



錦州銀行股份有限公司
Bank of Jinzhou Co.,Ltd.*

2016 中期報告

INTERIM REPORT

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

Stock Code: 0416



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

Contents

2	Definitions	
4	Chapter 1	Company Profile
6	Chapter 2	Financial Highlights
9	Chapter 3	Management Discussions and Analysis
59	Chapter 4	Changes in Share Capital and Particulars of Shareholders
64	Chapter 5	Directors, Supervisors, Senior Management, Employees and Organizations
70	Chapter 6	Important Matters
73	Chapter 7	Independent Auditor's Report on Review
74	Chapter 8	Unaudited Interim Financial Report
81	Chapter 9	Notes to the Unaudited Interim Financial Report
133	Chapter 10	Unaudited Supplementary Financial Information

DEFINITIONS

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

“Articles of Association”	the articles of association of the Bank, as the same may be amended from time to time
“Bank”, “our Bank”, “Bank of Jinzhou”, “we”, “us” or “Group”	Bank of Jinzhou Co., Ltd. (錦州銀行股份有限公司), a joint stock company incorporated in the PRC on 22 January 1997 with limited liability in accordance with PRC laws and, unless context indicates otherwise, its subsidiaries, branches, sub-branches and special institution
“Board” or “Board of Directors”	the Board of Directors of the Bank
“Board of Supervisors”	the Supervisory Board of the Bank
“CBRC”	the China Banking Regulatory Commission (中國銀行業監督管理委員會)
“CBRC Liaoning Bureau”	the China Banking Regulatory Commission Liaoning Bureau (中國銀行業監督管理委員會遼寧監管局)
“Director(s)”	the director(s) of the Bank
“Domestic Share(s)”	the ordinary shares issued by the Bank in the PRC, with a nominal value of RMB1.00 each, which are subscribed for and fully paid up in Renminbi
“ETC card”	dedicated IC card for motor vehicles (passenger cars) to pay highway tolls
“H Share(s)”	the ordinary shares in the share capital of the Bank, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange
“HK\$” or “HK dollars”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IC card”	integrated circuit card, with microelectronic chip embedded in the card base in line with ISO7816 standards, which is made in the form of a card and widely used in the financial sector
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as the same may be amended, supplemented or otherwise modified from time to time

“PBOC”	the People’s Bank of China (中國人民銀行)
“PRC” or “China”	the People’s Republic of China, but for the purposes of this interim report only, excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
“Reporting Period”	six months ended 30 June 2016
“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 the same may be amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	shareholder(s) of the Bank
“Share(s)”	the Domestic Share(s) and the H Share(s) of the Bank
“Supervisor(s)”	the supervisor(s) of the Bank

CHAPTER 1 COMPANY PROFILE

I. Basic Information about the Company

Legal Chinese Name and Abbreviation	: 錦州銀行股份有限公司 (abbreviated as “錦州銀行”)
Legal English Name and Abbreviation	: Bank of Jinzhou Co., Ltd. (abbreviated as “Bank of Jinzhou”)
Legal Representative	: Zhang Wei
Authorized Representatives	: Zhang Wei, Wang Jing
Secretary of the Board	: Wang Jing
Joint Company Secretaries	: Wang Jing, Leung Wing Han Sharon
Registered and Office Address	: No. 68 Keji Road, Jinzhou City, Liaoning Province, the PRC
Telephone	: +86 (416) 3220002
Fax	: +86 (416) 3220003
Postal Code	: 121013
Company Website	: www.jinzhoubank.com
Email Address	: webmaster@jinzhoubank.com
Customer Service Hotline	: +86-400-66-96178
Principal Place of Business in Hong Kong	: 18/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
Accountant	: KPMG
PRC Legal Advisor	: Zhong Lun Law Firm
Hong Kong Legal Advisor	: Orrick, Herrington & Sutcliffe
Compliance Advisor	: First Shanghai Capital Limited
Custodian of Domestic Shares	: China Securities Depository and Clearing Corporation Limited
H Share Registrar	: Computershare Hong Kong Investor Services Limited
Listing Place of Stock, Stock Name and Stock Code	: The Stock Exchange of Hong Kong Limited; BANK OF JINZHOU; 0416
Uniform Social Credit Code of Corporation	: 912107002426682145
Finance License No. of Institution	: B0127H221070001
Website of the Hong Kong Stock Exchange where this interim report is published	: www.hkexnews.hk
Place where the interim report is maintained	: Office of the Board

II. Company Profile

Bank of Jinzhou was incorporated, with approval of the People's Bank of China, on 22 January 1997, headquartered in Jinzhou City, Liaoning Province. There are 12 branches established in Beijing, Tianjin, Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin, Liaoyang and Jinzhou and 5 village and township banks, namely Jinzhou Taihe Yimin Village and Township Bank Co., Ltd. (錦州太和益民村鎮銀行股份有限公司), Liaoning Yi County Xianghe Village and Township Bank Co., Ltd. (遼寧義縣祥和村鎮銀行股份有限公司), Jinzhou Beizhen Yimin Village and Township Bank Co., Ltd. (錦州北鎮益民村鎮銀行股份有限公司), Liaoning Heishan Jinhang Village and Township Bank Co., Ltd. (遼寧黑山錦行村鎮銀行股份有限公司) and Liaoning Kazuo Jinhang Village and Township Bank Co., Ltd. (遼寧喀左錦行村鎮銀行股份有限公司), were promoted and established; meanwhile, Bank of Jinzhou promoted and established Bank of Jinzhou Financial Leasing Co., Ltd. (錦銀金融租賃有限責任公司). As of 30 June 2016, the Bank had, in aggregate, 214 branches.

At the end of the Reporting Period, the Bank had total assets of RMB422.466 billion, total loans and advances released of RMB113.641 billion and total deposits of RMB199.167 billion.

The Bank has been listed on the Main Board of the Hong Kong Stock Exchange on 7 December 2015.

III. Awards in the first half of 2016

In January 2016, the Bank was recognized as the 2015 Outstanding Standardized Information Transfer Regulation Organization Unit of the EAST System Application Labour Emulation (EAST系統應用勞動競賽監管標準化數據報送優秀組織單位) by Liaoning Financial Union (遼寧金融工會) and CBRC Liaoning Bureau Union (遼寧銀監局工會).

In March 2016, the Bank was granted the 2015 Most Potential Award for UnionPay Card Business (銀聯卡業務最具潛力獎) by China UnionPay.

In March 2016, the Bank was recognized as the 2015 Advanced Unit for Security Management (安防管理先進單位) and 2015 Outstanding Member Unit (優秀會員單位) by Liaoning Internal Security Society (遼寧省內保協會).

In May 2016, the Bank was recognized as the 2015 Advanced Unit for China Banking Consumer Right Protection Knowledge Contest Internet Contest (中國銀行業消費者權益保護知識競賽網絡競賽先進單位) by Liaoning Banking Association (遼寧省銀行業協會).

In June 2016, the Bank was recognized as the 2015 Jinzhou Meritorious Service Enterprises (錦州市功勳企業) by Jinzhou Municipal Party Committee and Municipal Government.

CHAPTER 2 FINANCIAL HIGHLIGHTS

I. Financial Data

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June		Interim period of 2016 vs Interim Period of 2015	For the year ended 31 December 2015
	2016	2015	Rate of change (%)	
Operating results				
Interest income	13,174,523	9,683,049	36.1	21,819,437
Interest expense	(5,802,851)	(5,241,041)	10.7	(11,015,124)
Net interest income	7,371,672	4,442,008	66.0	10,804,313
Net fee and commission income	423,153	132,287	219.9	500,790
Net trading (losses)/gains	(1,207)	60,796	(102.0)	97,164
Dividend income	—	440	(100.0)	6,440
Net gains arising from investment securities	9,113	2,254	304.3	2,896
Net foreign exchange gain	33,720	32,243	4.6	85,895
Other net operating income	14,186	9,640	47.2	19,886
Operating income	7,850,637	4,679,668	67.8	11,517,384
Operating expenses	(1,342,665)	(1,246,461)	7.7	(2,724,872)
Operating profit before impairment	6,507,972	3,433,207	89.6	8,792,512
Impairment losses on assets	(1,477,644)	(1,534,736)	(3.7)	(2,296,943)
Profit before taxation	5,030,328	1,898,471	165.0	6,495,569
Income tax	(1,232,088)	(458,543)	168.7	(1,587,513)
Profit for the period	3,798,240	1,439,928	163.8	4,908,056
Profit attributable to equity shareholders of the Bank	3,793,541	1,434,186	164.5	4,898,761
Calculated on a per share basis (RMB)				
Basic earnings per share	0.66	0.33	100.0	1.09

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June 2016 vs 31 December 2015			
	30 June 2016	31 December 2015	Rate of change (%)	30 June 2015
Major indicators of assets/liabilities				
Total assets	422,465,809	361,659,913	16.8	312,938,824
Of which: loans and advances to customers	108,868,575	97,313,206	11.9	90,569,221
Total liabilities	390,266,063	335,388,599	16.4	296,084,027
Of which: Deposits from customers	199,166,574	170,178,722	17.0	150,029,965
Share capital	5,781,616	5,781,616	—	4,402,234
Total equity attributable to equity shareholders of the Bank	28,527,591	25,598,461	11.4	16,634,381
Total equity	32,199,746	26,271,314	22.6	16,854,797

II. Financial Indicators

	For the six months ended 30 June		Interim period of 2016 vs Interim Period of 2015	For the year ended 31 December 2015
	2016	2015	Change	
Profitability indicators (%)				
Return on average total assets ⁽¹⁾	1.94*	1.02*	0.92	1.60
Return on average equity ⁽²⁾	28.03*	17.77*	10.26	23.75
Net interest spread ⁽³⁾	3.49*	2.94*	0.55	3.29
Net interest margin ⁽⁴⁾	3.78*	3.16*	0.62	3.51
Net fee and commission income to operating income ratio	5.39	2.83	2.56	4.35
Cost-to-income ratio ⁽⁵⁾	14.37	20.46	(6.09)	18.80

	30 June 2016	31 December 2015	30 June 2016 vs 31 December 2015 Change	30 June 2015
Assets quality indicators (%)				
Non-performing loan ratio ⁽⁶⁾	1.10	1.03	0.07	0.99
Allowance coverage ratio ⁽⁷⁾	382.66	369.13	13.53	379.76
Allowance to loans ratio ⁽⁸⁾	4.20	3.82	0.38	3.77
Capital adequacy indicators (%)				
Core tier 1 capital adequacy ratio ⁽⁹⁾	9.12	8.96	0.16	7.03
Tier 1 capital adequacy ratio ⁽¹⁰⁾	9.13	8.97	0.16	7.03
Capital adequacy ratio	10.75	10.50	0.25	8.92
Total equity to total assets	7.62	7.26	0.36	5.39
Other Indicators (%)				
Loan-to-deposit ratio ⁽¹¹⁾	43.92	47.44	(3.52)	50.02

Notes: * indicates annualized ratios

- (1) Represents the net profit for the period/year as a percentage of the average balance of total assets at the beginning and the end of that period/year.
- (2) Represents the net profit attributable to the Bank's equity shareholders for the period/year as a percentage of the average balance of total equity attributable to equity shareholders at the beginning and at the end of that period/year.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets, calculated based on the daily average of the interest-earning assets.
- (5) Cost-to-income ratio = operating expenses (excluding business tax and surcharges) / operating income.
- (6) Non-performing loan ratio = total non-performing loans / total loans and advances to customers.
- (7) Allowance coverage ratio = allowance for impairment losses on loans/total non-performing loans.
- (8) Allowance to loans ratio = allowance for impairment losses on loans/total loans and advances to customers.
- (9) Core tier 1 capital adequacy ratio = (core tier 1 capital — corresponding capital deductions) / risk-weighted assets.
- (10) Tier 1 capital adequacy ratio = (tier 1 capital — corresponding capital deductions) / risk-weighted assets.
- (11) Such ratios represent the ratios the Bank submitted to the CBRC and were calculated in accordance with financial data under PRC Generally Accepted Accounting Principles and the CBRC requirements.

CHAPTER 3 MANAGEMENT DISCUSSIONS AND ANALYSIS

I. Financial Review

During the Reporting Period, with the continuous emergence of the Internet finance industry, the implementation of deposit insurance systems and the change from business tax to value-added tax and other relevant policies, the continuous change of capital market and the intensifying competitions in interbank market, the Bank experienced rapid and healthy development in its various business and delivered sound returns to its investors and shareholders by the active implementation of the five development concepts of “Innovation, Coordination, Green, Openness and Share” of the nation and the combination with the operation principle of “Adjusting structure, Changing mode, Strengthening operation and Insisting on development” of the Bank.

The Bank recorded a net profit of RMB3,798 million in the Reporting Period, representing an increase of 163.8% as compared to the six months ended 30 June 2015 (“Interim Period of 2015”). The Bank’s performance not only delivered sound returns to its shareholders and investors, but also laid a solid foundation for its sustainable development.

At the end of the Reporting Period, the total assets of the Bank amounted to RMB422,466 million, representing an increase of 16.8% as compared to that as at the end of 2015; the net loans and advances to customers amounted to RMB108,869 million, representing an increase of 11.9% as compared to that as at the end of 2015; the non-performing loan ratio remained low at 1.10%; the deposits from customers balance of the Bank amounted to RMB199,167 million, representing an increase of 17.0% as compared to that as at the end of 2015; during the Reporting Period, the operating income of the Bank amounted to RMB7,851 million, representing an increase of 67.8% as compared with the Interim Period of 2015; and the net profit amounted to RMB3,798 million, representing an increase of 163.8% as compared with the Interim Period of 2015.

At the end of the Reporting Period, the Bank’s capital adequacy ratio, tier 1 capital adequacy ratio and core tier 1 capital adequacy ratio was increased to 10.75%, 9.13% and 9.12%, respectively.

(I) Analysis of the Income Statement

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June		Change in amount	Rate of change (%)
	2016	2015		
Interest income	13,174,523	9,683,049	3,491,474	36.1
Interest expense	(5,802,851)	(5,241,041)	(561,810)	10.7
Net interest income	7,371,672	4,442,008	2,929,664	66.0
Net fee and commission income	423,153	132,287	290,866	219.9
Net trading (losses)/gains	(1,207)	60,796	(62,003)	(102.0)
Dividend income	—	440	(440)	(100.0)
Net gains arising from investment securities	9,113	2,254	6,859	304.3
Net foreign exchange gain	33,720	32,243	1,477	4.6
Other net operating income	14,186	9,640	4,546	47.2
Operating income	7,850,637	4,679,668	3,170,969	67.8
Operating expenses	(1,342,665)	(1,246,461)	(96,204)	7.7
Impairment losses on assets	(1,477,644)	(1,534,736)	57,092	(3.7)
Profit before taxation	5,030,328	1,898,471	3,131,857	165.0
Income tax	(1,232,088)	(458,543)	(773,545)	168.7
Net profit for the year	3,798,240	1,439,928	2,358,312	163.8

During the Reporting Period, the Bank's profit before income taxation was RMB5,030 million, representing a year-on-year increase of 165.0%; net profit was RMB3,798 million, representing a year-on-year increase of 163.8%, mainly attributable to the stable growth of interest-earning assets and net interest spread resulting in increased net interest income of RMB2,930 million or 66.0% as compared to the corresponding period of the previous year.

1. Net interest income

Net interest income accounted for the largest portion of the Bank's operating income, representing 93.9% and 94.9% of operating income in the Reporting Period and the Interim Period of 2015, respectively. The following table sets forth, for the periods indicated, the interest income, interest expense and net interest income of the Bank:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June		Change in amount	Rate of change (%)
	2016	2015		
Interest income	13,174,523	9,683,049	3,491,474	36.1
Interest expense	(5,802,851)	(5,241,041)	(561,810)	10.7
Net interest income	7,371,672	4,442,008	2,929,644	66.0

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June 2016			For the six months ended 30 June 2015		
	Average balance	Interest income/ expense	Average yield/ cost(%)	Average balance	Interest income/ expense	Average yield/ cost (%)
Interest-earning assets						
Loans and advances to customers	110,147,158	3,818,500	6.93	94,645,152	3,484,708	7.36
Investment securities and other financial assets ⁽¹⁾	236,754,053	8,933,622	7.55	145,178,316	5,656,920	7.79
Deposits with the central bank	30,929,632	234,958	1.52	27,755,672	212,585	1.53
Deposits with banks and other financial institutions	7,514,242	150,253	4.00	12,268,608	316,668	5.16
Placements with banks and other financial institutions	1,185,766	6,032	1.02	323,120	1,101	0.68
Financial assets held under resale agreements	2,992,263	31,158	2.08	832,630	11,067	2.66
Total interest-earning assets	389,523,114	13,174,523	6.76	281,003,498	9,683,049	6.89

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June 2016			For the six months ended 30 June 2015		
	Average balance	Interest income/expense	Average yield/cost(%)	Average balance	Interest income/expense	Average yield/cost (%)
Interest-bearing liabilities						
Deposits from customers	186,557,027	2,196,622	2.35	139,583,801	2,012,585	2.88
Deposits from banks and other financial institutions	133,973,336	2,921,913	4.36	96,193,664	2,666,401	5.54
Placements from banks and other financial institutions	4,033,909	18,014	0.89	4,373,297	15,120	0.69
Financial assets sold under repurchase agreements	13,145,311	262,900	4.00	11,378,388	173,404	3.05
Debt securities issued	1,500,000	52,234	6.96	2,000,000	66,985	6.70
Financial liabilities at fair value through profit or loss	15,532,754	351,168	4.52	11,581,502	304,233	5.25
Other liabilities	—	—	—	146,833	2,313	3.15
Total interest-bearing liabilities	354,742,337	5,802,851	3.27	265,257,485	5,241,041	3.95
Net interest income		7,371,672			4,442,008	
Net interest spread⁽²⁾			3.49			2.94
Net interest margin⁽³⁾			3.78			3.16

Notes: (1) Investment securities and other financial assets consist of financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.

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

(3) Calculated by dividing net interest income by the average interest-earning assets.

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

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June 2016 vs 30 June 2015		
	Changes in volume ⁽¹⁾	Changes in interest rate ⁽²⁾	Net increase/(decrease) ⁽³⁾
Interest-earning assets			
Loans and advances to customers	570,763	(236,971)	333,792
Investment securities and other financial assets	3,568,278	(291,576)	3,276,702
Cash and deposits with the central bank	24,310	(1,937)	22,373
Deposits with banks and other financial institutions	(122,716)	(43,699)	(166,415)
Placements with banks and other financial institutions	2,939	1,992	4,931
Financial assets held under resale agreements	28,705	(8,614)	20,091
Changes in interest income	4,072,279	(580,805)	3,491,474
Interest-bearing liabilities			
Deposits from customers	677,282	(493,245)	184,037
Deposits from banks and other financial institutions	1,047,218	(791,706)	255,512
Placements from banks and other financial institutions	(1,173)	4,067	2,894
Financial assets sold under repurchase agreements	26,927	62,569	89,496
Debt securities issued	(16,746)	1,995	(14,751)
Financial liabilities at fair value			
through profit or loss	103,795	(56,860)	46,935
Other liabilities	(2,313)	—	(2,313)
Changes in interest expense	1,834,990	(1,273,180)	561,810
Changes in net interest income	2,237,289	692,375	2,929,664

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

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

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

2. Interest income

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2016		2015	
	Amount	% of total	Amount	% of total
Loans and advances to customers				
Corporate loans	3,467,230	26.3	3,126,116	32.3
Retail loans	339,311	2.6	327,000	3.4
Discounted bills	11,959	0.1	31,592	0.3
Subtotal	3,818,500	29.0	3,484,708	36.0
Investment securities and other financial assets	8,933,622	67.8	5,656,920	58.4
Cash and deposits with the central bank	234,958	1.8	212,585	2.2
Deposits with banks and other financial institutions	150,253	1.1	316,668	3.3
Financial assets held under resale agreements	31,158	0.2	11,067	0.1
Placements with banks and other financial institutions	6,032	0.1	1,101	0.0
Total	13,174,523	100.0	9,683,049	100.0

The Bank's interest income increased by 36.1% to RMB13,174,523 thousand in the Reporting Period from RMB9,683,049 thousand for the Interim Period of 2015, primarily due to rapid increase in corresponding interest income resulting from the significant increase in the scale of the investment and loans business as the Bank's available funds increased and the Bank put great efforts in the investment and loans business.

(1) Interest income from loans and advances to customers

Interest income from loans and advances to customers was a large component of the Bank's interest income, representing 29.0% and 36.0% of the Bank's interest income in the Reporting Period and the Interim Period of 2015, respectively. The following table sets forth, for the periods indicated, the average balance, interest income and average yield for loans and advances to customers:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June					
	2016			2015		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	100,377,926	3,467,230	6.91	85,990,075	3,126,116	7.27
Retail loans	9,636,774	339,311	7.04	8,228,677	327,000	7.95
Discounted bills	132,458	11,959	18.06	426,400	31,592	14.82
Total	110,147,158	3,818,500	6.93	94,645,152	3,484,708	7.36

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

Interest income from investment securities and other financial assets increased by 57.9% to RMB8,933,622 thousand in the Reporting Period from RMB5,656,920 thousand in the Interim Period of 2015, primarily due to the increase in the scale of investment assets resulting in the corresponding increase in interest income.

(3) Interest income from cash and deposits with the central bank

Interest income from cash and deposits with the central bank increased by 10.5% to RMB234,958 thousand in the Reporting Period from RMB212,585 thousand in the Interim Period of 2015, primarily due to the increase in the scale of the Bank's deposits resulting in the increase in the amount of the statutory deposit reserves deposited by the Bank with the central bank.

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

Interest income from deposits with banks and other financial institutions decreased by 52.6% to RMB150,253 thousand in the Reporting Period from RMB316,668 thousand in the Interim Period of 2015, primarily due to the decrease in yield of deposits with banks in the market and therefore the Bank decreased the scale of its deposits with banks.

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

Interest income from placements with banks and other financial institutions increased by 447.9% to RMB6,032 thousand in the Reporting Period from RMB1,101 thousand in the Interim Period of 2015, primarily due to an increase in the size and yield rate of placements with banks and other financial institutions resulting in an increase in corresponding interest income. The average balance of placements with banks and other financial institutions increased by 267.0% to RMB1,185,766 thousand in the Reporting Period from RMB323,120 thousand in the Interim Period of 2015, primarily due to the increased amount of placements with banks and other financial institutions by the Bank as a result of its loose liquidity in 2016. The average yield of placements with banks and other financial institutions rose to 1.02% in the Reporting Period from 0.68% for the Interim Period of 2015, primarily due to lengthened terms of placements with banks and other financial institutions.

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

Interest income from financial assets held under resale agreements increased by 181.5% to RMB31,158 thousand in the Reporting Period from RMB11,067 thousand in the Interim Period of 2015, primarily due to an increase in the average balance. The average balance of financial assets held under resale agreements increased by 259.4% to RMB2,992,263 thousand in the Reporting Period from RMB832,630 thousand for the Interim Period of 2015, primarily because the Bank invested in financial assets held under resale agreements to satisfy the needs of liquidity. The average yield of financial assets held under resale agreements decreased to 2.08% in the Reporting Period from 2.66% in the Interim Period of 2015, primarily due to the decrease in the interbank market interest rate.

3. Interest expense

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2016		2015	
	Amount	% of total	Amount	% of total
Deposits from customers	2,196,622	37.9	2,012,585	38.4
Deposits from banks and other financial institutions	2,921,913	50.3	2,666,401	50.9
Placements from banks and other financial institutions	18,014	0.3	15,120	0.3
Financial assets sold under repurchase agreements	262,900	4.5	173,404	3.3
Debt securities issued	52,234	0.9	66,985	1.3
Borrowings from the central bank	—	—	2,313	0.0
Financial liabilities at fair value through profit or loss	351,168	6.1	304,233	5.8
Total	5,802,851	100.0	5,241,041	100.0

(1) Interest expense on deposits from customers

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June					
	2016			2015		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time	97,227,111	1,112,280	2.29	67,009,641	1,153,904	3.44
Demand	24,843,368	76,482	0.62	22,076,672	63,961	0.58
Subtotal	122,070,479	1,188,762	1.95	89,086,313	1,217,865	2.73
Retail deposits						
Time	52,982,501	981,635	3.71	41,441,502	773,880	3.73
Demand	11,504,047	26,225	0.46	9,055,986	20,840	0.46
Subtotal	64,486,548	1,007,860	3.13	50,497,488	794,720	3.15
Total deposits from customers	186,557,027	2,196,622	2.35	139,583,801	2,012,585	2.88

Interest expense on deposits from customers increased by 9.1% to RMB2,196,622 thousand in the Reporting Period from RMB2,012,585 thousand in the Interim Period of 2015, primarily due to rapid increase in the scale of the Bank's deposits from customers in the Reporting Period.

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

Interest expense on deposits from banks and other financial institutions increased by 9.6% to RMB2,921,913 thousand in the Reporting Period from RMB2,666,401 thousand in the Interim Period of 2015, primarily due to more funds borrowed by the Bank from the market in view of a reduction in interest rates in the interbank market.

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

Interest expense on placements from banks and other financial institutions increased by 19.1% to RMB18,014 thousand in the Reporting Period from RMB15,120 thousand in the Interim Period of 2015, primarily due to the increase in the average cost of placements from banks and other financial institutions resulting in the increase in interest. The average balance of placements from banks and other financial institutions decreased by 7.8% to RMB4,033,909 thousand in the Reporting Period from RMB4,373,297 thousand in the Interim Period of 2015, primarily due to the Bank's loose liquidity resulting in the decreased placements from banks and other financial institutions.

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

Interest expense on financial assets sold under repurchase agreements increased by 51.6% to RMB262,900 thousand in the Reporting Period from RMB173,404 thousand in the Interim Period of 2015, primarily due to the increase in the average balance and cost. The average balance of financial assets sold under repurchase agreements increased by 15.5% to RMB13,145,311 thousand in the Reporting Period from RMB11,378,388 thousand in the Interim Period of 2015 and was mainly used for the needs of managing the Bank's liquidity. The average cost of the financial assets sold under repurchase agreements increased to 4.00% in the Reporting Period from 3.05% in the Interim Period of 2015.

(5) Interest expense on debt securities issued

In the Reporting Period, the Bank's interest expense on debt securities issued decreased by RMB14,751 thousand to RMB52,234 thousand as compared to the Interim Period of 2015, primarily because on 17 September 2015, the Bank redeemed the fixed-rate subordinated bonds issued on 17 September 2010, leading to the decrease in the average balance of debt securities issued.

(6) Interest expense on financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are funds of principal-guaranteed wealth management products managed and measured at fair value sold by the Bank. The interest expense on financial liabilities at fair value through profit or loss increased by 15.4% to RMB351,168 thousand in the Reporting Period from RMB304,233 thousand in the Interim Period of 2015, primarily because the issuance size of the Bank's wealth management products increased. The average balance of principal-guaranteed wealth management products increased by 34.1% to RMB15,532,754 thousand in the Reporting Period from RMB11,581,502 thousand in the Interim Period of 2015, which was primarily because the Bank issued more principal-protected wealth management products to meet the enlarged demand of customers for investment wealth management.

4. Net Interest Spread and Net Interest Margin

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

The net interest spread increased to 3.49% in the Reporting Period as compared to 2.94% in the Interim Period of 2015. The net interest margin increased to 3.78% in the Reporting Period as compared to 3.16% in the Interim Period of 2015, primarily due to the fact that the decrease in the deposit from customers, deposits with banks and other financial institutions and the interest rate of financial liabilities at fair value through profit or loss is larger than that in the yield on origination of loans and advances to customers, investment securities and other financial assets as compared with the corresponding period in 2015 as a result of interest rate liberalization.

5. Non-interest income

(1) Net Fee and Commission Income

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June		Change in	Rate of
	2016	2015	amount	change (%)
Fee and commission income				
Underwriting and advisory fees	113,632	6,610	107,022	1,619.1
Wealth management service fees	139,516	30,591	108,925	356.1
Settlement and clearing fees	106,753	67,736	39,017	57.6
Agency services fees	79,433	41,388	38,045	91.9
Bank card service fees	8,857	7,801	1,056	13.5
Others	5,258	6,796	(1,538)	(22.6)
Subtotal	453,449	160,922	292,527	181.8
Fee and commission expense				
Settlement and clearing fees	9,474	5,894	3,580	60.7
Others	20,822	22,741	(1,919)	(8.4)
Subtotal	30,296	28,635	1,661	5.8
Net fee and commission income	423,153	132,287	290,866	219.9

The Bank's fee and commission income increased significantly to RMB453,449 thousand in the Reporting Period as compared to RMB160,922 thousand in the Interim Period of 2015, primarily due to the increases in underwriting and advisory fees, wealth management service fees and settlement and clearing fees of the Bank as a result of the growth of the Bank's business volume.

Fee and commission expense consists primarily of expenses paid to third parties in connection with the Bank's settlement and clearance, trade financing, bank card, agency and consultancy businesses. The Bank's fee and commission expense increased by 5.8% to RMB30,296 thousand in the Reporting Period as compared to RMB28,635 thousand in the Interim Period of 2015, primarily due to an increase in the Bank's settlement amounts.

(2) Net Trading (Losses)/Gains

Net trading (losses)/gains primarily comprise of net gains from trading financial instruments and financial assets and liabilities designated at fair value through profit or loss. During the Reporting Period, the Bank's incurred a net trading loss of RMB1,207 thousand. In the Interim Period of 2015, the Bank's incurred a net trading gain of RMB60,796 thousand. The decrease in the Bank's net trading gains in the Reporting Period was primary due to the fluctuation of the market prices of the bonds held by the Bank.

(3) Dividend Income

Dividend income was RMB440 thousand in the Interim Period of 2015, and RMB0 in the Reporting Period.

(4) Net Gains arising from Investment Securities

The Bank incurred a net gain arising from investment securities of RMB9,113 thousand in the Reporting Period, as compared with the net gain arising from investment securities of RMB2,254 thousand in the Interim Period of 2015.

(5) Net Foreign Exchange Gain

Net foreign exchange gain increased by 4.6% to RMB33,720 thousand in the Reporting Period from RMB32,243 thousand in the Interim Period of 2015.

(6) Other Net Operating Income

Other net operating income increased by 47.2% to RMB14,186 thousand in the Reporting Period from RMB9,640 thousand in the Interim Period of 2015.

6. Operating Expenses

In the Reporting Period, the Bank's operating expenses was RMB1,342,665 thousand, representing an increase of RMB96,204 thousand or 7.7% as compared to the Interim Period of 2015.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June		Change in amount	Rate of change (%)
	2016	2015		
Staff costs	603,951	536,958	66,993	12.5
General and administrative expenses	335,767	250,614	85,153	34.0
Business tax and surcharges	215,841	223,119	(7,278)	(3.3)
Depreciation and amortization	186,890	169,336	17,554	10.4
Others	216	66,434	(66,218)	(99.7)
Total operating expenses	1,342,665	1,246,461	96,204	7.7

(1) Staff Costs

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June		Change in amount	Rate of change (%)
	2016	2015		
Salaries and bonuses	441,184	380,791	60,393	15.9
Staff welfares	23,789	18,274	5,515	30.2
Pension	58,466	62,211	(3,745)	(6.0)
Housing allowances	32,393	28,106	4,287	15.3
Supplementary retirement benefits	801	859	(58)	(6.8)
Other long-term staff welfares	1,313	3,230	(1,917)	(59.3)
Other short-term staff welfares	46,005	43,487	2,518	5.8
Total staff costs	603,951	536,958	66,993	12.5

In the Reporting Period, the Bank's total staff costs was RMB603,951 thousand, representing an increase of RMB66,993 thousand or 12.5% as compared with the Interim Period of 2015, primarily due to an increase in labour costs as a result of the increases in the number and remuneration of the Bank's employees due to the business development of the Bank.

(2) General and Administrative Expenses

General and administrative expenses increased by 34.0% to RMB335,767 thousand in the Reporting Period as compared to RMB250,614 thousand in the Interim Period of 2015, primarily due to (i) the increase of daily administration expenses as a result of an increase in outlets; and (ii) the increase of general and administrative expenses as a result of an increase in volume of the Bank's business.

(3) Business Tax and Surcharges

The Bank's business tax and surcharges decreased by 3.3% to RMB215,841 thousand in the Reporting Period as compared to RMB223,119 thousand in the Interim Period of 2015, primarily because the Bank has paid value added taxes instead of business taxes since 1 May 2016 pursuant to the "Circular of the Ministry of Finance and the State Administration of Taxation regarding the Pilot Program on Comprehensive Implementation of Value Added Taxes from Business Taxes Reform (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知)" (Cai Shui [2016] No. 36).

(4) Depreciation and Amortization

Depreciation and amortization increased by 10.4% to RMB186,890 thousand in the Reporting Period as compared to RMB169,336 thousand in the Interim Period of 2015, primarily due to the increases in depreciation and amortization expenses as a result of an increase in the Bank's property and equipment and an increase in the rental expenses of the Bank's operating outlets.

7. Impairment Losses on Assets

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June		Change in amount	Rate of change (%)
	2016	2015		
Impairment losses on loans and advances to customers	1,033,133	1,299,366	(266,233)	(20.5)
Impairment losses on debt securities classified as receivables	424,315	235,370	188,945	80.3
Impairment losses on other assets	20,196	—	20,196	N/A
Total	1,477,644	1,534,736	(57,092)	(3.7)

Impairment losses on assets decreased by 3.7% to RMB1,477,644 thousand in the Reporting Period from RMB1,534,736 thousand in the Interim Period of 2015.

8. Income Tax

In the Reporting Period, the Bank's income tax was RMB1,232,088 thousand, representing an increase of RMB773,545 thousand or 168.7% as compared with the Interim Period of 2015. The Bank's actual tax rate was 24.49%, representing an increase of 0.34 percentage point as compared with the Interim Period of 2015.

(II) Analysis of the Statement of Financial Position**1. Assets**

As at the end of the Reporting Period and at 31 December 2015, the Bank had total assets of RMB422,465,809 thousand and RMB361,659,913 thousand, respectively. The principal components of the assets were (i) loans and advances to customers, (ii) net investment securities and other financial assets, and (iii) cash and deposits with the central bank, accounting for 25.8%, 61.4% and 8.8% respectively of the Bank's total assets as at the end of the Reporting Period. The table below sets forth balances of the principal components of the Bank's total assets as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June 2016		31 December 2015	
	Amount	% of total	Amount	% of total
Assets				
Gross loans and advances to customers	113,641,225	26.9	101,174,410	28.0
Provision for impairment losses on loans and advances to customers	(4,772,650)	(1.1)	(3,861,204)	(1.1)
Net Loans and advances to customers	108,868,575	25.8	97,313,206	26.9
Investment securities and other financial assets, net ⁽¹⁾	259,419,032	61.4	209,031,999	57.8
Cash and deposits with the central bank	37,042,103	8.8	30,099,321	8.3
Deposits with banks and other financial institutions	2,509,324	0.6	14,954,990	4.1
Financial assets held under resale agreements	1,336,500	0.3	—	—
Placements with banks and other financial institutions	530,496	0.1	649,360	0.2
Other assets ⁽²⁾	12,759,779	3.0	9,611,037	2.7
Total assets	422,465,809	100.0	361,659,913	100.0

Notes: (1) Include held-to-maturity investments, available-for-sale financial assets, financial assets at fair value through profit or loss and debt securities classified as receivables.

(2) Include interests receivable, property and equipment, deferred tax assets and others.

The Bank's total assets increased by 16.8% from RMB361,659,913 thousand as of 31 December 2015 to RMB422,465,809 thousand as at the end of the Reporting Period. The increase in the Bank's total assets was primarily attributable to the growth in relevant assets as a result of the Bank's increased efforts on investment business and loan business.

(1) Loans and Advances to Customers

As at the end of the Reporting Period, the Bank's total loans and advances to customers was RMB113,641,225 thousand, representing an increase of 12.3% as compared to the end of last year. Loans and total advances to customers accounted for 26.9% of the Bank's total assets, representing a decrease of 1.1 percentage points as compared to the end of last year.

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June 2016		31 December 2015	
	Amount	% of total	Amount	% of total
Corporate loans	103,847,762	91.4	91,234,544	90.2
Retail loans	9,698,562	8.5	9,703,140	9.6
Discounted bills	94,901	0.1	236,726	0.2
Total loans and advances to customers	113,641,225	100.0	101,174,410	100.0

The Bank's total loans and advances to customers primarily comprise of corporate loans (including discounted bills) and retail loans. Corporate loans are the largest component of the Bank's loan portfolio. As at the end of the Reporting Period and as of 31 December 2015, the Bank's corporate loans amounted to RMB103,847,762 thousand and RMB91,234,544 thousand, accounting for 91.4% and 90.2% of the Bank's total loans and advances to customers, respectively.

The Bank's corporate loans increased by 13.8% from RMB91,234,544 thousand as of 31 December 2015 to RMB103,847,762 thousand as of the end of the Reporting Period, primarily due to (i) the continued growth of the market demand for corporate loans; and (ii) the establishment of new sub-branches by the Bank.

The Bank's retail loans mainly comprise of personal business loans, residential and commercial mortgage loans, personal consumption loans, credit card overdrafts and other personal loans. At the end of the Reporting Period, the balance of retail loans amounted to RMB9,698,562 thousand, representing a decrease of RMB4,578 thousand or 0.1% as compared to the end of last year, which accounted for 8.5% of the Bank's total loans and advances to customers, representing a decrease of 1.1 percentage points as compared to the end of last year.

Loans by Collateral

As at the end of the Reporting Period and as of 31 December 2015, collateralized loans, pledged loans and guaranteed loans represented, in the aggregate, 97.1% and 93.8% respectively of the Bank's total loans and advances to customers. If a loan is secured by more than one form of security interest, the entire amount of such a loan will be allocated to the category representing the primary form of security interest. The table below sets forth the distribution of the Bank's loans and advances to customers by the type of collateral as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June 2016		31 December 2015	
	Amount	% of total	Amount	% of total
Unsecured loans	3,330,028	2.9	6,282,693	6.2
Guaranteed loans	40,829,533	35.9	30,329,039	30.0
Collateralized loans	52,548,494	46.3	49,416,132	48.8
Pledged loans	16,933,170	14.9	15,146,546	15.0
Total loans and advances to customers	113,641,225	100.0	101,174,410	100.0

The structure of collaterals of the Bank's loans is stable and the Bank's capability of mitigating risks is solid. As at the end of the Reporting Period, the balance of the Bank's loans secured by mortgages and pledges amounted to RMB69,481,664 thousand, representing an increase of RMB4,918,986 thousand or 7.6% as compared to 31 December 2015, accounting for 61.2% of the Bank's total loans which was basically at the same level as 31 December 2015. The balance of unsecured and guaranteed loans was RMB44,159,561 thousand, an increase of RMB7,547,829 thousand as compared to 31 December 2015, accounting for 38.8% of the Bank's total loans which was basically at the same level as 31 December 2015.

Movements of Provision for Impairment Losses on Loans and Advances to Customers

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June 2016	31 December 2015
As at the beginning of the period	3,861,204	2,250,466
Charge for the period/year	1,044,779	1,968,943
Release for the period/year	(11,646)	(101,186)
Recoveries for the period/year	2,051	816
Unwinding of discount for the period/year	(12,288)	(21,570)
Disposal for the period/year	(111,450)	(236,265)
As at 30 June/31 December	4,772,650	3,861,204

Provision for impairment losses on loans increased by 23.6% from RMB3,861,204 thousand as of 31 December 2015 to RMB4,772,650 thousand as at the end of the Reporting Period, primarily due to the increase of the Bank's provision for impairment losses to counter against uncertainties arising from the macroeconomic operation.

(2) Investment Securities and Other Financial Assets

Investment securities and other financial assets consist of debt investment, equity investment, investments using funds of wealth management products and debt securities classified as receivables. Investment securities and other financial assets was the largest component of the Bank's assets as at the end of the Reporting Period. As at the end of the Reporting Period and as of 31 December 2015, the Bank had net investment securities and other financial assets of RMB259,419,032 thousand and RMB209,031,999 thousand, accounting for 61.4% and 57.8% of the Bank's total assets, respectively.

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June 2016		31 December 2015	
	Amount	% of total	Amount	% of total
Debt investments	30,826,158	12.0	26,995,121	12.9
Held-to-maturity investments	7,690,465	3.1	7,711,333	3.7
Available-for-sale debt investments	20,228,487	7.8	19,219,823	9.2
Financial assets at fair value through profit or loss	2,907,206	1.1	63,965	0.0
Provision for impairment losses on debt investments	—	—	—	—
Equity investments	58,250	0.0	58,250	0.0
Available-for-sale equity investments	58,250	0.0	58,250	0.0
Provision for impairment losses on equity investments	—	—	—	—
Wealth management products investments	15,124,879	5.8	15,496,243	7.4
Debt securities classified as receivables, net	213,409,745	82.2	166,482,385	79.7
Net beneficial interest transfer plans	214,341,329	82.6	166,989,654	79.9
Provision for impairment losses on debt securities classified as receivables	(931,584)	(0.4)	(507,269)	(0.2)
Net investments	259,419,032	100.0	209,031,999	100.0

As at the end of the Reporting Period, the Bank's investment securities and other financial assets, net amounted to RMB259,419,032 thousand, representing an increase of 24.1% from RMB209,031,999 thousand as of 31 December 2015. Such increase was primarily due to the increased investment in securities and other financial assets as a result of an increase in the Bank's available funds, the diversification of the Bank's business and services and the strategy of expanding the Bank's treasury business.

2. Liabilities

As at the end of the Reporting Period and as of 31 December 2015, the Bank's total liabilities amounted to RMB390,266,063 thousand and RMB335,388,599 thousand, respectively. The Bank's liabilities comprise (i) deposits from customers, (ii) deposits from banks and other financial institutions and (iii) financial assets sold under repurchase agreements, accounting for 51.0%, 36.5% and 4.3% respectively of the Bank's total liabilities as at the end of the Reporting Period.

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

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June 2016		31 December 2015	
	Amount	% of total	Amount	% of total
Deposits from customers	199,166,574	51.0	170,178,722	50.7
Deposits from banks and other financial institutions	142,354,187	36.5	116,351,178	34.7
Financial assets sold under repurchase agreements	16,792,940	4.3	20,244,100	6.0
Debt securities issued	1,500,000	0.4	1,500,000	0.4
Placements from banks and other financial institutions	4,664,930	1.2	3,855,808	1.1
Financial liabilities at fair value through profit or loss	15,036,025	3.9	15,426,941	4.6
Other liabilities ⁽¹⁾	10,751,407	2.7	7,831,850	2.5
Total	390,266,063	100.0	335,388,599	100.0

Note: (1) Include accrued staff costs, taxes payable, interests payable and others.

(1) Deposits from customers

The Banks provide demand and time deposit products to corporate and retail customers. The table below sets forth deposits from customers and product type as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June 2016		31 December 2015	
	Amount	% of total	Amount	% of total
Corporate deposits				
Demand deposits	37,981,379	19.1	31,712,157	18.7
Time deposits	90,765,995	45.6	78,526,650	46.1
Subtotal	128,747,374	64.7	110,238,807	64.8
Retail deposits				
Demand deposits	11,973,764	6.0	11,710,050	6.9
Time deposits	58,445,436	29.3	48,229,865	28.3
Subtotal	70,419,200	35.3	59,939,915	35.2
Total	199,166,574	100.0	170,178,722	100.0

As at the end of the Reporting Period, the Bank's total deposits from customers amounted to RMB199,166,574 thousand, representing an increase of RMB28,987,852 thousand or 17.0% as compared to the end of last year. Deposits from customers accounted for 51.0% of total liabilities, representing an increase of 0.3 percentage point as compared to the end of last year. During the Reporting Period, the increase in deposits from customers was attributed to an increase of the Bank's operating outlets and its increased efforts in the marketing of customer deposits.

(2) Debts securities issued

The Bank issued the fixed rate tier-two capital debts of RMB1,500 million with write-down clauses on 24 January 2014. The coupon rate is 7.00%. The Bank has an option to redeem the debts at the nominal amount on 28 January 2019.

3. Shareholders' Equity

The following table sets forth the composition of the Bank's shareholders' equity as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June 2016		31 December 2015	
	Amount	% of total	Amount	% of total
Share capital	5,781,616	18.0	5,781,616	22.0
Capital reserve	9,069,005	28.2	9,152,898	34.8
Surplus reserve	1,292,031	4.0	1,292,031	4.9
General reserve	4,801,449	14.9	4,801,449	18.3
Retained earnings	7,583,490	23.5	4,570,467	17.4
Non-controlling interests	3,672,155	11.4	672,853	2.6
Total equity	32,199,746	100.0	26,271,314	100.0

(III) Assets Quality Analysis**1. Breakdown of Loans by the Five-Category Classification**

The following table sets forth the distribution of the Bank's loans and advances to customers by the five-category loan classification as of the dates indicated. For the Bank, the non-performing loans are classified into loans and advances to customers of substandard, doubtful and loss. As at the end of the Reporting Period, the non-performing loans recorded by the Bank amounted to RMB1,247,221 thousand and the Bank's total provision for impairment losses on loans to customers was RMB4,772,650 thousand. The following table sets forth the distribution of the Bank's loans and advances to customers by the five-category loan classification as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June 2016		31 December 2015	
	Amount	% of total	Amount	% of total
Pass	107,126,621	94.3	96,311,855	95.2
Special mention	5,267,383	4.6	3,816,533	3.8
Substandard	503,072	0.4	521,856	0.5
Doubtful	456,283	0.4	405,352	0.4
Loss	287,866	0.3	118,814	0.1
Total loans and advances to customers	113,641,225	100.0	101,174,410	100.0
Non-performing loan	1,247,221	1.10	1,046,022	1.03

As at the Reporting Period and as of 31 December 2015, the non-performing loan ratios of the Bank's total loan portfolio were 1.10% and 1.03%, respectively. The Bank's non-performing loan ratio is 0.07 percentage point slightly higher as compared to the end of 2015, primarily due to the following reasons: the Bank formulated guidelines for credit extension based on national policies and market conditions; continued to optimise selection requirements of industries, regions and customers and adjusted the Bank's credit asset structure; strengthened post-loan inspections and the collection of non-performing loans. Such measures have greatly prevented the occurrence of non-performing loans and promoted the collection and conversion of non-performing loans. However, due to a slowed growth of macro-economy, transformation and upgrading of industrial structure and other factors, individual customers in certain industries defaulted, resulting in a slight increase of the Bank's non-performing loan ratios.

2. Concentration of Loans

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

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

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June 2016				31 December 2015			
	Loan amount	% of total	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	% of total	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans								
Wholesale and retail trade	38,202,561	33.6	387,982	1.02	30,199,593	29.8	332,062	1.10
Manufacturing	27,541,272	24.2	649,290	2.36	23,238,642	23.0	600,131	2.58
Real estate	13,928,809	12.2	12,243	0.09	11,183,248	11.1	12,243	0.11
Leasing and commercial services	7,177,016	6.3	1,713	0.02	8,633,996	8.5	4,105	0.05
Transportation, storage and postal services	3,186,287	2.8	8,000	0.25	1,790,687	1.8	8,000	0.45
Construction	2,029,207	1.8	2,070	0.10	3,197,190	3.2	2,070	0.06
Agriculture, forestry, animal husbandry and fishery	1,566,816	1.4	14,226	0.91	1,334,995	1.3	3,577	0.27
Water, environment and public utility management	1,553,360	1.4	—	—	1,470,634	1.5	—	—
Education	1,319,304	1.2	8,600	0.65	2,751,812	2.7	8,600	0.31
Public management and social organization	212,450	0.2	2,000	0.94	1,620,780	1.6	2,000	0.12
Others	7,130,680	6.3	18,282	0.26	5,812,967	5.7	18,282	0.31
Discounted bills	94,901	0.1	—	—	236,726	0.2	—	—
Retail loans	9,698,562	8.5	142,815	1.47	9,703,140	9.6	54,952	0.57
Total	113,641,225	100.0	1,247,221	1.10	101,174,410	100.0	1,046,022	1.03

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

As at the end of the Reporting Period, loans provided to customers in the industries of (i) wholesale and retail trade, (ii) manufacturing, (iii) real estate and (iv) leasing and commercial services represented the largest components of the Bank's corporate loans. As at the end of the Reporting Period and as of 31 December 2015, the balance of loans provided to the corporate customers in these four industries were RMB86,849,658 thousand and RMB73,255,479 thousand, respectively, accounting for 83.6% and 80.4% of the total corporate loans and advances issued by the Bank, respectively. From the perspective of the structure of increased quantity, wholesale and retail trade, manufacturing and real estate experienced the largest increment. The increased quantity and increment were respectively as follows: RMB8,002,968 thousand, 26.5%; RMB4,302,630 thousand, 18.5%; and RMB2,745,561 thousand, 24.6%. Compared to 31 December 2015, the proportion of the three industries to the aggregate loan amount was relatively stable. At the end of the Reporting Period, non-performing loans of the Bank's corporate loans were mainly concentrated in wholesale and retail trade, as well as manufacturing, with the ratio of non-performing loans of 1.02% and 2.36%.

(2) Borrower Concentration

A. Indicators of concentration

Major regulatory indicators	Regulatory standard	30 June	31 December
		2016 % of the total	2015 % of the total
Loan concentration ratio for the largest single customer	<=10%	5.50	6.29
Loan concentration ratio for the top ten customers	<=50%	38.67	33.04

Note: The data above are calculated in accordance with the formula promulgated by the CBRC.

B. Loans to the ten largest single borrowers

The table below sets forth the borrowing amounts of the ten largest single borrowers as at the end of the Reporting Period. As of the same date, all such loans were classified as pass loans.

(Expressed in thousands of Renminbi, unless otherwise stated)		30 June 2016	
Customer	Industry involved	Amount	% of total loan
Customer A	Leasing and commercial services	1,899,000	1.7
Customer B	Wholesale and retail trade	1,672,685	1.5
Customer C	Real estate	1,626,990	1.4
Customer D	Wholesale and retail trade	1,341,244	1.2
Customer E	Transportation, storage and postal services	1,299,700	1.1
Customer F	Real estate	1,200,000	1.1
Customer G	Leasing and commercial services	1,196,500	1.0
Customer H	Transportation, storage and postal services	1,122,500	1.0
Customer I	Wholesale and retail trade	1,000,000	0.9
Customer J	Wholesale and retail trade	1,000,000	0.9
Total		13,358,619	11.8

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

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

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June 2016			31 December 2015		
	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans						
Small Enterprises and						
Micro Enterprises	51,913,635	528,208	1.02	41,234,165	416,425	1.01
Medium Enterprises	36,590,616	335,869	0.92	33,311,707	358,835	1.08
Others	15,343,511	240,329	1.57	16,688,672	215,810	1.29
Subtotal	103,847,762	1,104,406	1.06	91,234,544	991,070	1.09
Discounted bills	94,901	—	—	236,726	—	—
Retail loans						
Personal business loans	8,593,696	140,986	1.64	8,644,513	53,836	0.62
Personal consumption loans	512,618	792	0.15	579,399	—	—
Residential and commercial properties mortgage loans	489,880	—	—	390,091	—	—
Credit card overdrafts	101,859	528	0.52	88,548	546	0.62
Others	509	509	100.00	589	570	96.77
Subtotal	9,698,562	142,815	1.47	9,703,140	54,952	0.57
Total	113,641,225	1,247,221	1.10	101,174,410	1,046,022	1.03

The non-performing loan ratio, defined as non-performing loans divided by the Bank's gross loans and advances to customers, was 1.10% as at the end of the Reporting Period and 1.03% as at 31 December 2015.

As at the end of the Reporting Period and as of 31 December 2015, the non-performing loan ratio of the Bank's corporate loans (including discounted bills) was 1.06% and 1.09%, respectively.

As at the end of the Reporting Period and as of 31 December 2015, the non-performing loan ratio of the Bank's retail loans was 1.47% and 0.57%, respectively.

Under the uncertainty of macro-economic operation, the non-performing loan ratio of the Bank was at a slightly higher level than that of last year.

(4) Overdue loans and advances to customers

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

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June 2016		31 December 2015	
	Amount	% of total	Amount	% of total
Overdue within 3 months	1,242,640	31.1	1,259,812	43.2
Overdue more than 3 months to 6 months	836,270	20.9	377,295	12.9
Overdue more than 6 months to 1 year	665,786	16.6	573,258	19.6
Overdue more than 1 year	1,254,347	31.4	710,438	24.3
Total overdue loans and advances to customers	3,999,043	100.0	2,920,803	100.0

(IV) Analysis on Capital Adequacy Ratio

The Bank calculated and disclosed capital adequacy ratios in accordance with the relevant provisions of the Measures for Administration on Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) (effective since 1 January 2013) promulgated by the CBRC. As at the end of the Reporting Period, the Bank's capital adequacy ratios at all tiers met the regulatory requirements under such new regulation. The Bank's core tier 1 capital adequacy ratio and tier 1 capital adequacy ratio were 9.12% and 9.13%, respectively, 0.16 and 0.16 percentage point higher than those as at 31 December 2015; the capital adequacy ratio was 10.75%, 0.25 percentage point higher than that as at 31 December 2015.

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

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June 2016	31 December 2015
Total core tier-one capital		
– Share capital	5,781,616	5,781,616
– Qualifying portion of capital reserve	9,069,005	9,152,898
– Surplus reserve	1,292,031	1,292,031
– General reserve	4,801,449	4,801,449
– Retained earnings	7,583,490	4,570,467
– Qualifying portions of non-controlling interests	899,699	318,993
Core tier-one capital deductions		
– Other intangible assets other than land use right	(130,308)	(134,405)
Net core tier-one capital	29,296,982	25,783,049
Other tier-one capital	21,935	6,642
Net tier-one capital	29,318,917	25,789,691
Tier-two capital		
– Instruments issued and share premium	1,500,000	1,500,000
– Surplus provision for loan impairment	3,663,722	2,890,504
– Qualifying portions of non-controlling interests	49,961	13,284
Net capital base	34,532,600	30,193,479
Total risk weighted assets	321,123,469	287,662,070
Core tier-one capital adequacy ratio	9.12%	8.96%
Tier-one capital adequacy ratio	9.13%	8.97%
Capital adequacy ratio	10.75%	10.50%

(V) Segment Information**1. Summary of Geographical Segments**

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

Jinzhou Region: the Bank's headquarters, Jinzhou branch, Jinzhou Taihe Yimin Village and Township Bank Co., Ltd. (錦州太和益民村鎮銀行股份有限公司), Liaoning Yixian Xianghe Village and Township Bank Co., Ltd. (遼寧義縣祥和村鎮銀行股份有限公司), Jinzhou Beizhen Yimin Village and Township Bank Co., Ltd. (錦州北鎮益民村鎮銀行股份有限公司) and Liaoning Heishan Jinhang Village and Township Bank Co., Ltd. (遼寧黑山錦行村鎮銀行股份有限公司).

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

Northern China Region: Beijing branch and Tianjin branch.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2016		2015	
	Amount	% of total	Amount	% of total
Operating income				
Jinzhou Region	5,527,048	70.4	2,929,402	62.6
Other Northeastern Region	816,783	10.4	666,085	14.2
Northern China Region	1,506,806	19.2	1,084,181	23.2
Total	7,850,637	100.0	4,679,668	100.0

2. Summary of Business Segment

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2016		2015	
	Amount	% of total	Amount	% of total
Operating income				
Corporate banking	2,618,877	33.4	1,782,980	38.1
Retail banking	604,172	7.7	471,094	10.1
Treasury business	4,612,943	58.7	2,415,954	51.6
Others and unallocated items	14,645	0.2	9,640	0.2
Total	7,850,637	100.0	4,679,668	100.0

(VI) Off-Balance Sheet Items

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

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June 2016	31 December 2015
Acceptances	67,266,980	57,702,403
Letters of credit	1,132,519	835,274
Credit card commitments	616,932	491,593
Letters of guarantees	8,176,958	6,724,348
Loan commitments	1,915,568	889,982
Subtotal	79,108,957	66,643,600
Operating lease commitments	481,760	437,313
Capital commitments	656,407	180,763
Subtotal	1,138,167	618,076
Total	80,247,124	67,261,676

II. Business Overview

(I) Corporate banking

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June		Rate of Change (%)
	2016	2015	
External net interest income/(expense)	2,197,274	1,993,500	10.2
Internal net interest income/(expense)	179,388	(331,116)	(154.2)
Net interest income	2,376,662	1,662,384	43.0
Net fee and commission income/(expense)	214,022	107,760	98.6
Other operating income	28,193	12,836	119.6
Impairment losses on assets	(1,033,597)	(1,156,384)	(10.6)
Operating expenses	(633,653)	(560,000)	13.2
Profit before tax	951,627	66,596	1,329.0
Depreciation and amortization	(88,186)	(76,078)	15.9
Capital expenditure	286,974	133,899	114.3

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June	31 December	Rate of Change (%)
	2016	2015	
Segment assets	102,086,762	88,500,160	15.4
Segment liabilities	138,866,088	116,881,258	18.8

1. Corporate deposits

At the end of the Reporting Period, total corporate deposits (in local and foreign currencies) amounted to RMB128,747,374 thousand, representing an increase of RMB18,508,567 thousand or 16.8% as compared to the end of the previous year, in which, corporate demand deposits amounted to RMB37,981,379 thousand, accounting for 29.5%; corporate time deposits amounted to RMB90,765,995 thousand, accounting for 70.5%.

The Bank actively responded to changes in macroeconomic conditions and policy environment, with the national strategy to revitalize old industrial base of Northeast in the background, we adapt to the new normality proactively by enhancing the Bank's cross-regional operation influence and realized rapid growth in customer base and all business segments. Among the deposits taken by the Bank, time deposits accounted for a higher proportion. By enhancing the stability of deposits and optimizing the term structure of deposits, the Bank maintained stable and sound development by leveraging on our regional features with corporate time deposits increased.

2. Corporate loans

At the end of the Reporting Period, corporate loans of the Bank (excluding discount) amounted to RMB103,847,762 thousand, increased by RMB12,613,218 thousand or 13.8% as compared to the end of the previous year. During the Reporting Period, the Bank introduced five new development concepts of “innovation, coordination, environmental friendly, transparency and sharing” to guide the allocation of credit assets and implement the five major tasks of “eliminating production capacity, eliminating inventory, eliminating leverage, reducing costs and improving weakness” by dedicating efforts to support supply-side structural reforms, focusing support on strategic emerging industries and technical innovations in corporate loans, focusing support on eliminating real estate inventories, increasing investments in general residential housing mortgage loans, giving priority to support transformation and upgrading of traditional industries and corporate loans, providing strong support for innovative development loans and green credit, while increasing investment resources for loans to small and micro enterprises at the same time, and strived to reduce social financing costs and enhanced financial services. During the Reporting Period, loans for the wholesale and retail industries, manufacturing industry and real estate industry increased by RMB8,002,968 thousand, RMB4,302,630 thousand and RMB2,745,561 thousand, respectively.

3. Discounted bills

At the end of the Reporting Period, discounted bills amounted to RMB94,901 thousand, decreased by RMB141,825 thousand as compared to the end of the previous year, such movement was attributed to changes in market and customer needs.

4. International business

During the first half of 2016, the Bank strengthened the development of trade financing products in international business by combining them with financial derivative instruments. Off-balance sheet business was actively expanded to provide driving force for developing foreign exchange business of the Bank. Meanwhile, by leveraging the license for basic derivatives obtained by the Bank, hedging derivatives business was commenced.

During the first half of 2016, the Bank’s international settlement volume amounted to US\$3.716 billion, representing an increase of 13.7% on a year-on-year basis. Off-balance sheet business increased steadily, issuance of letters of credit amounted to RMB26.618 billion, increased by 104.8% on a year-on-year basis; issuance of letters of guarantee amounted to RMB3.508 billion, increased by 16.6% on a year-on-year basis.

The interbank business of foreign exchange and gold derivatives achieved rapid development, aggregated turnover of foreign exchange and gold products reached US\$5.8 billion, generating good economic benefits as well as supplementing liquidity within the industry. Agency network covered over 70 countries and regions and the number of agency banks was 554.

(II) The “Three Basis & Three Smalls” Business

1. Overview of the “Three Basis & Three Smalls” business

During the first half of 2016, the Bank continued adhering to the market positioning based on “Three Basis & Three Smalls” (“Three Basis” means “basic accounts, basic customer base and basic settlement volume” and “Three Smalls” means “small enterprises, small shops and small retail stalls”) and actively propelled the joint development of the “Three Basis” business and the “Three Smalls” business. Based on the objectives of “regulatory management, risk prevention and control, structural adjustment, expansion of customer base, creation of brands”, various tasks of “Three Basis & Three Smalls” proceeded steadily. As at the end of the Reporting Period, the “Three Smalls” loan balance of the Bank amounted to RMB10,196,302 thousand, number of customers of “Three Smalls” loans amounted to 10,458 accounts, representing 89.8% of the accounts of total loans (excluding subsidiaries). The “Three Basis” business maintained its good development momentum, the number of settlement accounts amounted to 59,960 accounts, increased by 3,925 accounts as compared to the end of the previous year. The coverage of integrated financial services for “Three Smalls” customers was increasing continuously.

In the first half of 2016, the Bank was awarded the honor of “Advancement Unit” of financial services for small and micro enterprises in 2015 by the CBRC Jinzhou Bureau, the Harbin Branch of the Bank was awarded the honor of “Advancement Unit” of financial services for small and micro enterprises by the CBRC Heilongjiang Bureau, the Fuxin Branch of the Bank was awarded the honor of “Advancement Collective” of financial service tasks for small and micro enterprises by the CBRC Fuxin Bureau, and the product “Jin Wei Tong (錦微通)” offered by the Harbin Branch of the Bank was awarded the honor of “Best 10 Exceptional Excellent Financial Products for serving Small and Micro Enterprises and Three Rurals in 2015 in the Banking Industry of Heilongjiang Province”.

Note: “Three Smalls” loans refer to retail loans (excluding credit card overdrafts and retail loans over RMB20 million) and corporate loans not exceeding RMB5 million.

2. Measures for developing the “Three Basis & Three Smalls” business

(1) Strengthening the construction of professional lines. The Bank amended the “Measures for the Administration of Independent Approval for the “Three Smalls” Credit Business of the Bank of Jinzhou (錦州銀行“三小”信貸業務獨立審批管理辦法)” and realized professional access to the “Three Smalls” business by adopting measures such as access through stringent approval officer and establishment of the “Three Smalls” professional marketing team in branches, and created the mechanism of “marketing by entire staff and professional access management”. The Bank clarified admission standards for account managers an examination regime for employment with certification was implemented, employment qualification examinations for “Three Smalls” account managers were organized, the first batch of 359 persons in total passed the examination and obtained the practice qualification of credit system operator, laying the foundation for a regular examination of employment qualification for “Three Smalls” account managers. The German micro-loan technology project completed policy design, model development, recruitment and training of account managers, new account managers were recruited and trained for joining the micro loan business team, with core techniques in statement restoration and cross checking, a unique “Three Smalls” credit technology system was established to promote the building of a professional team for small and micro credit business.

- (2) Carrying out precision marketing among customers. By adhering to the linkage between “Three Basis” and “Three Smalls”, the Bank deeply conducted “Three Smalls” customer marketing, optimized its resource allocation through data integration, fully utilized the credit system, core system, data bank and data of the customer relationship management system (CRM system), continued to pursue tiered management of customers, implemented pre-approval credit management for VIP customers, assessed existing customers for integrated contribution, utilized settlement data to identify funding requirements of potential and quality customers, implemented exit mechanism by considering the creditworthiness of existing customers on a consolidated basis, to implement precision marketing among “Three Smalls” customers.
- (3) Promote innovations for small and micro products. Firstly, to strengthen e-commerce, internet commerce, WeChat commerce, cooperation between banks and government to develop external linkage business: pursue business cooperation with alliance of banks to implement the application of “micro loan cloud manager” by utilizing the big data available from alliance of banks to decide on credit approvals and monitor risk alerts; cooperate with government departments to develop interactive activities between banks and tax authorities, promote the “Yin Shui Tong (銀稅通)” product based on the tax assessment rating of tax authorities and customer information; develop interest-bearing loans business for women entrepreneurs and employees jointly with women’s federation. Through precise positioning of customers’ credit demand, hired vehicle loans “Yi Jin Dai (易錦貸)” and exclusive consumption loans “Jin Lian Dai (錦聯貸)” for “Three Smalls” were launched. Secondly, to optimize the business process of “Immediate Loans (即時貸)” products by improving the product management system, confirming the development of mobile credit system, and realizing full process online system operation for online approval, offline verification, same day approval, immediate drawdown of “Immediate Loans” through mobile customer terminals.
- (4) Optimizing credit asset structure. By means of setting credit approval authority for “Three Smalls” loans and following the “Credit Access Guidelines for “Three Smalls” Customers of Bank of Jinzhou in 2016 (錦州銀行2016年“三小”客戶授信准入指引)”, the “Three Smalls” credit asset structure is optimized through “Three Enhancements and Three Reductions (三提三降)”, which means to increase the number of “Three Smalls” loan accounts and reduce the balance per account of “Three Smalls” loans; to enhance the pricing ability of “Three Smalls” loans and reduce the financing costs for customers of “Three Smalls” loans; and to conduct early risk alert analysis and reduce the percentage of high risk business. By insisting on lowering customer tiers, resources are focused on “Three Smalls” customers with an aggregate credit amount below RMB1 million, ensuring their proportion is more than 90%, and services are provided to local micro and small customers to alleviate the financing problems of micro and small customers effectively.
- (5) Strengthening asset quality management. By utilizing early risk alert tools and data analysis, early warning on overdue is available to enhance the risk identification and management abilities of the “Three Smalls” credit business; increase management and control over risk assets, expand the monitoring and control scope of problematic loans, establish disposal plans for overdue loans, conduct multi-dimensional appraisal on risk indicators, suppress the growing trend of non-performing loans; keep the ratio of non-performing loans of “Three Smalls” loans in a lower level; recognize liabilities for non-performing loans to enhance the sense of compliance operation.

(III) Retail Banking Business

In the first half of 2016, the Bank focused on customer needs in respect of the retail banking business and carried out a series of product innovation, channel innovation and service enhancement to solidify customer base, expand business scale, increase business revenue, resulting in significant improvement in single-outlet capacity. At the end of the Reporting Period, the number of retail customers amounted to 4,692,400 accounts, increased by 263,500 accounts or 5.9% when compared with the end of the previous year. The number of VIP customers amounted to 94,072 accounts, increased by 16,389 accounts or 21.1% when compared with the end of the previous year. Comprehensive financial assets of retail customers amounted to RMB97,330,967 thousand, increased by RMB16,487,794 thousand compared with the end of the previous year. The average outlet retail deposits amounted to RMB361,124 thousand, increased by RMB37,125 thousand when compared with the end of the previous year.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June		
	2016	2015	Rate of Change (%)
External net interest income/(expense)	(861,736)	(717,784)	20.1
Internal net interest income/(expense)	1,371,541	1,163,671	17.9
Net interest income	509,805	445,887	14.3
Net fee and commission income/(expense)	94,328	25,207	274.2
Other operating income	39	—	N/A
Impairment losses on assets	(19,732)	(142,982)	(86.2)
Operating expenses	(270,897)	(235,996)	14.8
Profit before tax	313,543	92,116	240.4
Depreciation and amortization	(37,707)	(32,061)	17.6
Capital expenditure	122,706	56,427	117.5

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June	31 December	Rate of Change (%)
	2016	2015	
Segment assets	9,689,646	9,858,784	(1.7)
Segment liabilities	79,397,165	72,117,521	10.1

1. Retail Deposits

During the process of market liberalization of interest rate by the People's Bank of China, the Bank adopted differentiated interest rate strategy and focused on developing a series of new products in respect of retail deposits in order to satisfy customers' needs for advance withdrawal, automatic redeposit and small savings for lump-sum withdrawal. Meanwhile, the Bank continued to increase its efforts on marketing by visit, resulting in rapid growth in retail deposits. At the end of the Reporting Period, the balance of the Bank's retail deposits amounted to RMB70,419,200 thousand, representing an increase of 17.5% as compared to the end of the previous year.

2. Retail Loans

During the first half of 2016, the Bank strengthened precise marketing for retail loans and commenced business in mass quantities, with development focus on consumer loans and loans for women entrepreneurs, exclusive consumption loans “Jin Lian Dai (錦聯貸)” for “Three Smalls” and “Yi Jin Dai (易錦貸)” for hired vehicles were launched. At the end of the Reporting Period, retail loans comprising personal business loans, personal consumption loans, residential and commercial mortgage loans, credit card overdrafts amounted to RMB9,698,562 thousand, of which personal business loans amounted to RMB8,593,696 thousand, personal consumption loans amounted to RMB512,618 thousand and residential and commercial mortgage loans amounted to RMB489,880 thousand. In addition, the Bank set up a characteristic sub-branch for personal vehicle consumption loans and a characteristic sub-branch for personal housing mortgage loans in Jinzhou region to promote the development of consumer credit, which improved the level of specialized and characteristic personal credit services.

3. Bank Cards

With financial IC cards as the carrier, new efforts for product and business innovations continued to increase. Healthcare cards and social security cards for residents were fully issued. Functions of ETC card business on expressways continued improving. Cooperation activities with third parties such as JD Pay, Ali Pay, Tenpay and Lakala were carried out in order to provide customers with more convenient, faster, more efficient and safe products and services to satisfy the diversified payment and settlement needs from customers. At the end of the Reporting Period, the number of new bank cards issued by the Bank increased steadily, the accumulated number of credit cards issued amounted to 4.6322 million, representing an increase of 372,200 or 8.7%, as compared to the end of last year. The number of credit cards issued increased rapidly with the accumulated number of issued credit cards at 36,891, representing an increase of 11,649 or 46.1% as compared with the end of the previous year. At the end of the Reporting Period, the total amount of credit card facilities of the Bank amounted to RMB719,425 thousand facilities, increased by RMB139,103 thousand or 24.0% as compared with the end of the previous year.

4. Wealth Management

During the first half of 2016, the Bank continued to realize the objective of creating and building itself into a high quality wealth management bank by focusing on customer needs, strengthening product innovations and service innovations and satisfying the increasingly diversified wealth management needs of customers. Firstly, we emphasized on marketing cash management products, such as small savings for lump-sum withdrawal and savings for interest income, to satisfy customer needs for safety of funds and yields; secondly, the Bank optimized the service process and enhance customers' experience through activities such as “winning at the lobby”; thirdly, we manage high net value customers of the bank by tiers, adopt “customized” marketing method and approach, provide all-round and multi-angle customers maintenance, and launched exclusive wealth management products for private banking; fourthly, the Bank stepped up cooperation with peer financial institutions to commence a number of specific businesses including agency sales of funds and sales of precious metals to satisfy various investment management needs of customers.

(IV) Treasury Business

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June		
	2016	2015	Rate of Change (%)
External net interest income/(expense)	6,036,134	3,166,292	90.6
Internal net interest income/(expense)	(1,550,929)	(832,555)	86.3
Net interest income	4,485,205	2,333,737	92.2
Net fee and commission income/(expense)	114,803	(680)	(16,982.8)
Net trading (loss)/gains	(1,207)	60,796	(102.0)
Dividend income	—	440	(100.0)
Net gains arising from investment securities	9,113	2,254	304.3
Other operating income	5,029	19,407	(74.1)
Impairment losses on assets	(424,315)	(235,370)	80.3
Operating expenses	(437,845)	(441,235)	(0.8)
Profit before tax	3,750,783	1,739,349	115.6
Depreciation and amortization	(60,960)	(59,943)	1.7
Capital expenditure	198,372	105,501	88.0

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June	31 December	Rate of Change (%)
	2016	2015	
Segment assets	302,293,439	255,773,910	18.2
Segment liabilities	167,065,613	144,026,142	16.0

1. Money Market Transactions

During the first half of 2016, based on the anticipated prediction of the interest rate trend, the Bank planned and adjusted the financing structure timely and allocated funds flexibly with well-arranged financing maturities, enhancing the flexibility of liquidity management, controlling interest rate risk strictly while improving the rate of return on funds. As at the end of the Reporting Period, the balance of financial assets held under resale agreements amounted to RMB1.337 billion and the balance of financial assets sold under repurchase agreements amounted to RMB16.793 billion.

2. Investments in Securities and Other Financial Assets

During the first half of 2016, changes occurred in the factors driving the bond market trend. Internal factors included the anticipated reduction of quantitative easing from central bank and stabilization of the bottom level of economic activities, which replaced the quantitative easing from central bank and the anticipated declining trend of economic activities during the past two years, became the most essential factors dominating the movements of bond interest rates. External factors included the persistent anticipation of interest rate hike to be imposed by the US Federal Reserve System, thus bond interest rates during the first half of 2016 did not show a crazy bull trend as they did in the past two years, but followed a fluctuating trend under the mixed effects of various factors. Provided risk aversion and liquidity were ensured, the Bank timely captured the band opportunities brought by market adjustments and was able to shorten long durations timely during market downturn stage and controlled the leverage ratio of bond investments to ensure liquidity of the bond investment portfolio and enhanced the yields of bond assets.

(1) Securities investment by holding purpose

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2016		As at 31 December 2015	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Financial assets at fair value through profit or loss	18,032,085	7.0	15,560,208	7.4
Available-for-sale financial assets	20,286,737	7.8	19,278,073	9.2
Held-to-maturity investment	7,690,465	3.0	7,711,333	3.7
Debt securities classified as receivables	213,409,745	82.2	166,482,385	79.7
Total	259,419,032	100.0	209,031,999	100.0

(2) Holding of state bonds

At the end of the Reporting Period, the balance of nominal value of the state bonds held by the Bank amounted to RMB4.31 billion. The table below sets out the state bonds held by the Bank at the end of the Reporting Period.

Name of Bonds (Expressed in thousands of Renminbi, unless otherwise stated)	Nominal value	Interest rate per annum (%)	Maturity date
12 Coupon-bearing Bonds10	1,540,000	3.14	7 June 2019
12 Coupon-bearing Bonds 09	1,000,000	3.36	24 May 2022
10 Coupon-bearing Bonds 38	500,000	3.83	25 November 2017
08 State Bonds 25	330,000	2.90	15 December 2018
06 State Bonds 19	300,000	3.27	15 November 2021
09 Coupon-bearing Bonds 16	250,000	3.48	23 July 2019
09 State Bonds 03	220,000	3.05	12 March 2019
09 Coupon-bearing Bonds 20	100,000	4.00	27 August 2029
09 Coupon-bearing Bonds 12	70,000	3.09	18 June 2019

(3) Holding of financial bonds

At the end of the Reporting Period, the balance of nominal value of the financial bonds (mainly financial bonds issued by policy banks) held by the Bank amounted to RMB21.13 billion. The table below sets out the top ten financial bonds with the highest nominal value held by the Bank at the end of the Reporting Period.

Name of Bonds (Expressed in thousands of Renminbi, unless otherwise stated)	Nominal value	Interest rate per annum (%)	Maturity date
16 Nong Fa 15	3,000,000	3.08	22 April 2019
16 Jin Chu 01	2,000,000	2.82	22 February 2019
16 Nong Fa 02	1,500,000	2.77	6 January 2019
10 Nong Fa 14	1,240,000	4.00	4 November 2020
16 Jin Chu 04	1,000,000	2.46	18 April 2017
11 Guo Kai 44	860,000	4.90	9 August 2021
12 Guo Kai 22	810,000	4.44	23 April 2022
11 Guo Kai 58	780,000	4.30	26 October 2021
16 Nong Fa 14	650,000	2.60	22 April 2017
11 Guo Kai 26	590,000	4.44	19 April 2021

3. Wealth Management Business

After years of operation and development, the Bank's wealth management business system has been relatively perfect. The wealth management products offered by us have established reputable market brand, and was widely recognized by customers. During the Reporting Period, the wealth management business of the Bank developed strictly according to the policy directions to ensure compliance and legality of the business, while it also oriented towards satisfying customer demand and supporting development of the real economy by accelerating product innovation efforts and diversifying product categories. According to the 2016 City Commercial Banks Comprehensive Wealth Management Ability Ranking issued by PY Standard, the Bank was ranked sixth, ranking the first in Liaoning province and northeast region.

During the Reporting Period, the Bank issued a total of 422 wealth management products on an accumulated basis, with an issue size of RMB40.520 billion, representing an increase of 38.3% as compared to the same period of last year. As at the end of the Reporting Period, 443 wealth management products were still effective, the balance of nominal value of funds under wealth management was RMB49.169 billion, representing an increase of 14.2% as compared to the end of last year. Of which, principal protected balance under wealth management amounted to RMB24.506 billion, while non-principal protected balance under wealth management amounted to RMB24.663 billion.

In terms of asset allocation, the Bank strictly complied with the relevant requirements of the regulatory authorities and completed non-standard asset allocation management properly. At the end of the Reporting Period, the total amount of non-standard asset allocation was RMB10.152 billion, representing approximately 20.6% of the investment balance of wealth management products and 2.8% of total assets as at the end of 2015, which were consistent with regulatory requirements.

(V) Distribution Channels

1. Physical Outlets

Development of the Bank's institution complied with strategic guidance principle, risk control principle, market-oriented principle, characteristic management principle, with the basic premise being matching cross-regional development speed and self-management and control abilities. The Bank scientifically mastered cross-regional development speed and pace, adhering to the path of healthy development, achieving coordinated development of "scale, quality, benefit". At the end of the Reporting Period, the Bank (excluding subsidiaries) had a total of 195 outlets. In addition to the headquarters, we had 12 branches, 178 sub-branches, 3 small and micro sub-branches and 1 specialized institution in total, which were distributed mainly over provinces and cities such as Beijing, Tianjin, Harbin and Liaoning.

2. Self-service Banking

At the end of the Reporting Period, the Bank (excluding subsidiaries) had a total of 99 self-service banking and self-service zones, increased by 3 as compared to the end of the previous year. We continued to enrich and improve types of self-service machines, forming a system of ATMs, self-service cash recycling machines, video teller machines (VTM), "Bank-Railway Connect (銀鐵通)" railway ticketing machines, automatic card issuing machines, multi-media enquiry terminals and healthcare card terminals for residents. In the first half of 2016, the Bank added a portable card issuing machine, which effectively alleviated the pressure of card issuance at the counters of the business outlets. The Bank (excluding subsidiaries) had a total of 586 self-service machines, including 454 self-service cash withdrawal machines, increased by 28 as compared to the end of the previous year; 88 multi-media enquiry machines, increased by 8 as compared to the end of the previous year; 44 self-service card issuing machines, increased by 11 as compared to the end of the previous year; and the accumulated number of cash withdrawal transactions conducted by ATMs in the first half of 2016 reached 4.712 million transactions for this year with value of transactions at RMB5.24 billion.

3. Electronic Banking

The Bank will focus on the work of building an infrastructural platform for electronic banking centering on customers to enhance customer experience and establish business processes and service models by combining online and offline means to realize rapid development in the electronic banking business.

(1) Online Banking

The Bank emphasizes on customer experience and continues to optimize online banking according to customer needs and develop online banking functions constantly. At the end of the Reporting Period, the total number of corporate online banking customers of the Banks amounted to 19,806 accounts, increased by 34.1% on a year-on-year basis. During the first half of 2016, the value of transactions of the Bank amounted to RMB568.819 billion, increased by 13.3% on a year-on-year basis; the number of transactions amounted to 711,500 transactions, decreased by 5.6% on a year-on-year basis.

At the end of the Reporting Period, the accumulated number of personal online banking customers of the Bank reached 188,467 accounts, increased by 27.6% on a year-on-year basis. During the first half of 2016, the value of transactions of the Bank amounted to RMB86.871 billion, increased by 15.9% on a year-on-year basis; the number of transactions reached 1.7284 million transactions, increased by 44.1% on a year-on-year basis.

(2) Mobile Banking

Mobile banking continued to optimize processes and services and enhance customers' experience to provide more comprehensive financial services to the Bank's customers. At the end of the Reporting Period, the accumulated number of mobile banking customers reached 223,473 accounts, increased by 81.1% on a year-on-year basis. During the first half of 2016, the value of transactions of the Bank amounted to RMB8.493 billion, increased by 144.1% on a year-on-year basis; the number of transactions reached 752,600 transactions, increased by 100.2% on a year-on-year basis.

(3) WeChat Banking

While offering basic business functions, WeChat banking also published information from time to time, enabling customers to acquire a timely understanding of the Bank's financial products, and offered an integrated and consolidated information service comprising notices, interactions, distribution of information and business enquiries. At the end of the Reporting Period, the accumulated number of WeChat banking customers reached 36,923 accounts, increased by 340.3% on a year-on-year basis. During the first half of 2016, the value of transactions of the Bank amounted to RMB259 million, increased by 927.3%; the number of transactions reached 96,100 transactions, increased by 413.8% on a year-on-year basis.

(4) Telephone Banking

We offer round-the-clock services through our national customer service hotline "+86-400-66-96178" for 24 hours a day, including account enquiry, money transfer, bill payment, credit card business and personal consulting services to satisfy the diversified business requirements of our Bank's customers.

(VI) Information on the Subsidiaries**1. Village and Township Banks**

At the end of the Reporting Period, we have established 5 village and township banks, 4 in Jinzhou City and county region and 1 in Chaoyang City, under which there are 13 sub-branches. At the end of the Reporting Period, the total assets of 5 village and township banks were RMB4,806,898 thousand, of which the total amount of loans was RMB3,236,525 thousand, representing an increase of 30.7% as compared to the end of the previous year; the total amount of deposits was RMB3,842,879 thousand, representing an increase of 21.2% as compared to the end of the previous year; and the profit before provisions was RMB38,921 thousand, representing an increase of 29.0% on a year-on-year basis.

Under the guiding philosophy of “proactively adapt to new normality, constantly create new advantages”, targeting at supporting the agricultural and small enterprises and serving the cities and rural areas, the village and township banks invested and established by the Bank strictly adhered to the Group's overall strategy and principally provided financial services to local farmers, agriculture industry, rural areas (“**Three Rurals**”) and economic growth of communities with rural and urban residents as primary customers, small and micro enterprises as major customers as well as medium and small enterprises as focused customers, and strived to turn the village and township banks into new financial institutions based on rural areas and serving the “Three Rurals”, medium and small enterprises and community residents, and banks of sufficient capital, strict internal control, safe operation and good service and efficiency, thus establishing modern financial enterprises having strong competitive strengths in the financial service sector of “Three Rurals”.

2. Bank of Jinzhou Financial Leasing Co., Ltd.

According to the Approval Reply of CBRC Liaoning Bureau on the Change of Shareholding and Increase in Registered Capital of the Bank of Jinzhou Financial Leasing Co., Ltd. (遼寧銀監局關於錦銀金融租賃有限責任公司變更股權及增加註冊資本的批覆) (Liao Yin Jian Fu [2016] No.47), the registered capital of the Bank of Jinzhou Financial Leasing Co., Ltd. was increased to RMB4.9 billion on 30 March 2016.

At the end of the Reporting Period, total assets of the Bank of Jinzhou Financial Leasing Co., Ltd. amounted to RMB5,608,917 thousand, of which total financial leasing assets amounted to RMB2,019,642 thousand, total liabilities amounted to RMB707,782 thousand, shareholders' equity amounted to RMB4,901,135 thousand, total profit was RMB1,116 thousand and net profit was RMB828 thousand.

(VII) Information Technology

In the first half of 2016, our strength in information technology was further improved. It provided stable support and effective protection to the development of all business lines and enabled us to make remarkable achievements in infrastructure, information security and system construction.

- (1) Improve infrastructure construction, enhance system performance, extend network bandwidth. During the first half of 2016, the Bank focused on the improvement projects of upgrading core system hardware, increasing capacity of small machine development and testing platform and expanding bandwidth capacity at business outlets. Through upgrading the core system hardware, the processing and data transmission and backup time at the close of business on each day was shortened and lowered the CPU utilization rate. Through upgrading and increasing the capacity of the small machine development and testing platform, sufficient hardware resources will be available for system construction. Through upgrading the bandwidth of communication lines at business outlets, the bandwidth required by the new system will be secured.
- (2) Strengthen information security management, pass the annual review of information security, and fortified the information security management system. The Bank has been complying strictly with system requirements and fortifying information security construction continuously since we have obtained ISO27001 International Information Security Management System Certification (ISO27001 信息安全管理體系國際認證證書) in 2015. During the first half of 2016, the Bank has passed the annual review of the ISO27001 Information Security Management System and received favourable comments from the reviewer, which indicates that the Bank is equipped with the capabilities to conduct a range of tasks including risk assessment, risk disposal, monitoring and evaluation, and continuous improvements in accordance with the ISO/IEC27001 International Standards and has fulfilled the requirement of making constant self-improvements to the information security management system.
- (3) Continue to build up the information system, optimize core system and enhance customer service level. During the first half of 2016, the Bank continued to develop and build up the information system with 18 new systems, 9 upgraded and modified systems. For optimization of the core system, the Bank implemented graphical front-end upgrading, developed featured application and several featured products for financial IC cards, expanded settlement and payment channels, enhanced the competitiveness of counter service and responsiveness to customer demands. For e-channel system establishment, the Bank carried out an e-channel integration project, enriched business functions of online banking, mobile banking and WeChat banking systems and improved customer experience through interactions of multi-channels and personalized services. After improving existing system functions, the Bank established various information systems such as internet financial platform, system for conversion of business tax into value-added tax, pricing system for deposits, interbank system and treasury business system. Of which, the internet financial platform was established based on a general idea of "overall planning and gradual implementation" to gradually establish our internet financial system for the purpose of expanding business channels through our internet financial portal to fulfil the integration of information flow, capital flow and logistics, and build up a service ecosystem of "internet + finance + consumption" to guide offline customers towards the online direction, attract users and retain customers with the features of "purchase by borrowings, reward points for cash coupons, quality guarantee and interbank payment" and to provide convenient financial services to enterprises and customers.

III. Risk Management

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

The Bank's risk management policies were established to identify and analyze the risks to which the Bank is exposed, to set appropriate risk limits, and to design relevant internal control systems for monitoring risks and adhering to risk limits. Risk management policies and relevant internal control systems are reviewed regularly to adapt changes in market conditions and the Bank's activities. The internal audit department undertakes both regular and ad hoc reviews of the compliance of internal control system implementation with risk management policies.

(I) Credit Risk

Credit risk refers to the risk that a customer or counterparty may be unable to or unwilling to meet its contractual obligations. The core to the Bank's credit risk management system mainly includes the formulation of credit policies, pre-credit due diligence, customer credit rating, collateral assessment, loan review and approval, loan disbursement management, post-loan management, non-performing loan management; and accountability. The Bank adopts the same credit risk management control procedures for on and off-balance credit business.

The Bank's risk and compliance department is responsible for continuous monitoring, review and evaluation of the adequacy and effectiveness of the Bank's credit risk management system, giving advice for the improvement of the Bank's credit risk management system and developing and maintaining the rating and limit tools. The Bank's credit management department is responsible for the credit system review and the determination of five-category loan assets. The Bank's credit review department is in charge of the improvement of the Bank's credit review system and operating procedures, formulation of limit management and the performance of duties as the secretary to the loan approval committee of the Bank's headquarters. All of the Bank's credit business activities must be carried out according to the guiding opinions on the credit business.

With respect to the credit risk control and management, the Bank specifies the respective duties and operating procedures of each department according to the principle of credit investigation and credit approval separation, management and review separation, and credit limit and review separation. The Bank has established the operating mechanism of the Bank's credit review committee under the collective review system, as well as a credit due diligence and accountability system.

(II) Operational Risk

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

(III) Market Risk

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

The Bank's exposure to the market risk arises primarily from the Bank's assets and liabilities on the balance sheet, and mainly includes interest rate risk and exchange rate risk. Interest rate risk is the risk of loss that the Bank may suffer the adverse movements in statutory interest rates or market interest rates. Exchange rate risk is the risk of loss that the Bank may suffer from the mismatches of the currency denomination of the Bank's assets and liabilities. The Bank's market risk management aims to manage and monitor market risk, control the potential losses associated with market risk within acceptable limits and maximize the Bank's risk-adjusted income. The Bank's risk and compliance department is responsible for monitoring, inspecting and assessing the adequacy and efficiency of the Bank's market risk management system. The capital transaction department, investment banking & interbank department, financial management department and international business department are responsible for the centralized management of interest rate risks and exchange rate risks.

1. Interest rate risks

Interest rates in China have been gradually liberalized in recent years. The interest rate risks have gradually changed from policy risks to market risks, and have become one of the major risks for bank operations. The interest rate risks are mainly reflected in the risks of uncertainty from the Bank's deposits and loans, debt investments and interest sensitivity gaps.

The finance management department is responsible for measuring, monitoring and managing interest rate risk. The Bank 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 minimise potential adverse effects on its net interest income or its inherent economic value caused by interest rate volatility.

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

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

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

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June 2016					
	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	37,042,103	2,241,041	34,801,062	—	—	—
Deposit with banks and other financial institutions	2,509,324	—	1,852,741	502,083	154,500	—
Placement with banks and other financial institutions	530,496	—	530,496	—	—	—
Financial assets held under resale agreements	1,336,500	—	1,336,500	—	—	—
Loans and advances to customers ⁽¹⁾	108,868,575	—	20,899,746	40,262,243	45,687,281	2,019,305
Investment securities and other financial assets	259,419,032	58,250	32,651,318	85,748,179	130,865,445	10,095,840
Others ⁽²⁾	12,759,779	10,739,432	8,082	12,819	1,999,446	—
Total assets	422,465,809	13,038,723	92,079,945	126,525,324	178,706,672	12,115,145
Liabilities						
Deposits from banks and other financial institutions	142,354,187	—	31,037,681	58,576,006	52,640,500	100,000
Placements from banks and other financial institutions	4,664,930	—	4,349,842	315,088	—	—
Financial assets sold under repurchase agreements	16,792,940	—	15,457,940	1,335,000	—	—
Deposit from customers	199,166,574	59,255	75,131,289	54,099,396	69,876,576	58
Debt securities issued	1,500,000	—	—	—	1,500,000	—
Others ⁽³⁾	25,787,432	10,623,167	4,519,113	10,645,152	—	—
Total liabilities	390,266,063	10,682,422	130,495,865	124,970,642	124,017,076	100,058
Asset-liability gap	32,199,746	2,356,301	(38,415,920)	1,554,682	54,689,596	12,015,087

(Expressed in thousands of Renminbi, unless otherwise stated)	31 December 2015					
	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	30,099,321	482,284	29,617,037	—	—	—
Deposit with banks and other financial institutions	14,954,990	—	9,122,424	4,678,066	1,154,500	—
Placement with banks and other financial institutions	649,360	—	—	649,360	—	—
Loans and advances to customers ⁽¹⁾	97,313,206	—	25,901,958	35,008,329	35,211,865	1,191,054
Investments securities and other financial assets	209,031,999	58,250	20,991,656	77,799,692	100,573,260	9,609,141
Others ⁽²⁾	9,611,037	9,600,359	10,678	—	—	—
Total assets	361,659,913	10,140,893	85,643,753	118,135,447	136,939,625	10,800,195
Liabilities						
Deposits from banks and other financial institutions	116,351,178	—	22,887,926	60,832,752	32,480,500	150,000
Placements from banks and other financial institutions	3,855,808	—	3,517,039	338,769	—	—
Financial assets sold under repurchase agreements	20,244,100	—	20,244,100	—	—	—
Deposit from customers	170,178,722	39,415	71,969,350	48,203,992	49,949,166	16,799
Debt securities issued	1,500,000	—	—	—	1,500,000	—
Others ⁽³⁾	23,258,791	7,688,655	6,255,172	9,314,964	—	—
Total liabilities	335,388,599	7,728,070	124,873,587	118,690,477	83,929,666	166,799
Asset-liability gap	26,271,314	2,412,823	(39,229,834)	(555,030)	53,009,959	10,633,396

Notes: (1) As at the end of the Reporting Period and at 31 December 2015, for loans and advances to customers, the category "Less than three months" includes overdue amounts (net of provision for impairment losses) of RMB2,951 million and RMB2,048 million, respectively.

(2) Include interests receivable, property and equipment, deferred tax assets and other assets, etc.

(3) Include financial liabilities at fair value through profit or loss, interests payable, taxes payable and other payables, etc.

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

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June			
	2016 Changes in net profit	Changes in shareholders' equity	2015 Changes in net profit	Changes in shareholders' equity
100 basis points increase	(377,984)	(810,857)	(138,161)	(550,800)
100 basis points decrease	379,316	835,064	138,216	568,583

2. Exchange rate risk

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

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

	30 June 2016			
	RMB	USD	Others	Total
		(RMB Equivalent)	(RMB Equivalent)	(RMB Equivalent)
Assets				
Cash and deposits with the central bank	36,851,776	188,988	1,339	37,042,103
Deposits with banks and other financial institutions	2,275,939	143,213	90,172	2,509,324
Placements with banks and other financial institutions	—	530,496	—	530,496
Interests receivable	2,855,358	16,415	259	2,872,032
Loans and advances to customers	103,058,738	5,745,335	64,502	108,868,575
Others ⁽¹⁾	270,215,431	397,872	29,976	270,643,279
Total assets	415,257,242	7,022,319	186,248	422,465,809
Liabilities				
Deposits from banks and other financial institutions	141,581,436	772,751	—	142,354,187
Placements from banks and other financial institutions	—	4,536,466	128,464	4,664,930
Deposits from customers	196,514,492	2,640,421	11,661	199,166,574
Interests payable	5,635,417	38,203	265	5,673,885
Others ⁽²⁾	38,404,943	1,268	276	38,406,487
Total liabilities	382,136,288	7,989,109	140,666	390,266,063
Net position	33,120,954	(966,790)	45,582	32,199,746
Off-balance sheet credit commitments	73,811,157	5,234,165	63,635	79,108,957

	31 December 2015			
	RMB	USD	Others	Total
		(RMB Equivalent)	(RMB Equivalent)	(RMB Equivalent)
Assets				
Cash and deposits with the central bank	29,974,881	122,989	1,451	30,099,321
Deposits with banks and other financial institutions	14,123,930	111,086	719,974	14,954,990
Placements with banks and other financial institutions	—	649,360	—	649,360
Interests receivable	2,515,987	55,698	287	2,571,972
Loans and advances to customers	91,166,643	6,095,582	50,981	97,313,206
Others ⁽¹⁾	215,614,575	51,949	404,540	216,071,064
Total assets	353,396,016	7,086,664	1,177,233	361,659,913
Liabilities				
Deposits from banks and other financial institutions	115,578,427	772,751	—	116,351,178
Placements from banks and other financial institutions	—	3,812,200	43,608	3,855,808
Deposits from customers	168,339,236	1,829,056	10,430	170,178,722
Interests payable	5,322,486	23,038	242	5,345,766
Others ⁽²⁾	39,260,742	377,629	18,754	39,657,125
Total liabilities	328,500,891	6,814,674	73,034	335,388,599
Net position	24,895,125	271,990	1,104,199	26,271,314
Off-balance sheet credit commitments	63,828,288	2,746,991	68,321	66,643,600

Notes: (1) Include investment securities and other financial assets, property and equipment and other assets, etc.

(2) Include financial liabilities at fair value through profit or loss, financial assets sold under repurchase agreements, debt securities issued and other liabilities, etc.

(IV) Liquidity Risk

1. Liquidity risk management

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

The Bank has established an effective liquidity management and decision-making system, and formulated asset and liability management strategies and liquidity management policy which are in line with the Bank's actual conditions. Being responsible for bank-wide liquidity management, the Bank's asset and liability management committee is in charge of the liquidity management portfolio plan according to the requirements and regulatory indicators for asset and liability management at the beginning of each year and monitors and adjusts this plan on a quarterly basis, with an aim to ensure the effective management of the Bank's asset and liability structure. The Bank's financial management department is responsible for the calculation, analysis and monitoring of the Bank's daily liquidity, while the financial management department, the capital transactions department and the investment banking & interbank department manage the liquidity risk.

The Bank sticks to positive and active liquidity management policies, and actively improve the Bank's active liability capability and constantly enhance the Bank's financing capability in the interbank market, so that the bond investment business can not only become an important source of profit for the Bank, but also become an important reserve for the Bank to maintain good liquidity. The Bank also effectively forewarns liquidity risks by carrying out tailored liquidity pressure tests.

2. Liquidity risk analysis

In response to macroeconomic situation, monetary policy and changes in regulatory requirements, the Bank adheres to a steady and prudent liquidity risk management strategy and constantly improves the level of liquidity risk management. The Bank actively adjusts the maturity structure of the Bank's assets and liabilities, diversifies and improves the Bank's risk management approaches, employs liquidity risk management indicators and daily fund position management as well as conduct monthly pressure tests on liquidity risk, in order to maintain liquidity at a sufficient level and prevent liquidity risks.

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

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June 2016							Total
	Repayable on Indefinite 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		
Assets								
Cash and deposits with the central bank	31,095,141	5,946,962	—	—	—	—	—	37,042,103
Deposits with banks and other financial institutions	—	922,632	793,109	137,000	502,083	154,500	—	2,509,324
Placement with banks and other financial institutions	—	—	198,936	331,560	—	—	—	530,496
Financial assets held under resale agreements	—	—	1,336,500	—	—	—	—	1,336,500
Loans and advances to customers	2,251,128	700,351	4,406,675	12,584,350	40,732,638	46,278,857	1,914,576	108,868,575
Investment securities and other financial assets	313,403	237,603	13,076,394	19,476,333	85,609,166	130,610,293	10,095,840	259,419,032
Others	7,867,400	68,234	502,110	857,070	1,704,264	1,760,701	—	12,759,779
Total assets	41,527,072	7,875,782	20,313,724	33,386,313	128,548,151	178,804,351	12,010,416	422,465,809
Liabilities								
Deposits from banks and other financial institutions	—	197,185	13,128,936	17,711,560	58,576,006	52,640,500	100,000	142,354,187
Placements from banks and other financial institutions	—	—	3,814,461	535,381	315,088	—	—	4,664,930
Financial assets sold under repurchase agreements	—	—	14,897,940	560,000	1,335,000	—	—	16,792,940
Deposits from customers	—	49,955,145	14,551,499	10,683,900	54,099,396	69,876,576	58	199,166,574
Debt securities issued	—	—	—	—	—	1,500,000	—	1,500,000
Others	—	4,854,346	2,507,987	3,563,198	12,131,462	2,666,247	64,192	25,787,432
Total liabilities	—	55,006,676	48,900,823	33,054,039	126,456,952	126,683,323	164,250	390,266,063
Net position	41,527,072	(47,130,894)	(28,587,099)	332,274	2,091,199	52,121,028	11,846,166	32,199,746

(Expressed in thousands of Renminbi, unless otherwise stated)	31 December 2015							Total
	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	
Assets								
Cash and deposits with the central bank	26,862,543	3,236,778	—	—	—	—	—	30,099,321
Deposits with banks and other financial institutions	—	1,074,184	5,728,000	2,320,240	4,678,066	1,154,500	—	14,954,990
Placement with banks and other financial institutions	—	—	—	—	649,360	—	—	649,360
Loans and advances to customers	1,394,696	653,789	5,930,019	10,557,147	40,056,859	37,465,799	1,254,897	97,313,206
Investment securities and other financial assets	58,250	—	10,256,229	10,735,427	77,799,692	100,573,260	9,609,141	209,031,999
Others	7,028,387	58,149	423,162	618,990	1,231,420	250,929	—	9,611,037
Total assets	35,343,876	5,022,900	22,337,410	24,231,804	124,415,397	139,444,488	10,864,038	361,659,913
Liabilities								
Deposits from banks and other financial institutions	—	1,147,926	12,880,000	8,860,000	60,832,752	32,480,500	150,000	116,351,178
Placements from banks and other financial institutions	—	—	1,905,093	1,611,946	338,769	—	—	3,855,808
Financial assets sold under repurchase agreements	—	—	18,244,100	2,000,000	—	—	—	20,244,100
Deposits from customers	—	43,427,010	15,882,369	12,699,386	48,203,992	49,949,166	16,799	170,178,722
Debt securities issued	—	—	—	—	—	1,500,000	—	1,500,000
Others	—	2,251,390	4,372,747	3,454,610	10,814,249	2,297,313	68,482	23,258,791
Total liabilities	—	46,826,326	53,284,309	28,625,942	120,189,762	86,226,979	235,281	335,388,599
Net position	35,343,876	(41,803,426)	(30,946,899)	(4,394,138)	4,225,635	53,217,509	10,628,757	26,271,314

(V) Anti-money laundering management

During the first half of 2016, the Bank pursued the objective of preventing money laundering risk and aimed at enhancing the standard of anti-money laundering tasks. We strictly executed anti-money laundering laws and regulations, implemented regulatory requirements conscientiously, performed anti-money laundering obligations pragmatically, timely amended the internal control system for anti-money laundering, improved the anti-money laundering work processes persistently, provided training to anti-money laundering personnel on continuing basis, actively promoted anti-money laundering campaign, fully supported anti-money laundering investigations, reported large amount and suspicious transactions due diligently, categorized the levels of customer risks reasonably, enhanced on-site and off-site inspections for anti-money laundering purpose concurrently, strictly executed the anti-money laundering performance appraisal system, strengthened the anti-money laundering skills of employees and enhanced the standard of anti-money laundering work across the industry to prevent money laundering risk effectively.

IV. Internal Control and Internal Audit

(I) Internal Control

The Bank has formulated the Internal Control System of the Bank of Jinzhou (錦州銀行內部控制制度) to provide guidance to internal control work of the industry in accordance with the Commercial Banking Law of the PRC (中華人民共和國商業銀行法) and the Guidelines for Internal Control of Commercial Banks (商業銀行內部控制指引). Internal control is the dynamic process and mechanism to achieve the objective of control through the formulation and implementation of systematic regime, flow process and methods. The internal control of the Bank follows the four basic principles of full coverage, balance of power, prudence and matching to ensure the consistent execution of the relevant state laws and regulations, rules and various systems of our Bank; ensure the realization of the development strategies and operating objectives of our Bank; ensure the effectiveness of risk management of our Bank; and ensure the authenticity, accuracy, completeness and timeliness of the business records, accounting information, financial information and other management information of our Bank.

During the Reporting Period, the Bank implemented a series of optimizations and improvements to internal control, which mainly included: Firstly, the system building of the internal control system was strengthened. As we highly emphasized on system building, the head office established a mail box for bank-wide suggestions on the system and collect proposals from staff of all business lines regarding the system at any time. The risk compliance department of the head office was responsible to collect proposals and communicate with the relevant department, follow up the proposed improvement measures for the system and respond timely to the proposing body to establish a smooth communication mechanism between head office and branches. Secondly, improvement was made to the three tier (head office, branch and sub-branch) and multi-channel training mechanism. The E-learning platform was optimized, the entire staff participated in learning through online universities in a well-planned and organized manner. Publicity through the Bank's newspaper, journal and office automation (OA) system enabled staff to have sufficient awareness of the importance of internal control and to participate in internal control activities. Thirdly, pursuant to the Measures for Inspection and Punishment concerning Implementation of the System of Rules in the Bank of Jinzhou (Trial) (錦州銀行規章制度執行情況檢查和處罰辦法(試行)), the regular inspection mechanism on the implementation conditions of the system operating effectively at the levels of head office, branches and sub-branches of the Bank will conduct monthly self-inspection in sub-branches, quarterly inspection on business lines in branches and half-yearly inspection on business lines in head office, combining with risk oriented inspections arranged by internal audit and compliance department, the regulatory requirements and various systems of rules of the Bank will be effectively implemented, and existing problems and hidden hazards will be discovered timely and investigated for their causes, practical measures will be adopted and rectifications will follow, the compliance ability and internal control standard of the Bank will be enhanced comprehensively through these self-inspections and rectifications. Fourthly, the fruits from a series of activities held during the "risk management year", "compliance establishment year" and "system implementation year" were fully applied to nurture the entire staff of the Bank to develop the culture of compliance through "learning rules, knowing rules, observing rules and applying rules". The concepts of compliance, including "compliance is the cornerstone of development", "everyone has obligation in compliance", "compliance creates value", "compliance starts from the senior management" and "proactive in compliance", have been strengthened repeatedly and deep-rooted in their hearts. This has a positive impact that is crucial to the absence of non-compliance case in our Bank for many consecutive years.

(II) Internal Audit

The Bank has established an independent and sound internal audit management structure. The Audit Committee under the Board of Directors will review and supervise the internal audit work progress. The Internal Audit Department shall be accountable to the Board of Directors and the Audit Committee, this will pave the foundation for the performance of independent and objective internal auditing. The Internal Audit Department of the Bank will conduct internal audit independently according to the authority delegate by the Board of Directors, and shall not be interfered by other departments and personnel, and it will not participate in operating activities within the scope of duties of other departments. The Bank has established a comprehensive internal audit system suitable for its own development status, the concept of “audit cycles” will be implemented to carry out audit projects strictly according to internal audit manual. The audit scope will cover all business lines and branches of the Bank. Advice and proposals will be recommended for internal control deficiencies unveiled by audits conducted according to the auditing process and reporting system, and rectifications will be implemented and monitored to facilitate the transformation of audit result into contribution of extra value.

During the Reporting Period, the Internal Audit Department of the Bank continued to further construct the internal audit management system. Its major objectives were to strengthen risk management and enhance internal control standard, the audit scope and refinement were enhanced according to regulatory moves and practical development of the Bank, and a series of relevant tasks to improve the internal audit functions was commenced. Firstly, the Internal Audit Department adhered to the principles of advancement, feasibility and sustainable development to formulate the “Bank of Jinzhou Plan to Construct a Strong and Powerful Internal Audit System” according to our practical developments and external regulatory requirements. The Plan will enable the internal audit work of our Bank to reach top standards in the PRC within the next 2 to 3 years and establish a strong and powerful audit system with scientific prudence, efficient and reasonable organization structure, advanced and precise audit methods, highly governed and leading audit qualities, authoritative and expert auditing teams. Secondly, the internal audit work for this year was commenced as a key project. Training for evaluating the internal control system was organized according to changes in regulatory requirements and internal control of our Bank, the evaluation matrix for internal control would be updated, the evaluation process of internal control would be improved, and the working philosophy of conducting the internal control evaluation project in combination with a comprehensive review of branches and various special audits of the head office was realized. Thirdly, during the first half of 2016, the Internal Audit Department focused its work on upgrading the internal audit platform comprehensively and enhancing the quality of off-site auditing, the rules of early warning and work flow processes of projects on the audit platform were updated, brand new residence card modules were established, these would provide significant basis for the tasks of identification of responsibility, compliance appraisal and quantification of indicators in the branches and personnel of our Bank. Fourthly, the working philosophy to serve the primary level will be fully implemented, the conformity pressure of the audited target in the on-site auditing process was alleviated. Compliance awareness among all levels of staff was nurtured as a key action to guide the staff to know and observe the rules proactively and enhance their own business standards to prevent the occurrence of operational risk and non-compliance cases.

V. Prospects

Since 2016, the Chinese economy encountered various impacts with downward pressure on the domestic economy intensified. Under the complex and mixed economic situation, the PRC government still put its emphasis of current macroeconomic policy on persisting with the keynote of seeking progress in stability, moderately stimulating demands, unswervingly carrying forward the structural reform of supply front, giving guidance to favorable growth expectation, motivating the vitality of the market and promoting the steady growth of the economy. Banks, as the main fund provider for real economy, are the important link between real economy and financial sector and are facing the risk of problems transferring from real economy to the financial sector along with the great development opportunity, which is not only a challenge to the Bank, but also an important opportunity for the Bank to achieve rapid development.

2016 is the first year after the Bank's listing on the Hong Kong Stock Exchange. The Bank's guiding principle is "Adjusting structure, Changing mode, Strengthening operation and Insisting on development" to continuously enhance the Bank's position in the industry through prudent, high-quality and targeted growth. To achieve this goal, the Bank insists on: strengthening and enhancing its regional business advantages and optimizing its operating network, grasping the growth potential of personal financial services and further developing retail banking business, further promoting the diversification of products and services and expanding intermediate business, further enhancing the Bank's competitiveness in business for small and medium enterprises and other small and micro customers, enhancing its internal control and risk management, and enhancing its human resource management and its construction of information system. The Bank will continue to grasp development opportunities, proactively carry out transformation initiatives and strive to become the most attractive commercial bank with investment value for the Bank's investors and Shareholders.

CHAPTER 4 CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

I. Changes in Share Capital of the Bank

(I) Share Capital

There has no change in the share capital of the Bank during the Reporting Period. At the end of the Reporting Period, the issued share capital of the Bank was 5,781,615,684 Shares, comprising 4,264,295,684 Domestic Shares and 1,517,320,000 H Shares, and the total share capital of the Bank amounted to RMB5,781,615,684.

(II) Chart on Changes in Share Capital

	31 December 2015		Changes during the Reporting Period			30 June 2016	
	Number of Shares	Percentage (%)	Issue of New Shares	Other	Sub-Total	Number of Shares	Percentage (%)
1. shareholding of legal person of domestic							
Shareholders	4,186,698,558	72.42	—	—	—	4,186,698,558	72.42
Of which:							
(1) Shareholding of domestic legal person	228,158,434	3.95	—	—	—	228,158,434	3.95
(2) shareholding of private legal person	3,958,540,124	68.47	—	—	—	3,958,540,124	68.47
2. shareholding of domestic natural person	77,597,126	1.34	—	—	—	77,597,126	1.34
3. H Shares	1,517,320,000	26.24	—	—	—	1,517,320,000	26.24
Total	5,781,615,684	100.00	—	—	—	5,781,615,684	100.00

II. Particulars of Shareholders

(I) Total Number of Shareholders during the Reporting Period

At the end of the Reporting Period, the Bank had 2,254 domestic Shareholders.

(II) Shareholding of Shareholders

As of the end of the Reporting Period, the Bank had 5,781,615,684 Shares, in aggregate, among which were 4,264,295,684 Domestic Shares and 1,517,320,000 H Shares.

Shareholding of the Top Ten Domestic Shareholders at the end of the Reporting Period

No.	Name of Shareholders	Nature of Shareholding	Total Number of Shares held	Shareholding	
				Percentage (%)	Pledged Shares
1	Yinchuan Baota Refined Chemical Industry Co., Ltd. (銀川寶塔精細化工有限公司)	Private	250,000,000	4.32	250,000,000
2	Jincheng International Logistics Group Co., Ltd. (錦程國際物流集團股份有限公司)	Private	213,507,565	3.69	150,000,000
3	Qingzhou Taihe Mines Co., Ltd. (青州泰和礦業有限公司)	Private	180,000,000	3.11	180,000,000
4	Liaoning Tenghua Plastic Co., Ltd. (遼寧騰華塑料有限公司)	Private	180,000,000	3.11	—
5	Liaoning Chengwei Plastic Profile Co., Ltd. (遼寧程威塑料型材有限公司)	Private	170,000,000	2.94	—
6	Shanghai Greenland Hongtu Investment Development Co., Ltd. (上海綠地弘途投資發展有限公司)	Private	150,000,000	2.59	—
7	Rongcheng Huatai Motor Co., Ltd. (榮成華泰汽車有限公司)	Private	150,000,000	2.59	150,000,000
8	Beijing Urban Construction Investment Development Co., Ltd. (北京城建投資發展股份有限公司)	Private	130,000,000	2.25	—
9	Jinzhou Finance Bureau (錦州市財政局)	State-owned	117,076,722	2.02	—
10	Jinzhou Daxing Construction Group Co., Ltd. (錦州大興建設集團有限公司)	Private	110,000,000	1.90	—
Total			1,650,584,287	28.55	730,000,000

Interests and Short Positions of Substantial Shareholders and Other Persons

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

Name of Shareholders	Nature of Interests	Class of Shares	Number of Shares ('000 Shares)	Approximate Percentage of the Total Issued Share Capital (%) ⁽¹⁾	Approximate Percentage of the Total Issued Class of Share Capital (%) ⁽¹⁾
Domestic Shares					
Yinchuan Baota Refined Chemical Industry Co., Ltd. (銀川寶塔精細化工有限公司) ⁽²⁾	Beneficial owners	Domestic Shares	250,000 (L) ⁽⁶⁾	4.32	5.86
Ningxia Baota Energy Chemical Co., Ltd. (寧夏寶塔能源化工有限公司) ⁽²⁾	Interest of controlled corporation	Domestic Shares	250,000 (L)	4.32	5.86
Baota Petrochemical Group Co., Ltd. (寶塔石化集團有限公司) ⁽²⁾	Interest of controlled corporation	Domestic Shares	250,000 (L)	4.32	5.86
Sun Hengchao (孫珩超) ⁽²⁾	Interest of controlled corporation	Domestic Shares	250,000 (L)	4.32	5.86
H Shares					
Top Seed International Limited ⁽³⁾	Beneficial owners	H Shares	201,700 (L)	3.49	13.29
Top Harvest Development Limited ⁽³⁾	Interest of controlled corporation	H Shares	201,700 (L)	3.49	13.29
Sun Xiang (孫翔) ⁽³⁾	Interest of controlled corporation	H Shares	201,700 (L)	3.49	13.29
Hong Kong Tian Yuan Manganese International Trade Co., Limited ⁽⁴⁾	Beneficial owners	H Shares	200,000 (L)	3.46	13.18
Ningxia Tian Yuan Manganese International Trade Co., Limited (寧夏天元錳業國際貿易有限公司) ⁽⁴⁾	Interest of controlled corporation	H Shares	200,000 (L)	3.46	13.18
Ningxia Tian Yuan Manganese Co., Ltd. (寧夏天元錳業有限公司) ⁽⁴⁾	Interest of controlled corporation	H Shares	200,000 (L)	3.46	13.18

Name of Shareholders	Nature of Interests	Class of Shares	Number of Shares ('000 Shares)	Approximate Percentage of the Total Issued Share Capital (%) ⁽¹⁾	Approximate Percentage of the Total Issued Class of Share Capital (%) ⁽¹⁾
Jia Tianjiang (賈天將) ⁽⁴⁾	Interest of controlled corporation	H Shares	200,000 (L)	3.46	13.18
Dong Jufeng (東菊風) ⁽⁴⁾	Interest of spouse	H Shares	200,000 (L)	3.46	13.18
Wah Li (Hong Kong) Limited (香港華麗有限公司)	Beneficial owners	H Shares	188,900 (L)	3.27	12.45
Essence International Products & Solutions Limited	Beneficial owners	H Shares	168,500 (L)	2.91	11.11
Asian Sense Investments Limited ⁽⁵⁾	Beneficial owners	H Shares	168,256 (L)	2.91	11.09
Li Yongjun (李永軍) ⁽⁵⁾	Interest of controlled corporation	H Shares	168,256 (L)	2.91	11.09
Liu Xinjun (劉新軍) ⁽⁵⁾	Interest of controlled corporation	H Shares	168,256 (L)	2.91	11.09
China Dongxu Group Limited	Beneficial owners	H Shares	151,662 (L)	2.62	9.99

Notes: (1) At the end of the Reporting Period, the Bank had in aggregate 5,781,615,684 Shares, among which were 4,264,295,684 Domestic Shares and 1,517,320,000 H Shares.

(2) Such Shares are held by Yinchuan Baota Refined Chemical Industry Co., Ltd. (銀川寶塔精細化工有限公司) ("Yinchuan Baota"), which is wholly owned by Ningxia Baota Energy Chemical Co., Ltd. (寧夏寶塔能源化工有限公司) ("Baota Energy"), which is in turn held by Baota Petrochemical Group Co., Ltd. (寶塔石化集團有限公司) ("Baota Petrochemical") and Mr. Sun Hengchao (孫珩超) as to 90.2% and 9.8%, respectively. Baota Petrochemical is controlled by Mr. Sun Hengchao (孫珩超) as to 43.8%. Under the SFO, Baota Energy, Baota Petrochemical and Mr. Sun Hengchao (孫珩超) are deemed to be interested in all the shares held by Yinchuan Baota.

(3) Such Shares are held by Top Seed International Limited, which is wholly owned by Top Harvest Development Limited, which is in turn held by Mr. Sun Xiang (孫翔). Under the SFO, Top Harvest Development Limited and Mr. Sun Xiang (孫翔) are deemed to be interested in all the shares held by Top Seed International Limited.

- (4) Such Shares are held by Hong Kong Tian Yuan Manganese International Trade Co., Limited, which is wholly owned by Ningxia Tian Yuan Manganese International Trade Co., Limited, which is wholly owned by Ningxia Tian Yuan Manganese Co., Ltd., which is in turn held by Mr. Jia Tianjiang (賈天將) as to 77.19%, and Ms. Dong Jufeng (東菊風) is the spouse of Mr. Jia Tianjiang (賈天將). Under the SFO, Ningxia Tian Yuan Manganese International Trade Co., Limited, Ningxia Tian Yuan Manganese Co., Ltd., Mr. Jia Tianjiang (賈天將) and Ms. Dong Jufeng (東菊風) are deemed to be interested in all the shares held by Hong Kong Tian Yuan Manganese International Trade Co., Limited.
- (5) Such Shares are held by Asian Sense Investments Limited, which is in turn held by Mr. Li Yongjun (李永軍) and Mr. Liu Xinjun (劉新軍) as to 50% and 50%, respectively. Under the SFO, Mr. Li Yongjun (李永軍) and Mr. Liu Xinjun (劉新軍) are deemed to be interested in all the shares held by Asian Sense Investments Limited.
- (6) L represents long positions.

Save as disclosed above, the Bank is not aware of any other person, other than the Directors, Supervisors and chief executive of the Bank, who had interests or short positions in the Shares and underlying Shares of the Bank as at the end of the Reporting Period, pursuant to section 336 of the SFO, which were required to be recorded in the register maintained by the Bank.

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

As at the end of the Reporting Period, none of the Shareholders of the Bank holds more than 5% of the Bank's total share capital.

(IV) Particulars of Controlling Shareholders and Actual Controller

The shareholding structure of the Bank is diversified with no controlling Shareholder and actual controller. The largest Shareholder of the Bank is Yinchuan Baota Refined Chemical Industry Co., Ltd. (銀川寶塔精細化工有限公司), which holds as to approximately 4.32% of the Bank's total issued share capital.

Yinchuan Baota Refined Chemical Industry Co., Ltd. (銀川寶塔精細化工有限公司) is one of the Bank's non state-owned corporate Shareholders and our single largest shareholder and is wholly owned by Ningxia Baota Energy Chemical Co., Ltd. (寧夏寶塔能源化工有限公司). The scope of operation of Yinchuan Baota mainly comprises (but is not limited to) the production and sales of crude oil, heavy oil and solvent oil.

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

At the end of the Reporting Period, the Bank has neither Shareholder holding more than 5% of Shares nor any undertaking by them.

(VI) Pledging and Freezing of Shares in respect of Shareholders holding more than 5%, including 5%, of Shares

At the end of the Reporting Period, there is no pledging and freezing of Shares in respect of Shareholders holding more than 5%, including 5%, of Shares.

CHAPTER 5 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, EMPLOYEES AND ORGANIZATIONS

I. Information on Directors, Supervisors and Senior Management

At the end of the Reporting Period, basic information on the Directors, Supervisors and senior management of the Bank was as follows:

Name	Gender	Age	Position
ZHANG Wei	Male	57	Chairman, executive Director
CHEN Man	Female	58	Executive Director, vice president
ZHAO Jie	Female	60	Executive Director
WANG Jing	Male	47	Executive Director, secretary to the Board, vice president
WANG Xiaoyu	Female	47	Executive Director, head of finance
LI Dongjun	Male	57	Non-executive Director
ZHANG Caiguang	Male	53	Non-executive Director
WU Zhengkui	Male	41	Non-executive Director
GU Jie	Female	48	Non-executive Director
JIANG Daxing	Male	45	Independent non-executive Director
DENG Xiaoyang	Male	51	Independent non-executive Director
NIU Sihui	Male	48	Independent non-executive Director
JIANG Jian	Female	54	Independent non-executive Director
CHOON Yew Khee	Male	46	Independent non-executive Director
NING Yongfang	Male	59	Chairman of Board of Supervisors, employee representative Supervisor
XU Fei	Male	52	Vice chairman of Board of Supervisors, employee representative Supervisor
LUO Yan	Female	46	Employee representative Supervisor
SHI Hongmiao	Female	37	Employee representative Supervisor
LI Xiu	Female	43	Employee representative Supervisor
TIAN Deying	Male	63	Shareholder representative Supervisor
HE Baosheng	Male	70	Shareholder representative Supervisor
ZHAO Lanying	Female	51	Shareholder representative Supervisor
JING Fei	Male	42	External Supervisor
CHEN Yingmei	Female	46	External Supervisor
NIE Ying	Female	45	External Supervisor
LI Tongyu	Female	44	External Supervisor
ZHAO Hongxia	Female	37	External Supervisor
HUO Lingbo	Male	60	Executive vice president (acting for president's duties)
CAI Hongguang	Male	56	Vice president
GUO Guang	Male	55	Vice president
LIU Hong	Female	52	Vice president
LIU Wenzhong	Male	53	Vice president
WANG Xin	Male	40	Vice president
SONG Yaping	Female	54	Chief Accountant
WANG Xin	Male	46	Assistant to president
WANG Fenglei	Male	37	Chief financial controller
DU Haifeng	Male	38	Chief technical controller
HAN Zhen	Male	45	Chief risk controller

II. Changes in Directors, Supervisors and Senior Management

On 8 January 2016, in accordance with the resolution passed at the eleventh meeting of the fourth session of the Board, Mr. Wang Xin, Mr. Wang Jing were employed as vice president.

On 23 March 2016, in accordance with the resolution passed at the twelfth meeting of the fourth session of the Board, Mr. Wang Xin was employed as assistant to president, Mr. Han Zhen was employed as chief risk controller and Ms. Zhao Jie was dismissed from vice president.

On 29 June 2016, in accordance with the resolution passed at the 2015 Annual General Meeting, Mr. Lin Yanjun was elected as independent non-executive director by the Bank, whose employment qualification is subject to the approval of the relevant regulatory authority, with term of office from the date of grant of approval by the relevant regulatory authority until the expiry of the term of the fourth session of the Board.

III. Securities Transactions by Directors and Supervisors

The Bank has adopted, in respect of securities transactions by Directors, Supervisors and senior management members, a code of conduct on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific enquiries to all Directors and Supervisors by the Bank, all Directors and Supervisors have both confirmed that they have complied with such code of conduct during the Reporting Period.

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

At the end of the Reporting Period, the interests or short positions of the Directors, the Supervisors and the chief executive of the Bank in the shares, underlying shares or debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules are as follows:

Name	Position held in the Bank	Class of Shares	Nature of interest	Number of Shares	Percentage of Domestic Shares (%) ⁽¹⁾	Percentage of the total share capital of the Bank (%) ⁽¹⁾
ZHANG Wei	Chairman, executive Director	Domestic Shares	Beneficial owner	374,670(L) ⁽²⁾	0.00879	0.00648
CHEN Man	Executive Director and vice president	Domestic Shares	Beneficial owner	374,670(L)	0.00879	0.00648
ZHAO Jie	Executive Director	Domestic Shares	Beneficial owner	119,065(L)	0.00279	0.00206
WANG Jing	Executive Director, secretary to the Board and vice president	Domestic Shares	Beneficial owner	81,679(L)	0.00192	0.00141
WANG Xiaoyu	Executive Director and head of finance	Domestic Shares	Beneficial owner	71,027(L)	0.00167	0.00123
LI Dongjun ⁽³⁾	Non-executive Director	Domestic Shares	Interest of controlled corporation	213,507,565(L)	5.00687	3.69287
			Interest of controlled corporation	33,179,021(L)	0.77807	0.57387
HUO Lingbo	Executive vice president (acting for President's duties)	Domestic Shares	Beneficial owner	282,635(L)	0.00663	0.00489
XU Fei	Vice chairman of Board of Supervisors and Employee representative Supervisor	Domestic Shares	Beneficial owner	70,770(L)	0.00166	0.00122
			Interest of spouse ⁽⁴⁾	86,472(L)	0.00203	0.00150
LUO Yan	Employee representative Supervisor	Domestic Shares	Beneficial owner	75,596(L)	0.00177	0.00131
SHI Hongmiao	Employee representative Supervisor	Domestic Shares	Beneficial owner	15,257(L)	0.00036	0.00026
LI Xiu	Employee representative Supervisor	Domestic Shares	Beneficial owner	55,958(L)	0.00131	0.00097
TIAN Deying ⁽⁵⁾	Shareholder representative Supervisor	Domestic Shares	Interest of controlled corporation	100,642,000(L)	2.36011	1.74072

- Notes:
- (1) At the end of the Reporting Period, the Bank had a total of 5,781,615,684 Shares in issue, including 4,264,295,684 Domestic Shares and 1,517,320,000 H Shares.
 - (2) L represents long position.
 - (3) Such shares are held by Jincheng International Logistics Group Co., Ltd. (錦程國際物流集團股份有限公司) and Dalian Changxing Island Green-city Development Co., Ltd. (大連長興島綠城發展有限公司) as to 213,507,565 shares and 33,179,021 shares, respectively. 99% equity interests in Jincheng International Logistics Group Co., Ltd. is held by Mr. Li Dongjun. Dalian Changxing Island Green-city Development Co., Ltd. is wholly-owned by Jinlian Asset Management Co., Ltd. (錦聯資產管理有限公司), which is in turn wholly-owned by Jinlian Investment Group Co., Ltd (錦聯控股集團有限公司), whose 90% equity interests in turn is owned by Mr. Li Dongjun. Under the SFO, Mr. Li Dongjun is taken or deemed to be interested in all the shares held by Jincheng International Logistics Group Co., Ltd. and Dalian Changxing Island Green-city Development Co., Ltd.
 - (4) Under the SFO, Mr. Huo Lingbo is taken or deemed to be interested in all the shares held by his spouse.
 - (5) Such Shares are held by Beizhen Deying Oil Shale Processing Co., Ltd. (北鎮德營油母頁岩油有限公司), which is controlled by Mr. Tian Deying. Under the SFO, Mr. Tian is taken or deemed to be interested in all the shares held by Beizhen Deying Oil Shale Processing Co., Ltd.

Save as disclosed above, none of the Directors, the Supervisors and the chief executive of the Bank held any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations at the shares of the Reporting Period.

V. Employees, Employee Compensation Policy and Employee Training Program

(I) Employee Composition

At the end of the Reporting Period, we had 4,072 full-time employees, of which 2,601 employees or 63.9% had bachelors degrees or above, with the average age of 37.2.

In addition to full-time employees, at the end of the Reporting Period, we also had 1,234 contractors from third-party human resources agencies. These contractors are not our employees and enter into employment contracts with third-party human resources agencies.

(II) Employee Training Program

Our priority is to promote leadership of management members, improve job qualification and work performance of our employees. We will establish a training system for all employees by combining comprehensive training and target training, self-training and classroom training, on-the-job training and professional training. With our on-line college, internal trainer team and implementation of trainee management program, our employees have access to an optimal platform for learning and development, hence to promote staff development and enhance overall level of competitiveness of our Bank.

(III) Employee Incentive Policies

We have been committed to establish total performance management system by effective combination of firm performance assessment and employee performance assessment, so as to decompose our strategic objectives into sub-objectives, and eventually into objectives for every employee to fill, to ensure unity of objectives in our Bank. In the aspect of applications of performance management, by positively exploration of the contents and functions of performance management tools such as Balanced Scorecard (BSC) and Key Performance Indicator (KPI), we are able to take full advantage of leading performance management tools, to promote the performance management level of our Bank. In addition, we concentrate our efforts to provide 「Y」-type career development channel for our employees by an integration of supervisory sequence and professional sequence, to increase promotion opportunities and satisfy employees' requirements for career development, and fully encouraging employees to achieve self-value.

(IV) Remuneration Policies for Employees

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

(V) Retirement and Benefits

According to applicable laws in China, our male employees and female employees are eligible to retire when reaching the age of 60 and 55, respectively, and they will receive payment from the national social insurance instead of our Bank after their retirement. With respect to benefits, we make timely and full contribution to pension insurance, medical insurance, unemployment insurance, injury insurance, maternity insurance and housing provident fund for all in-service employees pursuant to applicable laws and regulations in China.

VI. Branches and Subsidiaries

Name of Branches/Subsidiaries	Location of Business	Remarks
Headquarters	No.68 Keji Road, Jinzhou, Liaoning Province, the PRC	
Bank of Jinzhou Co., Ltd., Beijing Branch	No.5 Jiangguomenbei Avenue, Dongcheng District, Beijing, the PRC	With 6 sub-branches
Bank of Jinzhou Co., Ltd., Tianjin Branch	No. 236 Nanjing Road, Heping District, Tianjin, the PRC	With 7 sub-branches
Bank of Jinzhou Co., Ltd., Shenyang Branch	No. 18 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC	With 12 sub-branches
Bank of Jinzhou Co., Ltd., Dalian Branch	No. 23 Renmin Road, Zhongshan District, Dalian, Liaoning Province, the PRC	With 4 sub-branches
Bank of Jinzhou Co., Ltd., Harbin Branch	No. 381 Youyi Road, Daoli District, Harbin, Heilongjiang Province, the PRC	With 6 sub-branches
Bank of Jinzhou Co., Ltd., Dandong Branch	No. 111 Jinshan Avenue, Yuanbao District, Dandong, Liaoning Province, the PRC	With 19 sub-branches
Bank of Jinzhou Co., Ltd., Fushun Branch	No. 13 Xinhua Avenue, Shuncheng District, Fushun, Liaoning Province, the PRC	With 15 sub-branches
Bank of Jinzhou Co., Ltd., Anshan Branch	No. 15- S1, S2, S3, S4, S5, Shenglinan Road Tiedong District, Anshan, Liaoning Province, the PRC	With 4 sub-branches
Bank of Jinzhou Co., Ltd., Chaoyang Branch	No. 5 Xinhua Road (Section 2), Shuangta District, Chaoyang, Liaoning Province, the PRC	With 4 sub-branches
Bank of Jinzhou Co., Ltd., Fuxin Branch	Block D, No. 4 Yingbin Avenue, Xihe District, Fuxin, Liaoning Province, the PRC	With 1 sub-branches
Bank of Jinzhou Co., Ltd., Liaoyang Branch	No. 366-1 Xinhua Road, Baita District, Liaoyang, Liaoning Province, the PRC	
Bank of Jinzhou Co., Ltd., Jinzhou Branch	No. 69 Shifu Road, Jinzhou, Liaoning Province, the PRC	With 103 sub-branches
Bank of Jinzhou Co., Ltd., Small Enterprise Financial Service Centre	No. 25-1, 2 Zhongyang Avenue (Section 2), Linghe District, Jinzhou, Liaoning Province, the PRC	
Jinzhou Taihe Yimin Village and Township Bank Co., Ltd.	No.29-86, Jixiang Xinjiayuan, Taihe District, Jinzhou City, Liaoning Province, the PRC	With 5 sub-branches
Liaoning Yi County Xianghe Village and Township Bank Co., Ltd.	No.38-21, Yingbin Road, Yizhou Town, Yi County, Jinzhou City, Liaoning Province, the PRC	With 4 sub-branches
Jinzhou Beizhen Yimin Village and Township Bank Co., Ltd.	No.1-4, Building One, Phase I, Furui Jiaxiang Campus, Chengxi Community, Beizhen Sub-district Office, Liaoning Province, the PRC	With 2 sub-branches
Liaoning Heishan Jinhang Village and Township Bank Co., Ltd.	House No. 9-14 (Level 1-3), City East, South Side, Diwang Fudi, No. 194, Zhongda Central Road, Heishan Town First Street, Heishan County, Liaoning Province, the PRC	With 2 sub-branches
Liaoning Kazuo Jinhang Village and Township Bank Co., Ltd.	No. 01001, Building 10, Lidu Shuian Community, Binhe North Road, Dachengzi Town, Kazuo County, Chaoyang, Liaoning Province, the PRC	
Bank of Jinzhou Financial Leasing Co., Ltd.	No.18, Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC	

CHAPTER 6 IMPORTANT MATTERS

I. Corporate Governance Code

The Bank is dedicated to improving its transparency and accountability of corporate governance, ensuring high standard of corporate governance practices to protect the interests of shareholders and to enhance corporate value and commitment.

In order to maintain a high standard of corporate governance, the Bank established a dedicated, professional and accountable Board, board of supervisors and experienced senior management. The members of the Bank's Board and board of supervisors, except for the employee supervisors, are all elected by the Bank's shareholders at the shareholders' general meeting.

During the Reporting Period, the Bank has fully complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules, and adopted the recommended best practices therein, where appropriate. The Bank also strictly abided by the applicable laws and regulations and the Listing Rules in respect of management of inside information.

II. Profits and Dividends

The Bank's revenue for the Reporting Period and the Bank's financial position as at the same date are set out in the section headed "Interim Financial Statements" of this interim report.

The Board did not recommend to declare any interim dividend for the interim period of 2016 (Interim Period of 2015: no dividend paid).

III. Proposed A Share Offering

Pursuant to the resolutions passed at the 2015 Annual General Meeting, the First Domestic Shareholders' Class Meeting and the First H Shareholders' Class Meeting held on 29 June 2016, the Bank proposed to issue no more than 1,927,000,000 A shares of RMB1.00 each, representing 25.00% of the enlarged total number of shares of the Bank upon completion of the A share offering (without taking into account the proposed issue of New H Shares). The actual number of shares to be issued will be determined by the Board, as authorized by the general meeting of the Bank, upon communication with the regulatory authorities with reference to the capital requirement of the Bank and the market condition at the time of the issue. The Bank will disclose further details of and progress in the A share offering in due course.

IV. Proposed Issue of New H Shares

Pursuant to the resolutions passed at the 2015 Annual General Meeting, the First Domestic Shareholders' Class Meeting and the First H Shareholders' Class Meeting held on 29 June 2016, the Bank proposed to issue no more than 1 billion new H Shares of RMB1.00 each, representing approximately 14.75% of the enlarged total issued share capital of the Bank upon completion of the issue. The actual number of shares to be issued will be determined by two executive Directors, Mr. Zhang Wei and Mr. Wang Jing, or any senior management as designated by one of the persons as authorized by the Shareholder upon negotiation with the lead underwriter and with reference to the then market condition at the time of the issue. The Bank will disclose further details of and progress in the issue of new H shares in due course.

V. Issuance of Debt Securities

Debt Securities issued

In January 2014, with the approvals from the CBRC and the PBOC, the Bank issued tier 2 capital bonds in an aggregate principal amount of RMB1.50 billion with a term of ten years at a fixed interest rate of 7.00% per annum, payable on an annual basis. Such bonds are redeemable in part or in full at the discretion of the Bank on 28 January 2019 upon approval of the relevant regulatory authorities.

Proposed Issuance of Debt Securities

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

Tier 2 capital bonds in an aggregate principal amount of up to RMB4 billion (inclusive) will be issued to members of the inter-bank bond market in China, for a term of maturity of less than ten years (inclusive) at a fixed interest rate to be determined by the Bank and the lead underwriter according to the market environment at the time of issuance. The proceeds from the issuance of such bonds will be used to replenish the Bank's tier 2 capital.

Financial bonds for small and miniature enterprises in an aggregate principal amount of up to RMB10 billion (inclusive) will be issued to members of the inter-bank bond market in China, for a term of maturity of less than five years (inclusive) at a fixed interest rate to be determined by the Bank and the lead underwriter according to the market environment at the time of issuance. The proceeds from the issuance of such bonds will be used for loans to small and miniature enterprises.

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

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

VII. Related-party Transactions

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

VIII. Material Litigation and Arbitration

At the end of the Reporting Period, the pending litigations to which the Bank was a defendant involved RMB103,914 thousand, which in the opinion of the Bank would have no material impact on the Bank's business operations. During the Reporting Period, the Bank was not involved in any litigation or arbitration that would materially affect its business operations.

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

During the Reporting Period, the Bank, its all Directors, Supervisors and senior management members had neither record of being subject to inspections, administrative penalties and circulating criticisms by China Securities Regulatory Commission or public censures by the Hong Kong Stock Exchange, nor penalties by relevant regulatory bodies that caused a significant impact on the Bank's operation.

X. Material Contracts and Their Performance

During the Reporting Period, the Bank had no material contracts to be performed.

XI. Engagement of External Auditors

Pursuant to the resolution passed at the 2015 Annual General Meeting convened on 29 June 2016, KPMG was engaged as the auditor of the Bank for 2016.

XII. Material Acquisition and Disposal of Subsidiaries, Associates, Assets and Merger of Business/Enterprises

During the Reporting Period, the Bank had no material acquisition and disposal of subsidiaries, associates, assets and merger of business/enterprises.

XIII. Review of Interim Report

Financial statements disclosed in this interim report are unaudited. The interim financial statements for the six months ended 30 June 2016 of the Bank were prepared according to the International Accounting Standards 34 issued by the International Accounting Standards Board and it was reviewed by KPMG according to the Hong Kong Standard on Review Engagements 2410.

This interim report has passed by the Board and the Audit Committee under it.

XIV. Publication of Interim Report

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

CHAPTER 7 INDEPENDENT AUDITOR'S REPORT ON REVIEW

Review report to the board of directors of Bank of Jinzhou Co., Ltd.

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

Introduction

We have reviewed the interim financial report set out on pages 74 to 132 which comprises the consolidated statement of financial position of Bank of Jinzhou Co., Ltd. (the "Bank") and its subsidiaries (collectively the "Group") as of 30 June 2016 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity and consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim Financial Reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

16 August, 2016

CHAPTER 8 UNAUDITED INTERIM FINANCIAL REPORT

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016 - unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2016	2015
Interest income		13,174,523	9,683,049
Interest expense		(5,802,851)	(5,241,041)
Net interest income	4	7,371,672	4,442,008
Fee and commission income		453,449	160,922
Fee and commission expense		(30,296)	(28,635)
Net fee and commission income	5	423,153	132,287
Net trading (losses)/gains	6	(1,207)	60,796
Dividend income		—	440
Net gains arising from investment securities	7	9,113	2,254
Foreign exchange gain		33,720	32,243
Other net operating income	8	14,186	9,640
Operating income		7,850,637	4,679,668
Operating expenses	9	(1,342,665)	(1,246,461)
Operating profit before impairment		6,507,972	3,433,207
Impairment losses on assets	10	(1,477,644)	(1,534,736)
Profit before taxation		5,030,328	1,898,471
Income tax	11	(1,232,088)	(458,543)
Profit for the period		3,798,240	1,439,928
Attributable to:			
Equity shareholders of the Bank		3,793,541	1,434,186
Non-controlling interests		4,699	5,742
Profit for the period		3,798,240	1,439,928
Basic and diluted earnings per share (in RMB)	12	0.66	0.33

The notes on pages 81 to 132 form part of this interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016 - unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2016	2015
Profit for the period		3,798,240	1,439,928
Other comprehensive income for the period (after tax and reclassification adjustments)			
Items that may be reclassified subsequently to profit or loss:			
– Available-for-sale financial assets:			
–Change in fair value recognized in the capital reserve		(83,693)	94,965
–Reclassified to the profit or loss upon disposal		(26,538)	134
–Related income tax effect	26(b)	27,557	(23,775)
Items that will not be reclassified to profit or loss:			
– Remeasurement of defined benefit obligation		(1,219)	(1,176)
Other comprehensive income for the period		(83,893)	70,148
Total comprehensive income for the period		3,714,347	1,510,076
Attributable to:			
Equity shareholders of the Bank		3,709,648	1,504,334
Non-controlling interests		4,699	5,742
Total comprehensive income for the period		3,714,347	1,510,076

The notes on pages 81 to 132 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016 - unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	At 30 June 2016	At 31 December 2015
Assets			
Cash and deposits with the central bank	13	37,042,103	30,099,321
Deposits with banks and other financial institutions	14	2,509,324	14,954,990
Placements with banks and other financial institutions	15	530,496	649,360
Financial assets at fair value through profit or loss	16	18,032,085	15,560,208
Positive fair value of derivatives	17	20,901	10,678
Financial assets held under resale agreements	18	1,336,500	—
Interests receivable	19	2,872,032	2,571,972
Loans and advances to customers	20	108,868,575	97,313,206
Available-for-sale financial assets	21	20,286,737	19,278,073
Held-to-maturity investments	22	7,690,465	7,711,333
Debt securities classified as receivables	23	213,409,745	166,482,385
Property and equipment	25	5,924,597	5,468,880
Deferred tax assets	26	1,057,521	700,822
Other assets	27	2,884,728	858,685
Total assets		422,465,809	361,659,913
Liabilities and equity			
Liabilities			
Deposits from banks and other financial institutions	29	142,354,187	116,351,178
Placements from banks and other financial institutions	30	4,664,930	3,855,808
Financial liabilities at fair value through profit or loss		15,036,025	15,426,941
Negative fair value of derivatives	17	5,018	10,217
Financial assets sold under repurchase agreements	31	16,792,940	20,244,100
Deposits from customers	32	199,166,574	170,178,722
Accrued staff costs	33	241,430	246,861
Taxes payable	34	585,688	665,332
Interests payable	35	5,673,885	5,345,766
Debts securities issued	36	1,500,000	1,500,000
Other liabilities	37	4,245,386	1,563,674
Total liabilities		390,266,063	335,388,599

	Note	At 30 June 2016	At 31 December 2015
Equity			
Share capital	38	5,781,616	5,781,616
Capital reserve	39	9,069,005	9,152,898
Surplus reserve	40	1,292,031	1,292,031
General reserve	40	4,801,449	4,801,449
Retained earnings	41	7,583,490	4,570,467
Total equity attributable to equity shareholders of the Bank		28,527,591	25,598,461
Non-controlling interests		3,672,155	672,853
Total equity		32,199,746	26,271,314
Total liabilities and equity		422,465,809	361,659,913

Approved and authorised for issue by the board of directors on 16 August, 2016.

Zhang Wei
Chairman

Wang Fenglei
Chief Financial Officer

Wang Xiaoyu
Executive Director/Head of Finance

Bank of Jinzhou Co., Ltd.

The notes on pages 81 to 132 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016 - unaudited

(Expressed in thousands of Renminbi, 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 2016		5,781,616	9,152,898	1,292,031	4,801,449	4,570,467	25,598,461	672,853	26,271,314
Changes in equity for the period:									
Total comprehensive income		—	(83,893)	—	—	3,793,541	3,709,648	4,699	3,714,347
Changes in share capital									
– Capital contribution by non-controlling interests		—	—	—	—	—	—	3,000,000	3,000,000
Appropriation of profits	41	—	—	—	—	(780,518)	(780,518)	(5,397)	(785,915)
Balance at 30 June 2016		5,781,616	9,069,005	1,292,031	4,801,449	7,583,490	28,527,591	3,672,155	32,199,746
Balance at 1 January 2015		4,402,234	4,962,627	802,364	3,159,078	2,332,012	15,658,315	218,821	15,877,136
Changes in equity for the period:									
Total comprehensive income		—	70,148	—	—	1,434,186	1,504,334	5,742	1,510,076
Appropriation of profits	41	—	—	—	—	(528,268)	(528,268)	(4,147)	(532,415)
– Appropriation to shareholders		—	—	—	—	—	—	—	—
Balance at 30 June 2015		4,402,234	5,032,775	802,364	3,159,078	3,237,930	16,634,381	220,416	16,854,797
Balance at 1 July 2015		4,402,234	5,032,775	802,364	3,159,078	3,237,930	16,634,381	220,416	16,854,797
Changes in equity for the period:									
Total comprehensive income		—	363,984	—	—	3,464,575	3,828,559	3,553	3,832,112
Changes in share capital									
– Capital contributed by equity shareholders	38	1,379,382	3,756,139	—	—	—	5,135,521	—	5,135,521
– Capital contribution by non-controlling interests		—	—	—	—	—	—	450,100	450,100
Appropriation of profits	41	—	—	489,667	—	(489,667)	—	—	—
– Appropriation to surplus reserve		—	—	—	—	—	—	—	—
– Appropriation to general reserve		—	—	—	1,642,371	(1,642,371)	—	—	—
– Appropriation to shareholders		—	—	—	—	—	—	(1,216)	(1,216)
Balance at 31 December 2015		5,781,616	9,152,898	1,292,031	4,801,449	4,570,467	25,598,461	672,853	26,271,314

The notes on pages 81 to 132 form part of this interim financial report.

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2016 - unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2016	2015
Cash flows from operating activities		
Net profit	3,798,240	1,439,928
<i>Adjustments for:</i>		
Impairment losses on assets	1,477,644	1,534,736
Depreciation and amortization	186,890	169,336
Unwinding of discount	(12,288)	(1,404)
Dividend income	—	(440)
Unrealized foreign exchange (gains)/losses	(26,602)	447
Net gains on disposal of investment securities	(9,113)	(2,254)
Net losses/(gains) on disposal of trading securities	9,169	(2,743)
Revaluation gains on financial instruments at fair value through profit or loss	(7,962)	(58,053)
Interest expense on debts securities issued	52,234	66,985
Net gains on disposal of property and equipment	(15)	—
Income tax	1,232,088	458,543
	6,700,285	3,605,081
<i>Changes in operating assets</i>		
Net decrease in deposits with the central bank, banks and other financial institutions	7,314,851	1,683,349
Net decrease/(increase) in placements with banks and other financial institutions	118,864	(794,768)
Net increase in loans and advances to customers	(12,578,284)	(5,318,196)
Net decrease/(increase) in financial assets designated at fair value through profit or loss	379,240	(4,328,550)
Net increase in other operating assets	(2,314,147)	(486,419)
	(7,079,476)	(9,244,584)

		Six months ended 30 June	
		2016	2015
<i>Changes in operating liabilities</i>			
Net decrease in borrowing from central bank		—	(140,000)
Net increase in deposits from banks and other financial institutions		26,003,009	24,582,959
Net increase in placements from banks and other financial institutions		809,122	1,655,572
Net (decrease)/increase in financial assets sold under repurchase agreements		(3,451,160)	1,302,900
Net (decrease)/increase in financial liabilities designated at fair value through profit or loss		(379,240)	4,328,550
Net increase in deposits from customers		28,987,852	30,626,968
Income tax paid		(1,764,209)	(876,395)
Net increase/(decrease) in other operating liabilities		2,486,949	(1,494,648)
		52,692,323	59,985,906
Net cash flows generated from operating activities			
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		166,693,346	356,587,809
Dividends received		—	440
Proceeds from disposal of property and equipment and other assets		50	—
Payments on acquisition of investments		(218,065,876)	(404,645,339)
Payments on acquisition of property and equipment, intangible assets and other assets		(608,174)	(265,390)
		(51,980,654)	(48,322,480)
Cash flows from financing activities			
Capital contribution by non-controlling interests		3,000,000	—
Interest paid on debts securities issued		(105,000)	(105,000)
Dividends paid		(93,889)	(20,336)
		2,801,111	(125,336)
Effect of foreign exchange rate changes on cash and cash equivalents			
		14,879	(3,940)
Net increase in cash and cash equivalents	44(a)	3,148,468	5,894,647
Cash and cash equivalents as at 1 January		4,802,961	4,485,158
Cash and cash equivalents as at 30 June	44(b)	7,951,429	10,379,805
Interest received		12,881,497	9,454,174
Interest paid (excluding interest expense on debts securities issued)		(5,369,731)	(3,994,626)

The notes on pages 81 to 132 form part of this interim financial report.

CHAPTER 9 NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

1 Background information

The Bank, formerly known as Jinzhou City Cooperative Bank Co., Ltd., is a joint stock commercial bank established on 22 January 1997 with approval of the People's Bank of China (the "PBOC") (YinFu 1997 No.29).

On 29 September 1998, pursuant to YinFa 1998 No. 94 jointly issued by the PBOC and the State Administration of Industry and Commerce (the "SAIC"), the Bank changed its name from Jinzhou City Cooperative Bank Co., Ltd. to Jinzhou City Commercial Bank Co., Ltd.. On 14 April 2008, pursuant to YinJianFu 2008 No. 137 approved by the China Banking Regulatory Commission (the "CBRC"), the Bank further changed its name from Jinzhou City Commercial Bank Co., Ltd. to Bank of Jinzhou Co., Ltd. In December 2015, the Bank's H shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited.

As at 30 June 2016, the Bank has 12 branches in Jinzhou, Beijing, Tianjin, Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin and Liaoyang. The principal activities of the Bank and its subsidiaries (collectively referred to as the "Group") are the provision of corporate and retail deposits, loans and advances, payment and settlement services, as well as other banking services as approved by the CBRC. The Group operates in mainland China, which, for the purpose of this report, excludes the Hong Kong Special Administration Region of the PRC ("Hong Kong"), the Macau Special Administration Region of the PRC ("Macau") and Taiwan.

2 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 16 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in note 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

2 Basis of preparation (continued)

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2015 that is included in the interim financial report as comparative information does not constitute the Group's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

3 Change in accounting policies

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- *Annual Improvements to IFRSs 2012-2014 Cycle*
- *Amendments to IAS 1, Presentation of financial statements: Disclosure initiative*

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

Annual Improvements to IFRSs 2012-2014 Cycle

This cycle of annual improvements contains amendments to four standards. Among them, IAS 34, *Interim Financial Reporting*, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group's interim financial report as the Group does not present the relevant required disclosures outside the interim financial statements.

Amendments to IAS 1, Presentation of financial statements: Disclosure initiative

The amendments to IAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the group's interim financial report.

4 Net interest income

	Six months ended 30 June	
	2016	2015
Interest income arising from		
Deposits with the central bank	234,958	212,585
Deposits with banks and other financial institutions	150,253	316,668
Placements with banks and other financial institutions	6,032	1,101
Financial assets at fair value through profit or loss	619,939	451,294
Loans and advances to customers		
– Corporate loans and advances	3,467,230	3,126,116
– Personal loans and advances	339,311	327,000
– Discounted bills	11,959	31,592
Financial assets held under resale agreements	31,158	11,067
Available-for-sale debt investments	386,305	395,686
Held-to-maturity investments	148,252	229,885
Debt securities classified as receivables	7,779,126	4,580,055
Sub-total	13,174,523	9,683,049
Interest expense arising from		
Borrowing from the central bank	—	2,313
Deposits from banks and other financial institutions	2,921,913	2,666,401
Placements from banks and other financial institutions	18,014	15,120
Financial liabilities at fair value through profit or loss	351,168	304,233
Deposits from customers		
– Corporate customers	1,188,762	1,217,865
– Individual customers	1,007,860	794,720
Financial assets sold under repurchase agreements	262,900	173,404
Debts securities issued	52,234	66,985
Sub-total	5,802,851	5,241,041
Net interest income	7,371,672	4,442,008
Of which:		
Interest income arising from impaired financial assets identified	12,288	1,404

(Expressed in thousands of Renminbi, unless otherwise stated)

5 Net fee and commission income

	Six months ended 30 June	
	2016	2015
Fee and commission income		
Wealth management service fees	139,516	30,591
Underwriting and advisory fees	113,632	6,610
Settlement and clearing fees	106,753	67,736
Agency services fees	79,433	41,388
Bank card service fees	8,857	7,801
Others	5,258	6,796
Sub-total	453,449	160,922
Fee and commission expense		
Settlement and clearing fees	9,474	5,894
Others	20,822	22,741
Sub-total	30,296	28,635
Net fee and commission income	423,153	132,287

6 Net trading (losses)/gains

	Six months ended 30 June	
	2016	2015
Trading financial instruments		
– Debt securities	(15,137)	3,142
– Derivative financial instruments	(5,622)	(255)
Sub-total	(20,759)	2,887
Financial instruments designated at fair value through profit or loss	19,552	57,909
Total	(1,207)	60,796

7 Net gains arising from investment securities

	Six months ended 30 June	
	2016	2015
Net (losses)/gains on disposal of available-for-sale financial assets	(17,425)	2,388
Net revaluation gains/(losses) reclassified from other comprehensive income on disposal	26,538	(134)
Total	9,113	2,254

8 Other net operating income

	Six months ended 30 June	
	2016	2015
Government grants	6,947	7,784
Rental income	2,829	1,824
Others	4,410	32
Total	14,186	9,640

(Expressed in thousands of Renminbi, unless otherwise stated)

9 Operating expenses

	Six months ended 30 June	
	2016	2015
Staff costs		
– Salaries and bonuses	441,184	380,791
– Staff welfares	23,789	18,274
– Pension	58,466	62,211
– Housing allowances	32,393	28,106
– Supplementary retirement benefits	801	859
– Other long-term staff welfares	1,313	3,230
– Other short-term staff welfares	46,005	43,487
Sub-total	603,951	536,958
Premises and equipment expenses		
– Depreciation of property and equipment	145,400	131,563
– Amortization of intangible assets	11,711	9,274
– Amortization of other long-term assets	29,779	28,499
– Rental and property management expenses	39,436	29,968
Sub-total	226,326	199,304
Business tax and surcharges	215,841	223,119
Other general and administrative expenses	296,547	287,080
Total	1,342,665	1,246,461

10 Impairment losses on assets

	Six months ended 30 June	
	2016	2015
Loans and advances to customers	1,033,133	1,299,366
Debt securities classified as receivables	424,315	235,370
Financial lease receivables	20,196	—
Total	1,477,644	1,534,736

11 Income tax

(a) Income tax:

	Note	Six months ended 30 June	
		2016	2015
Current tax		1,561,230	749,698
Deferred tax	26(b)	(329,142)	(291,155)
Total		1,232,088	458,543

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

	Six months ended 30 June	
	2016	2015
Profit before tax	5,030,328	1,898,471
Statutory tax rate	25%	25%
Income tax calculated at statutory tax rate	1,257,582	474,618
Non-deductible expenses		
– Staff costs	242	2,219
– Others	1,337	2,798
	1,579	5,017
Non-taxable income		
– Interest income from the PRC government bonds	(18,498)	(19,448)
– Others	(8,575)	(1,644)
Income tax	1,232,088	458,543

(Expressed in thousands of Renminbi, unless otherwise stated)

12 Basic and diluted earnings per share

	Six months ended 30 June	
	2016	2015
Weighted average number of ordinary shares (in thousands)	5,781,616	4,402,234
Net profit attributable to equity shareholders of the Bank	3,793,541	1,434,186
Basic and diluted earnings per share attributable to equity shareholders of the Bank (in RMB)	0.66	0.33

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

	Six months ended 30 June	
	2016	2015
Number of ordinary shares as at 1 January (in thousands)	5,781,616	4,402,234
New added weighted average number of ordinary shares (in thousands)	—	—
Weighted average number of ordinary shares (in thousands)	5,781,616	4,402,234

13 Cash and deposits with the central bank

	Note	At 30 June	At 31 December
		2016	2015
Cash on hand		509,450	482,284
Deposits with the central bank			
– Statutory deposit reserves	13(a)	29,363,550	26,626,961
– Surplus deposit reserves	13(b)	5,437,512	2,754,493
– Fiscal deposits		1,731,591	235,583
Sub-total		36,532,653	29,617,037
Total		37,042,103	30,099,321

13 Cash and deposits with the central bank *(continued)*

- (a) The Group places statutory deposit reserves with the PBOC in accordance with relevant regulations. As at 30 June 2016 and 31 December 2015, the statutory deposit reserve ratios applicable to the Bank were as follows:

	At 30 June 2016	At 31 December 2015
Reserve ratio for RMB deposits	13.5%	14.0%
Reserve ratio for foreign currency deposits	5.0%	5.0%

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

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

14 Deposits with banks and other financial institutions

Analyzed by type and location of counterparty

	At 30 June 2016	At 31 December 2015
Deposits in mainland China		
– Banks	2,056,268	14,849,824
– Other financial institutions	3,179	3,031
Sub-total	2,059,447	14,852,855
Deposits outside mainland China		
– Banks	449,877	102,135
Sub-total	449,877	102,135
Total	2,509,324	14,954,990

(Expressed in thousands of Renminbi, unless otherwise stated)

15 Placements with banks and other financial institutions

	At 30 June 2016	At 31 December 2015
Placements in mainland China – Banks	530,496	649,360

16 Financial assets at fair value through profit or loss

	Note	At 30 June 2016	At 31 December 2015
Debt securities held for trading	16(a)	2,907,206	63,965
Financial assets designated at fair value through profit or loss	16(b)	15,124,879	15,496,243
Total		18,032,085	15,560,208

(a) Debt securities held for trading

	At 30 June 2016	At 31 December 2015
Issued by institutions in mainland China – Banks and other financial institutions	2,907,206	63,965
Total	2,907,206	63,965
Unlisted	2,907,206	63,965
Total	2,907,206	63,965

Note: As at the end of the reporting period, part of the debt securities held for trading was pledged for repurchase agreements (Note 28(a)).

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

Financial assets designated at fair value through profit or loss represented investments in debt securities assets with proceeds raised from principal-guaranteed wealth management products issued by the Group. The Group accounts for the corresponding investment funds under financial liabilities designated at fair value through profit or loss.

17 Derivatives

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

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

(a) Analysed by nature of contract

The Group and the Bank

	At 30 June 2016		
	Notional amount	Fair value	
		Assets	Liabilities
Currency derivatives			
– Foreign exchange forward	2,155,140	20,901	(5,018)

	At 31 December 2015		
	Notional amount	Fair value	
		Assets	Liabilities
Currency derivatives			
– Foreign exchange forward	636,742	10,678	(10,217)

(b) Analysed by credit risk-weighted amounts

The Group and the Bank

	At 30 June	At 31 December
	2016	2015
Currency derivatives		
– Foreign exchange forward	5,388	3,980

Note: The credit risk weighted amounts represent the counterparty credit risk associated with derivative transactions, which are calculated with reference to the guidelines issued by the CBRC.

(Expressed in thousands of Renminbi, unless otherwise stated)

18 Financial assets held under resale agreements**(a) Analyzed by type and location of counterparty**

	At 30 June 2016	At 31 December 2015
In mainland China		
– Banks	1,336,500	—
Total	1,336,500	—

(b) Analyzed by type of security held

	At 30 June 2016	At 31 December 2015
Debt securities		
– Financial bonds	906,500	—
– Government bonds	430,000	—
Total	1,336,500	—

19 Interests receivable

	At 30 June 2016	At 31 December 2015
Interests receivable from investments	2,321,543	1,722,850
Interests receivable from loans and advances to customers	484,072	471,179
Interests receivable from deposits and placements with banks and other financial institutions	66,417	377,943
Total	2,872,032	2,571,972

20 Loans and advances to customers

(a) Analyzed by nature

	At 30 June 2016	At 31 December 2015
Corporate loans and advances	103,847,762	91,234,544
Personal loans and advances		
– Personal business loans	8,593,696	8,644,513
– Personal consumption loans	512,618	579,399
– Residential and commercial mortgage loans	489,880	390,091
– Credit cards	101,859	88,548
– Others	509	589
Sub-total	9,698,562	9,703,140
Discounted bills	94,901	236,726
Gross loans and advances to customers	113,641,225	101,174,410
Less: Provision for impairment losses		
– Individually assessed	(857,622)	(746,732)
– Collectively assessed	(3,915,028)	(3,114,472)
Total provision for impairment losses	(4,772,650)	(3,861,204)
Net loans and advances to customers	108,868,575	97,313,206

(Expressed in thousands of Renminbi, unless otherwise stated)

20 Loans and advances to customers (continued)**(b) Analyzed by industry sector**

	30 June 2016		Loans and advances secured by collaterals
	Amount	Percentage	
Wholesale and retail trade	38,202,561	33.62%	18,510,260
Manufacturing	27,541,272	24.24%	14,648,481
Real estate	13,928,809	12.26%	12,030,199
Leasing and commercial services	7,177,016	6.32%	5,653,730
Transportation, storage and postal services	3,186,287	2.80%	1,481,451
Construction	2,029,207	1.79%	1,462,907
Agriculture, forestry, animal husbandry and fishery	1,566,816	1.38%	982,496
Water, environment and public utility management	1,553,360	1.37%	1,518,560
Education	1,319,304	1.16%	399,310
Public management and social organization	212,450	0.19%	142,000
Others	7,130,680	6.26%	5,076,120
Sub-total of corporate loans and advances	103,847,762	91.39%	61,905,514
Personal loans and advances	9,698,562	8.53%	7,576,150
Discounted bills	94,901	0.08%	—
Gross loans and advances to customers	113,641,225	100.00%	69,481,664
Less: Provision for impairment losses			
– Individually assessed	(857,622)		
– Collectively assessed	(3,915,028)		
Total provision for impairment losses	(4,772,650)		
Net loans and advances to customers	108,868,575		

20 Loans and advances to customers (continued)**(b) Analyzed by industry sector (continued)**

	31 December 2015		Loans and advances secured by collaterals
	Amount	Percentage	
Wholesale and retail trade	30,199,593	29.85%	16,763,886
Manufacturing	23,238,642	22.97%	13,006,202
Real estate	11,183,248	11.05%	10,528,538
Leasing and commercial services	8,633,996	8.53%	6,880,978
Construction	3,197,190	3.16%	1,857,090
Education	2,751,812	2.72%	278,010
Transportation, storage and postal services	1,790,687	1.77%	1,214,446
Public management and social organization	1,620,780	1.60%	505,990
Water, environment and public utility management	1,470,634	1.45%	1,439,834
Agriculture, forestry, animal husbandry and fishery	1,334,995	1.32%	754,095
Others	5,812,967	5.76%	4,074,410
Sub-total of corporate loans and advances	91,234,544	90.18%	57,303,479
Personal loans and advances	9,703,140	9.59%	7,259,199
Discounted bills	236,726	0.23%	—
Gross loans and advances to customers	101,174,410	100.00%	64,562,678
Less: Provision for impairment losses			
– Individually assessed	(746,732)		
– Collectively assessed	(3,114,472)		
Total provision for impairment losses	(3,861,204)		
Net loans and advances to customers	97,313,206		

(Expressed in thousands of Renminbi, unless otherwise stated)

20 Loans and advances to customers (continued)**(b) Analyzed by industry sector (continued)**

As at the end of each of the reporting period and during the respective periods, detailed information of the impaired loans and advances to customers as well as the corresponding provision for impairment losses in respect of each industry sector which constitutes 10% or more of gross loans and advances to customers are as follows:

	30 June 2016				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the period	Written-off during the period
Manufacturing	649,290	(517,292)	(1,456,735)	(475,689)	—
Wholesale and retail trade	387,982	(220,800)	(700,910)	(267,235)	—
Real estate	12,243	(8,585)	(970,144)	(260,943)	—

	31 December 2015				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the year	Written-off during the year
Manufacturing	600,131	(486,527)	(1,082,799)	(697,095)	—
Wholesale and retail trade	332,061	(193,601)	(502,725)	(411,609)	—
Real estate	12,243	(6,745)	(719,892)	(429,677)	—

(c) Analyzed by type of collateral

	At 30 June 2016	At 31 December 2015
Unsecured loans	3,330,028	6,282,693
Guaranteed loans	40,829,533	30,329,039
Secured loans		
– By tangible assets other than monetary assets	52,548,494	49,416,132
– By monetary assets	16,933,170	15,146,546
Gross loans and advances to customers	113,641,225	101,174,410
Less: Provision for impairment losses		
– Individually assessed	(857,622)	(746,732)
– Collectively assessed	(3,915,028)	(3,114,472)
Total provision for impairment losses	(4,772,650)	(3,861,204)
Net loans and advances to customers	108,868,575	97,313,206

20 Loans and advances to customers (continued)

(d) Overdue loans analyzed by overdue period

	30 June 2016				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	5,167	9,245	492	459	15,363
Guaranteed loans	847,865	230,420	504,489	149,601	1,732,375
Secured loans					
– By tangible assets other than monetary assets	360,088	1,150,239	297,728	119,496	1,927,551
– By monetary assets	29,520	112,152	180,829	1,253	323,754
Total	1,242,640	1,502,056	983,538	270,809	3,999,043
As a percentage of gross loans and advances to customers	1.09%	1.32%	0.87%	0.24%	3.52%

	31 December 2015				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	2,302	1,603	181	463	4,549
Guaranteed loans	398,474	265,685	411,576	64,308	1,140,043
Secured loans					
– By tangible assets other than monetary assets	849,536	557,265	48,071	119,735	1,574,607
– By monetary assets	9,500	126,000	64,829	1,275	201,604
Total	1,259,812	950,553	524,657	185,781	2,920,803
As a percentage of gross loans and advances to customers	1.25%	0.94%	0.52%	0.18%	2.89%

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

(Expressed in thousands of Renminbi, unless otherwise stated)

20 Loans and advances to customers (continued)**(e) Loans and advances and provision for impairment losses**

	30 June 2016			Gross impaired loans and advances as a percentage of gross loans and advances
	(Note (i)) Loans and advances for which provision are collectively assessed	(Note (ii)) Impaired loans and advances for which provision are individually assessed	Total	
Gross loans and advances to customers	112,394,004	1,247,221	113,641,225	1.10%
Less: Provision for impairment losses	(3,915,028)	(857,622)	(4,772,650)	
Net loans and advances to customers	108,478,976	389,599	108,868,575	

	31 December 2015			Gross impaired loans and advances as a percentage of gross loans and advances
	(Note (i)) Loans and advances for which provision are collectively assessed	(Note (ii)) Impaired loans and advances for which provision are individually assessed	Total	
Gross loans and advances to customers	100,128,388	1,046,022	101,174,410	1.03%
Less: Provision for impairment losses	(3,114,472)	(746,732)	(3,861,204)	
Net loans and advances to customers	97,013,916	299,290	97,313,206	

Notes:

- (i) Loans and advances collectively assessed for impairment bear relatively insignificant impairment losses as a proportion of the total portfolio. These loans and advances include those which are graded normal or special-mention.
- (ii) Impaired loans and advances include those for which objective evidence of impairment has been identified and assessed using the individually assessment methods.

20 Loans and advances to customers (continued)

(f) Movements of provision for impairment losses

	Six months ended 30 June 2016		
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances which are individually assessed	Total
As at 1 January	(3,114,472)	(746,732)	(3,861,204)
Charge for the period	(800,556)	(244,223)	(1,044,779)
Release for the period	—	11,646	11,646
Recoveries	—	(2,051)	(2,051)
Unwinding of discount	—	12,288	12,288
Disposal	—	111,450	111,450
As at 30 June	(3,915,028)	(857,622)	(4,772,650)

	Year ended 31 December 2015		
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances which are individually assessed	Total
As at 1 January	(1,703,586)	(546,880)	(2,250,466)
Charge for the year	(1,410,886)	(558,057)	(1,968,943)
Release for the year	—	101,186	101,186
Recoveries	—	(816)	(816)
Unwinding of discount	—	21,570	21,570
Disposal	—	236,265	236,265
As at 31 December	(3,114,472)	(746,732)	(3,861,204)

(Expressed in thousands of Renminbi, unless otherwise stated)

20 Loans and advances to customers (continued)**(g) Analyzed by geographical sector**

	30 June 2016		
	Loan balance	Percentage	Loans and advances secured by collaterals
Jinzhou	58,017,473	51.06%	35,943,254
Northeastern China	30,380,592	26.73%	21,456,784
Northern China	25,243,160	22.21%	12,081,626
Gross loans and advances to customers	113,641,225	100.00%	69,481,664

	31 December 2015		
	Loan balance	Percentage	Loans and advances secured by collaterals
Jinzhou	58,026,034	57.35%	34,847,056
Northeastern China	23,063,564	22.80%	17,121,707
Northern China	20,084,812	19.85%	12,593,915
Gross loans and advances to customers	101,174,410	100.00%	64,562,678

20 Loans and advances to customers (continued)**(g) Analyzed by geographical sector (continued)**

As at the end of each of the reporting period, detailed information of the impaired loans and advances to customers as well as the corresponding impairment provision in respect of geographic sectors which constitute 10% or more of gross loans and advances to customers are as follows:

	30 June 2016		
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses
Jinzhou	373,061	(225,027)	(2,098,388)
Northeastern China	465,647	(391,234)	(1,159,498)
Northern China	408,513	(241,361)	(657,142)

	31 December 2015		
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses
Jinzhou	292,047	(183,337)	(1,919,332)
Northeastern China	389,665	(354,553)	(752,051)
Northern China	364,310	(208,842)	(443,089)

The definitions of the regional distributions are set out in Note 46(b).

(Expressed in thousands of Renminbi, unless otherwise stated)

21 Available-for-sale financial assets

	Note	At 30 June 2016	At 31 December 2015
Available-for-sale debt investments	21(a)	20,228,487	19,219,823
Available-for-sale equity investments	21(b)	58,250	58,250
Total		20,286,737	19,278,073
Unlisted		20,286,737	19,278,073
Total		20,286,737	19,278,073

(a) Available-for-sale debt investments

All available-for-sale debt investments were stated at fair value and issued by the following institutions:

	At 30 June 2016	At 31 December 2015
In mainland China		
– Government	1,014,181	2,014,765
– Banks and other financial institutions	16,260,797	13,428,811
– Corporations	2,953,509	3,776,247
Total	20,228,487	19,219,823

As at the end of each of the reporting period, part of the available-for-sale financial assets was pledged for repurchase agreements (Note 28(a)).

(b) Available-for-sale equity investments

Available-for-sale unlisted equity investments which do not have any quoted market prices and whose fair values cannot be measured reliably are stated at cost less impairment losses, if any.

22 Held-to-maturity investments

Analyzed by type and location of issuers

	Note	At 30 June 2016	At 31 December 2015
Debt securities issued by the following institutions in mainland China			
– Government		4,330,290	4,749,402
– Banks and other financial institutions		3,340,412	2,942,193
– Corporations		19,763	19,738
Total carrying value	22(a)	7,690,465	7,711,333
Unlisted		7,690,465	7,711,333
Fair value		7,862,490	7,976,975

Notes:

- (a) As at the end of each of the reporting period, part of the held-to-maturity investments was pledged as security for repurchase agreements (Note 28(a)).
- (b) The Group has not disposed of any held-to-maturity debt investments prior to their maturity dates during the reporting period.

23 Debt securities classified as receivables

	Notes	At 30 June 2016	At 31 December 2015
Beneficial interest transfer plans	23(a)	214,341,329	166,989,654
Less: Provision for impairment losses		(931,584)	(507,269)
Net balance		213,409,745	166,482,385

Notes:

- (a) Beneficial interest transfer plans are mainly beneficial interests issued by trust companies, security companies, insurance companies and asset management companies.
- (b) The fair values of these investments approximate to their carrying amounts.
- (c) As at the end of each of the reporting period, part of the debt securities classified as receivables was pledged for repurchase agreements (Note 28(a)).

(Expressed in thousands of Renminbi, unless otherwise stated)

24 Investments in subsidiaries

The Bank

	Note	At 30 June 2016	At 31 December 2015
Taihe Yimin Village Bank Co., Ltd. (“錦州太和益民村鎮銀行股份有限公司”)	24(a)	60,450	60,450
Yixian Xianghe Village Bank Co., Ltd. (“遼寧義縣祥和村鎮銀行股份有限公司”)	24(b)	63,240	63,240
Beizhen Yimin Village Bank Co., Ltd. (“錦州北鎮益民村鎮銀行股份有限公司”)	24(c)	49,290	49,290
Heishan Jinhang Village Bank Co., Ltd. (“遼寧黑山錦行村鎮銀行股份有限公司”)	24(d)	57,750	57,750
Kazuo Jinhang Village Bank Co., Ltd. (“遼寧喀左錦行村鎮銀行股份有限公司”)	24(e)	49,900	49,900
Bank of Jinzhou Financial Leasing Co., Ltd. (“錦銀金融租賃有限責任公司”)	24(f)	1,500,000	600,000
Total		1,780,630	880,630

Notes:

- (a) Taihe Yimin Village Bank Co., Ltd. (“Taihe Yimin”) was incorporated on 27 January 2010 at Jinzhou, Liaoning Province, with registered capital of RMB103.21 million. The principal activities of Taihe Yimin are the provision of corporate and retail banking services. The Bank holds 58.57% of equity interest and voting rights of Taihe Yimin. The financial statements of Taihe Yimin for the years ended 31 December 2015 were audited by KPMG Huazhen LLP.
- (b) Yixian Xianghe Village Bank Co., Ltd. (“Yixian Xianghe”) was incorporated on 8 November 2010 at Jinzhou, Liaoning Province, with registered capital of RMB108.49 million. The principal activities of Yixian Xianghe are the provision of corporate and retail banking services. The Bank holds 58.29% of equity interest and voting rights of Yixian Xianghe. The financial statements of Yixian Xianghe for the years ended 31 December 2015 were audited by KPMG Huazhen LLP.
- (c) Beizhen Yimin Village Bank Co., Ltd. (“Beizhen Yimin”) was incorporated on 2 March 2011 at Jinzhou, Liaoning Province, with registered capital of RMB103.25 million. The principal activities of Beizhen Yimin are the provision of corporate and retail banking services. The Bank holds 47.74% of equity interest and 93.55% voting rights of Beizhen Yimin. The financial statements of Beizhen Yimin for the years ended 31 December 2015 were audited by KPMG Huazhen LLP.
- (d) Heishan Jinhang Village Bank Co., Ltd. (“Heishan Jinhang”) was incorporated on 28 January 2014 at Jinzhou, Liaoning Province, with registered capital of RMB119.00 million. The principal activities of Heishan Jinhang are the provision of corporate and retail banking services. The Bank holds 48.53% of equity interest and 66.59% of voting rights of Heishan Jinhang. The financial statements for the years ended 31 December 2015 were audited by KPMG Huazhen LLP.
- (e) Kazuo Jinhang Village Bank Co., Ltd. (“Kazuo Jinhang”) was incorporated on 27 November 2015 at Chaoyang, Liaoning Province, with registered capital of RMB100.00 million. The principal activities of Kazuo Jinhang are the provision of corporate and retail banking services. The Bank holds 49.90% of equity interest and 64.90% of voting rights of Kazuo Jinhang. The financial statements for the year ended 31 December 2015 were audited by KPMG Huazhen LLP.
- (f) Bank of Jinzhou Financial Leasing Co., Ltd. (“Jinyin Leasing”) was incorporated on 1 December 2015 at Shenyang, Liaoning Province, with the original registered capital of RMB1.00 billion. The principal activities of Jinyin Leasing are the provision of financial leasing services. In March 2016, the registered capital increased from RMB1.00 billion to RMB4.90 billion and the Bank subscribed RMB0.9 billion. As at 30 June 2016, the Bank holds 30.61% of equity interest and 71.43% of voting rights of Jinyin Leasing. The financial statements for the year ended 31 December 2015 were audited by KPMG Huazhen LLP.

25 Property and equipment

	Premises	Investment properties	Construction in progress	Motor vehicles	Leasehold improvements	Others	Total
Cost							
As at 1 January 2015	5,035,846	68,263	242,597	65,599	133,307	517,681	6,063,293
Additions	94,372	—	598,223	3,285	7,449	78,326	781,655
Transfers in/(out) of construction in progress	417,715	—	(438,488)	—	20,773	—	—
Transfers in/(out) of leasehold improvements	736	—	—	—	(775)	—	(39)
Transfers in/(out) of investment properties	68,263	(68,263)	—	—	—	—	—
Transfers out to other assets	—	—	(30,346)	—	—	—	(30,346)
Disposals	(113,764)	—	—	(1,421)	—	(4,650)	(119,835)
As at 31 December 2015	5,503,168	—	371,986	67,463	160,754	591,357	6,694,728
As at 1 January 2016	5,503,168	—	371,986	67,463	160,754	591,357	6,694,728
Additions	18,185	—	568,101	2,328	960	17,964	607,538
Transfers in/(out) of construction in progress	755,533	—	(767,140)	—	11,607	—	—
Transfers out to other assets	—	—	(6,386)	—	—	—	(6,386)
Disposals	—	—	—	(701)	—	—	(701)
As at 30 June 2016	6,276,886	—	166,561	69,090	173,321	609,321	7,295,179
Accumulated depreciation							
As at 1 January 2015	(569,393)	(13,082)	—	(44,041)	(41,098)	(298,174)	(965,788)
Charge for the year	(174,305)	(1,285)	—	(7,313)	(15,743)	(70,052)	(268,698)
Transfers out of leasehold improvement	—	—	—	—	39	—	39
Transfers (in)/out of investment properties	(14,367)	14,367	—	—	—	—	—
Disposals	3,166	—	—	1,012	—	4,421	8,599
As at 31 December 2015	(754,899)	—	—	(50,342)	(56,802)	(363,805)	(1,225,848)
As at 1 January 2016	(754,899)	—	—	(50,342)	(56,802)	(363,805)	(1,225,848)
Charge for the period	(96,260)	—	—	(3,112)	(8,703)	(37,325)	(145,400)
Disposals	—	—	—	666	—	—	666
As at 30 June 2016	(851,159)	—	—	(52,788)	(65,505)	(401,130)	(1,370,582)
Net book value							
As at 31 December 2015	4,748,269	—	371,986	17,121	103,952	227,552	5,468,880
As at 30 June 2016	5,425,727	—	166,561	16,302	107,816	208,191	5,924,597

(Expressed in thousands of Renminbi, unless otherwise stated)

25 Property and equipment (continued)

As at 30 June 2016 and 31 December 2015, title deeds were not yet finalised for the premises with a carrying amount of RMB1,613 million and RMB1,606 million, respectively. Among them, the carrying amount of premises that the Group has obtained housing property title certificates issued by the authorities but no land use certificates was RMB945 million and RMB832 million. The Group is the legal owner of the aforementioned premises and entitled to occupy, use, transfer, pledge and dispose of these premises.

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

	At 30 June 2016	At 31 December 2015
Held in mainland China		
– Long term leases (over 50 years)	86,265	85,882
– Medium term leases (10 - 50 years)	5,324,390	4,653,488
– Short term leases (less than 10 years)	15,072	8,899
Total	5,425,727	4,748,269

26 Deferred tax assets

(a) Analyzed by nature

	At 30 June 2016	At 31 December 2015
Deferred tax assets	1,057,521	700,822

26 Deferred tax assets (continued)

(b) Movements of deferred tax

	Provision for impairment losses Note (i)	Staff cost payable	Net gains from fair value changes of financial instruments Note (ii)	Others	Net balance of deferred tax assets
1 January 2015	373,081	54,004	(31,975)	4,856	399,966
Recognized in profit or loss	483,160	(10,362)	(19,410)	(8,260)	445,128
Recognized in other comprehensive income	—	—	(144,272)	—	(144,272)
31 December 2015	856,241	43,642	(195,657)	(3,404)	700,822
Recognized in profit or loss	331,789	(895)	(1,736)	(16)	329,142
Recognized in other comprehensive income	—	—	27,557	—	27,557
30 June 2016	1,188,030	42,747	(169,836)	(3,420)	1,057,521

Notes:

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

(Expressed in thousands of Renminbi, unless otherwise stated)

27 Other assets

	At 30 June 2016	At 31 December 2015
Financial lease receivables	1,999,446	—
Long-term deferred expense	174,367	203,509
Intangible assets	130,308	134,405
Land use right	86,570	87,798
Prepayments for acquisition of property and equipment	70,199	179,411
Repossessed assets	23,938	23,938
Deferred expense	52,896	68,091
Other receivables	347,004	161,533
Total	2,884,728	858,685

28 Pledged assets

(a) Assets pledged as collateral

Financial assets pledged by the Group as collaterals for liabilities or contingent liabilities mainly include debt securities, interbank certificates of deposit and beneficial interest transfer plans, which are for repurchase agreements. The carrying amounts of the financial assets pledged as collaterals as at 30 June 2016 and 31 December 2015 is RMB17.15 billion and RMB23.40 billion, respectively.

(b) Received pledged assets

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

29 Deposits from banks and other financial institutions

Analyzed by type and location of counterparty

	At 30 June 2016	At 31 December 2015
Deposits in mainland China		
– Banks	78,127,528	81,401,343
– Other financial institutions	64,226,659	34,949,835
Total	142,354,187	116,351,178

30 Placements from banks and other financial institutions

Analyzed by type and location of counterparty

	At 30 June 2016	At 31 December 2015
Placements in mainland China		
– Banks	4,664,930	3,855,808

31 Financial assets sold under repurchase agreements

(a) Analyzed by type and location of counterparty

	At 30 June 2016	At 31 December 2015
In mainland China		
– Banks	14,009,940	17,514,100
– Other financial institutions	2,783,000	2,730,000
Total	16,792,940	20,244,100

(b) Analyzed by collaterals

	At 30 June 2016	At 31 December 2015
Debt securities	14,509,940	13,551,100
Interbank certificates of deposit	388,000	750,000
Beneficial interest transfer plans	1,895,000	5,943,000
Total	16,792,940	20,244,100

(Expressed in thousands of Renminbi, unless otherwise stated)

32 Deposits from customers

	At 30 June 2016	At 31 December 2015
Demand deposits		
– Corporate customers	32,041,682	25,466,543
– Individual customers	11,973,761	11,710,048
Sub-total	44,015,443	37,176,591
Time deposits		
– Corporate customers	61,092,456	51,332,787
– Individual customers	54,908,376	45,081,735
Sub-total	116,000,832	96,414,522
Pledged deposits		
– Acceptances	19,258,247	19,433,971
– Letters of credit	3,062,474	2,484,179
– Letters of guarantees	2,030,948	730,815
– Others	40,935	21,589
Sub-total	24,392,604	22,670,554
Inward and outward remittances	59,255	39,415
Structured deposits		
– Corporate customers	11,161,380	10,729,510
– Individual customers	3,537,060	3,148,130
Sub-total	14,698,440	13,877,640
Total	199,166,574	170,178,722

33 Accrued staff costs

	At 30 June 2016	At 31 December 2015
Salary and welfare payable	88,130	80,468
Pension payable	30,078	33,415
Supplementary retirement benefits payable	26,472	24,452
Other long-term staff welfare payable	96,750	108,526
Total	241,430	246,861

34 Taxes payable

	At 30 June 2016	At 31 December 2015
Business tax and surcharges payable	16,205	133,984
Income tax payable	300,254	503,233
Value added tax payable	246,157	—
Others	23,072	28,115
Total	585,688	665,332

35 Interests payable

	At 30 June 2016	At 31 December 2015
Interests payable arising from:		
– Deposits from customers	4,639,786	4,205,914
– Deposits from banks and other financial institutions	973,283	1,042,331
– Others	60,816	97,521
Total	5,673,885	5,345,766

36 Debt securities issued

	Note	At 30 June 2016	At 31 December 2015
Tier-two capital debts issued	36(a)	1,500,000	1,500,000

Notes:

- (a) Fixed rate Tier-two capital debts of RMB1,500 million with a term of ten years was issued on 24 January 2014. The coupon rate is 7.00%. The Group has an option to redeem the debts on 28 January 2019 at the nominal amount.
- (b) As at 30 June 2016, the fair value of tier-two capital debts issued amounts to RMB1,603 million (31 December 2015: RMB1,615 million).

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Other liabilities

	At 30 June 2016	At 31 December 2015
Financial liabilities related to precious metals	2,867,288	—
Dividend payable	849,910	157,884
Deferred income	149,118	216,808
Payment and collection clearance accounts	30,196	51,909
Asset-backed security payable	19,047	150,379
Others	329,827	986,694
Total	4,245,386	1,563,674

38 Share capital

Share capital of the Group as at 30 June 2016 and 31 December 2015 represented share capital of the Bank, which is fully paid.

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

	At 30 June 2016	At 31 December 2015
Number of shares authorised, issued and fully paid at par value (in thousands)	5,781,616	5,781,616

Notes:

On 7 December 2015, the Bank issued 1,200,000,000 new H-shares with a par value of RMB1 at an offering price of HKD4.66 per share and on 23 December 2015, the Bank partially exercised the over-allotment option and issued 179,381,818 new H-shares with a par value of RMB1 at an offering price of HKD4.66 per share. The premium arising from these offering amounting to RMB3,756 million was recorded in capital reserve.

39 Capital reserve

	At 30 June 2016	At 31 December 2015
Share premium	8,614,318	8,614,318
Fair value changes on available-for-sale financial assets	447,534	530,208
Changes on remeasurement of defined benefit liabilities	(996)	223
Others	8,149	8,149
Total	9,069,005	9,152,898

40 Surplus reserve and general reserve

(a) Surplus reserve

The surplus reserve at the end of the reporting period represented statutory surplus reserve fund and other surplus reserve. The statutory surplus reserve fund is RMB1,280 million at 30 June 2016 and 31 December 2015, while other surplus reserve is RMB12 million at 30 June 2016 and 31 December 2015 correspondingly. The Bank and its subsidiaries are required to appropriate 10% of its net profit, after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

(b) General reserve

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

41 Appropriation of profits

(a) In accordance with the resolution of the Bank's annual general meeting on 29 June 2016, the shareholders approved the following profit appropriations for the year ended 31 December 2015:

- Appropriate statutory surplus reserve amounted to RMB489.67 million, based on 10% of the net profit of the Bank.
- Appropriate general reserve amounted to RMB1,642.37 million.
- Declaration of cash dividend of RMB0.135 per shares before tax and in aggregation amount of RMB780.52 million to all shareholders.

(b) In accordance with the resolution at the Bank's annual general meeting on 25 June 2015, the shareholders approved the following profit appropriations for the year ended 31 December 2014:

- Appropriation of statutory surplus reserve amounted to RMB210.71 million, based on 10% of the net profit of the Bank.
- Appropriation of general reserve amounted to RMB960.31 million.
- Declaration of cash dividend of RMB1.20 per 10 shares before tax and in aggregation amount of RMB528.27 million to all shareholders.

(Expressed in thousands of Renminbi, unless otherwise stated)

42 Involvement with unconsolidated structured entities

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

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

The following table sets out an analysis of the carrying amounts of interests held by the Group in unconsolidated structured entities, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognized as at 30 June 2016 and 31 December 2015:

	Carrying amount	
	At 30 June 2016	At 31 December 2015
Debt securities classified as receivables	213,409,745	166,482,385

As at 30 June 2016 and 31 December 2015, the carrying amounts of the beneficial interest transfer plans are equal to the maximum exposures.

(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 30 June 2016 and 31 December 2015, the amounts of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, are RMB19,316 million and RMB13,497 million, respectively. For the six months ended 30 June 2016 and 2015, the fee and commission income of the structured entities amounted to 140 million and 31 million.

In addition, unconsolidated structured entities sponsored by the Group also include asset-backed securities. In March 2015, the Group transferred a portfolio of customer loans with book value of RMB3,122.5 million to an unconsolidated securitization vehicle managed by an independent trust company, which issued asset-backed securities to investors. As at 30 June 2016, the balances of these asset-backed securities held by the Group are RMB80.00 million (31 December 2015: RMB 104.00 million).

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

42 Involvement with unconsolidated structured entities *(continued)*

(c) Unconsolidated structure entities sponsored by the Group during the year which the Group does not have an interest in as at 30 June 2016 and 31 December 2015:

For the six months ended 30 June 2016 and year ended 31 December 2015, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January, but matured before 30 June (31 December) amounted to RMB1,643 million and RMB5,694 million, respectively.

43 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 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 computes its capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and other relevant regulations promulgated by the CBRC. The 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 treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using basic indicator approach.

The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group's statutory financial statements prepared in accordance with PRC GAAP. During the reporting period, the Group has complied with all its externally imposed capital requirements.

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Capital management (continued)

The Group's capital adequacy ratios as at 30 June 2016 and 31 December 2015 calculated in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" and relevant requirements promulgated by the CBRC are as follows:

	30 June 2016	31 December 2015
Total core tier-one capital		
– Share capital	5,781,616	5,781,616
– Qualifying portion of capital reserve	9,069,005	9,152,898
– Surplus reserve	1,292,031	1,292,031
– General reserve	4,801,449	4,801,449
– Retained earnings	7,583,490	4,570,467
– Qualifying portions of non-controlling interests	899,699	318,993
Core tier-one capital deductions		
– Other intangible assets other than land use right	(130,308)	(134,405)
Net core tier-one capital	29,296,982	25,783,049
Other tier-one capital	21,935	6,642
Net tier-one capital	29,318,917	25,789,691
Tier-two capital		
– Instruments issued and share premium	1,500,000	1,500,000
– Surplus provision for loan impairment	3,663,722	2,890,504
– Qualifying portions of non-controlling interests	49,961	13,284
Net capital base	34,532,600	30,193,479
Total risk weighted assets	321,123,469	287,662,070
Core tier-one capital adequacy ratio	9.12%	8.96%
Tier-one capital adequacy ratio	9.13%	8.97%
Capital adequacy ratio	10.75%	10.50%

44 Notes to consolidated cash flow statements

(a) Net increase in cash and cash equivalents

	Six months ended 30 June	
	2016	2015
Cash and cash equivalents as at 30 June	7,951,429	10,379,805
Less: Cash and cash equivalents as at 1 January	(4,802,961)	(4,485,158)
Net increase in cash and cash equivalents	3,148,468	5,894,647

(b) Cash and cash equivalents

	At 30 June	At 31 December
	2016	2015
Cash on hand	509,450	482,284
Deposits with the central bank	5,437,512	2,754,493
Deposits with banks and other financial institutions	667,967	1,566,184
Financial assets held under resale agreements	1,336,500	—
Total	7,951,429	4,802,961

(Expressed in thousands of Renminbi, unless otherwise stated)

45 Related party relationships and transactions

(a) Related parties of the Group

There is no immediate and ultimate controlling party of the Group during the reporting period. Related parties of the group during the reporting period are disclosed as follows:

Related party	Relationship with the Group
– Jinlian Investment Group Co., Ltd. (“錦聯控股集團有限公司”)	Enterprise under the control of directors
– Tianjin Jinlian Development of New Economic Industrial Region Co., Ltd. (“天津錦聯新經濟產業園開發有限公司”)	Enterprise under the control of directors
– Jincheng Logistics International Group Co., Ltd. (“錦程國際物流集團股份有限公司”)	Enterprise under the control of directors
– Jincheng Logistics International Services Group Co., Ltd. (“錦程國際物流服務有限公司”)	Enterprise under the control of directors
– Dalian Changxing Island Green-city Development Co., Ltd. (“大連長興島綠城發展有限公司”)	Enterprise under the control of directors
– Dalian Jincheng Logistics Network Service Co., Ltd. (“大連錦程物流網絡技術有限公司”)	Enterprise under the control of directors
– Jincheng International Air Freight Service Co., Ltd. (“錦程國際航空貨運服務有限公司”)	Enterprise under the control of directors
– Shenyang Longxi Real Estate Development Co., Ltd. (“瀋陽龍璽房地產開發有限公司”)	Enterprise under the control of directors
– Shenyang New Economic Industrial Park Development Co., Ltd. (“瀋陽新經濟產業園開發有限公司”)	Enterprise under the control of directors
– Jinzhou Jinhua Co., Ltd. (“錦州錦華股份有限公司”)	Enterprise under the control of supervisors
– Liaoning Deying Oil and Chemical Group Co., Ltd. (“遼寧德營石油化工集團有限公司”)	Enterprise under the control of supervisors
– Jinzhou Shunda Asphalt Co., Ltd. (“錦州順達瀝青有限責任公司”)	Enterprise under the control of supervisors
– Beizhen Deying oil Shale Processing Co., Ltd. (“北鎮德營油頁岩油有限公司”)	Enterprise under the control of supervisors
– Jinzhou Huaxin Asset Management (Group) Co., Ltd. (“錦州華信資產經營(集團)有限公司”)	Enterprise under the control of supervisors
– Liaoning Dongya Seed Industry Co., Ltd. (“遼寧東亞種業有限公司”)	Enterprise under the control of supervisors
– Liaoning Fuyou Fertilizer Co., Ltd. (“遼寧富友肥業有限公司”)	Enterprise under the control of supervisors

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

45 Related party relationships and transactions *(continued)*

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

(i) Transactions between the Bank and subsidiaries

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

(ii) Transactions between the Group and other related parties:

	Six months ended 30 June	
	2016	2015
Transactions during the period:		
Interest income	60,202	52,491
Interest expense	139	45

	At 30 June	At 31 December
	2016	2015
Balances at end of the period/year:		
Loans and advances to customers	2,157,351	1,849,690
Interests receivable	3,422	3,270
Deposits from customers	150,867	13,692
Interests payable	7	4
Other liabilities	1,730	1,730

(Expressed in thousands of Renminbi, unless otherwise stated)

45 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 supervisory board and executive officers.

(i) Transactions between the Group and key management personnel

	Six months ended 30 June	
	2016	2015
Transactions during the period:		
Interest income	640	404
Interest expense	143	21

	At 30 June	At 31 December
	2016	2015
Balances at end of the period/year:		
Loans and advances to customers	17,472	12,801
Interests receivable	23	19
Deposits from customers	173,583	7,781
Interests payable	228	140

(ii) Key management personnel compensation

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

	Six months ended 30 June	
	2016	2015
Short-term staff benefits	17,146	14,504
Retirement benefits		
– Basic social pension insurance	2,731	3,288

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

Loans and advances to directors, supervisors and officers of the Group disclosed pursuant to section 383(1) (d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	At 30 June	At 31 December
	2016	2015
Aggregate amount of relevant loans outstanding at the period/year end	12,955	12,801
Maximum aggregate amount of relevant loans outstanding during the reporting period	13,245	13,901

46 Segment reporting

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

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, 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

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

Treasury business

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

Others and unallocated items

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".

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 period to acquire property and equipment, intangible assets and other long-term assets.

(Expressed in thousands of Renminbi, unless otherwise stated)

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

	Six months ended 30 June 2016				Total
	Corporate banking	Retail banking	Treasury business	Others and unallocated items	
Operating income					
External net interest income/(expense)	2,197,274	(861,736)	6,036,134	—	7,371,672
Internal net interest income/(expense)	179,388	1,371,541	(1,550,929)	—	—
Net interest income	2,376,662	509,805	4,485,205	—	7,371,672
Net fee and commission income	214,022	94,328	114,803	—	423,153
Net trading losses	—	—	(1,207)	—	(1,207)
Net gains arising from investment securities	—	—	9,113	—	9,113
Foreign exchange gains	28,193	39	5,029	459	33,720
Other net operating income	—	—	—	14,186	14,186
Operating income	2,618,877	604,172	4,612,943	14,645	7,850,637
Operating expenses	(633,653)	(270,897)	(437,845)	(270)	(1,342,665)
Operating profit before impairment	1,985,224	333,275	4,175,098	14,375	6,507,972
Impairment losses on assets	(1,033,597)	(19,732)	(424,315)	—	(1,477,644)
Profit before tax	951,627	313,543	3,750,783	14,375	5,030,328
Segment assets	102,086,762	9,689,646	302,293,439	7,338,441	421,408,288
Deferred tax assets	—	—	—	1,057,521	1,057,521
Total assets	102,086,762	9,689,646	302,293,439	8,395,962	422,465,809
Segment liabilities	138,866,088	79,397,165	167,065,613	4,087,287	389,416,153
Dividend payable	—	—	—	849,910	849,910
Total liabilities	138,866,088	79,397,165	167,065,613	4,937,197	390,266,063
Other segment information					
– Depreciation and amortization	(88,186)	(37,707)	(60,960)	(37)	(186,890)
– Capital expenditure	286,974	122,706	198,372	122	608,174

46 Segment reporting (continued)

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

	Six months ended 30 June 2015				Total
	Corporate banking	Retail banking	Treasury business	Others and unallocated items	
Operating income					
External net interest income/(expense)	1,993,500	(717,784)	3,166,292	—	4,442,008
Internal net interest (expense)/income	(331,116)	1,163,671	(832,555)	—	—
Net interest income	1,662,384	445,887	2,333,737	—	4,442,008
Net fee and commission income/(expense)	107,760	25,207	(680)	—	132,287
Net trading gains	—	—	60,796	—	60,796
Dividend income	—	—	440	—	440
Net gains arising from investment securities	—	—	2,254	—	2,254
Foreign exchange gains	12,836	—	19,407	—	32,243
Other operating income	—	—	—	9,640	9,640
Operating income	1,782,980	471,094	2,415,954	9,640	4,679,668
Operating expenses	(560,000)	(235,996)	(441,235)	(9,230)	(1,246,461)
Operating profit before impairment	1,222,980	235,098	1,974,719	410	3,433,207
Impairment losses on assets	(1,156,384)	(142,982)	(235,370)	—	(1,534,736)
Profit before tax	66,596	92,116	1,739,349	410	1,898,471
	At 31 December 2015				
	Corporate banking	Retail banking	Treasury business	Others and unallocated items	Total
Segment assets	88,500,160	9,858,784	255,773,910	6,826,237	360,959,091
Deferred tax assets	—	—	—	700,822	700,822
Total assets	88,500,160	9,858,784	255,773,910	7,527,059	361,659,913
Segment liabilities	116,881,258	72,117,521	144,026,142	2,205,794	335,230,715
Dividend payable	—	—	—	157,884	157,884
Total liabilities	116,881,258	72,117,521	144,026,142	2,363,678	335,388,599
Other segment information					
– Depreciation and amortization	(164,692)	(66,700)	(116,663)	(1,353)	(349,408)
– Capital expenditure	438,282	177,504	310,466	3,602	929,854

(Expressed in thousands of Renminbi, unless otherwise stated)

46 Segment reporting (continued)**(b) Geographical information**

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

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

- “Jinzhou” refers to the head quarter of the Bank, Jinzhou branch and the four subsidiaries of the Group.
- “Northeastern China” refers to the following areas serviced by branches of the Bank: Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin, Liaoyang and the two subsidiaries of the Group.
- “Northern China” refers to the following areas serviced by branches of the Bank: Beijing and Tianjin.

	Operating income	
	Six months ended 30 June	
	2016	2015
Jinzhou	5,527,048	2,929,402
Northeastern China	816,783	666,085
Northern China	1,506,806	1,084,181
Total	7,850,637	4,679,668

	Non-current assets	
	At 30 June	At 31 December
	2016	2015
Jinzhou	2,689,589	2,238,080
Northeastern China	2,608,914	2,599,948
Northern China	735,156	749,104
Total	6,033,659	5,587,132

47 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) Receivables and other non-derivative financial assets

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

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

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

(iv) Derivative financial instruments

The fair values of foreign currency forward and swap contracts is determined by the difference between the present value of the forward price and the contractual price at the end of the reporting period, or is based on quoted market prices. The fair values of interest rate swaps are estimated as the present value of estimated future cash flows. The yield curve is based on the optimised price between the broker's quoted price and Reuters' quoted price.

(b) Fair value measurement

(i) Financial assets

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

Deposits with the central bank 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.

Available-for-sale investments and financial assets at fair value through profit or loss are stated at fair value. The carrying amount and fair value of held-to-maturity investments and debt securities classified as receivables are disclosed in Note 22 and 23.

47 Fair value (continued)

(b) Fair value measurement (continued)

(ii) Financial liabilities

The Group's financial liabilities mainly include payables to banks and other financial institutions, financial liabilities designated at fair value through profit or loss, deposits from customers and subordinated debts issued.

Financial liabilities designated at fair value through profit or loss is presented with fair value. The book value and fair value of debt securities issued is presented in Note 36. The carrying amounts of other financial liabilities approximate their fair value.

(c) Fair value hierarchy

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

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

47 Fair value (continued)**(c) Fair value hierarchy (continued)**

	30 June 2016			Total
	Level 1	Level 2	Level 3	
Assets				
<i>Financial assets at fair value through profit or loss</i>				
– debt securities held for trading	—	2,907,206	—	2,907,206
– Financial assets designated at fair value through profit or loss	—	1,340,160	13,784,719	15,124,879
<i>Available-for-sale financial assets</i>				
– debt instruments	—	20,151,878	76,609	20,228,487
<i>Positive fair value of derivatives</i>				
– foreign currency derivatives	—	20,901	—	20,901
Total	—	24,420,145	13,861,328	38,281,473
Liabilities				
<i>Financial liabilities designated at fair value through profit or loss</i>				
	—	—	15,036,025	15,036,025
<i>Negative fair value of derivatives</i>				
– foreign currency derivatives	—	5,018	—	5,018
Total	—	5,018	15,036,025	15,041,043

(Expressed in thousands of Renminbi, unless otherwise stated)

47 Fair value (continued)**(c) Fair value hierarchy (continued)**

	31 December 2015			Total
	Level 1	Level 2	Level 3	
Assets				
<i>Financial assets at fair value through profit or loss</i>				
– debt securities held for trading	—	63,965	—	63,965
– Financial assets designated at fair value through profit or loss	—	1,300,600	14,195,643	15,496,243
<i>Available-for-sale financial assets</i>				
– debt instruments	—	19,145,247	74,576	19,219,823
<i>Positive fair value of derivatives</i>				
– foreign currency derivatives	—	10,678	—	10,678
Total	—	20,520,490	14,270,219	34,790,709
Liabilities				
<i>Financial liabilities designated at fair value through profit or loss</i>				
	—	—	15,426,941	15,426,941
<i>Negative fair value of derivatives</i>				
– foreign currency derivatives	—	10,217	—	10,217
Total	—	10,217	15,426,941	15,437,158

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

47 Fair value (continued)

(c) Fair value hierarchy (continued)

The movement during the period/year ended 30 June 2016 and 31 December 2015 in the balance of Level 3 fair value measurements are as follows:

	Available- for-sale financial assets	Financial assets designated at fair value through profit or loss	Total assets	Financial liabilities designated at fair value through profit or loss	Total liabilities
1 January 2016	74,576	14,195,643	14,270,219	(15,426,941)	(15,426,941)
Total gains or losses					
– in profit or loss for the period	—	(31,684)	(31,684)	11,676	11,676
– in other comprehensive income	2,033	—	2,033	—	—
Purchases	—	13,350,880	13,350,880	(14,651,480)	(14,651,480)
Settlements	—	(13,730,120)	(13,730,120)	15,030,720	15,030,720
30 June 2016	76,609	13,784,719	13,861,328	(15,036,025)	(15,036,025)
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the period	—	(31,684)	(31,684)	11,676	11,676

	Available- for-sale financial assets	Financial assets designated at fair value through profit or loss	Total assets	Financial liabilities designated at fair value through profit or loss	Total liabilities
1 January 2015	—	5,619,090	5,619,090	(9,932,205)	(9,932,205)
Total gains or losses					
– in profit or loss for the year	—	133,573	133,573	(56,116)	(56,116)
– in other comprehensive income	3,733	—	3,733	—	—
Purchases	70,843	25,711,230	25,782,073	(27,011,830)	(27,011,830)
Settlements	—	(17,268,250)	(17,268,250)	21,573,210	21,573,210
31 December 2015	74,576	14,195,643	14,270,219	(15,426,941)	(15,426,941)
Total gains or losses for the year included in profit or loss for assets and liabilities held at the end of the year	—	133,573	133,573	(56,116)	(56,116)

During the period/year ended 30 June 2016 and 31 December 2015, there were no significant transfers into or out of Level 3.

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Entrusted lending business

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

	At 30 June 2016	At 31 December 2015
Entrusted loans	181,648,149	150,508,040
Entrusted funds	181,648,149	150,508,040

49 Commitments and contingent liabilities

(a) Credit commitments

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

The contractual amounts of loans and credit card 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.

	At 30 June 2016	At 31 December 2015
Loan commitments		
– Original contractual maturity within one year	380,233	163,070
– Original contractual maturity more than one year (inclusive)	1,535,335	726,912
Credit card commitments	616,932	491,593
Sub-total	2,532,500	1,381,575
Acceptances	67,266,980	57,702,403
Letters of guarantees	8,176,958	6,724,348
Letters of credit	1,132,519	835,274
Total	79,108,957	66,643,600

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

49 Commitments and contingent liabilities (continued)**(b) Operating lease commitments**

As at the end of each of the reporting period, the Group's future minimum lease payments under non-cancellable operating leases for properties are as follows:

	At 30 June 2016	At 31 December 2015
Within one year (inclusive)	90,651	63,685
After one year but within two years (inclusive)	105,486	81,887
After two years but within three years (inclusive)	82,761	80,903
After three years but within five years (inclusive)	104,367	155,663
After five years	98,495	55,175
Total	481,760	437,313

(c) Capital commitments

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

	At 30 June 2016	At 31 December 2015
Contracted but not paid for		
– Purchase of property and equipment	112,335	106,283
Authorized but not contracted		
– Purchase of property and equipment	544,072	74,480
Total	656,407	180,763

49 Commitments and contingent liabilities *(continued)*

(d) Outstanding litigations and disputes

As at 30 June 2016 and 31 December 2015, the Group was the defendant in certain pending litigations and disputes with gross claims of RMB77 million and RMB68 million, respectively.

The Bank was also involved in a shareholding dispute litigation with a former shareholder since July 2012 where the former shareholder requested the court to (i) order the Bank to issue to it a 12-year term warrants that are convertible into such numbers of shares equal to 9.16% of the Bank's total share capital in August 2012, and (ii) together with 2 other defendants jointly indemnify it with an amount of RMB103.9 million plus 9.16% of the Bank's profit recorded in its respective financial statements from 2010 to the date of court judgment. If the court judgment is unfavourable to the Bank and, in such event, shareholders' shareholdings in the Bank may be diluted, which would represent approximately 5.8% of the Bank's total share capital as of 30 June 2016 after the hypothetical issue and full exercise of the warrants, rendering the former shareholder become the Bank's single largest shareholder. The Bank's directors and its legal advisor in this litigation are of the view that, based on the evidence currently available, the likelihood of the Bank losing this shareholding dispute litigation is low.

No provisions have been made by the Group for the estimated losses of such litigations and disputes at the end of each of the Relevant Periods after consulting the opinions of the Group's internal and external legal counsels.

50 Non-adjusting events after the reporting period

The Group has no material events for disclosure subsequent to 30 June 2016 and up to the date of this report.

51 Comparative figures

Certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 30 June 2016.

CHAPTER 10 UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Unless otherwise stated, all amounts are stated in Renminbi thousands)

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

1 Liquidity coverage ratio and leverage ratio (%)

	As at 30 June 2016	Average for the six months ended 30 June 2016
Liquidity coverage ratio (RMB and foreign currency)	229.84%	233.63%

	As at 31 December 2015	Average for the year ended 31 December 2015
Liquidity coverage ratio (RMB and foreign currency)	237.41%	309.23%

Leverage Ratio

	As at 30 June 2016
Leverage Ratio	6.43%

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

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

2 Currency concentrations

	At 30 June 2016			Total
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	
Spot assets	7,022,319	41,084	145,162	7,208,565
Spot liabilities	(7,989,108)	(2,001)	(138,665)	(8,129,774)
Net long position	(966,789)	39,083	6,497	(921,209)
Net structural position	—	—	—	—

	31 December 2015			Total
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	
Spot assets	7,086,664	1,110,924	66,309	8,263,897
Spot liabilities	(6,814,674)	(7,552)	(65,482)	(6,887,708)
Net long position	271,990	1,103,372	827	1,376,189
Net structural position	—	—	—	—

3 International claims

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

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

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

3 International claims (continued)

	As at 30 June 2016		
	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	554,148	5,809,837	6,363,985
– of which attributed to Hong Kong	7,358	—	7,358
Europe	25,022	—	25,022
North and South America	365,045	—	365,045
	944,215	5,809,837	6,754,052

	As at 31 December 2015		
	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	1,497,383	6,146,563	7,643,946
– of which attributed to Hong Kong	6,284	—	6,284
Europe	12,312	—	12,312
North and South America	79,640	—	79,640
	1,589,335	6,146,563	7,735,898

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

	At 30 June 2016	At 31 December 2015
Jinzhou	690,829	430,443
Northeastern China	1,603,234	858,131
Northern China	462,340	372,417
Total	2,756,403	1,660,991

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

	At 30 June 2016	At 31 December 2015
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	836,270	377,295
– between 6 months and 1 year (inclusive)	665,786	573,258
– between 1 year and 3 years (inclusive)	983,538	524,657
– over 3 years	270,809	185,781
Total	2,756,403	1,660,991
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.74%	0.37%
– between 6 months and 1 year (inclusive)	0.59%	0.57%
– between 1 year and 3 years (inclusive)	0.87%	0.52%
– over 3 years	0.24%	0.18%
Total	2.44%	1.64%

The above analysis includes loans and advances overdue for more than 90 days. Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

At 30 June 2016 and 31 December 2015, the gross amount of overdue loans and advances overdue more than 90 days of the Group were RMB2,756 million and RMB1,661 million, respectively. The covered portion of these overdue loans and advances were RMB1,661 million and RMB733 million respectively. The fair value of collateral held against these loans and advances amounted to RMB1,700 million and RMB811 million, respectively.

6 Non-bank mainland China exposure

The Bank is a commercial bank incorporated in mainland China with its banking business conducted in mainland China. As at 30 June 2016 and 31 December 2015, substantial amounts of the Bank's exposures arose from businesses with mainland China entities or individuals.



Address : 68 Keji Road, Jinzhou, Liaoning, 121013, China

Tel : +86 416-3220002

http : //www.jinzhoubank.com