnings	5,346,704	4,405,378
Total equity	34,172,983	32,087,455
Total liabilities and equity	439,076,780	405,619,271

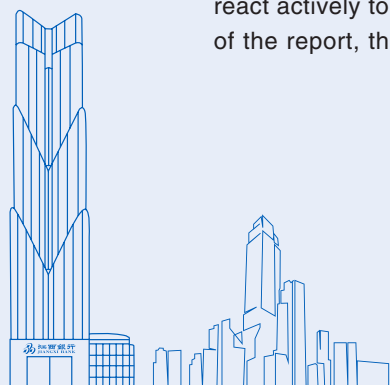
Note: The Bank has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(3).

45 SUBSEQUENT EVENTS

The coronavirus outbreak since early 2020 has brought about additional uncertainties in the Group's operating environment and may impact the Group's operations and financial position. The Group has been closely monitoring the impact of the developments on the Group's businesses and has put in place contingency measures. The Group will keep our contingency measures under review as the situation evolves.

As far as the Group's businesses are concerned, the outbreak may impact the repayment abilities of some debtors, this may affect the quality or the yields of the loans and financial investments of the Group in a degree, and the degree of the impact depends on the situation of the epidemic preventive measures, the duration of the epidemic and implementation of regulatory policies.

The Group will keep continuous attention on the situation of the coronavirus outbreak, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of the report, the assessment is still in progress.



CHAPTER XIV NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

46 COMPARATIVE FIGURES

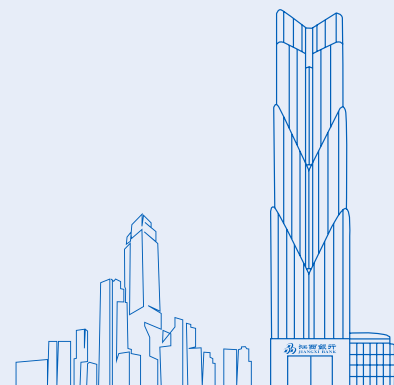
The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 2(3).

47 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2019

Up to the date of issue of these financial statements, a number of amendments, new standards and interpretations are issued which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting period beginning on or after
Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020
Amendments to IFRS 3, <i>Definition of a business</i>	1 January 2020
Amendments to IAS 1 and IAS 8, <i>Definition of material</i>	1 January 2020
IFRS 17, <i>Insurance contracts</i>	1 January 2020
Amendments to IFRS 10 and IAS 28, <i>Sale or contribution of assets between an Investor and its associate or joint venture</i>	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.



UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

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

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

1 LIQUIDITY COVERAGE RATIO AND LEVERAGE RATIO

Liquidity coverage ratio

	31 December 2019	Average for the year ended 31 December 2019
Liquidity coverage ratio (RMB and foreign currency)	205.12%	184.01%

	31 December 2018	Average for the year ended 31 December 2018
Liquidity coverage ratio (RMB and foreign currency)	206.46%	209.50%

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

Leverage Ratio

	31 December 2019	31 December 2018
Leverage Ratio	7.20%	7.35%

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

The above liquidity coverage ratio and leverage 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.



UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

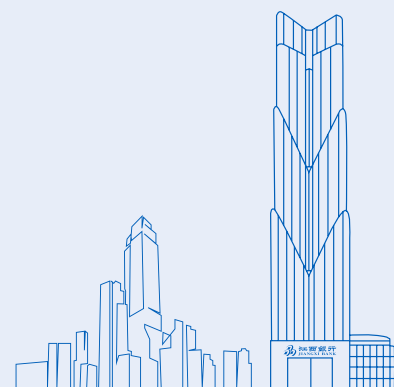
(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

2 CURRENCY CONCENTRATIONS

	31 December 2019			Total
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	686,603	42,916	6,845	736,364
Spot liabilities	(640,834)	(42,916)	(872)	(684,622)
Net position	45,769	–	5,973	51,742

	31 December 2018			Total
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	1,805,693	71,284	10,762	1,887,739
Spot liabilities	(746,295)	(18,648)	(955)	(765,898)
Net position	1,059,398	52,636	9,807	1,121,841

The Group has no structural position at 31 December.



UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

3 INTERNATIONAL CLAIMS

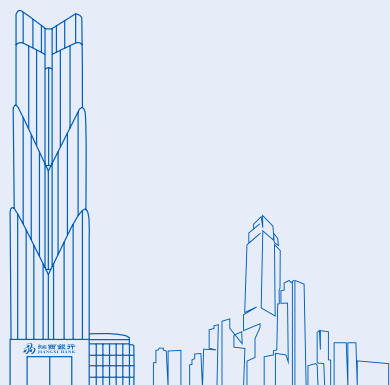
The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as international claims.

International claims include loans and advances to customers, balances with the central bank, 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 all 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.

	31 December 2019			Total
	Banks and other financial institutions	Public sector entities	Others	
All regions outside Mainland China	—	—	—	—

	31 December 2018			Total
	Banks and other financial institutions	Public sector entities	Others	
All regions outside Mainland China	—	—	—	—

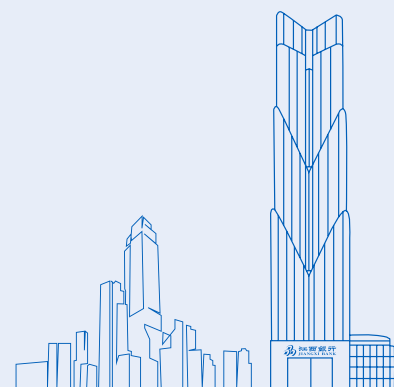


UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

4 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES

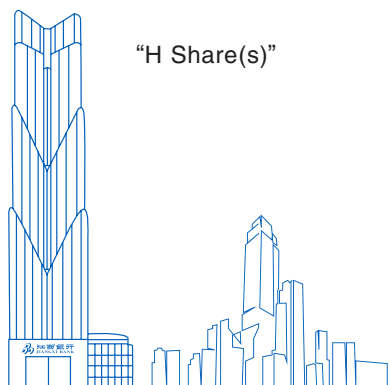
	31 December 2019	31 December 2018
Gross loans and advances which have been overdue with respect to either principal or interest for years of		
– Between 3 and 6 months (inclusive)	1,202,233	439,889
– Between 6 months and 1 year (inclusive)	1,657,803	1,022,352
– Over 1 year	1,882,932	1,425,677
Total	4,742,968	2,887,918
As a percentage of gross loans and advances		
– Between 3 and 6 months (inclusive)	0.57%	0.26%
– Between 6 months and 1 year (inclusive)	0.79%	0.60%
– Over 1 year	0.90%	0.84%
Total	2.26%	1.70%



DEFINITIONS

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

“Articles of Association”	articles of association of the Bank (as modified from time to time)
“Bank”, “Company” or “Jiangxi Bank”	Jiangxi Bank Co., Ltd.
“Board”	the board of directors of the Bank
“Board of Supervisors”	the board of supervisors of the Bank
“CBIRC”	China Banking and Insurance Regulatory Commission
“CBRC Jiangxi Office”	China Banking Regulatory Commission Jiangxi Office
“CBIRC Jiangxi Office”	China Banking and Insurance Regulatory Commission Jiangxi Office
“China” or “PRC”	the People’s Republic of China, but for the purpose of this annual report only, excluding the Hong Kong and Macau Special Administrative Regions and Taiwan
“Director(s)”	director(s) of the Bank
“Domestic Share(s)”	ordinary share(s) issued by the Bank, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi
“Domestic Shareholder(s)”	holder(s) of Domestic Shares
“Group”	Jiangxi Bank and its subsidiaries
“HK\$” or “HKD” or “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“H Share(s)”	overseas listed foreign share(s) with a nominal value of RMB1.00 each in the Bank’s share capital, which are listed on the Main Board of the Hong Kong Stock Exchange



DEFINITIONS

“Listing Date”	the date on which H Shares are listed and traded on the Main Board of the Hong Kong Stock Exchange, which is June 26, 2018
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“PBoC”	the People’s Bank of China (中國人民銀行)
“Prospectus”	the prospectus issued by the Bank on June 13, 2018 for the global public offering
“Reporting Period”	the twelve months from January 1, 2019 to December 31, 2019
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Shareholders”	shareholders of the Bank
“Supervisors”	supervisors of the Bank
“USD”	United States dollars, the lawful currency of the United States

