

錦州銀行股份有限公司
Bank of Jinzhou Co.,Ltd.*

2017 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.

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DEFINITIONS

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

“A Share Offering”	the Bank’s proposed initial public offering of not more than 1,927,000,000 A shares, which have been approved by the Shareholders on 29 June 2016
“Articles of Association”	the articles of association of the Bank, as 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”	the six months ended 30 June 2017
“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)”	the shareholder(s) of the Bank
“Share(s)”	the Domestic Share(s) and the H Share(s)
“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 to the Board	: Sun 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	: Luk & Partners in Association with Morgan, Lewis & Bockius
Custodian of Domestic Shares	: China Securities Depository and Clearing Corporation Limited

H Share Registrar	:	Computershare Hong Kong Investor Services Limited
Listing Place of Stock, Stock Name and Stock Code	:	Hong Kong Stock Exchange ; 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, China. There are 14 branches established in Beijing, Tianjin, Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin, Liaoyang, Huludao, Benxi and Jinzhou in China and 7 village and township banks, namely Jinzhou branch, Jinzhou Taihe Jinyin Village and Township Bank Co., Ltd. (錦州太和錦銀村鎮銀行股份有限公司), Liaoning Yixian Jinyin Village and Township Bank Co., Ltd. (遼寧義縣錦銀村鎮銀行股份有限公司), Liaoning Beizhen Jinyin Village and Township Bank Co., Ltd. (遼寧北鎮錦銀村鎮銀行股份有限公司), Liaoning Heishan Jinyin Village and Township Bank Co., Ltd. (遼寧黑山錦銀村鎮銀行股份有限公司), Liaoning Kazuo Jinyin Village and Township Bank Co., Ltd. (遼寧喀左錦銀村鎮銀行股份有限公司), Liaoning Linghai Jinyin Village and Township Bank Co., Ltd. (遼寧凌海錦銀村鎮銀行股份有限公司) and Liaoning Huanren Jinyin Village and Township Bank (遼寧桓仁錦銀村鎮銀行股份有限公司) 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 at the end of the Reporting Period, the Bank had, in aggregate, 226 branches.

As at the end of the Reporting Period, the Bank had total assets of RMB644,013 million, total loans and advances released of RMB190,333 million and total deposits of RMB312,060 million.

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 2017

In January 2017, the Bank was granted the 2016 Most Potential Award for UnionPay Card Business (銀聯卡業務最具潛力獎) by China UnionPay.

In January 2017, the Bank was granted the Best Organization Award for 10th Anniversary of Quality Services (優服創建十周年最佳組織獎) by Liaoning Banking Association (遼寧省銀行業協會).

In February 2017, the Bank was recognized as Outstanding Contribution Enterprise to the Strenuous Task of Eliminating Poverty (脫貧攻堅特殊貢獻企業) by Jinzhou Municipal Party Committee and Jinzhou Municipal Government.

In March 2017, the Bank was recognized as the 2016 Active Trader in the Interbank Domestic Currency Market (2016年度銀行間本幣市場活躍交易商) by National Interbank Funding Centre (全國銀行間同業拆借中心).

In June 2017, the Bank was recognized the Advanced Unit in Ideological and Political Work in Liaoning Province (遼寧省思想政治工作先進單位) by Publicity Department of Liaoning Province (遼寧省委宣傳部), State-owned Assets Supervision and Administration Commission of Liaoning Province (遼寧省國資委) and Trade Union of Liaoning Province (遼寧省總工會).

In June 2017, the Bank was granted the 2017 Growth Value Award of China Business Journal on FinTech (2017中經金融科技成長價值獎) by China Business Journal (中國經營報).

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 2017 vs Interim period of 2016	For the year ended
	2017	2016	Rate of change (%)	31 December 2016
Operating Results				
Interest income	17,898,864	13,174,523	35.9	27,897,191
Interest expense	(9,512,088)	(5,802,851)	63.9	(12,448,982)
Net interest income	8,386,776	7,371,672	13.8	15,448,209
Net fee and commission income	400,567	423,153	(5.3)	809,265
Net trading (losses)/gains	(45,155)	(1,207)	3,641.1	49,948
Dividend income	—	—	—	895
Net gains arising from investment securities	17,350	9,113	90.4	10,348
Net foreign exchange (losses)/gains	(236,380)	33,720	(801.0)	53,724
Other net operating income	9,219	14,186	(35.0)	41,460
Operating income	8,532,377	7,850,637	8.7	16,413,849
Operating expenses	(1,574,069)	(1,342,665)	17.2	(2,758,039)
Operating profit before impairment	6,958,308	6,507,972	6.9	13,655,810
Impairment losses on assets	(1,615,348)	(1,477,644)	9.3	(2,784,895)
Profit before taxation	5,342,960	5,030,328	6.2	10,870,915
Income tax	(1,312,916)	(1,232,088)	6.6	(2,671,469)
Net Profit	4,030,044	3,798,240	6.1	8,199,446
Profit attributable to equity shareholders of the Bank	3,990,797	3,793,541	5.2	8,129,590
Calculated on a per share basis (RMB)				
Basic and diluted earnings per share	0.59	0.66	(10.6)	1.40

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June 2017	31 December 2016	30 June 2017 vs 31 December 2016	
			Rate of change (%)	30 June 2016
Major indicators of assets/liabilities				
Total assets	644,012,574	539,059,522	19.5	422,465,809
Of which: loans and advances to customers	184,291,934	121,930,761	51.1	108,868,575
Total liabilities	598,396,207	496,165,210	20.6	390,266,063
Of which: deposits from customers	312,060,261	262,969,211	18.7	199,166,574
Share capital	6,781,616	6,781,616	—	5,781,616
Total equity attributable to equity shareholders of the Bank	41,756,015	39,035,430	7.0	28,527,591
Total equity	45,616,367	42,894,312	6.3	32,199,746

II. Financial Indicators

	For the six months ended 30 June		Interim period of 2017 vs Interim period of 2016	
	2017	2016	Change	For the year ended 31 December 2016
Profitability indicators (%)				
Return on average total assets ⁽¹⁾	1.36*	1.94*	(0.58)	1.82
Return on average equity ⁽²⁾	19.76*	28.03*	(8.27)	25.16
Net interest spread ⁽³⁾	2.51*	3.49*	(0.98)	3.41
Net interest margin ⁽⁴⁾	2.80*	3.78*	(0.98)	3.67
Net fee and commission income to operating income ratio	4.69	5.39	(0.70)	4.93
Cost-to-income ratio ⁽⁵⁾	15.83	14.37	1.46	14.83

	30 June 2017	31 December 2016	30 June 2017 vs 31 December 2016 Change	30 June 2016
Assets quality indicators (%)				
Non-performing loan ratio ⁽⁶⁾	1.06	1.14	(0.08)	1.10
Allowance coverage ratio ⁽⁷⁾	300.33	336.30	(35.97)	382.66
Allowance to loans ratio ⁽⁸⁾	3.17	3.84	(0.67)	4.20
Capital adequacy indicators (%)				
Core tier 1 capital adequacy ratio ⁽⁹⁾	9.18	9.79	(0.61)	9.12
Tier 1 capital adequacy ratio ⁽¹⁰⁾	9.19	9.80	(0.61)	9.13
Capital adequacy ratio	10.97	11.62	(0.65)	10.75
Total equity to total assets	7.08	7.96	(0.88)	7.62
Other Indicators (%)				
Loan-to-deposit ratio ⁽¹¹⁾	51.41	40.36	11.05	43.92

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 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 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 nonperforming 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 development of the Internet finance industry and 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 “Changing mode, Adjusting structure, Controlling risk and Strengthening development” of the Bank.

The Bank recorded a net profit of RMB4,030 million in the Reporting Period, representing an increase of 6.1% as compared to the six months ended 30 June 2016 (“**Interim Period of 2016**”). The Bank’s performance not only delivered sound returns to its shareholders and investors, but also laid a solid foundation for its sustainable development.

As at the end of the Reporting Period, the total assets of the Bank amounted to RMB644,013 million, representing an increase of 19.5% as compared to that as at the end of 2016; the net loans and advances to customers amounted to RMB184,292 million, representing an increase of 51.1% as compared to that as at the end of 2016; the non-performing loan ratio was 1.06%, representing a decrease of 0.08 percentage point as compared to that as at the end of 2016; the deposits from customers balance of the Bank amounted to RMB312,060 million, representing an increase of 18.7% as compared to that as at the end of 2016; during the Reporting Period, the operating income of the Bank amounted to RMB8,532 million, representing an increase of 8.7% as compared with the Interim Period of 2016; and the net profit amounted to RMB4,030 million, representing an increase of 6.1% as compared with the Interim Period of 2016.

As 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 amounted to 10.97%, 9.19% and 9.18%, respectively.

(I) Analysis of the Income Statement

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June		Rate of Change in amount	Change (%)
	2017	2016		
Interest income	17,898,864	13,174,523	4,724,341	35.9
Interest expense	(9,512,088)	(5,802,851)	(3,709,237)	63.9
Net interest income	8,386,776	7,371,672	1,015,104	13.8
Net fee and commission income	400,567	423,153	(22,586)	(5.3)
Net trading losses	(45,155)	(1,207)	(43,948)	3,641.1
Net gains arising from investment securities	17,350	9,113	8,237	90.4
Net foreign exchange (losses)/gains	(236,380)	33,720	(270,100)	(801.0)
Other net operating income	9,219	14,186	(4,967)	(35.0)
Operating income	8,532,377	7,850,637	681,740	8.7
Operating expenses	(1,574,069)	(1,342,665)	(231,404)	17.2
Impairment losses on assets	(1,615,348)	(1,477,644)	(137,704)	9.3
Profit before taxation	5,342,960	5,030,328	312,632	6.2
Income tax	(1,312,916)	(1,232,088)	(80,828)	6.6
Net profit for the period	4,030,044	3,798,240	231,804	6.1

During the Reporting Period, the Bank's profit before taxation was RMB5,343 million, representing a year-on-year increase of 6.2%; net profit was RMB4,030 million, representing a year-on-year increase of 6.1%, mainly attributable to the stable growth of interest-earning assets resulting in increased net interest income of RMB1,015 million or 13.8% 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 98.3% and 93.9% of operating income in the Reporting Period and the Interim Period of 2016, 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		Rate of Change in amount	Change (%)
	2017	2016		
Interest income	17,898,864	13,174,523	4,724,341	35.9
Interest expense	(9,512,088)	(5,802,851)	(3,709,237)	63.9
Net interest income	8,386,776	7,371,672	1,015,104	13.8

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 2017			For the six months ended 30 June 2016		
	Average balance	Interest income/expense	Average yield/cost (%)	Average balance	Interest income/expense	Average yield/cost (%)
Interest-earning Assets						
Loans and advances to customers	144,033,061	4,472,224	6.21	109,738,173	3,807,241	6.94
Investment securities and other financial assets ⁽¹⁾	384,451,814	12,698,732	6.61	236,754,053	8,933,622	7.55
Deposits with the central bank	44,823,113	342,444	1.53	30,929,632	234,958	1.52
Deposits with banks and other financial institutions	11,952,852	95,418	1.60	7,514,242	150,253	4.00
Placements with banks and other financial institutions	1,613,753	10,712	1.33	1,185,766	6,032	1.02
Financial assets held under resale agreements	6,611,630	94,006	2.84	2,992,263	31,158	2.08
Financial lease receivables	5,003,339	185,328	7.41	408,985	11,259	5.51
Total interest-earning assets	598,489,562	17,898,864	5.98	389,523,114	13,174,523	6.76
Interest-bearing Liabilities						
Deposits from customers	302,391,237	4,397,479	2.91	186,557,027	2,196,622	2.35
Deposits from banks and other financial institutions	128,301,200	2,821,888	4.40	133,973,336	2,921,913	4.36
Placements from banks and other financial institutions	9,134,272	88,587	1.94	4,033,909	18,014	0.89
Financial assets sold under repurchase agreements	29,035,446	521,925	3.60	13,145,311	262,900	4.00
Debt securities issued	57,918,556	1,276,937	4.41	1,500,000	52,234	6.96
Financial liabilities at fair value through profit or loss	21,627,039	405,092	3.75	15,532,754	351,168	4.52
Borrowings from the central bank	17,569	180	2.05	—	—	—
Total interest-bearing liabilities	548,425,319	9,512,088	3.47	354,742,337	5,802,851	3.27
Net interest income		8,386,776			7,371,672	
Net interest spread ⁽²⁾			2.51			3.49
Net interest margin ⁽³⁾			2.80			3.78

- 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)	For the six months ended 30 June 2017 vs 2016		
	Changes in volume ⁽¹⁾	Changes in interest rate ⁽²⁾	Net increase/ (decrease) ⁽³⁾
Interest-earning Assets			
Loans and advances to customers	1,189,822	(524,839)	664,983
Investment securities and other financial assets	5,573,193	(1,808,083)	3,765,110
Deposits with the central bank	105,542	1,944	107,486
Deposits with banks and other financial institutions	88,753	(143,588)	(54,835)
Placements with banks and other financial institutions	2,177	2,503	4,680
Financial assets held under resale agreements	37,688	25,160	62,848
Financial lease receivables	126,479	47,590	174,069
Changes in interest income	7,123,654	(2,399,313)	4,724,341
Interest-bearing Liabilities			
Deposits from customers	1,363,894	836,963	2,200,857
Deposits from banks and other financial institutions	(123,707)	23,682	(100,025)
Placements from banks and other financial institutions	22,776	47,797	70,573
Financial assets sold under repurchase agreements	317,795	(58,770)	259,025
Debt securities issued	1,964,645	(739,942)	1,224,703
Financial liabilities at fair value through profit or loss	137,781	(83,857)	53,924
Borrowings from the central bank	180	—	180
Changes in interest expense	3,683,364	25,873	3,709,237
Changes in net interest income	3,440,290	(2,425,186)	1,015,104

- 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			
	2017		2016	
	Amount	% of total	Amount	% of total
Loans and advances to customers				
Corporate loans	4,173,835	23.4	3,455,971	26.2
Retail loans	290,941	1.6	339,311	2.6
Discounted bills	7,448	0.0	11,959	0.1
Subtotal	4,472,224	25.0	3,807,241	28.9
Investment securities and other financial assets	12,698,732	71.0	8,933,622	67.8
Deposits with the central bank	342,444	1.9	234,958	1.8
Deposits with banks and other financial institutions	95,418	0.5	150,253	1.1
Financial assets held under resale agreements	94,006	0.5	31,158	0.2
Placements with banks and other financial institutions	10,712	0.1	6,032	0.1
Financial lease receivables	185,328	1.0	11,259	0.1
Total	17,898,864	100.0	13,174,523	100.0

The Bank's interest income increased by 35.9% to RMB17,898,864 thousand in the Reporting Period from RMB13,174,523 thousand for the Interim Period of 2016, primarily due to the 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 25.0% and 28.9% of the Bank's interest income in the Reporting Period and the Interim Period of 2016, 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					
	2017		2016			
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	134,328,057	4,173,835	6.21	99,968,941	3,455,971	6.91
Retail loans	9,553,204	290,941	6.09	9,636,774	339,311	7.04
Discounted bills	151,800	7,448	9.81	132,458	11,959	18.06
Total	144,033,061	4,472,224	6.21	109,738,173	3,807,241	6.94

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

Interest income from investment securities and other financial assets increased by 42.1% to RMB12,698,732 thousand in the Reporting Period from RMB8,933,622 thousand in the Interim Period of 2016, primarily due to the increase in the scale of investment assets resulting in the corresponding increase in interest income.

(3) Interest income from deposits with the central bank

Interest income from deposits with the central bank increased by 45.7% to RMB342,444 thousand in the Reporting Period from RMB234,958 thousand in the Interim Period of 2016, 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 36.5% to RMB95,418 thousand in the Reporting Period from RMB150,253 thousand in the Interim Period of 2016, primarily due to the decrease in average yield resulting from the increase in the proportion of the scale of the lower yield deposits of foreign currencies 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 77.6% to RMB10,712 thousand in the Reporting Period from RMB6,032 thousand in the Interim Period of 2016, 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 36.1% to RMB1,613,753 thousand in the Reporting Period from RMB1,185,766 thousand in the Interim Period of 2016, primarily due to the increased amount of placements with banks and other financial institutions by the Bank to strengthen liquidity management in the Reporting Period. The average yield of placements with banks and other financial institutions rose to 1.33% in the Reporting Period from 1.02% for the Interim Period of 2016, primarily due to the increase in market rate.

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

Interest income from financial assets held under resale agreements increased by 201.7% to RMB94,006 thousand in the Reporting Period from RMB31,158 thousand in the Interim Period of 2016, primarily due to the increase in the average balance and average yield. The average balance of financial assets held under resale agreements increased by 121.0% to RMB6,611,630 thousand in the Reporting Period from RMB2,992,263 thousand for the Interim Period of 2016, primarily because the Bank invested in financial assets held under resale agreements to satisfy the needs of liquidity management. The average yield of financial assets held under resale agreements rose to 2.84% in the Reporting Period from 2.08% in the Interim Period of 2016, primarily due to the increase in the interbank market interest rate.

(7) Interest income from financial lease receivables

Interest income from financial lease receivables increased to RMB185,328 thousand for the Reporting Period from RMB11,259 thousand for the Interim Period of 2016, mainly attributable to the increase in the average balance and average yield of financial lease receivables.

3. Interest expense

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2017		2016	
	Amount	% of total	Amount	% of total
Deposits from customers	4,397,479	46.2	2,196,622	37.9
Deposits from banks and other financial institutions	2,821,888	29.7	2,921,913	50.3
Placements from banks and other financial institutions	88,587	0.9	18,014	0.3
Financial assets sold under repurchase agreements	521,925	5.5	262,900	4.5
Debt securities issued	1,276,937	13.4	52,234	0.9
Financial liabilities at fair value through profit or loss	405,092	4.3	351,168	6.1
Borrowings from the central bank	180	0.0	—	—
Total	9,512,088	100.0	5,802,851	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					
	2017			2016		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time	139,482,486	2,188,147	3.14	97,227,111	1,112,280	2.29
Demand	48,338,352	129,537	0.54	24,843,368	76,482	0.62
Subtotal	187,820,838	2,317,684	2.47	122,070,479	1,188,762	1.95
Retail deposits						
Time	100,981,023	2,036,493	4.03	52,982,501	981,635	3.71
Demand	13,589,376	43,302	0.64	11,504,047	26,225	0.46
Subtotal	114,570,399	2,079,795	3.63	64,486,548	1,007,860	3.13
Total deposits from customers	302,391,237	4,397,479	2.91	186,557,027	2,196,622	2.35

Interest expense on deposits from customers increased by 100.2% to RMB4,397,479 thousand in the Reporting Period from RMB2,196,622 thousand in the Interim Period of 2016, primarily due to the rapid increase in the scale of the Bank's deposits from customers and the increase in the cost 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 decreased by 3.4% to RMB2,821,888 thousand in the Reporting Period from RMB2,921,913 thousand in the Interim Period of 2016, primarily due to the slight reduction in the scale of the deposits from banks and other financial institutions.

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

Interest expense on placements from banks and other financial institutions increased by 391.8% to RMB88,587 thousand in the Reporting Period from RMB18,014 thousand in the Interim Period of 2016, primarily due to the increase in the scale and average cost of placements from banks and other financial institutions. The average balance of placements from banks and other financial institutions increased by 126.4% to RMB9,134,272 thousand in the Reporting Period from RMB4,033,909 thousand in the Interim Period of 2016, primarily due to placements of foreign currencies with lower cost from banks and other financial institutions resulting from the Bank's need to decrease the funding cost.

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

Interest expense on financial assets sold under repurchase agreements increased by 98.5% to RMB521,925 thousand in the Reporting Period from RMB262,900 thousand in the Interim Period of 2016, primarily due to the increase in the average balance. The average balance of financial assets sold under repurchase agreements increased by 120.9% to RMB29,035,446 thousand in the Reporting Period from RMB13,145,311 thousand in the Interim Period of 2016 and was mainly the Bank's needs for liquidity management.

(5) Interest expense on debt securities issued

In the Reporting Period, the Bank's interest expense on debt securities issued increased by RMB1,224,703 thousand to RMB1,276,937 thousand as compared to the Interim Period of 2016, primarily due to an increase in the Bank's average balance of debt securities issued, partially offset by a decrease in the average cost. The increase in average balance of RMB56,418,556 thousand to RMB57,918,556 thousand in the Reporting Period from RMB1,500,000 thousand in the interim Period of 2016 was mainly attributable to the Bank's issuance of interbank deposit certificates and additional issuance of tier-two capital debts; the decrease in average cost to 4.41% in the Reporting Period from 6.96% in the Interim Period of 2016 was mainly attributable to increase in proportion of short-term interbank deposit certificates with lower cost.

(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 RMB405,092 thousand in the Reporting Period from RMB351,168 thousand in the Interim Period of 2016, primarily because the issuance size of the Bank's wealth management products increased. The average balance of principal-guaranteed wealth management products increased by 39.2% to RMB21,627,039 thousand in the Reporting Period from RMB15,532,754 thousand in the Interim Period of 2016, which was primarily because the Bank issued more principal-protected wealth management products to meet the enlarged demand of customers for investment wealth management.

(7) Interest expense on borrowings from the central bank

During the Reporting Period, interest expense on borrowings from the central bank of the Bank amounted to RMB180 thousand, mainly attributable to the business of the buy-back rediscount which was newly launched in the Reporting Period.

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 decreased to 2.51% in the Reporting Period as compared to 3.49% in the Interim Period of 2016 and the net interest margin decreased to 2.80% in the Reporting Period as compared to 3.78% in the Interim Period of 2016, primarily due to the impacts of interest rate liberalization, the policy on collecting value-added tax in lieu of business tax, slower growth in the macro economy of China and the adjustment in the structure of the industry, etc.

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 amount	Rate of change (%)
	2017	2016		
Fee and commission income				
Agency services fees	175,057	79,433	95,624	120.4
Settlement and clearing fees	157,590	106,753	50,837	47.6
Wealth management service fees	73,696	139,516	(65,820)	(47.2)
Underwriting and advisory fees	40,286	113,632	(73,346)	(64.5)
Bank card service fees	7,555	8,857	(1,302)	(14.7)
Others	1,379	5,258	(3,879)	(73.8)
Subtotal	455,563	453,449	2,114	0.5
Fee and commission expense				
Settlement and clearing fees	30,949	9,474	21,475	226.7
Others	24,047	20,822	3,225	15.5
Subtotal	54,996	30,296	24,700	81.5
Net fee and commission income	400,567	423,153	(22,586)	(5.3)

The Bank's fee and commission income increased to RMB455,563 thousand in the Reporting Period as compared to RMB453,449 thousand in the Interim Period of 2016. During the Reporting Period, the Bank's fee and commission income remained stable as compared to that of the Interim Period of 2016.

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 81.5% to RMB54,996 thousand in the Reporting Period as compared to RMB30,296 thousand in the Interim Period of 2016, primarily due to an increase in the Bank's settlement amounts.

(2) Net trading losses

Net trading losses primarily comprises of net losses 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 RMB45,155 thousand, while for the Interim Period of 2016, the Bank's incurred a net trading loss of RMB1,207 thousand. The increase in the Bank's net trading losses in the Reporting Period was primary due to the fluctuation of the market prices of the bonds held by the Bank.

(3) Net gains arising from investment securities

The Bank incurred a net gain arising from investment securities of RMB17,350 thousand in the Reporting Period, as compared with the net gain arising from investment securities of RMB9,113 thousand in the Interim Period of 2016, mainly attributable to the increase in income from trading bonds by the Bank.

(4) Net foreign exchange (losses)/gains

Net foreign exchange (losses)/gains decreased to a net losses of RMB236,380 thousand in the Reporting Period from a net gains of RMB33,720 thousand in the Interim Period of 2016, as a result of exchange rates fluctuation.

(5) Other net operating income

Other net operating income decreased by 35.0% to RMB9,219 thousand in the Reporting Period from RMB14,186 thousand in the Interim Period of 2016.

6. Operating expenses

In the Reporting Period, the Bank's operating expenses was RMB1,574,069 thousand, representing an increase of RMB231,404 thousand or 17.2% as compared with the corresponding period of 2016.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June		Change in amount	Rate of Change (%)
	2017	2016		
Staff costs	782,150	603,951	178,199	29.5
General and administrative expenses	369,040	335,767	33,273	9.9
Depreciation and amortization	198,722	186,890	11,832	6.3
Tax and surcharges	67,607	215,841	(148,234)	(68.7)
Others	156,550	216	156,334	72,376.9
Total operating expenses	1,574,069	1,342,665	231,404	17.2

(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 (%)
	2017	2016		
Salaries and bonuses	578,368	441,184	137,184	31.1
Staff welfares	30,529	23,789	6,740	28.3
Pension	77,217	58,466	18,751	32.1
Housing allowances	39,241	32,393	6,848	21.1
Supplementary retirement benefits	815	801	14	1.7
Other long-term staff welfares	(1,851)	1,313	(3,164)	(241.0)
Others	57,831	46,005	11,826	25.7
Total staff costs	782,150	603,951	178,199	29.5

In the Reporting Period, the Bank's total staff costs was RMB782,150 thousand, representing an increase of RMB178,199 thousand or 29.5% as compared with the corresponding period of 2016, 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 9.9% to RMB369,040 thousand in the Reporting Period as compared to RMB335,767 thousand in the Interim Period of 2016, 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) Depreciation and amortization

Depreciation and amortization increased by 6.3% to RMB198,722 thousand in the Reporting Period as compared to RMB186,890 thousand in the Interim Period of 2016, primarily due to the increase in depreciation and amortization expenses as a result of an increase in the Bank's properties and equipment and an increase in the rental expenses of the Bank's operating outlets.

(4) Tax and surcharges

The Bank's tax and surcharges decreased by 68.7% to RMB67,607 thousand in the Reporting Period as compared to RMB215,841 thousand in the Interim Period of 2016, 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).

(5) Others

Others significantly increased to RMB156,550 thousand in the Reporting Period from RMB216 thousand in the Interim Period of 2016, mainly attributable to the Bank's increase in donation to third parties in the Reporting Period for the launch of precise poverty alleviation.

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 (%)
	2017	2016		
Impairment losses on loans and advances to customers	1,200,828	1,033,133	167,695	16.2
Impairment losses on debt securities classified as receivables	359,807	424,315	(64,508)	(15.2)
Impairment losses on other assets	54,713	20,196	34,517	170.9
Total	1,615,348	1,477,644	137,704	9.3

Impairment losses on assets increased by 9.3% to RMB1,615,348 thousand in the Reporting Period from RMB1,477,644 thousand in the Interim Period of 2016.

8. Income tax

In the Reporting Period, the Bank's income tax was RMB1,312,916 thousand, representing an increase of RMB80,828 thousand or 6.6% as compared with the Interim Period of 2016. The Bank's actual tax rate was 24.57%, representing an increase of 0.08 percentage point as compared with that of the Interim Period of 2016.

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

As at the end of the Reporting Period and at 31 December 2016, the Bank had a total assets of RMB644,012,574 thousand and RMB539,059,522 thousand, respectively. The principal components of the assets were (i) loans and advances to customers; (ii) investment securities and other financial assets; and (iii) cash and deposits with the central bank, accounting for 28.6%, 58.9% and 7.3% 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 2017		31 December 2016	
	Amount	% of total	Amount	% of total
Assets				
Gross loans and advances to customers	190,333,158	29.5	126,800,083	23.5
Provision for impairment losses				
on loans and advances to customers	(6,041,224)	(0.9)	(4,869,322)	(0.9)
Net Loans and advances to customers	184,291,934	28.6	121,930,761	22.6
Investment securities and other				
financial assets, net ⁽¹⁾	379,230,671	58.9	347,990,616	64.6
Cash and deposits with the central bank	46,824,603	7.3	43,666,527	8.1
Deposits with banks and other				
financial institutions	12,924,381	2.0	8,673,633	1.6
Financial assets held				
under resale agreements	2,067,885	0.3	—	—
Financial lease receivables	4,929,435	0.8	4,615,491	0.9
Other assets ⁽²⁾	13,743,665	2.1	12,182,494	2.2
Total assets	644,012,574	100.0	539,059,522	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 derivative financial assets, interests receivable, property and equipment, deferred tax assets and others.

The Bank's total assets increased by 19.5% from RMB539,059,522 thousand as of 31 December 2016 to RMB644,012,574 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 RMB190,333,158 thousand, representing an increase of 50.1% as compared to that at the end of last year. Total loans and total advances to customers accounted for 29.5% of the Bank's total assets, representing an increase of 6.0 percentage points as compared to that at the end of last year.

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June 2017		31 December 2016	
	Amount	% of total	Amount	% of total
Corporate loans	179,545,041	94.3	117,553,214	92.7
Retail loans	10,022,218	5.3	9,205,425	7.3
Discounted bills	765,899	0.4	41,444	0.0
Total loans and advances to customers	190,333,158	100.0	126,800,083	100.0

The Bank's total loans and advances to customers primarily comprise of corporate loans (including discounted bills) and retail loans. Corporate loans is the largest component of the Bank's loan portfolio. As at the end of the Reporting Period and as of 31 December 2016, the Bank's corporate loans amounted to RMB179,545,041 thousand and RMB117,553,214 thousand, accounting for 94.3% and 92.7% of the Bank's total loans and advances to customers, respectively.

The Bank's corporate loans increased by 52.7% from RMB117,553,214 thousand as of 31 December 2016 to RMB179,545,041 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 outlets by the Bank.

The Bank's retail loans mainly comprise of personal business loans, residential mortgage loans, personal consumption loans, credit card overdrafts and other personal loans. As at the end of the Reporting Period, the balance of retail loans amounted to RMB10,022,218 thousand, representing an increase of RMB816,793 thousand or 8.9% as compared to that at the end of last year. The proportion of the Bank's total loans and advances to customers represented a decrease of 2 percentage points as compared to that at the end of last year.

A. Loans by collateral

As at the end of the Reporting Period and as of 31 December 2016, collateralized loans, pledged loans and guaranteed loans represented, in the aggregate, 93.3% and 96.2% respectively of the Bank's total loans and advances to customers. If a loan is secured by more than one form of security interest, the entire amount of such loan will be allocated to the category representing the primary form of security interest. The table below sets forth the distribution of the Bank's loans and advances to customers by the type of collateral as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June 2017		31 December 2016	
	Amount	% of total	Amount	% of total
Unsecured loans	12,760,451	6.7	4,788,651	3.8
Guaranteed loans	77,370,585	40.7	45,951,515	36.2
Collateralized loans	61,122,299	32.1	56,164,010	44.3
Pledged loans	39,079,823	20.5	19,895,907	15.7
Total loans and advances to customers	190,333,158	100.0	126,800,083	100.0

As at the end of the Reporting Period, the balance of the Bank's loans secured by mortgages and pledges amounted to RMB100,202,122 thousand, representing an increase of RMB24,142,205 thousand or 31.7% as compared to that as at 31 December 2016, accounting for 52.6% of the Bank's total loans and advances to customers. The balance of unsecured and guaranteed loans was RMB90,131,036 thousand, representing an increase of RMB39,390,870 thousand as compared to that as at 31 December 2016, accounting for 47.4% of the Bank's total loans and advances to customers.

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

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June 2017	31 December 2016
As at the beginning of the period	4,869,322	3,861,204
Charge for the period/year	1,300,836	1,351,168
Release for the period/year	(100,008)	(197,744)
Recoveries for the period/year	1,849	2,051
Unwinding of discount for the period/year	(30,775)	(35,907)
Disposal for the period/year	—	(111,450)
As at 30 June/31 December	6,041,224	4,869,322

Provision for impairment losses on loans increased by 24.1% from RMB4,869,322 thousand as at 31 December 2016 to RMB6,041,224 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 and the increase in loan size.

(2) Investment securities and other financial assets

Investment securities and other financial assets consist of debt investments, equity investments, investments in 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 at 31 December 2016, the Bank had investment securities and other financial assets, net of RMB379,230,671 thousand and RMB347,990,616 thousand, accounting for 58.9% and 64.6% of the Bank's total assets, respectively.

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June 2017		31 December 2016	
	Amount	% of total	Amount	% of total
Debt investments	55,481,884	14.6	45,162,404	12.9
Held-to-maturity investments	8,485,982	2.2	10,436,027	3.0
Available-for-sale debt investments	45,003,173	11.9	34,664,662	9.9
Debt securities held for trading	1,992,729	0.5	61,715	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	22,805,229	6.0	21,089,421	6.1
Debt securities classified as receivables	300,885,308	79.4	281,680,541	81.0
Investments in wealth management products of financial institutions	203,261	0.1	200,088	0.1
Net beneficial interest transfer plans	303,132,972	79.9	283,571,571	81.5
Provision for impairment losses on debt securities classified as receivables	(2,450,925)	(0.6)	(2,091,118)	(0.6)
Net investments	379,230,671	100.0	347,990,616	100.0

As at the end of the Reporting Period, the Bank's investment securities and other financial assets, net amounted to RMB379,230,671 thousand, representing an increase of 9.0% from RMB347,990,616 thousand as at 31 December 2016. 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 2016, the Bank's total liabilities amounted to RMB598,396,207 thousand and RMB496,165,210 thousand, respectively. The Bank's liabilities mainly comprises (i) deposits from customers; (ii) deposits from banks and other financial institutions; and (iii) debt securities issued, accounting for 52.2%, 22.6% and 13.2% 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 at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June 2017		31 December 2016	
	Amount	% of total	Amount	% of total
Deposits from customers	312,060,261	52.2	262,969,211	53.0
Deposits from banks and other financial institutions	135,240,853	22.6	131,028,453	26.4
Financial assets sold under repurchase agreements	21,659,510	3.6	35,164,192	7.1
Debt securities issued	79,074,662	13.2	30,223,286	6.1
Placements from banks and other financial institutions	12,010,948	2.0	3,866,521	0.8
Financial liabilities at fair value through profit or loss	22,714,452	3.8	20,986,772	4.2
Other liabilities ⁽¹⁾	15,635,521	2.6	11,926,775	2.4
Total	598,396,207	100.0	496,165,210	100.0

Note: (1) Include borrowings from the central bank, derivative financial liabilities, accrued staff cost, taxes payable, interests payable and others.

(1) Deposits from customers

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

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June 2017		31 December 2016	
	Amount	% of total	Amount	% of total
Corporate deposits				
Time deposits	47,033,669	15.1	52,522,396	20.0
Demand deposits	132,715,760	42.5	115,711,642	44.0
Subtotal	179,749,429	57.6	168,234,038	64.0
Retail deposits				
Time deposits	15,369,697	4.9	12,855,119	4.9
Demand deposits	116,941,135	37.5	81,880,054	31.1
Subtotal	132,310,832	42.4	94,735,173	36.0
Total	312,060,261	100.0	262,969,211	100.0

As at the end of the Reporting Period, the Bank's total deposits from customers amounted to RMB312,060,261 thousand, representing an increase of RMB49,091,050 thousand or 18.7% as compared to that at the end of last year. Deposits from customers accounted for 52.2% of total liabilities, representing a decrease of 0.8 percentage point as compared to that at 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

On 24 January 2014, the Bank issued the fixed rate tier-two capital debts in an aggregate principal amount of RMB1,500 million. The debts has a term of ten years and coupon rate of 7.00%. The Bank has an option to redeem the debts at the nominal amount on 28 January 2019.

On 26 December 2016, the Bank issued the fixed rate tier-two capital debts in an aggregate principal amount of RMB2,500 million. The debts has a term of ten years and coupon rate of 4.30%. The Bank has an option to redeem the debts at the nominal amount on 27 December 2021.

As at the end of the Reporting Period, the fair value of the above payable tier-two capital debts was RMB4,065 million.

As at the end of the Reporting Period, the Bank issued 162 interbank deposit certificates (issued in the market which are not matured yet) with an aggregate amount of RMB75,080 million. As at the end of the Reporting Period, the fair value of the above interbank deposit certificates was RMB75,123 million.

3. Shareholders' equity

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

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June 2017		31 December 2016	
	Amount	% of total	Amount	% of total
Share capital	6,781,616	14.9	6,781,616	15.8
Capital reserve	13,987,825	30.7	14,240,795	33.2
Surplus reserve	2,101,109	4.6	2,101,109	4.9
General reserve	7,225,282	15.8	7,225,282	16.8
Retained earnings	11,660,183	25.5	8,686,628	20.3
Non-controlling interests	3,860,352	8.5	3,858,882	9.0
Total equity	45,616,367	100.0	42,894,312	100.0

(III) Loan Quality Analysis

1. Breakdown of loans by the Five-Category Classification

The following table sets forth each categories 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 RMB2,011,525 thousand and the Bank's total provision for impairment losses on loans to customers was RMB6,041,224 thousand. The following table sets forth the distribution of the Bank's loans and advances to customers by the fivecategory loan classification as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June 2017		31 December 2016	
	Amount	% of total	Amount	% of total
Pass	181,416,773	95.3	120,769,380	95.3
Special mention	6,904,860	3.6	4,582,785	3.6
Substandard	1,323,893	0.7	751,542	0.6
Doubtful	396,457	0.2	409,402	0.3
Loss	291,175	0.2	286,974	0.2
Total loans and advances to customers	190,333,158	100.0	126,800,083	100.0
Non-performing loan	2,011,525	1.06	1,447,918	1.14

As at the Reporting Period and as at 31 December 2016, the non-performing loan ratios of the Bank were 1.06% and 1.14%, respectively. The Bank's non-performing loan ratio as at the end of the Reporting Period is 0.08 percentage point slightly lower as compared to that at the end of 2016, 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 postloan inspections and the collection of non-performing loans, effectively control the occurrence of non-performing loans, and decline in non-performing rate of the Bank as a result of the expansion of the scale of loans.

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 2017				31 December 2016			
	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	79,163,857	41.6	492,333	0.62	39,985,815	31.5	357,080	0.89
Manufacturing	41,481,231	21.8	998,948	2.41	37,272,136	29.4	829,449	2.23
Real estate	15,349,335	8.1	12,243	0.08	13,774,113	10.9	12,243	0.09
Leasing and commercial services	9,803,773	5.1	9,960	0.10	6,426,944	5.1	1,712	0.03
Public management and social organization	6,149,410	3.2	—	—	242,750	0.2	2,000	0.82
Transportation, storage and postal services	5,831,943	3.1	7,030	0.12	2,802,067	2.2	8,000	0.29
Education	5,124,352	2.7	1,640	0.03	3,213,742	2.5	1,640	0.05
Electricity, gas and water production and supply	2,315,102	1.2	—	—	3,822,215	3.0	—	—
Agriculture, forestry, animal husbandry and fishery	2,311,528	1.2	29,095	1.26	1,534,475	1.2	17,396	1.13
Mining	1,877,401	1.0	8,282	0.44	1,801,952	1.4	8,282	0.46
Construction	1,701,187	0.9	9,497	0.56	1,647,035	1.3	4,145	0.25
Water, environment and public utility management	1,039,170	0.5	—	—	1,352,440	1.1	—	—
Others	7,396,752	3.9	85,802	1.16	3,677,530	2.9	9,800	0.27
Discounted bills	765,899	0.4	—	—	41,444	—	—	—
Retail loans	10,022,218	5.3	356,695	3.56	9,205,425	7.3	196,171	2.13
Total	190,333,158	100.0	2,011,525	1.06	126,800,083	100.0	1,447,918	1.14

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 at 31 December 2016, the balance of loans provided to the corporate customers in these four industries were RMB145,798,196 thousand and RMB97,459,008 thousand, respectively, accounting for 81.2% and 82.9% 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 and public and social organizations experienced the largest increment. The increased quantity and increment were respectively as follows: RMB39,178,042 thousand, 98.0% and RMB5,906,660 thousand, 2,433.2%.

(2) Borrower concentration**A. Indicators of concentration**

Major regulatory indicators	Regulatory standard	30 June	31 December
		2017 % of the total	2016 % of the total
Loan concentration ratio for the largest single customer	<=10%	5.68	4.23
Loan concentration ratio for the top ten customers	<=50%	45.50	39.92

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 at the same date, all such loans were classified as pass loans.

(Expressed in thousands of Renminbi, unless otherwise stated)		30 June 2017	
Customer	Industry involved	Amount	% of total
Customer A	Scientific research and technical services	2,850,000	1.5
Customer B	Manufacturing	2,700,000	1.4
Customer C	Manufacturing	2,500,000	1.3
Customer D	Manufacturing	2,400,000	1.3
Customer E	Transportation, storage and postal services	2,393,000	1.3
Customer F	Wholesale and retail trade	2,000,000	1.1
Customer G	Real estate	2,000,000	1.1
Customer H	Wholesale and retail trade	2,000,000	1.1
Customer I	Wholesale and retail trade	2,000,000	1.1
Customer J	Wholesale and retail trade	2,000,000	1.1
Total		22,843,000	12.3

(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 2017			31 December 2016		
	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	87,219,142	797,252	0.91	61,043,560	537,109	0.88
Medium Enterprises	57,544,433	453,661	0.79	31,158,505	430,161	1.38
Others	34,781,466	403,917	1.16	25,351,149	284,477	1.12
Subtotal	179,545,041	1,654,830	0.92	117,553,214	1,251,747	1.06
Discounted bills	765,899	—	—	41,444	—	—
Retail loans						
Personal business loans	8,455,335	352,587	4.17	7,896,779	191,647	2.43
Personal consumption loans	546,872	2,482	0.45	478,483	3,213	0.67
Residential mortgage loans	905,439	291	0.03	723,439	291	0.04
Credit card overdrafts	114,049	892	0.78	106,243	539	0.51
Others	523	443	84.70	481	481	100.00
Subtotal	10,022,218	356,695	3.56	9,205,425	196,171	2.13
Total	190,333,158	2,011,525	1.06	126,800,083	1,447,918	1.14

The non-performing loan ratio, representing non-performing loans divided by the Bank's total loans and advances to customers, was 1.06% as at the end of the Reporting Period and 1.14% as at 31 December 2016.

As at the end of the Reporting Period and as at 31 December 2016, the non-performing loan ratio of the Bank's corporate loans (including discounted bills) was 0.92% and 1.06%, respectively.

As at the end of the Reporting Period and as at 31 December 2016, the non-performing loan ratio of the Bank's retail loans was 3.56% and 2.13%, respectively.

(4) Overdue loans and advances to customers

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

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June 2017		31 December 2016	
	Amount	% of total	Amount	% of total
Overdue within 3 months	2,515,313	41.6	700,660	13.7
Overdue more than 3 months to 6 months	1,648,575	27.3	2,034,531	39.9
Overdue more than 6 months to 1 year	411,262	6.8	1,071,518	21.0
Overdue more than 1 year	1,466,650	24.3	1,297,004	25.4
Total overdue loans and advances to customers	6,041,800	100.0	5,103,713	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 9.18% and 9.19%, respectively, 0.61 percentage point lower than those as at 31 December 2016; the capital adequacy ratio was 10.97%, 0.65 percentage point lower than that as at 31 December 2016.

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 2017	31 December 2016
Total core tier-one capital		
– Share capital	6,781,616	6,781,616
– Qualifying portion of capital reserve	13,987,825	14,240,795
– Surplus reserve	2,101,109	2,101,109
– General reserve	7,225,282	7,225,282
– Retained earnings	11,660,183	8,686,628
– Qualifying portions of non-controlling interests	415,295	1,057,708
Core tier-one capital deductions		
– Other intangible assets other than land use right	(160,283)	(148,166)
Net core tier-one capital	42,011,027	39,944,972
Other tier-one capital	55,373	38,102
Net tier-one capital	42,066,400	39,983,074
Tier-two capital		
– Instruments issued and share premium	4,000,000	4,000,000
– Surplus provision for loan impairment	4,029,700	3,311,404
– Qualifying portions of non-controlling interests	110,745	86,576
Net capital base	50,206,845	47,381,054
Total risk weighted assets	457,771,084	407,922,931
Core tier-one capital adequacy ratio	9.18%	9.79%
Tier-one capital adequacy ratio	9.19%	9.80%
Capital adequacy ratio	10.97%	11.62%

(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 classify the Bank's business in the PRC into the following three major geographical regions:

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

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

Northern China Region: Beijing branch and Tianjin branch.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2017		2016	
	Amount	% of total	Amount	% of total
Operating Income				
Jinzhou Region	6,174,107	72.3	5,527,048	70.4
Northeastern Region	1,065,330	12.5	816,783	10.4
Northern China Region	1,292,940	15.2	1,506,806	19.2
Total	8,532,377	100.0	7,850,637	100.0

2. Summary of Business Segments

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 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			
	2017		2016	
	Amount	% of total	Amount	% of total
Operating income				
Corporate banking	2,736,426	32.1	2,618,877	33.4
Retail banking	662,072	7.8	604,172	7.7
Treasury business	5,164,700	60.5	4,612,943	58.7
Others and unallocated items	(30,821)	(0.4)	14,645	0.2
Total	8,532,377	100.0	7,850,637	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 2017	31 December 2016
Acceptances	86,110,270	78,222,618
Letters of credit	18,202,385	18,272,197
Letters of guarantees	7,832,061	9,446,624
Loan commitments	7,391,292	3,537,196
Credit card commitments	740,689	667,338
Subtotal	120,276,697	110,145,973
Operating lease commitments	519,738	508,552
Capital commitments	352,076	615,127
Subtotal	871,814	1,123,679
Total	121,148,511	111,269,652

II. Business Overview

(I) Corporate banking

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June		Rate of Change (%)
	2017	2016	
External net interest income	1,883,242	2,197,274	(14.3)
Internal net interest income	566,113	179,388	215.6
Net interest income	2,449,355	2,376,662	3.1
Net fee and commission income	310,728	214,022	45.2
Other operating (expense)/income	(23,657)	28,193	(183.9)
Impairment losses on assets	(1,232,093)	(1,033,597)	19.2
Operating expenses	(721,833)	(633,653)	13.9
Profit before tax	782,500	951,627	(17.8)
Depreciation and amortization	(91,129)	(88,186)	3.3
Capital expenditure	147,541	286,974	(48.6)

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June	31 December	Rate of Change (%)
	2017	2016	
Segment assets	180,602,429	119,894,847	50.6
Segment liabilities	192,522,297	190,106,923	1.3

1. Corporate deposits

As at the end of the Reporting Period, total corporate deposits (in local and foreign currencies) amounted to RMB179,749,429 thousand, representing an increase of RMB11,515,391 thousand or 6.8% as compared to the end of the previous year, in which, corporate demand deposits amounted to RMB47,033,669 thousand, accounting for 26.2%; corporate time deposits amounted to RMB132,715,760 thousand, accounting for 73.8%.

Revolving around deployments of China's development strategy, the Bank played the role of serving the real economy of the service, assisted the supply-side structural reforms and implemented the regulatory guidance. The Bank adapted to the development trend of macroeconomic and financial markets, formulated and fully achieved the Bank's strategic objectives of characteristic development. The Bank satisfied clients' investment and financing needs by improving the platform and products of financial services, achieving rapid growth in customer base and all business segments. The scale of the deposits taken by the Bank increased compared with last year. Structure and stability of the deposits taken by the Bank were further optimized. This was beneficial to promoting the sustained and healthy development of the Bank.

2. Corporate loans

As at the end of the Reporting Period, corporate loans of the Bank (excluding discount) amounted to RMB179,545,041 thousand, increased by RMB61,991,827 thousand or 52.7% as compared to the end of the previous year. During the Reporting Period, the Bank adhered to the development concept of "Innovation, Coordination, Green, Openness and Share", conscientiously implemented national policies and made dedicating efforts to support supply-side structural reforms. The Bank also increased efforts on serving the real economy, promoting the structural reform of the supply side, increased the service to the real economy, monitored the key areas of "Made in China 2025" and developed green finance vigorously. The Bank increased investment resources for loans to small and micro enterprises, and innovation and entrepreneurship, implemented differentiated credit management and resolutely restricted industries with high pollution and high energy consumption, and excessive capacity. The Bank offered financing support to the transformation and upgrading of the enterprises with excessive capacity. During the Reporting Period, loans for the wholesale and retail industries, manufacturing industry and real estate industry of the Bank increased by RMB39,178,042 thousand, RMB4,209,095 thousand and RMB1,575,222 thousand, respectively.

3. Discounted bills

During the Reporting Period, on the basis of an overall balance among the asset scale, liquidity, returns and risks, the Bank flexibly regulated and controlled scale, optimized structure and improved comprehensive returns on the Bank's assets. As at the end of the Reporting Period, discounted bills of the Bank amounted to RMB765,899 thousand, increased by RMB724,455 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 Reporting Period, in respect of our international business, the Bank adhered to clients' demand-oriented, made efforts to promote distinctive foreign currency deposits such as "Youyuebao (悠悦寶)" and agreement deposits, expanding the channels of foreign currency funds. The Bank enhanced the marketing of fee-and commission-based businesses such as international settlement and foreign exchange sale and purchase to increase income from fee-and commission-based businesses. The Bank paid more attention to compliance with operation, reinforced the efforts on anti-money laundering of our international business and uploaded the monitoring system of anti-money laundering of our international business online; meanwhile, by leveraging the license for derivatives obtained by the Bank, foreign exchange and gold derivatives trading business were commenced.

During the Reporting Period, the international business of the Bank had maintained a steady growth. The Bank's international settlement volume amounted to US\$3.566 billion, basically the same as compared to the previous year. Foreign exchange deposits balance amounted to US\$1.129 billion, representing a year-on-year increase of 118.9% and an increase of 148.0% as compared to the end of the previous year. The settlement and sales of foreign exchange amounted to US\$2.158 billion, representing a year-on-year increase of 86.1%. Foreign exchange transaction volume (inclusive of foreign exchange derivative transaction) amounted to US\$6.608 billion, representing an increase of 34.2% as compared to the previous year. Gold transaction volume (inclusive of gold derivative transaction) amounted to RMB6.190 billion, representing an increase of 7.8% as compared to the previous year, and achieved good economic benefits; agency network covered over 70 countries and regions and the number of agency banks was 531.

(II) The “Three Basis & Three Smalls (三基三小)” Business**1. Overview of the “Three Basis & Three Smalls” business**

During the Reporting Period, the Bank continued adhering to the market positioning based on “Three Basis & Three Smalls (三基三小)” (“Three Basis” means “basic accounts, basic customer base and basic settlement volume” and “Three Smalls” means “small enterprises, small shops and small retail stalls”). Based on the objectives of “regulatory management, risk prevention and control, structural adjustment, expansion of customer base, online deployment”, 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 RMB9,662,458 thousand, number of customers of “Three Smalls” loans amounted to 10,650 accounts, representing 89.33% of the accounts of total loans (excluding subsidiaries). The “Three Basis” business maintained its good development momentum, the number of settlement accounts amounted to 68,100 accounts, increased by 3,747 accounts as compared to the end of the previous year. The coverage of integrated financial services for “Three Smalls” customers was increasing continuously.

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

- (1) Optimizing credit asset structure. The Bank formulated the credit assessment guidelines on the “Three Smalls” business according to the situation of macroeconomic development and adjustment to the industrial policy of national industries. The Bank gave priority to the development of personal consumption loans, combined it with business authorization, guided reasonably the direction of the development of the additional “Three Smalls” business and successively withdrew from various guarantee business which were of high risks and weak guarantee, such as joint guarantee, mutual insurance and allopatric insurance. As at the end of the Reporting Period, the balance of consumption loans to the “Three Smalls” amounted to RMB1,166,274 thousand, representing an increase of 29.81% as compared to the end of the previous year. The proportion of the Bank’s loans secured by mortgages and pledges increased by 3.58% when compared with the end of the previous year; the coverage ratio of the Bank’s loans secured by mortgages and pledges amounted to 79.17% which decreased the loss given default and increased the Bank’s capability of mitigating risks.
- (2) Strengthening risk management and control ability comprehensively. According to the level of risk management of institutions, the Bank achieved authorization management of dynamic business, implemented the hierarchical management of asset quality, set objectives of control, conducted multi-dimensional performance appraisal. The Bank set the additional incentive conditions of the quality of asset to enhance control efforts on the basis of total control. The Bank refined the monitoring indicators, increased the frequency of asset monitoring, improved the risk prevention and control efficiency, easing the downward pressure of credit asset quality of “Three Smalls”.

- (3) Layout of the online system to promote innovation of product. The Bank carried out the staged development of the project "mobile loan" to promote system upgrades and optimization. Its online will be achieved during the year. The credit business of "Three Smalls" will achieve the whole process line at that time. The Bank will develop the plan of "high-quality buy, take-out business promotion program" for high-quality Wechat operator, network operators, group-buy operators to promote "loans of group-buy and take-away". The Bank was to deploy the customer base of testing water line and batches of business operations. The Bank relied on customer relationship management system (CRM system) to store information of the industry. The Bank used analysis technology of Big data for the re-authentication of the existing customer and new authentication credit of potential customers; the Bank explored and made research on products of "salary loans", "VIP customer credit" to promote consumer credit business.
- (4) Localization of credit technology of "Three small". The Bank fully combined the small micro-credit technology in German with the business experience of the Bank to extract the "quantitative verification" and "restore of statements" as the core of the credit technology of "Three Smalls". Supported by the credit materials of "Three Smalls", the Bank implantated the key points of technology, consolidated the technical support to the business operations to provide technical support, comprehensively improving the customer manager's capacity in the business of "Three Smalls".

(III) Retail Banking Business

During the Reporting Period, 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.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June		Rate of Change (%)
	2017	2016	
External net interest expense	(1,855,417)	(861,736)	115.3
Internal net interest income	2,467,741	1,371,541	79.9
Net interest income	612,324	509,805	20.1
Net fee and commission income	49,909	94,328	(47.1)
Other operating (expense)/income	(161)	39	(512.8)
Impairment losses on assets	(23,448)	(19,732)	18.8
Operating expenses	(364,448)	(270,897)	34.5
Profit before tax	274,176	313,543	(12.6)
Depreciation and amortization	(46,011)	(37,707)	22.0
Capital expenditure	74,492	122,706	(39.3)

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June	31 December	Rate of Change (%)
	2017	2016	
Segment assets	10,403,551	9,325,590	11.6
Segment liabilities	142,896,124	100,056,009	42.8

1. Retail Deposits

In 2017, the Bank offered a more flexible personalized product to retail customers in the fixed-rate floating range. The Bank made the pre-interest savings product of "interest comes first" (利先得) online and maximized customer returns through product mix to attract more customers and more stable deposit. While developing and promoting new products, the Bank introduced new marketing through the rich and colorful marketing activities to go into the market, explore and meet customer needs, enhancing customer stickiness. As at the end of the Reporting Period, the balance of the Bank's retail deposits amounted to RMB132,310,832 thousand, representing an increase of RMB37,575,659 thousand, or 39.7% as compared to the end of the previous year. The deposits of retail showed a rapid growth momentum.

2. Retail Loans

During the Reporting Period, the Bank strengthened marketing for retail loans. Considered the group customer and batch customer as the highlight, the Bank transformed its business towards batch business, focused on the development of consumer loans, mortgage loans and poverty alleviation loans and increased the weight of assessment; the Bank broadened the scope of consumer loan use, increased new consumer loan use on education, study, wedding, tourism and others. It launched exclusive consumer credit products for “Three Small” “Convenient and Easy Loan”(捷易貸), “green credit”(環保貸) which was based on supply lines, “salary loans”(薪金貸) of which the research and development was based on internal data. These were to improve the access rate of internal customer. As at the end of the Reporting Period, retail loans of the Bank comprising personal business loans, personal consumption loans, residential mortgage loans, credit card overdrafts amounted to RMB10,022,218 thousand, of which personal business loans amounted to RMB8,455,335 thousand, personal consumption loans amounted to RMB546,872 thousand and residential mortgage loans amounted to RMB905,439 thousand.

As at the end of the Reporting Period, the total amount of credit card facilities of the Bank amounted to RMB855,243 thousand facilities, increased by RMB81,623 thousand or 10.6% as compared to that at the end of last year.

3. Bank Cards

The Bank continued to enhance product and business innovation, and continuously optimized the ETC business function of the expressway; launched a small amount of bank card visa-free business; launched platinum credit card products to meet the diverse needs of customers; the Bank realized Baidu wallet payment (百度錢包支付), Lakala offline repayment(拉卡拉線下還款) and other business functions on the basis of Jingdong payment (京東支付), Alipay(支付寶) and Tenpay(財付通). The Bank strived to provide customers with more convenient, efficient and safe products and services. As at the end of the Reporting Period, the Bank’s issuance of bank cards increased steadily, with a total of 5.0879 million of debit cards issued, representing an increase of 198,600 compared to that at the end of last year. Credit card issuance volume increased rapidly with the cumulative issue of credit cards of 50,216, representing an increase of 9,578 compared to that at the end of last year.

4. Wealth Management

During the Reporting Period, the Bank’s retail banking business adhered to customer demand as the main line, with customers and sales as the main line, and constantly opened up and optimized product innovation, improved service system, consolidated customer base, enhanced business scale and accelerated the development of retail business development. The trend of business development was fine. As at the end of the Reporting Period, the number of retail customers amounted to 4.979 million, representing an increase of 137,600 or 2.8% compared with the end of last year. The number of VIP customers was 145,200, representing an increase of 26,400 or 22.2% compared with the end of last year. Among the VIP customers, the number of Gold class customers, Violet Gold class customers, Platinum customers and Black Gold class customers were 99,572, 38,517, 6,345 and 782 respectively. As at the end of the Reporting Period, the Bank issued financial products of RMB43,934 million and RMB43,319 million was paid. The balance of effective wealth management products was RMB61,584 million, representing an increase of RMB615 million as compared with the end of last year.

(IV) Treasury Business

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June		Rate of Change (%)
	2017	2016	
External net interest income	8,358,951	6,036,134	38.5
Internal net interest expense	(3,033,854)	(1,550,929)	95.6
Net interest income	5,325,097	4,485,205	18.7
Net fee and commission income	39,930	114,803	(65.2)
Net trading loss	(45,155)	(1,207)	3,641.1
Net gains arising from investment securities	17,350	9,113	90.4
Other operating (expense)/income	(172,522)	5,029	(3,530.5)
Impairment losses on assets	(359,807)	(424,315)	(15.2)
Operating expenses	(331,223)	(437,845)	(24.4)
Profit before tax	4,473,670	3,750,783	19.3
Depreciation and amortization	(41,816)	(60,960)	(31.4)
Capital expenditure	67,701	198,372	(65.9)

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June	31 December	Rate of Change (%)
	2017	2016	
Segment assets	443,056,215	400,735,204	10.6
Segment liabilities	257,354,276	201,562,894	27.7

1. Money Market Transactions

During the Reporting Period, the overall capital side showed the status of tight balance. The interest rate of the money market shifted up. Based on the anticipated prediction of the interest rate trend, the Bank allocated funds flexibly with reasonable arranged financing maturities, improving the efficiency of the use of funds on the prerequisite of ensuring the safety of the Bank. As at the end of the Reporting Period, the balance of financial assets held under resale agreements amounted to RMB2.068 billion and the balance of financial assets sold under repurchase agreements amounted to RMB21.660 billion.

2. Investments in Securities and Other Financial Assets

During the Reporting Period, in the regulatory background of “deleveraging and risk prevention”, the bond market yields higher than the same period of the last year. Under the premise of ensuring the risk prevention, the Bank can shorten the leverage period in a timely manner and control the leverage ratio of the bond investment in order to ensure the liquidity and security of the bond portfolio.

(1) Securities investment by holding purpose

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2017		As at 31 December 2016	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Financial assets at fair value through profit or loss	24,797,958	6.5	21,151,136	6.1
Available-for-sale financial assets	45,061,423	11.9	34,722,912	10.0
Held-to-maturity investment	8,485,982	2.2	10,436,027	3.0
Debt securities classified as receivables	300,885,508	79.4	281,680,541	80.9
Total	379,230,671	100.0	347,990,616	100.0

(2) Securities investment by remaining maturity

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2017		As at 31 December 2016	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Indefinite	2,253,907	0.6	58,250	0.0
Repayable on demand	—	—	1,926,545	0.6
Within three months	40,298,630	10.6	32,047,295	9.2
Between three months and one year	97,401,656	25.7	87,264,452	25.1
Between one year and five years	230,514,453	60.8	216,482,034	62.2
More than five years	8,762,025	2.3	10,212,040	2.9
Total	379,230,671	100.0	347,990,616	100.0

(3) Holding of state bonds

As at the end of the Reporting Period, the balance of nominal value of the state bonds held by the Bank amounted to RMB4.73 billion. The table below sets out the top ten state bonds with the highest nominal value held by the Bank as at the end of the Reporting Period.

Name of Bonds (Expressed in thousands of Renminbi, unless otherwise stated)	Nominal value	Interest rate per annum (%)	Maturity date
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
17 Coupon-bearing Bonds 04	420,000	3.40	9 February 2027
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

(4) Holding of financial bonds

As at the end of the Reporting Period, the balance of nominal value of the financial bonds (mainly financial bonds issued by policy banks) held by the Bank amounted to RMB41.95 billion. The table below sets out the top ten financial bonds with the highest nominal value held by the Bank as at the end of the Reporting Period.

Name of Bonds (Expressed in thousands of Renminbi, unless otherwise stated)	Nominal value	Interest rate per annum (%)	Maturity date
16 Nong Fa 20	5,000,000	2.79	27 July 2019
16 Nong Fa 15	4,500,000	3.08	22 April 2019
17 Nong Fa 07	4,000,000	3.98	19 April 2020
17 Jin Chu 07	2,500,000	4.37	15 May 2020
16 Jin Chu 01	2,000,000	2.82	22 February 2019
16 Jin Chu 07	1,500,000	2.76	11 July 2019
16 Jin Chu 13	1,500,000	2.80	7 November 2019
16 Nong Fa 02	1,500,000	2.77	6 January 2019
17 Jin Chu 05	1,500,000	3.89	10 April 2020
17 Nong Fa 02	1,500,000	3.54	6 January 2020

3. Wealth Management Business

As at the end of the Reporting Period, the balance of the Bank's effective wealth management products amounted to RMB61.584 billion, representing an increase of RMB615 million or 1.0% as compared to the end of the previous year. Among them, the balance of the principal-guaranteed financial management amounted to RMB38.244 billion (including structured deposits) and the balance of non-principal-guaranteed finance amounted to RMB23.34 billion. During the Reporting Period, the Bank added a total of 404 wealth management products, amounting to RMB43.934 billion. 383 wealth management products of the Bank matured with an amount of RMB43.319 billion. There were mainly four series of wealth management products, namely "Chuangying (創贏)", "Chuangfu (創富)", "Jinxiu (錦繡)" and "Tiantianshang (天天上)". During the Reporting Period, our wealth management business recorded stable profit growth with increasingly improved investment channels, a more rational investment mix and wider product varieties. The Bank basically met the diversified financial needs of customers. The payment of the financial products achieved the expected rates of return. There was no customer complaints.

For asset allocation, the Bank strictly abided by the relevant provisions of the regulatory authorities, carried out a good job of non-standard asset allocation management work. As at the end of the reporting period, the total allocation of non-standard asset amounted to RMB12.169 billion, accounting for approximately 19.8% of the balance of investment on financial products and 2.3% of the total assets for the end of 2016. Both of them were in line with the regulatory requirements.

On 7 July, 2017, the Bank was granted "2017 Chinatown Firm (Agricultural Commercial Bank) Financial Brand Jun Ding Award" (2017中國城商行(農商行)理財品牌君鼎獎) and "2017 China's Steady Income Bank Financial Management Product Jun Ding Award" (2017中國穩健收益型銀行理財產品君鼎獎) in the activities of the "2017 China Wealth Management Agency Jun Ding Award" (2017年中國財富管理機構君鼎獎). According to the Bank Financial Capability Ranking Report published in the second quarter of 2017 by PY Standard(普益標準), the Bank's financial management capacity, profitability, ability of risk control, richness of financial product and norms of information disclosure are among the best in the national urban commercial banks. The Bank ranked 1st in the regional banks of Liaoning province for the comprehensive financial management capacity.

4. Interbank Business

The interbank business focuses on full-scale implementation of big asset management, with a proper presence in bills, interbank certificate of deposit, interbank deposit and interbank investment, and engages in asset securitization and bonds issuance. As at the end of the Reporting Period, our deposit with banks and other financial institutions amounted to RMB12.924 billion, and our deposits from banks and other financial institutions amounted to RMB135.241 billion. During the Reporting Period, we issued and not yet due 162 interbank certificates of deposit in total, with book balance of RMB75.080 billion.

5. Investment Business

During the Reporting Period, the investment banking business adhered to the service concept of "serving the community and benefiting the public". Guided by the operation of compliance, it refined the business functions, enriched product system, and constantly expanded the financing channels of customers to meet the diversified financing needs of customers. As at the end of the Reporting Period, the net amount of debt securities classified as receivables was RMB300,885 million.

(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". As at the end of the Reporting Period, the Bank had a total of 203 outlets (excluding those of our subsidiaries). In addition to the headquarters, we had 14 branches, 187 sub-branches and 1 specialized institution in total, which were distributed mainly over provinces and cities such as Beijing, Tianjin, Harbin and Liaoning.

2. Self-service Banking

As at the end of the Reporting Period, the Bank (excluding subsidiaries) had 8 self-service banking, 105 self-service zones, and 690 self-service machines, including 508 ATMs, increased by 30 as compared to the end of the previous year, and the accumulated number of transactions reached 5.0930 million transactions; 112 multi-media enquiry machines, increase by 6 as compared to the end of the previous year, and the accumulated number of transactions reached 290,000 transactions; 70 self-service card issuing machines, increased by 19 as compared to the end of the previous year, and the accumulated number of transactions reached 17,741 transactions.

To further enrich the Bank's self-service function and improve customer's satisfaction and experience, the Bank added a non-access function, Apple Pay payment, self-service refunded card and 24 hours service of the business of cancelling the business to automated teller machine. Meanwhile, the self-service card machine was added new functions of detailed inquiries, information maintenance, contracting of telephone banking, contracting of online banking, contracting of Dinghuobao (定活宝) and activation of credit card.

3. Electronic Banking

The Bank developed comprehensively e-banking service system combining online banking, mobile banking, WeChat banking, telephone banking and Internet finance to strengthen the operation and management of electronic channels. The Bank took the customer experience and customer demand as the starting point and constantly improved the business functions. The Bank achieved the significant increase in the number of electronic banking customers, business scale and influence of brand.

(1) Online Banking

The Bank continued to expand and improve its online banking functions. As at the end of the Reporting Period, the total number of online banking customers of the Banks amounted to 253,300 accounts, increased by 21.6% on a year-on-year basis. During the Reporting Period, the number of transactions of online banking of the Bank reached 3.8394 million transactions, increased by 57.4% on a year-on-year basis; the transaction volume amounted to RMB1,051.958 billion, increased by 60.4% on a year-on-year basis.

Enterprises online banking grew rapidly comprehensively. The customer base continued to be consolidated and the efficiency of channel continued to improve. As at the end of the Reporting Period, the number of enterprises online banking customers amounted to 25,900 accounts, increased by 30.8% on a period-on-period basis. During the Reporting Period, the number of transactions reached 922,900 transactions, increased by 29.7% on a year-on-year basis; the transaction volume amounted to RMB952.314 billion, increased by 67.4% on a year-on-year basis.

Personal online banking kept introducing new products, enriching business functions. There was steady growth of customer base and customer transactions continued to increase. As at the end of the Reporting Period, the number of personal online banking customers reached 227,400 accounts, increased by 20.6% on a period-on-period basis. During the Reporting Period, the number of transactions reached 2.9165 million transactions, increased by 68.7% on a year-on-year basis, the value of transactions amounted to RMB99.644 billion, increased by 14.7% on a year-on-year basis.

(2) Mobile Banking

The Bank was committed to the mobile financial construction, paid attention to the advantages of mobile financial banking. The Bank constantly enriched the mobile banking products and functions, enhancing customers' experience. As at the end of the Reporting Period, the accumulated total of mobile banking customers reached 178,200 accounts. During the Reporting Period, the number of transactions reached 920,300 transactions, increased by 22.3% on a year-on-year basis; the transaction volume amounted to RMB10.051 billion, increased by 18.3% on a year-on-year basis.

(3) WeChat Banking

WeChat banking of the Bank transferred the bank's financial services to the customer's fingertips and continued to improve the function of services, providing remittance, recharge and account changes notice and many other financial services. Customers can obtain information on the latest banking, business information and marketing activities etc. through WeChat banking. As at the end of Reporting Period, the accumulative total of WeChat banking customers reached 69,600 accounts, increased by 88.6% on a year-on-year basis. During the Reporting Period, the number of transactions reached 106,000 transactions, increased by 10.3% on a year-on-year basis; the transaction volume amounted to RMB623 million, increased by 140.5% on a year-on-year basis.

(4) Telephone Banking

The Bank continued to improve the customer service of telephone banking, improved business processes, strengthened risk prevention and control standards, provided customers with financial services at all times, satisfy inquiries on customer account, transfer remittances, daily payments, manual advice and other financial services needs.

(5) Internet Finance

The Bank was in line with the trend of Internet financial development, continuously promoted the research and development, deepened and improved the platform of electric business, continued to expand the product scene, actively promoted the construction of direct sales banking and integral system, introduced the convenience service such as taxi service and school newsletter, providing the clients with more fine financial services.

(VI) Information on the Subsidiaries

1. Village and Township Banks

During the Reporting Period, the Bank owned 7 township banks, of which 5 were located in Jinzhou City in Liaoning Province, China, 1 in Chaoyang City and 1 in Benxi City. As at the end of the Reporting Period, the total assets of the 7 township banks amounted to RMB6,551,525 thousand; the net amount of loans and advances was RMB3,789,478 thousand, representing an increase of 13.5% as compared to the end of last year. The total deposits amounted to RMB5,498,460 thousand, representing an increase of 20.2% as compared to the end of last year. The profit before provision amounted to RMB36,812 thousand.

The Bank funded and set up village and township banks by actively adhering to the Group's general development strategies and operating guidelines of "Changing mode, Adjusting structure, Controlling risk and Strengthening development". For the purpose of "basing on urban and rural areas, supporting small and micro enterprises, serving agriculture, rural area and farmers, benefiting the common people", the Bank proactively adapted to the new normal and constantly reinforced new strengths to improve the corporate governance structure and level and increase the influence and competitiveness of "Jinyin village and township banks". We identify the market positioning of "supporting agriculture and small and micro enterprises", and orienting at market, centering on customers and taking innovation as a driving force, pay attention to "Three Basis & Three Smalls (三基三小)" to solidify bases for development, enhance operation and management, and focus on deposit and loan marketing. We aim to better provide financial services to general urban and rural customers with first-class management, team and environment, and devote to building "Jinyin village and township banks" into "model" village and township banks with regulated management, orderly operation, controllable risks, innovation driving and organic growth that have the characteristic of serving "Three Nongs (三農)" and relatively strong competitiveness.

2. Bank of Jinzhou Financial Leasing Co., Ltd

Since the establishment of the Bank of Jinzhou Financial Leasing Co., Ltd. (“**Jinyin Leasing**”), it has achieved certain success in the asset size the cumulative delivery, business innovation and other aspects. The Bank of Jinzhou Financial Leasing Co., Ltd. followed consistently the regional development strategy of “basing on Liaoning for nationwide presence” to support development of the real economy, promote industrial structural adjustment and support development of small and medium enterprises, actively serving national major strategies including “One Belt, One Road”, coordinated development of Beijing-Tianjin-Hebei, “Made In China 2025” and rejuvenation of the old industrial base in northeast China. The leasing investment customers are mainly spread over aviation, health care, equipment manufacturing, automobile manufacturing, infrastructure construction, etc. As at the end of the Reporting Period, the total assets of Jinyin Leasing reached RMB5,518,878 thousand, of which the balance of financial lease receivables amounted to RMB5,031,302 thousand, with realized net profit of RMB90,297 thousand during the Reporting Period.

In future, Jinyin Leasing will be driven by product, channel, mechanism and innovation, focus on straightening industry positioning and increase specialized level with differentiated development strategies, in order to build Jinyin Leasing into a financial leasing company with uniqueness, scientific governance, finetuned management, higher market recognition and industry recognition.

(VII) Information Technology

During the Reporting Period, the Bank carried out a series of work in internal management, infrastructure, information security and system construction, etc. for information technology and achieved certain results. In the internal management, the promotion of project management and outsourcing risk management system were realized, the management system of configuration and standards of integrated management system were established; in infrastructure, the Bank pay attention to launching projects such as the upgrade of core network system, the building of SVC storage platform (a volume controller of storage area network) and the construction of Internet security management system in public areas; in the information security, the Bank focused on the construction of the security reinforcement platform of the App, optimized the monitoring system of operation and maintenance and completed a comprehensive risk assessment; in the system construction, the Bank built more than 10 systems including the standardization system of new regulatory data, equity management system, pricing system of deposits, management system of bad asset, system of capital business, platform of bill management. Nearly 20 existing system were upgraded. The Bank also constantly developed and improved a variety of specialty products to meet the needs of business development.

III. Risk Management

The Bank has exposure to the following risks from its use of financial instruments: credit risk, operational risk, market risk and liquidity 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, postloan 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 post loan management department is in charge of the determination of five-category loan assets. The Bank's credit management department is in charge of the improvement of the Bank's credit review system and operating procedures. The unified credit department is responsible for formulation of limit management as well as organizing and convening meetings of Credit Approval Management 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, 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 by the Bank's exposure to overall revenue and economic value losses as a result of unfavourable changes in key elements such as interest rate and duration structure of various interest-earning assets and interest-bearing liabilities of the Bank.

The 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 2017					
	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	46,824,603	921,591	45,903,012	—	—	—
Deposit with banks and other financial institutions	12,924,381	—	3,355,931	8,913,950	654,500	—
Financial assets held under resale agreements	2,067,885	—	2,067,885	—	—	—
Loans and advances to customers ⁽¹⁾	184,291,934	—	19,904,423	65,464,721	97,173,828	1,748,962
Investments ⁽²⁾	379,230,671	58,250	42,632,667	100,192,781	227,604,804	8,742,169
Financial lease receivables	4,929,435	—	1,478,718	698,983	2,705,682	46,052
Others ⁽³⁾	13,743,665	13,743,654	11	—	—	—
Total assets	644,012,574	14,723,495	115,342,647	175,270,435	328,138,814	10,537,183
Liabilities						
Borrowings from the central bank	178,294	—	—	178,294	—	—
Deposits from banks and other financial institutions	135,240,853	—	28,032,623	62,965,730	43,642,500	600,000
Placements from banks and other financial institutions	12,010,948	—	4,441,117	7,569,831	—	—
Financial assets sold under repurchase agreements	21,659,510	—	21,659,510	—	—	—
Deposit from customers	312,060,261	107,371	86,431,700	78,600,256	146,920,887	47
Debt securities issued	79,074,662	—	32,090,790	38,759,290	8,224,582	—
Others ⁽⁴⁾	38,171,679	15,234,590	8,152,007	14,760,710	24,372	—
Total liabilities	598,396,207	15,341,961	180,807,747	202,834,111	198,812,341	600,047
Asset-liability gap	45,616,367	(618,466)	(65,465,100)	(27,563,676)	129,326,473	9,937,136

(Expressed in thousands of Renminbi, unless otherwise stated)	31 December 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	43,666,527	573,486	43,093,041	—	—	—
Deposit with banks and other financial institutions	8,673,633	—	8,464,133	55,000	154,500	—
Loans and advances to customers ⁽¹⁾	121,930,761	—	19,162,528	37,974,369	62,522,367	2,271,497
Investments ⁽²⁾	347,990,616	58,250	40,162,403	116,457,560	187,390,603	3,921,800
Financial lease receivables	4,615,491	—	1,075,819	595,989	1,907,346	1,036,337
Others ⁽³⁾	12,182,494	12,128,636	53,858	—	—	—
Total assets	539,059,522	12,760,372	112,011,782	155,082,918	251,974,816	7,229,634
Liabilities						
Deposits from banks and other financial institutions	131,028,453	—	24,590,953	52,170,000	53,267,500	1,000,000
Placements from banks and other financial institutions	3,866,521	—	3,737,146	129,375	—	—
Financial assets sold under repurchase agreements	35,164,192	—	33,874,192	1,290,000	—	—
Deposit from customers	262,969,211	50,815	92,366,755	55,452,195	115,095,660	3,786
Debt securities issued	30,223,286	—	3,925,514	22,303,420	3,994,352	—
Others ⁽⁴⁾	32,913,547	11,793,139	7,931,952	13,188,456	—	—
Total liabilities	496,165,210	11,843,954	166,426,512	144,533,446	172,357,512	1,003,786
Asset-liability gap	42,894,312	916,418	(54,414,730)	10,549,472	79,617,304	6,225,848

Notes: (1) As at the end of the Reporting Period and as of 31 December 2016, for loans and advances to customers, the category "Less than three months" includes overdue amounts (net of provision for impairment losses) of RMB4,418 million and RMB3,871 million, respectively.

(2) Investments includes financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.

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

(4) Include financial liabilities at fair value through profit or loss, borrowings from the central bank, interests payable, taxes payable and other payable.

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			
	2017	Changes in		2016
	Changes in net profit	shareholders' equity	Changes in net profit	Changes in shareholders' equity
100 basis points increase	(723,129)	(1,535,333)	(377,984)	(810,857)
100 basis points decrease	723,128	1,571,157	379,316	835,064

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 exchange rate risk mainly includes the risks arising from the proprietary investment of fund business exchange and other foreign exchange exposure. The Bank manages foreign currency risk by spot and forward, foreign exchange swap and matching its foreign currency denominated assets with corresponding liabilities in the same currencies. 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:

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June 2017			Total (RMB equivalent)
	RMB	USD (RMB equivalent)	Others (RMB equivalent)	
Assets				
Cash and deposits with the central bank	46,448,433	374,132	2,038	46,824,603
Deposit with banks and other financial institutions	11,063,122	1,339,578	521,681	12,924,381
Interests receivable	4,263,816	24,247	1,357	4,289,420
Loans and advances to customers	179,597,124	4,418,934	275,876	184,291,934
Others ⁽¹⁾	395,675,231	—	7,005	395,682,236
Total assets	637,047,726	6,156,891	807,957	644,012,574
Liabilities				
Deposits from banks and other financial institutions	135,240,853	—	—	135,240,853
Placements from banks and other financial institutions	2,012,000	9,623,779	375,169	12,010,948
Deposits from customers	304,406,437	7,632,406	21,418	312,060,261
Interests payable	9,348,377	117,117	367	9,465,861
Others ⁽²⁾	129,610,802	7,053	429	129,618,284
Total liabilities	580,618,469	17,380,355	397,383	598,396,207
Net position	56,429,257	(11,223,464)	410,574	45,616,367
Off-balance sheet credit commitments	112,645,124	6,608,088	1,023,485	120,276,697

(Expressed in thousands of Renminbi, unless otherwise stated)	31 December 2016			
	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Assets				
Cash and deposits with the central bank	43,464,090	200,936	1,501	43,666,527
Deposit with banks and other financial institutions	1,727,832	240,989	6,704,812	8,673,633
Interests receivable	3,535,402	18,003	2,043	3,555,448
Loans and advances to customers	116,033,807	5,655,893	241,061	121,930,761
Others ⁽¹⁾	361,226,149	—	7,004	361,233,153
Total assets	525,987,280	6,115,821	6,956,421	539,059,522
Liabilities				
Deposits from banks and other financial institutions	131,028,453	—	—	131,028,453
Placements from banks and other financial institutions	—	3,604,396	262,125	3,866,521
Deposits from customers	259,810,536	3,139,135	19,540	262,969,211
Interests payable	7,213,804	27,417	195	7,241,416
Others ⁽²⁾	90,996,959	60,269	2,381	91,059,609
Total liabilities	489,049,752	6,831,217	284,241	496,165,210
Net position	36,937,528	(715,396)	6,672,180	42,894,312
Off-balance sheet				
credit commitments	101,775,465	7,244,064	1,126,444	110,145,973

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, borrowings from the central bank, financial assets sold under repurchase agreements, debt securities issued and other liabilities, etc.

(IV) Liquidity Risk

Liquidity risk represents the risk that the commercial bank is unable to raise sufficient funds at reasonable costs in a timely manner to satisfy due liabilities, to perform other payment obligations and to satisfy other funds requirements of 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.

1. Liquidity risk management

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 transaction department and the interbank business department manage the liquidity risk on a daily basis.

The Bank sticks to positive and active liquidity management policies, actively improves the Bank's active liability capability and constantly enhances 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 conducts 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 as at the end of the relevant periods:

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June 2017							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	43,339,127	3,485,476	–	–	–	–	–	46,824,603
Deposits with banks and other financial institutions	–	2,500,446	426,485	429,000	8,913,950	654,500	–	12,924,381
Financial assets held under resale agreements	–	–	2,067,885	–	–	–	–	2,067,885
Loans and advances to customers	4,156,968	375,355	3,767,273	10,680,840	65,218,457	97,856,176	2,236,865	184,291,934
Investments	2,253,907	–	20,522,039	19,776,591	97,401,656	230,514,453	8,762,025	379,230,671
Financial lease receivables	–	–	75,951	347,800	1,061,751	3,397,881	46,052	4,929,435
Others	9,547,319	26	663,332	1,103,262	1,993,886	435,810	30	13,743,665
Total assets	59,297,321	6,361,303	27,522,965	32,337,493	174,589,700	332,858,820	11,044,972	644,012,574
Liabilities								
Borrowings from the central bank	–	–	–	–	178,294	–	–	178,294
Deposits from banks and other financial institutions	–	292,623	12,750,000	14,990,000	62,965,730	43,642,500	600,000	135,240,853
Placements from banks and other financial institutions	–	–	2,298,852	2,142,265	7,569,831	–	–	12,010,948
Financial assets sold under repurchase agreements	–	–	21,659,510	–	–	–	–	21,659,510
Deposits from customers	–	62,403,365	13,375,436	10,760,270	78,600,256	146,920,887	47	312,060,261
Debt securities issued	–	–	11,816,730	20,274,060	38,759,290	8,224,582	–	79,074,662
Others	–	5,531,857	4,977,724	5,675,194	17,455,814	4,433,093	97,997	38,171,679
Total liabilities	–	68,227,845	66,878,252	53,841,789	205,529,215	203,221,062	698,044	598,396,207
Net position	59,297,321	(61,866,542)	(39,355,287)	(21,504,296)	(30,939,515)	129,637,758	10,346,928	45,616,367

(Expressed in thousands of Renminbi, unless otherwise stated)	31 December 2016							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	39,349,394	4,317,133	—	—	—	—	—	43,666,527
Deposits with banks and other financial institutions	—	866,800	723,596	6,873,737	55,000	154,500	—	8,673,633
Loans and advances to customers	3,693,801	176,869	3,808,079	11,054,126	38,289,124	62,740,046	2,168,716	121,930,761
Investments	58,250	1,926,545	5,506,587	26,540,708	87,264,452	216,482,034	10,212,040	347,990,616
Financial lease receivables	—	—	13,696	292,213	839,935	3,377,459	92,188	4,615,491
Others	8,658,006	134	538,873	854,750	1,752,228	378,492	11	12,182,494
Total assets	51,759,451	7,287,481	10,590,831	45,615,534	128,200,739	283,132,531	12,472,955	539,059,522
Liabilities								
Deposits from banks and other financial institutions	—	220,953	5,730,000	18,640,000	52,170,000	53,267,500	1,000,000	131,028,453
Placements from banks and other financial institutions	—	—	1,726,994	2,010,152	129,375	—	—	3,866,521
Financial assets sold under repurchase agreements	—	—	31,932,192	1,942,000	1,290,000	—	—	35,164,192
Deposits from customers	—	65,377,256	11,151,995	15,888,319	55,452,195	115,095,660	3,786	262,969,211
Debt securities issued	—	—	—	3,925,514	22,303,420	3,994,352	—	30,223,286
Others	—	4,427,104	4,357,670	5,644,031	15,144,415	3,280,226	60,101	32,913,547
Total liabilities	—	70,025,313	54,898,851	48,050,016	146,489,405	175,637,738	1,063,887	496,165,210
Net position	51,759,451	(62,737,832)	(44,308,020)	(2,434,482)	(18,288,666)	107,494,793	11,409,068	42,894,312

(V) Anti-money laundering management

During the Reporting Period, the Bank continued to implement the principle of “risk-based” anti-money laundering work, fully fulfilled its obligation of anti-money laundering, implemented laws and regulations and regulatory policies of anti-money laundering, revised the internal control system of anti-money laundering in a timely manner, and constantly improved the compliance of anti-money laundering. The Bank fulfilled its duty to report large transactions, make careful examinations on suspicious transactions and upgrade the system of anti-money laundering in accordance with regulatory requirements in a timely manner to enable it to meet the latest regulatory requirements and the situation of anti-money laundering work, to strengthen publicity of anti-money laundering work and the training on anti-money laundering. These were to improve the quality and skill of the staff’ anti-money laundering and to prevent the risks of money laundering 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, the realization of the development strategies and operating objectives of our Bank, the effectiveness of risk management of our Bank and the authenticity, accuracy, completeness and timeliness of the business records, accounting information, financial information and other management information of the Bank.

During the Reporting Period, the Bank implemented a series of optimizations and improvements to internal control. Firstly, the system building of the internal control system was strengthened. At the beginning of 2017, the Bank launched the activities of "standardizing the business and the management", sorting out the whole system of all branches of the Bank. In addition, the Bank made the updated system, procedures, operation manual and others as CD-ROMs in which there are corpuses of the systems. The CD-Roms were distributed to all branches of the Bank for the convenience of all staff' learning the systems. Secondly, the internal control measures were improve. The Bank paid attention to identifying the risks of the internal control involved in various business activities and management activities. The Bank also formulated a clear system to strictly control and standardize the operation process and the control standards. Moreover, the Bank took the initiative to update and improve the procedure of the systems in a timely manner according to the adjustments in regulatory requirements, clients' needs, business conditions, etc. to ensure that the Bank was in prudent operation within the framework of compliance. Thirdly, the duties of internal control were identified. The Bank established a clear job system in which all levels, lines and the post of staff have clear job requirements. The Bank required the clear separation between incompatible posts in the system to ensure the effectiveness of mutual control of the internal control system. Fourthly, in-depth development of internal control culture was launched. The bank was through a series of activities held during the "risk management year", "compliance establishment year", "system implementation year" and "dual compliance", all levels of thr Bank's awareness of compliance was enhanced significantly, "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. The atmosphere of compliance with laws and the rich culture of internal control have been formed.

(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 enriched the contents of the specific auditing on the basis of the conventional audit project. In order to ensure the auditing coverage of the specific audit projects, during the completion of the comprehensive audit and responsibility audit process, the specific audit content was deemed as the on-site inspection points to encourage the chief auditors to diverge their thinking, highlight the focus and focus on solving practical problems. These improved the effectiveness of specific auditing reports. In the aspect of the quality control of audit, from the perspective of internal auditing work, these were revised and improved according to the requirements of supervision. These further rectified and improved with reference to the actual situation of the Bank. The Bank assessed the implementation of the overall auditing projects on the basis of the control of details. Secondly, the Internal Audit Department focused its work on upgrading the internal audit platform comprehensively and enhancing the quality of off-site auditing, residence card modules were established, managing auditing resources and information effectively. 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. Thirdly, the Bank took the lead in carrying out the promotion and the inspection stage of the work on Jinzhou Bank's "standardizing business and management" activities to. Leveraging the comprehensive methods of field inspection, access to information, individual interviews, questionnaires, seminars and others, the Group deemed business guidance as the core, on-site research as the tool to attach importance to all branches's understandings on the new revisions of the contents of business system and the procedures, to focus on fine on-site service, indicating that the difficulties that the branches solve in the work. Fourthly, the Bank actively responded to regulatory requirements which included those self-examination driven by the Internal Audit Department to carry out the banking industry's "supervision arbitrage, idle arbitrage, related arbitrage". The Bank identified the object, scope, manner and requirement of the self-examination work according to the self-examination work program. Eight branches of the Bank experienced on-site spot checks. The Bank adopted the method combining the self-examination of organisation and "senior checks on junior" to fully cover the institutions, mechanisms, systems, procedures, personnel and business. Fifthly, in order to further improve the quality of the evaluation of the implementation of the system quality the internal audit department continuously improved the collective responsibility system of the commissioners of lines. The commissioners of lines were responsible for tracking and summarizing the change in line of internal control system and regulatory requirements. They were also responsible for updating the audit manual according to the latest in-line requirements and regulatory system. They should consider updateomg the audit manual as a routine work throughout the daily work, so that the audit method and system can be gurantee to be normative and in uniformity. Moreover, they should ensure that the audit manual is continuously validated during the course of the audit project.

V. Prospects

In the second half of 2017, the Bank will actively adapt to the new normal conditions of the economy, proactively implement the national strategic plans to seize the opportunities arising from deepening financial reforms, with the vision to become a professional financial services provider with core competitive advantages. The Bank will adhere to the basic concept of "compliance with the laws and regulations is the footstone of the Bank's operations", based on the theme of reform and development, the main line of transformation and reconstruction, the driver of innovation and technology, the guarantee of standard and steadiness and the target of benefit and quality, focus on "Three Basis & Three Smalls (三基三小)" business and serve the physical economy, in order to establish a diversified and characteristic business pattern with low capital consumption, achieve innovation in respect of concepts, patterns and mechanisms, as well as comprehensively enhance the Bank's management efficiency of refining, professionalization and synergies, striving to build the Bank into a "standardized, professional, digitized, networkized and channelized" leading city commercial bank.

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. As at the end of the Reporting Period, the issued share capital of the Bank was 6,781,615,684 Shares, comprising 4,264,295,684 Domestic Shares and 2,517,320,000 H Shares, and the total share capital of the Bank amounted to RMB6,781,615,684.

(II) Chart on Changes in Share Capital

	31 December 2016		Changes during the Reporting Period			30 June 2017	
	Number of Shares	Percentage (%)	Issue of New Shares	Others	Sub-Total	Number of Shares	Percentage (%)
1. Shareholding of corporate Shareholders of Domestic Shares	4,186,698,558	61.74	—	—	—	4,186,698,558	61.74
Of which:							
(1) shareholding of state-owned corporate Shareholders	228,158,434	3.37	—	—	—	228,158,434	3.37
(2) shareholding of private corporate Shareholders	3,958,540,124	58.37	—	—	—	3,958,540,124	58.37
2. Shareholding of individual Shareholders of Domestic Shares	77,597,126	1.14	—	—	—	77,597,126	1.14
3. H Shares	2,517,320,000	37.12	—	—	—	2,517,320,000	37.12
Total	6,781,615,684	100.00	—	—	—	6,781,615,684	100.00

II. Particulars of Shareholders

(I) Number of Domestic Shareholders

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

(II) Shareholding of Shareholders

As at the end of the Reporting Period, the Bank had 6,781,615,684 Shares, in aggregate, among which were 4,264,295,684 Domestic Shares and 2,517,320,000 H Shares.

Shareholding of the Top Ten Domestic Shareholders as at the end of the Reporting Period ⁽¹⁾

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	3.69	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	3.15	150,000,000
3	Qingzhou Taihe Mines Co., Ltd. (青州泰和礦業有限公司)	Private	180,000,000	2.65	180,000,000
4	Liaoning Tenghua Plastic Co., Ltd. (遼寧騰華塑料有限公司)	Private	180,000,000	2.65	—
5	Liaoning Chengwei Plastic Profile Co., Ltd. (遼寧程威塑料型材有限公司)	Private	170,000,000	2.51	—
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	2.21	—
7	Rongcheng Huatai Motor Co., Ltd. (榮成華泰汽車有限公司) ("Rongcheng Huatai") ⁽²⁾	Private	150,000,000	2.21	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	1.92	—
9	Jinzhou Finance Bureau (錦州市財政局) ⁽³⁾	State-owened	117,076,722	1.73	—
10	Jinzhou Daxing Construction Group Co., Ltd. (錦州大興建設集團有限公司)	Private	110,000,000	1.62	—
Total			1,650,584,287	24.34	730,000,000

- Notes: (1) During the Reporting Period, China Enterprise Development Investment (Beijing) Co., Ltd (“China Enterprise Development”) entered into share transfer agreements with certain shareholders of the Bank respectively to acquire an aggregate of 265,945,416 Domestic Shares. Pursuant to relevant applicable laws and regulations, the filing and registrations of the share transfers were completed at the relevant regulatory authorities in China on 8 August 2017, and such share transfers became effective from the date of completion of filing and registration.
- (2) During the Reporting Period, Rongcheng Huatai entered into share transfer agreements with certain shareholders of the Bank respectively to acquire an aggregate of 167,076,722 Domestic Shares (including the shares acquired from Jinzhou Finance Bureau). Pursuant to relevant applicable laws and regulations, the filing and registrations of the share transfers were completed at the relevant regulatory authorities in China on 27 July 2017, and such share transfers became effective from the date of completion of filing and registration.
- (3) During the Reporting Period, Jinzhou Finance Bureau entered into a share transfer agreement with Rongcheng Huatai, pursuant to which all shares held by Jinzhou Finance Bureau in the Bank were transferred to Rongcheng Huatai.

Interests and Short Positions of Substantial Shareholders and Other Persons

As at the end of the Reporting Period, the following persons, other than the Directors, Supervisors and chief 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 ⁽¹⁾	Approximate	Approximate
				Percentage of the Total Issued Share Capital ⁽¹⁾ (%)	Percentage of the Total Issued Class of Share Capital ⁽¹⁾ (%)
Domestic Shares					
Rongcheng Huatai Motor Co., Ltd. (榮成華泰汽車有限公司) ⁽²⁾	Beneficial owners	Domestic Shares	317,076,722 (L)	4.68	7.44
Huatai Automobile Group Co., Ltd (華泰汽車集團有限公司) ⁽²⁾	Interest of controlled corporation	Domestic Shares	317,076,722 (L)	4.68	7.44
Zhang Hongliang (張宏亮) ⁽²⁾	Interest of controlled corporation	Domestic Shares	317,076,722 (L)	4.68	7.44
China Enterprise Development Investment (Beijing) Co., Ltd (中企發展投資(北京)有限公司) ⁽³⁾	Beneficial owners	Domestic Shares	265,945,416 (L)	3.92	6.24
Tianjin Quanying Science (天津市鈺贏科技發展有限公司) ⁽³⁾	Interest of controlled corporation	Domestic Shares	265,945,416 (L)	3.92	6.24

Name of Shareholders	Nature of Interests	Class of Shares	Number of Shares ⁽¹⁾	Approximate Percentage of the Total Issued Share Capital ⁽¹⁾ (%)	Approximate Percentage of the Total Issued Class of Share Capital ⁽¹⁾ (%)
Zhang Haibo (張海波) ⁽³⁾	Interest of controlled corporation	Domestic Shares	265,945,416 (L)	3.92	6.24
Yinchuan Baota Refined Chemical Industry Co., Ltd. (銀川寶塔精細化工有限公司) ⁽⁴⁾	Beneficial owners	Domestic Shares	250,000,000 (L)	3.69	5.86
Ningxia Baota Energy Chemical Co., Ltd. (寧夏寶塔能源化工有限公司) ⁽⁴⁾	Interest of controlled corporation	Domestic Shares	250,000,000 (L)	3.69	5.86
Baota Petrochemical Group Co., Ltd. (寶塔石化集團有限公司) ⁽⁴⁾	Interest of controlled corporation	Domestic Shares	250,000,000 (L)	3.69	5.86
Sun Hengchao (孫珩超) ⁽⁴⁾	Interest of controlled corporation	Domestic Shares	250,000,000 (L)	3.69	5.86
H Shares					
Top Seed International Limited ⁽⁵⁾	Beneficial owners	H Shares	201,700,000 (L)	2.97	8.01
Top Harvest Development Limited ⁽⁵⁾	Interest of controlled corporation	H Shares	201,700,000 (L)	2.97	8.01
Sun Xiang (孫翔) ⁽⁵⁾	Interest of controlled corporation	H Shares	201,700,000 (L)	2.97	8.01
Hong Kong Tian Yuan Manganese International Trade Co., Limited ⁽⁶⁾	Beneficial owners	H Shares	200,000,000 (L)	2.95	7.95
Ningxia Tian Yuan Manganese International Trade Co., Limited (寧夏天元錳業國際貿易有限公司) ⁽⁶⁾	Interest of controlled corporation	H Shares	200,000,000 (L)	2.95	7.95
Ningxia Tian Yuan Manganese Co., Ltd. (寧夏天元錳業有限公司) ⁽⁶⁾	Interest of controlled corporation	H Shares	200,000,000 (L)	2.95	7.95

Name of Shareholders	Nature of Interests	Class of Shares	Number of Shares ⁽¹⁾	Approximate	Approximate
				Percentage of the Total Issued Share Capital ⁽¹⁾ (%)	Percentage of the Total Issued Class of Share Capital ⁽¹⁾ (%)
Jia Tianjiang (賈天將) ⁽⁶⁾	Interest of controlled corporation	H Shares	200,000,000 (L)	2.95	7.95
Dong Jufeng (東菊鳳) ⁽⁶⁾	Interest of spouse	H Shares	200,000,000 (L)	2.95	7.95
Wah Li (Hong Kong) Limited (香港華麗有限公司) ⁽⁷⁾	Beneficial owners	H Shares	184,845,000 (L)	2.73	7.34
Asian Sense Investments Limited ⁽⁸⁾	Beneficial owners	H Shares	168,086,000 (L)	2.48	6.68
Li Yongjun (李永軍) ⁽⁸⁾	Interest of controlled corporation	H Shares	168,086,000 (L)	2.48	6.68
Liu Xinjun (劉新軍) ⁽⁸⁾	Interest of controlled corporation	H Shares	168,086,000 (L)	2.48	6.68

Notes: (1) As at the end of the Reporting Period, the Bank had in aggregate 6,781,615,684 Shares, among which were 4,264,295,684 Domestic Shares and 2,517,320,000 H Shares. (L) represents long positions.

(2) During the Reporting Period, Rongcheng Huatai entered into share transfer agreements with certain shareholders of the Bank respectively to acquire an aggregate of 167,076,722 Domestic Shares. Pursuant to relevant applicable laws and regulations, the filing and registrations of the share transfers were completed at the relevant regulatory authorities in China on 27 July 2017, and such share transfers became effective from the date of complete filing and registration. Such shares were held by Rongcheng Huatai which is wholly owned by Huatai Automobile Group Co., Ltd. ("Huatai Automobile") and Huatai Automobile was controlled by Mr. Zhang Hongliang (張宏亮) as to 76% of equity interest. Under the SFO, Huatai Automobile and Mr. Zhang Hongliang (張宏亮) are deemed to have an interest in the entire Shares held by Rongcheng Huatai.

(3) During the Reporting Period, China Enterprise Development entered into share transfer agreements with certain shareholders of the Bank respectively to acquire an aggregate of 265,945,416 Domestic Shares. Pursuant to relevant applicable laws and regulations, the filing and registrations of the share transfers were completed at the relevant regulatory authorities in China on 8 August 2017, and such share transfers became effective from the date of complete filing and registration. Such shares are held by China Enterprise Development, which is held by Tianjin Quanying Science and Technology Co., Ltd. ("Tianjin Quanying") as to 24%, and Tianjin Quanying is owned by Mr. Zhang Haibo (張海波) as to 80%. Under the SFO, Tianjin Quanying and Mr. Zhang Haibo (張海波) are deemed to have the interest in the entire shareholding of China Enterprise Development.

(4) Such Shares are held by Yinchuan Baota Refined Chemical Industry Co., Ltd. (銀川寶塔精細化工有限公司) ("Yinchuan Baota"), which is wholly owned by Ningxia Baota Energy Chemical Co., Ltd. (寧夏寶塔能源化工有限公司) ("Baota Energy"), which is in turn held by Baota Petrochemical Group Co., Ltd. (寶塔石化集團有限公司) ("Baota Petrochemical") as to 90.2%. 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.

- (5) 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.
- (6) 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 99.62%, and Ms. Dong Jufeng (東菊鳳) 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 (東菊鳳) are deemed to be interested in all the Shares held by Hong Kong Tian Yuan Manganese International Trade Co., Limited.
- (7) Such Shares are held by Wah Li (Hong Kong) Limited, which is wholly owned by Mr. Zhao Yong (趙勇). Under the SFO, Mr. Zhao Yong (趙勇) is deemed to have an interest in the entire Shares held by Wah Li (Hong Kong) Limited.
- (8) 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.

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 or actual controller. Rongcheng Huatai entered into share transfer agreements with certain Shareholders of the Bank respectively during the Reporting Period to acquire an aggregate of 167,076,722 Domestic Shares. Pursuant to relevant applicable laws and regulations, filing and registrations of the share transfers were completed at the relevant regulatory authorities in China on 27 July 2017, and such share transfers became effective from date of completion of filing and registration. Upon completion of the above share transfers, Rongcheng Huatai holds an aggregate of approximately 4.68% of issued share capital of the Bank.

Rongcheng Huatai is one of the Bank's non-state-owned corporate Shareholders and our single largest Shareholder and is wholly owned by Huatai Automoblie. The business scope of Rongcheng Huatai mainly comprises (but is not limited to) the manufacturing, sales and import and export of auto parts.

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

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

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

As 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

As 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	58	Chairman, executive Director
CHEN Man	Female	58	Executive Director, vice president
ZHAO Jie ⁽¹⁾	Female	61	Executive Director
WANG Jing ⁽¹⁾	Male	48	Executive Director, vice president
WANG Xiaoyu	Female	48	Executive Director, head of finance
LI Dongjun	Male	58	Non-executive Director
ZHANG Caiguang	Male	54	Non-executive Director
WU Zhengkui	Male	42	Non-executive Director
GU Jie	Female	49	Non-executive Director
JIANG Daxing	Male	46	Independent non-executive Director
DENG Xiaoyang	Male	52	Independent non-executive Director
NIU Sihui	Male	49	Independent non-executive Director
JIANG Jian	Female	55	Independent non-executive Director
CHOON Yew Khee	Male	47	Independent non-executive Director
LIN Yanjun ⁽¹⁾	Male	38	Independent non-executive Director
NING Yongfang	Male	60	Chairman of board of Supervisors, employee representative Supervisor
XU Fei	Male	53	Vice chairman of board of Supervisors, employee representative Supervisor
LUO Yan	Female	47	Employee representative Supervisor
SHI Hongmiao	Female	38	Employee representative Supervisor
LI Xiu	Female	44	Employee representative Supervisor
TIAN Deying	Male	64	Shareholder representative Supervisor
HE Baosheng	Male	70	Shareholder representative Supervisor
ZHAO Lanying	Female	52	Shareholder representative Supervisor
JING Fei	Male	43	External Supervisor
CHEN Yingmei	Female	47	External Supervisor
NIE Ying	Female	46	External Supervisor
LI Tongyu	Female	45	External Supervisor
ZHAO Hongxia	Female	38	External Supervisor
LIU Hong ⁽¹⁾	Female	53	President
HUO Lingbo ⁽¹⁾	Male	60	Committee and executive vice president
CAI Hongguang	Male	57	Vice president
GUO Guang	Male	56	Vice president
LIU Wenzhong	Male	54	Vice president
WANG Xin	Male	41	Vice president
SONG Yaping	Female	54	Chief accountant
WANG Xin	Male	47	Assistant to president
SUN Jing ⁽¹⁾	Male	39	Secretary to the Board

Note: (1) For details of the position changes of Ms. Zhao Jie, Mr. Wang Jing, Mr. Lin Yanjun, Ms. Liu Hong, Mr. Huo Lingbo and Mr. Sun Jing during the Reporting Period and up to the date of this interim report, please see "II. Changes in Directors, Supervisors and Senior Management Members" below.

II. Changes in Directors, Supervisors and Senior Management

1. 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. The Bank has received the approval from CBRC Liaoning Bureau in respect of the qualification of Mr. Lin Yanjun as a Director, with term of office commencing from 25 January 2017 till the expiry of the term of the fourth session of the Board.
2. On 2 September 2016, in accordance with the resolution passed at the seventeenth meeting of the fourth session of the Board, Ms. Liu Hong was elected as president. The qualification of Ms. Liu Hong as president has been approved by CBRC Liaoning Bureau, with her term of office starting from 27 February 2017 till the expiry of the term of the fourth session of the Board. Mr. Huo Lingbo no longer performs the acting duties since 27 February 2017.
3. On 5 December 2016, in accordance with the resolution passed at the eighteenth meeting of the fourth session of the Board, Ms. Zhao Jie resigned as an executive Director since she had reached the retirement age. According to the relevant requirements of the Articles of Association, Ms. Zhao Jie's resignation took effect on the 28 July 2017.
4. On 5 December 2016, in accordance with the resolution passed at the eighteenth meeting of the fourth session of the Board, Mr. Sun Jing was employed as secretary to the Board. The qualification of Mr. Sun Jing as secretary to the Board obtained the approval of CBRC Liaoning Bureau on 23 May 2017, with term of office commencing from 23 May 2017 till the expiry of the term of the fourth session of the Board. The resignation of Mr. Wang Jing took effect on 23 May 2017.
5. On 8 February 2017, upon approval by the 2017 first extraordinary general meeting, Mr. Huo Lingbo was appointed as an executive Director of the fourth session of the Board. On the Board meeting immediately following the 2017 first extraordinary general meeting on 8 February 2017, the Board resolved to appoint Mr. Huo Lingbo as the vice chairman of the fourth session of the Board. The Bank received the approval of CBRC Liaoning Bureau in respect of the qualification of Mr. Huo Lingbo as a Director and the vice chairman of the Board, and he shall hold office from 28 July 2017 till 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 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

As at the end of the Reporting Period, the interests or short positions of the Directors, the Supervisors and the chief executive of the Bank in the Shares, underlying Shares 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 ⁽¹⁾	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)	0.00879	0.00552
CHEN Man	Executive Director and vice president	Domestic Shares	Beneficial owner	374,670 (L)	0.00879	0.00552
ZHAO Jie	Executive Director	Domestic Shares	Beneficial owner	119,065 (L)	0.00279	0.00176
WANG Jing	Executive Director and vice president	Domestic Shares	Beneficial owner	81,679 (L)	0.00192	0.00120
WANG Xiaoyu	Executive Director and head of finance	Domestic Shares	Beneficial owner	71,027 (L)	0.00167	0.00105
LI Dongjun ⁽²⁾	Non-executive Director	Domestic Shares	Interest of controlled corporation	213,507,565 (L)	5.00687	3.14833
		Domestic Shares	Interest of controlled corporation	33,179,021 (L)	0.77807	0.48925
LIU Hong	President	Domestic Shares	Beneficial owner	91,541 (L)	0.00215	0.00135
HUO Lingbo	Executive vice president	Domestic Shares	Beneficial owner	282,635 (L)	0.00663	0.00417
			Interest of spouse ⁽³⁾	86,472 (L)	0.00203	0.00128
XU Fei	Vice chairman of Board of Supervisors and Employee representative Supervisor	Domestic Shares	Beneficial owner	70,770 (L)	0.00166	0.00104
LUO Yan	Employee representative Supervisor	Domestic Shares	Beneficial owner	75,596 (L)	0.00177	0.00111
SHI Hongmiao	Employee representative Supervisor	Domestic Shares	Beneficial owner	15,257 (L)	0.00036	0.00022
LI Xiu	Employee representative Supervisor	Domestic Shares	Beneficial owner	55,958 (L)	0.00131	0.00083
TIAN Deying ⁽⁴⁾	Shareholder representative Supervisor	Domestic Shares	Interest of controlled corporation	100,642,000 (L)	2.36011	1.48404

- Notes: (1) As at the end of the Reporting Period, the Bank had a total of 6,781,615,684 Shares in issue, including 4,264,295,684 Domestic Shares and 2,517,320,000 H Shares. (L) represents long position.
- (2) 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 Domestic Shares and 33,179,021 Domestic Shares, respectively. 99.82% equity interests in Jincheng International Logistics Group Co., Ltd. is held by Jinlian Investment Group Co., Ltd. (錦聯控股集團有限公司), 90% equity interests in which is held by Mr. Li Dongjun (李東軍). 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, 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.
- (3) Under the SFO, Mr. Huo Lingbo is taken or deemed to be interested in all the Shares held by his spouse.
- (4) 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 or 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

As at the end of the Reporting Period, we had 4,482 full-time employees, of which 2,978 employees or 66.4% had bachelors degrees or above, with the average age of 36.9.

In addition to full-time employees, as at the end of the Reporting Period, we also had 1,524 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

The Bank attaches importance to the overall quality of the staff, the upgrade of the ability of the staff management, their general ability, business skills, insist on launching fine job training so as to promote the Bank's strategic objectives. The Bank also gradually improved the training management mechanism at all levels. Leverging on the combination of online and offline learning mode and the use of industry front-end mobile learning platform, the Bank enriched the methods of staff learning; In the annual training plan, there were clear training and division of responsibilities, innovative approach of training and management, strict control on staff education funding, consolidation on the management of follow-up training and identification of the focus of 2017 training work. The Bank developed the channel for staff promotion and promoted both the quality of staff and the competitiveness of the Bank through the establishment of the best learning and development platform.

(III) Employee Incentive Policies

We have been committed to establish comprehensive 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 the relevant laws, regulations and policies of the PRC, the male employees of the Bank who have reached the age of 60 and the cadre female employees have reached the age of 55 (non-cadre female employees have reached the age of 50 years) shall be retired and their basic pension shall be paid by the Social Insurance Fund on a monthly basis and the Bank will no longer bear the relevant expenses.

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, administrative regulations in China and the relevant provisions of the social insurance management institutions.

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 5 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 16 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-branch
Bank of Jinzhou Co., Ltd., Liaoyang Branch	No. 366-1 Xinhua Road, Baita District, Liaoyang, Liaoning Province, the PRC	With 1 sub-branch
Bank of Jinzhou Co., Ltd., Huludao Branch	Flat C, No.1 Orchid Square, Xinhua Street, Huludao City, Liaoning Province, the PRC	
Bank of Jinzhou Co., Ltd., Benxi Branch	No. 8 Renmin Road, Pingshan District, Benxi, Liaoning Province, the PRC	
Bank of Jinzhou Co., Ltd., Jinzhou Branch	No. 69 Shifu Road, Jinzhou, Liaoning Province, the PRC	With 106 sub-branches
Bank of Jinzhou Co., Ltd., Small Enterprise Financial Service Centre	No. 25-1, 2 Zhongyang Avenue (Section 2), Linghe District, Jinzhou, Liaoning Province, the PRC	
Jinzhou Taihe Jinyin Village and Township Bank Co., Ltd.	No.29-86, Jixiang Xinjiayuan, Taihe District, Jinzhou City, Liaoning Province, the PRC	With 6 sub-branches
Liaoning Yixian Jinyin Village and Township Bank Co., Ltd.	No.38-21, Yingbin Road, Yizhou Town, Yi County, Jinzhou City, Liaoning Province, the PRC	With 4 sub-branches
Jinzhou Beizhen Jinyin Village and Township Bank Co., Ltd.	No.1-1-121, Lvshan Road, Beizhen City, Jinzhou City, Liaoning Province, the PRC	With 3 sub-branches
Liaoning Heishan Jinyin Village and Township Bank Co., Ltd.	House No. 9-14 (Level 1-3), City East, South Side, Diwang Fudi, No. 194, Zhongda Central Road, Heishan Town First Street, Heishan County, Liaoning Province, the PRC	With 2 sub-branches
Liaoning Kazuo Jinyin Village and Township Bank Co., Ltd.	No. 01011, Building 10, Lidu Shuian Community, Binhe North Road, Dachengzi Town, Kazuo County, Chaoyang, Liaoning Province, the PRC	
Liaoning Linghai Jinyin Village and Township Bank Co., Ltd.	No. 57-60, Tower 1, Ziguang Haoyuan, No. 5 Zhongxing Avenue, Linghai City, Jinzhou City, Liaoning Province, the PRC	
Liaoning Huanren Jinyin Village and Township Bank Co., Ltd.	No.2, Block 1, New Town Street Group 1, Huanren Town, Huanren Manchu Autonomous County, Benxi City, 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 EVENTS

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 2017 (Interim Period of 2016: no dividend paid).

III. Proposed A Share Offering

Pursuant to the resolutions passed at the 2015 annual general meeting, the Domestic Shareholders' class meeting and the H Shareholders' class meeting held by the Bank on 29 June 2016, the Bank proposed to issue no more than 1,927,000,000 A shares of RMB1.00 each, representing 22.13% of the enlarged total number of shares of the Bank upon completion of the A Share Offering (without taking into account the proposed issue and exchange of new offshore preference 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. Pursuant to the resolutions passed at the 2016 annual general meetings, the Domestic Shareholders' class meeting and the H Shareholders' class meeting held by the Bank on 25 May 2017, the validity period of the proposed A Share Offering and the relevant authorization matters has been extended. The Bank will disclose further details of and progress in the A Share Offering in due course.

IV. Proposed Issue of Offshore Preference Shares

With the approval by the 2016 annual general meeting, the Domestic Shareholders' class meeting and the H Shareholders' class meeting held by the Bank on 25 May 2017, the Bank decided to have non-public offering not more than 100 million offshore preference shares to raise not more than RMB10 billion or its equivalent amount to supplement other tier-1 capital of the Bank. The Bank received the Approval from the CBRC Liaoning Bureau concerning the Non-public Issuance of Offshore Preference Shares and Amendments to the Articles of Association by Bank of Jinzhou Co., Ltd. (Liao Yin Jian Fu [2017] No.133) dated 16 August 2017 issued by the CBRC Liaoning Bureau. The Bank will provide further details and progress on the issue of the offshore preference shares.

V. Issuance of Debt Securities

(I) Debt Securities issued

With the approvals from the CBRC and the PBOC in January 2014, 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 may be redeemable in part or in full at the discretion of the Bank on 28 January 2019, upon approval of the relevant regulatory authorities.

With the approval of the CBRC and the PBOC, in December 2016, the Bank issued tier 2 capital bonds in an aggregate principal amount of RMB2.5 billion with a term of ten years at a fixed interest rate of 4.30% per annum, payable on an annual basis. Such bonds may be redeemed in part or in full at the discretion of the Bank on 27 December 2021, upon approval by the relevant regulatory authorities.

(II) Interbank Certificates of Deposit Issued

As at the end of the Reporting Period, the Bank issued 162 interbank certificates of deposit (issued in the market which are not matured yet) in total with an aggregate amount of RMB75,080 million.

(III) Proposed Issuance of Debt Securities

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

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 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.

The Board has resolved, and the Shareholders have approved at the 2016 annual general meeting of the Bank held on 25 May 2017 that, subject to obtaining necessary approvals from regulatory authorities, the Bank will issue the following debt securities:

The total amount of the principal distributed to members of the inter-bank bond market in the PRC in one or more times amount to not more than RMB2 billion of green financial bonds for a term of 3 years or 5 years. Interest rate is recommended to be determined as the fixed rate through the existing bookkeeping or the result of open auction. Funds were used for the green industry projects required by Directory of Projects Supported by Green Bonds issued by the Green Finance Professional Committee of the Financial Society in China.

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

As 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 or performance of obligations.

XI. Engagement of External Auditors

Pursuant to the resolution passed at the 2016 annual general meeting convened on 25 May 2017, KPMG was engaged as the auditor of the Bank for 2017.

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 2017 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 79 to 156 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 2017 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and 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 information as at 30 June 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim Financial Reporting*.

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

21 August 2017

CHAPTER 8 UNAUDITED INTERIM FINANCIAL REPORT

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2017 - unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2017	2016
Interest income		17,898,864	13,174,523
Interest expense		(9,512,088)	(5,802,851)
Net interest income	4	8,386,776	7,371,672
Fee and commission income		455,563	453,449
Fee and commission expense		(54,996)	(30,296)
Net fee and commission income	5	400,567	423,153
Net trading losses	6	(45,155)	(1,207)
Net gains arising from investment securities	7	17,350	9,113
Foreign exchange (losses)/gains		(236,380)	33,720
Other net operating income	8	9,219	14,186
Operating income		8,532,377	7,850,637
Operating expenses	9	(1,574,069)	(1,342,665)
Operating profit before impairment		6,958,308	6,507,972
Impairment losses on assets	10	(1,615,348)	(1,477,644)
Profit before taxation		5,342,960	5,030,328
Income tax	11	(1,312,916)	(1,232,088)
Profit for the period		4,030,044	3,798,240
Attributable to:			
Equity shareholders of the Bank		3,990,797	3,793,541
Non-controlling interests		39,247	4,699
		4,030,044	3,798,240
Basic and diluted earnings per share (in RMB)	12	0.59	0.66

The notes on pages 86 to 156 form part of this interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2017 - unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2017	2016
Profit for the period		4,030,044	3,798,240
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		(274,104)	(83,693)
– Reclassified to the profit or loss upon disposal		(64,695)	(26,538)
– Related income tax effect	26(b)	84,700	27,557
Items that will not be reclassified to profit or loss:			
– Remeasurement of defined benefit obligation		1,129	(1,219)
Other comprehensive income for the period		(252,970)	(83,893)
Total comprehensive income for the period		3,777,074	3,714,347
Attributable to:			
Equity shareholders of the Bank		3,737,827	3,709,648
Non-controlling interests		39,247	4,699
Total comprehensive income for the period		3,777,074	3,714,347

The notes on pages 86 to 156 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2017 - unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	At 30 June 2017	At 31 December 2016
Assets			
Cash and deposits with the central bank	13	46,824,603	43,666,527
Deposits with banks and other financial institutions	14	12,924,381	8,673,633
Financial assets at fair value through profit or loss	15	24,797,958	21,151,136
Positive fair value of derivatives	16	11	53,858
Financial assets held under resale agreements	17	2,067,885	—
Interests receivable	18	4,289,420	3,555,448
Loans and advances to customers	19	184,291,934	121,930,761
Available-for-sale financial assets	20	45,061,423	34,722,912
Held-to-maturity investments	21	8,485,982	10,436,027
Debt securities classified as receivables	22	300,885,308	281,680,541
Financial lease receivables	23	4,929,435	4,615,491
Property and equipment	25	6,278,547	6,142,076
Deferred tax assets	26	1,812,361	1,476,339
Other assets	27	1,363,326	954,773
Total assets		644,012,574	539,059,522
Liabilities and equity			
Liabilities			
Borrowing from the central bank		178,294	—
Deposits from banks and other financial institutions	29	135,240,853	131,028,453
Placements from banks and other financial institutions	30	12,010,948	3,866,521
Financial liabilities at fair value through profit or loss		22,714,452	20,986,772
Negative fair value of derivatives	16	222,637	7,938
Financial assets sold under repurchase agreements	31	21,659,510	35,164,192
Deposits from customers	32	312,060,261	262,969,211
Accrued staff costs	33	243,630	253,268
Taxes payable	34	337,864	770,886
Interests payable	35	9,465,861	7,241,416
Debts securities issued	36	79,074,662	30,223,286
Other liabilities	37	5,187,235	3,653,267
Total liabilities		598,396,207	496,165,210

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

at 30 June 2017 - unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	At 30 June 2017	At 31 December 2016
Equity			
Share capital	38	6,781,616	6,781,616
Capital reserve	39	13,987,825	14,240,795
Surplus reserve	40	2,101,109	2,101,109
General reserve	40	7,225,282	7,225,282
Retained earnings	41	11,660,183	8,686,628
Total equity attributable to equity shareholders of the Bank		41,756,015	39,035,430
Non-controlling interests		3,860,352	3,858,882
Total equity		45,616,367	42,894,312
Total liabilities and equity		644,012,574	539,059,522

Approved and authorised for issue by the board of directors on 21 August 2017.

Zhang Wei
Chairman

Wang Xiaoyu
Executive Director/Head of Finance

Company Chop

The notes on pages 86 to 156 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2017 - unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Attributable to equity shareholders of the Bank					Sub-total	Non-controlling interests	Total
		Share Capital	Capital reserve	Surplus reserve	General reserve	Retained earnings			
Balance at 1 January 2017		6,781,616	14,240,795	2,101,109	7,225,282	8,686,628	39,035,430	3,858,882	42,894,312
Changes in equity for the period:									
Total comprehensive income		–	(252,970)	–	–	3,990,797	3,737,827	39,247	3,777,074
Appropriation of profits	41	–	–	–	–	(1,017,242)	(1,017,242)	(37,777)	(1,055,019)
– Appropriation to shareholders		–	–	–	–	–	–	–	–
Balance at 30 June 2017		6,781,616	13,987,825	2,101,109	7,225,282	11,660,183	41,756,015	3,860,352	45,616,367
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 contributed by non-controlling interests		–	–	–	–	–	–	3,000,000	3,000,000
Appropriation of profits	41	–	–	–	–	(780,518)	(780,518)	(5,397)	(785,915)
– Appropriation to shareholders		–	–	–	–	–	–	–	–
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 July 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
Changes in equity for the period:									
Total comprehensive income		–	(465,969)	–	–	4,336,049	3,870,080	65,157	3,935,237
Changes in share capital		–	–	–	–	–	–	–	–
– Capital contributed by equity shareholders	38	1,000,000	5,637,759	–	–	–	6,637,759	–	6,637,759
– Capital contribution by non-controlling interests		–	–	–	–	–	–	121,570	121,570
Appropriation of profits	41	–	–	–	–	–	–	–	–
– Appropriation to surplus reserve		–	–	809,078	–	(809,078)	–	–	–
– Appropriation to general reserve		–	–	–	2,423,833	(2,423,833)	–	–	–
Balance at 31 December 2016		6,781,616	14,240,795	2,101,109	7,225,282	8,686,628	39,035,430	3,858,882	42,894,312

The notes on pages 86 to 156 form part of this interim financial report.

CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2017 - unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2017	2016
Cash flows from operating activities		
Net profit	4,030,044	3,798,240
<i>Adjustments for:</i>		
Impairment losses on assets	1,615,348	1,477,644
Depreciation and amortization	198,722	186,890
Unwinding of discount	(30,775)	(12,288)
Unrealized foreign exchange losses/(gains)	108,467	(26,602)
Net gains on disposal of investment securities	(17,350)	(9,113)
Net (gains)/losses on derivative financial instruments	(11,587)	650
Net losses on disposal of trading securities	2,171	8,519
Revaluation losses/(gains) on financial instruments at fair value through profit or loss	54,569	(7,962)
Interest expense on debts securities issued	1,276,937	52,234
Net gains on disposal of property and equipment	—	(15)
Income tax	1,312,916	1,232,088
	8,539,462	6,700,285
<i>Changes in operating assets</i>		
Net (increase)/decrease in deposits with the central bank, banks and other financial institutions	(12,896,777)	7,314,851
Net decrease in placements with banks and other financial institutions	—	118,864
Net increase in loans and advances to customers	(63,531,192)	(12,578,284)
Net (increase)/decrease in financial assets designated at fair value through profit or loss	(1,726,660)	379,240
Net increase in financial lease receivables	(368,657)	(2,019,642)
Net increase in other operating assets	(1,179,680)	(294,505)
	(79,702,966)	(7,079,476)
<i>Changes in operating liabilities</i>		
Net increase in borrowing from central bank	178,294	—
Net increase in deposits from banks and other financial institutions	4,212,400	26,003,009
Net increase in placements from banks and other financial institutions	8,144,427	809,122
Net decrease in financial assets sold under repurchase agreements	(13,504,682)	(3,451,160)
Net increase/(decrease) in financial liabilities designated at fair value through profit or loss	1,726,660	(379,240)
Net increase in other operating liabilities	2,725,094	2,486,949
Net increase in deposits from customers	49,091,050	28,987,852
Income tax paid	(2,004,445)	(1,764,209)
	50,568,798	52,692,323
Net cash flows (used in)/generated from operating activities	(20,594,706)	52,313,132

CONSOLIDATED CASH FLOW STATEMENT *(continued)*

for the six months ended 30 June 2017 - unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2017	2016
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		204,433,879	166,693,346
Proceeds from disposal of property and equipment and other assets		—	50
Payments on acquisition of investments		(234,372,408)	(218,065,876)
Payments on acquisition of property and equipment, intangible assets and other assets		(321,736)	(608,174)
Net cash flows used in investing activities		(30,260,265)	(51,980,654)
Cash flows from financing activities			
Capital contribution by non-controlling interests		—	3,000,000
Proceeds from issue of new debt securities		47,688,874	—
Interest paid on debts securities issued		(105,000)	(105,000)
Dividends paid		(34,804)	(93,889)
Net cash flows generated from financing activities		47,549,070	2,801,111
Effect of foreign exchange rate changes on cash and cash equivalents		(114,167)	14,879
Net (decrease)/increase in cash and cash equivalents	44(a)	(3,420,068)	3,148,468
Cash and cash equivalents as at 1 January		12,229,671	4,802,961
Cash and cash equivalents as at 30 June	44(b)	8,809,603	7,951,429
Interest received		17,143,494	12,881,497
Interest paid (excluding interest expense on debts securities issued)		(6,020,141)	(5,369,731)

The notes on pages 86 to 156 form part of this interim financial report.

CHAPTER 9 NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

1 Background information

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

The Bank obtained its finance permit No. B0127H221070001 from the China Banking Regulatory Commission (the "CBRC"). The Bank obtained its business license No. 912107002426682145 from the State Administration for Industry and Commerce of the People's Republic of China (the "SAIC"). The legal representative is Zhang Wei and the address of the registered office is No. 68 Keji Road, Jinzhou City, Liaoning Province, the PRC.

In December 2015, the Bank's H-shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 0416). As at 30 June 2017, the share capital of the Bank is RMB6,781.62 million.

The principal activities of the Bank and its subsidiaries (collectively referred to as the "Group") are the provision of corporate and retail deposits, loans and advances, payment and settlement services, 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. As at 30 June 2017, the Bank has 14 branches in Jinzhou, Beijing, Tianjin, Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin, Liaoyang, Hu Ludao and Benxi.

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 21 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 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 2016 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").

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 year ended 31 December 2016 that is included in the interim financial report as comparative financial information does not constitute the Group's statutory annual consolidated financial statements for that year but is derived from those financial statements.

3 Change in accounting policies

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 Net interest income

	Six months ended 30 June	
	2017	2016
Interest income arising from		
Deposits with the central bank	342,444	234,958
Deposits with banks and other financial institutions	95,418	150,253
Placements with banks and other financial institutions	10,712	6,032
Financial assets at fair value through profit or loss	565,029	619,939
Loans and advances to customers		
– Corporate loans and advances	4,173,835	3,455,971
– Personal loans and advances	290,941	339,311
– Discounted bills	7,448	11,959
Financial assets held under resale agreements	94,006	31,158
Available-for-sale debt investments	660,069	386,305
Held-to-maturity investments	178,214	148,252
Debt securities classified as receivables	11,295,420	7,779,126
Financial lease receivables	185,328	11,259
Sub-total	17,898,864	13,174,523
Interest expense arising from		
Borrowing from the central bank	180	–
Deposits from banks and other financial institutions	2,821,888	2,921,913
Placements from banks and other financial institutions	88,587	18,014
Financial liabilities at fair value through profit or loss	405,092	351,168
Deposits from customers		
– Corporate customers	2,317,684	1,188,762
– Individual customers	2,079,795	1,007,860
Financial assets sold under repurchase agreements	521,925	262,900
Debts securities issued	1,276,937	52,234
Sub-total	9,512,088	5,802,851
Net interest income	8,386,776	7,371,672
Of which:		
Interest income arising from impaired financial assets identified	30,775	12,288

(Expressed in thousands of Renminbi, unless otherwise stated)

5 Net fee and commission income

	Six months ended 30 June	
	2017	2016
Fee and commission income		
Agency services fees	175,057	79,433
Settlement and clearing fees	157,590	106,753
Wealth management service fees	73,696	139,516
Underwriting and advisory fees	40,286	113,632
Bank card service fees	7,555	8,857
Others	1,379	5,258
Sub-total	455,563	453,449
Fee and commission expense		
Settlement and clearing fees	30,949	9,474
Others	24,047	20,822
Sub-total	54,996	30,296
Net fee and commission income	400,567	423,153

6 Net trading losses

	Six months ended 30 June	
	2017	2016
Trading financial instruments		
– Debt securities	975	(15,137)
– Derivative financial instruments	(34,259)	(5,622)
Sub-total	(33,284)	(20,759)
Financial instruments designated at fair value through profit or loss	(11,871)	19,552
Total	(45,155)	(1,207)

7 Net gains arising from investment securities

	Six months ended 30 June	
	2017	2016
Net losses on disposal of available-for-sale financial assets	(47,345)	(17,425)
Net revaluation gains reclassified from other comprehensive income on disposal	64,695	26,538
Total	17,350	9,113

8 Other net operating income

	Six months ended 30 June	
	2017	2016
Government grants	4,126	6,947
Rental income	4,052	2,829
Others	1,041	4,410
Total	9,219	14,186

9 Operating expenses

	Six months ended 30 June	
	2017	2016
Staff costs		
– Salaries and bonuses	578,368	441,184
– Staff welfares	30,529	23,789
– Pension	77,217	58,466
– Housing allowances	39,241	32,393
– Supplementary retirement benefits	815	801
– Other long-term staff welfares	(1,851)	1,313
– Other	57,831	46,005
Sub-total	782,150	603,951
Premises and equipment expenses		
– Depreciation of property and equipment	154,491	145,400
– Amortization of intangible assets	14,569	11,711
– Amortization of other long-term assets	29,662	29,779
– Rental and property management expenses	44,019	39,436
Sub-total	242,741	226,326
Tax and surcharges	67,607	215,841
Other general and administrative expenses	481,571	296,547
Total	1,574,069	1,342,665

(Expressed in thousands of Renminbi, unless otherwise stated)

10 Impairment losses on assets

	Six months ended 30 June	
	2017	2016
Loans and advances to customers	1,200,828	1,033,133
Debt securities classified as receivables	359,807	424,315
Financial lease receivables	54,713	20,196
Total	1,615,348	1,477,644

11 Income tax**(a) Income tax:**

	Note	Six months ended 30 June	
		2017	2016
Current tax		1,564,238	1,561,230
Deferred tax	26(b)	(251,322)	(329,142)
Total		1,312,916	1,232,088

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

	Six months ended 30 June	
	2017	2016
Profit before tax	5,342,960	5,030,328
Statutory tax rate	25%	25%
Income tax calculated at statutory tax rate	1,335,740	1,257,582

Non-deductible expenses		
– Staff costs	85	242
– Others	2,120	1,337
	2,205	1,579

Non-taxable income		
– Interest income from the PRC government bonds	(18,379)	(18,498)
– Others	(6,650)	(8,575)

Income tax	1,312,916	1,232,088

12 Basic and diluted earnings per share

	Six months ended 30 June	
	2017	2016
Weighted average number of ordinary shares (in thousands)	6,781,616	5,781,616
Net profit attributable to equity shareholders of the Bank	3,990,797	3,793,541
Basic and diluted earnings per share attributable to equity shareholders of the Bank (in RMB)	0.59	0.66

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

13 Cash and deposits with the central bank

	Note	At 30 June 2017	At 31 December 2016
Cash on hand		544,308	573,486
Deposits with the central bank			
– Statutory deposit reserves	13(a)	42,961,844	39,146,434
– Surplus deposit reserves	13(b)	2,941,168	3,743,647
– Fiscal deposits		377,283	202,960
Sub-total		46,280,295	43,093,041
Total		46,824,603	43,666,527

Notes: (a) The Group places statutory deposit reserves with the PBOC in accordance with relevant regulations. As at 30 June 2017 and 31 December 2016, the statutory deposit reserve ratios applicable to the Bank were as follows:

	At 30 June 2017	At 31 December 2016
Reserve ratio for RMB deposits	13.5%	13.5%
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.

(Expressed in thousands of Renminbi, unless otherwise stated)

14 Deposits with banks and other financial institutions

Analyzed by type and location of counterparty

	At 30 June 2017	At 31 December 2016
Deposits in Mainland China		
– Banks	11,864,879	1,850,647
– Other financial institutions	3,231	3,197
Sub-total	11,868,110	1,853,844
Deposits outside Mainland China		
– Banks	1,056,271	6,819,789
Sub-total	1,056,271	6,819,789
Total	12,924,381	8,673,633

15 Financial assets at fair value through profit or loss

	Note	At 30 June 2017	At 31 December 2016
Debt securities held for trading	15(a)	1,992,729	61,715
Financial assets designated at fair value through profit or loss	15(b)	22,805,229	21,089,421
Total		24,797,958	21,151,136

(a) Debt securities held for trading

	At 30 June 2017	At 31 December 2016
Issued by institutions in Mainland China		
– Banks and other financial institutions	1,992,729	61,715
Total	1,992,729	61,715
Listed	1,992,729	61,715
Total	1,992,729	61,715

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)).

15 Financial assets at fair value through profit or loss (continued)

(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.

16 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

	At 30 June 2017		
	Notional amount	Fair value	
		Assets	Liabilities
Currency derivatives			
– Foreign exchange forward	12,310,982	11	(222,637)

	At 31 December 2016		
	Notional amount	Fair value	
		Assets	Liabilities
Currency derivatives			
– Foreign exchange forward	1,807,435	53,858	(7,938)

(b) Analysed by credit risk-weighted amounts

	At 30 June 2017	At 31 December 2016
Currency derivatives		
– Foreign exchange forward	30,777	4,519

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)

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

	At 30 June 2017	At 31 December 2016
In Mainland China		
– Banks	219,500	–
– Other financial institutions	1,848,385	–
Total	2,067,885	–

(b) Analyzed by type of security held

	At 30 June 2017	At 31 December 2016
Debt securities		
– Financial bonds	347,500	–
– Government bonds	1,720,385	–
Total	2,067,885	–

18 Interests receivable

	At 30 June 2017	At 31 December 2016
Interests receivable from investments	3,452,801	2,793,458
Interests receivable from loans and advances to customers	758,637	647,884
Interests receivable from deposits and placements with banks and other financial institutions	77,982	114,106
Total	4,289,420	3,555,448

19 Loans and advances to customers

(a) Analyzed by nature

	At 30 June 2017	At 31 December 2016
Corporate loans and advances	179,545,041	117,553,214
Personal loans and advances		
– Personal business loans	8,455,335	7,896,781
– Residential mortgage loans	905,439	723,438
– Personal consumption loans	546,872	478,482
– Credit cards	114,049	106,243
– Others	523	481
Sub-total	10,022,218	9,205,425
Discounted bills	765,899	41,444
Gross loans and advances to customers	190,333,158	126,800,083
Less: Provision for impairment losses		
– Individually assessed	(1,152,164)	(965,681)
– Collectively assessed	(4,889,060)	(3,903,641)
Total provision for impairment losses	(6,041,224)	(4,869,322)
Net loans and advances to customers	184,291,934	121,930,761

(Expressed in thousands of Renminbi, unless otherwise stated)

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

	At 30 June 2017		Loans and advances secured by collaterals
	Amount	Percentage	
Wholesale and retail trade	79,163,857	41.60%	29,617,098
Manufacturing	41,481,231	21.79%	23,154,038
Real estate	15,349,335	8.06%	12,981,548
Leasing and commercial services	9,803,773	5.15%	7,311,763
Public management and social organization	6,149,410	3.23%	201,000
Transportation, storage and postal services	5,831,943	3.06%	4,158,652
Education	5,124,352	2.69%	1,143,100
Electricity, gas and water production and supply	2,315,102	1.22%	2,073,920
Agriculture, forestry, animal husbandry and fishery	2,311,528	1.21%	1,744,919
Mining	1,877,401	0.99%	1,488,050
Construction	1,701,187	0.89%	886,277
Water, environment and public utility management	1,039,170	0.55%	1,039,170
Others	7,396,752	3.89%	6,032,609
Sub-total of corporate loans and advances	179,545,041	94.33%	91,832,144
Personal loans and advances	10,022,218	5.27%	8,369,978
Discounted bills	765,899	0.40%	—
Gross loans and advances to customers	190,333,158	100.00%	100,202,122
Less: Provision for impairment losses			
– Individually assessed	(1,152,164)		
– Collectively assessed	(4,889,060)		
Total provision for impairment losses	(6,041,224)		
Net loans and advances to customers	184,291,934		

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

	At 31 December 2016		Loans and advances secured by collaterals
	Amount	Percentage	
Wholesale and retail trade	39,985,815	31.54%	22,130,343
Manufacturing	37,272,136	29.40%	18,195,052
Real estate	13,774,113	10.86%	12,189,393
Leasing and commercial services	6,426,944	5.07%	5,062,865
Electricity, gas and water production and supply	3,822,215	3.01%	1,509,233
Education	3,213,742	2.53%	409,050
Transportation, storage and postal services	2,802,067	2.21%	2,376,014
Mining	1,801,952	1.42%	1,517,750
Construction	1,647,035	1.30%	823,185
Agriculture, forestry, animal husbandry and fishery	1,534,475	1.21%	1,027,146
Water, environment and public utility management	1,352,440	1.07%	1,348,440
Public management and social organization	242,750	0.19%	132,000
Others	3,677,530	2.90%	1,838,987
Sub-total of corporate loans and advances	117,553,214	92.71%	68,559,458
Personal loans and advances	9,205,425	7.26%	7,500,459
Discounted bills	41,444	0.03%	—
Gross loans and advances to customers	126,800,083	100.00%	76,059,917
Less: Provision for impairment losses			
– Individually assessed	(965,681)		
– Collectively assessed	(3,903,641)		
Total provision for impairment losses	(4,869,322)		
Net loans and advances to customers	121,930,761		

(Expressed in thousands of Renminbi, unless otherwise stated)

19 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:

	At 30 June 2017				
	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	998,948	(642,336)	(1,773,230)	(153,783)	—
Wholesale and retail trade	492,333	(278,902)	(1,003,030)	(442,143)	—

	At 31 December 2016				
	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	829,449	(586,834)	(1,703,878)	(815,993)	—
Wholesale and retail trade	357,080	(251,008)	(588,781)	(185,315)	—
Real estate	12,243	(6,745)	(863,757)	(152,715)	—

19 Loans and advances to customers (continued)

(c) Analyzed by type of collateral

	At 30 June 2017	At 31 December 2016
Unsecured loans	12,760,451	4,788,651
Guaranteed loans	77,370,585	45,951,515
Secured loans		
– By tangible assets other than monetary assets	61,122,299	56,164,010
– By monetary assets	39,079,823	19,895,907
Gross loans and advances to customers	190,333,158	126,800,083
Less: Provision for impairment losses		
– Individually assessed	(1,152,164)	(965,681)
– Collectively assessed	(4,889,060)	(3,903,641)
Total provision for impairment losses	(6,041,224)	(4,869,322)
Net loans and advances to customers	184,291,934	121,930,761

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Loans and advances to customers (continued)**(d) Overdue loans analyzed by overdue period**

	At 30 June 2017				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	2,609	892	4,791	413	8,705
Guaranteed loans	113,732	1,351,297	423,043	258,087	2,146,159
Secured loans					
– By tangible assets other than monetary assets	2,098,548	697,528	531,073	105,971	3,433,120
– By monetary assets	300,424	10,120	132,192	11,080	453,816
Total	2,515,313	2,059,837	1,091,099	375,551	6,041,800
As a percentage of gross loans and advances to customers	1.32%	1.08%	0.57%	0.20%	3.17%

	At 31 December 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	3,049	5,772	1,564	447	10,832
Guaranteed loans	196,731	1,488,540	276,142	257,510	2,218,923
Secured loans					
– By tangible assets other than monetary assets	338,145	1,437,927	467,897	101,362	2,345,331
– By monetary assets	162,735	173,810	190,829	1,253	528,627
Total	700,660	3,106,049	936,432	360,572	5,103,713
As a percentage of gross loans and advances to customers	0.55%	2.45%	0.74%	0.29%	4.03%

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

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

	At 30 June 2017			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	188,321,633	2,011,525	190,333,158	1.06%
Less: Provision for impairment losses	(4,889,060)	(1,152,164)	(6,041,224)	
Net loans and advances to customers	183,432,573	859,361	184,291,934	

	At 31 December 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	125,352,165	1,447,918	126,800,083	1.14%
Less: Provision for impairment losses	(3,903,641)	(965,681)	(4,869,322)	
Net loans and advances to customers	121,448,524	482,237	121,930,761	

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.

(iii) The definitions of the loan classifications, stated in Notes (i) and (ii) above, are set out in Note 47(a).

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Loans and advances to customers (continued)**(f) Movements of provision for impairment losses**

	Six months ended 30 June 2017		
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances which are individually assessed	Total
As at 1 January	(3,903,641)	(965,681)	(4,869,322)
Charge for the period	(985,419)	(315,417)	(1,300,836)
Release for the period	—	100,008	100,008
Recoveries	—	(1,849)	(1,849)
Unwinding of discount	—	30,775	30,775
As at 30 June	(4,889,060)	(1,152,164)	(6,041,224)

	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 year	(789,169)	(561,999)	(1,351,168)
Release for the year	—	197,744	197,744
Recoveries	—	(2,051)	(2,051)
Unwinding of discount	—	35,907	35,907
Disposal	—	111,450	111,450
As at 31 December	(3,903,641)	(965,681)	(4,869,322)

19 Loans and advances to customers (continued)

(g) Analyzed by geographical sector

	At 30 June 2017		
	Loan balance	Percentage	Loans and advances secured by collaterals
Jinzhou	80,766,644	42.44%	41,005,486
Northeastern China	72,979,114	38.34%	39,619,220
Northern China	36,587,400	19.22%	19,577,416
Gross loans and advances to customers	190,333,158	100.00%	100,202,122

	At 31 December 2016		
	Loan balance	Percentage	Loans and advances secured by collaterals
Jinzhou	64,530,235	50.89%	38,341,891
Northeastern China	34,692,316	27.36%	25,244,412
Northern China	27,577,532	21.75%	12,473,614
Gross loans and advances to customers	126,800,083	100.00%	76,059,917

(Expressed in thousands of Renminbi, unless otherwise stated)

19 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:

	At 30 June 2017		
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses
Jinzhou	633,598	(329,076)	(2,326,974)
Northeastern China	1,063,995	(614,632)	(1,656,611)
Northern China	313,932	(208,456)	(905,475)

	At 31 December 2016		
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses
Jinzhou	463,605	(260,832)	(2,041,682)
Northeastern China	738,934	(539,435)	(1,182,713)
Northern China	245,379	(165,414)	(679,246)

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

20 Available-for-sale financial assets

	Note	At 30 June 2017	At 31 December 2016
Available-for-sale debt investments	20(a)	45,003,173	34,664,662
Available-for-sale equity investments	20(b)	58,250	58,250
Total		45,061,423	34,722,912
Listed		40,927,687	32,783,584
Unlisted		4,133,736	1,939,328
Total		45,061,423	34,722,912

(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 2017	At 31 December 2016
In Mainland China		
– Government	2,345,684	998,188
– Banks and other financial institutions	41,935,197	30,749,630
– Corporations	722,292	2,916,844
Total	45,003,173	34,664,662

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.

(Expressed in thousands of Renminbi, unless otherwise stated)

21 Held-to-maturity investments

Analyzed by type and location of issuers

	Note	At 30 June 2017	At 31 December 2016
Debt securities issued by the following institutions in Mainland China			
– Government		4,331,819	4,331,042
– Banks and other financial institutions		4,134,350	6,085,197
– Corporations		19,813	19,788
Total carrying value	21(a)	8,485,982	10,436,027
Listed		8,485,982	10,436,027
Fair value		8,419,250	10,189,621

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.

22 Debt securities classified as receivables

	Note	At 30 June 2017	At 31 December 2016
Wealth management products issued by financial institutions	22(a)	203,261	200,088
Beneficial interest transfer plans	22(b)	303,132,972	283,571,571
Less: Provision for impairment losses		(2,450,925)	(2,091,118)
Net balance		300,885,308	281,680,541

Notes: (a) Wealth management products issued by financial institutions are fixed-term products.

(b) Beneficial interest transfer plans are mainly beneficial interests issued by trust companies, security companies, insurance companies and asset management companies.

(c) The fair values of these investments approximate to their carrying amounts.

(d) 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)).

23 Financial lease receivables

	At 30 June 2017	At 31 December 2016
Minimum finance lease receivables	5,572,734	5,278,052
Less: Unearned finance lease income	(541,432)	(615,407)
Present value of finance lease receivables	5,031,302	4,662,645
Less: Impairment losses	(101,867)	(47,154)
Net balance	4,929,435	4,615,491

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

	At 30 June 2017			At 31 December 2016		
	Minimum finance lease receivables	Unearned finance lease income	Present value of finance lease receivables	Minimum finance lease receivables	Unearned finance lease income	Present value of finance lease receivables
Less than 1 year (inclusive)	1,772,425	(256,010)	1,516,415	1,421,445	(263,494)	1,157,951
1 year to 2 years (inclusive)	1,806,570	(165,143)	1,641,427	1,514,665	(185,754)	1,328,911
2 years to 3 years (inclusive)	1,102,918	(80,555)	1,022,363	1,224,188	(101,571)	1,122,617
3 years to 5 years (inclusive)	843,046	(38,943)	804,103	1,021,964	(61,917)	960,047
More than 5 years	47,775	(781)	46,994	95,790	(2,671)	93,119
	5,572,734	(541,432)	5,031,302	5,278,052	(615,407)	4,662,645

(Expressed in thousands of Renminbi, unless otherwise stated)

24 Investments in subsidiaries

	Note	At 30 June 2017	At 31 December 2016
Taihe Jinyin Village Bank Co., Ltd. ("錦州太和錦銀村鎮銀行股份有限公司")	24(a)	60,450	60,450
Yixian Jinyin Village Bank Co., Ltd. ("遼寧義縣錦銀村鎮銀行股份有限公司")	24(b)	63,240	63,240
Beizhen Jinyin Village Bank Co., Ltd. ("遼寧北鎮錦銀村鎮銀行股份有限公司")	24(c)	49,290	49,290
Heishan Jinyin Village Bank Co., Ltd. ("遼寧黑山錦銀村鎮銀行股份有限公司")	24(d)	57,750	57,750
Kazuo Jinyin Village Bank Co., Ltd. ("遼寧喀左錦銀村鎮銀行股份有限公司")	24(e)	49,900	49,900
Linghai Jinyin Village Bank Co., Ltd. ("遼寧凌海錦銀村鎮銀行股份有限公司")	24(f)	49,900	49,900
Huanren Jinyin Village Bank Co., Ltd. ("遼寧桓仁錦銀村鎮銀行股份有限公司")	24(g)	49,000	49,000
Bank of Jinzhou Financial Leasing Co., Ltd. ("錦銀金融租賃有限責任公司")	24(h)	1,500,000	1,500,000
Total		1,879,530	1,879,530

Notes: (a) Taihe Jinyin Village Bank Co., Ltd. ("Taihe Jinyin") was incorporated on 27 January 2010 at Jinzhou, Liaoning Province, with registered capital of RMB103.21 million. The principal activities of Taihe Jinyin are the provision of corporate and retail banking services. The Bank holds 58.57% of equity interest and voting rights of Taihe Yimin. The financial statements of Taihe Jinyin for the year ended 31 December 2016 were audited by KPMG Huazhen LLP.

(b) Yixian Jinyin Village Bank Co., Ltd. ("Yixian Jinyin") was incorporated on 8 November 2010 at Jinzhou, Liaoning Province, with registered capital of RMB128.49 million. The principal activities of Yixian Jinyin are the provision of corporate and retail banking services. The Bank holds 49.22% of equity interest and 67.90% voting rights of Yixian Jinyin. The financial statements of Yixian Jinyin for the year ended 31 December 2016 were audited by KPMG Huazhen LLP.

24 Investments in subsidiaries (continued)

- Notes: (continued)
- (c) Beizhen Jinyin Village Bank Co., Ltd. ("Beizhen Jinyin") was incorporated on 2 March 2011 at Jinzhou, Liaoning Province, with registered capital of RMB103.25 million. The principal activities of Beizhen Jinyin are the provision of corporate and retail banking services. The Bank holds 47.74% of equity interest and 93.55% voting rights of Beizhen Jinyin. The financial statements of Beizhen Jinyin for the year ended 31 December 2016 were audited by KPMG Huazhen LLP.
 - (d) Heishan Jinyin Village Bank Co., Ltd. ("Heishan Jinyin") was incorporated on 28 January 2014 at Jinzhou, Liaoning Province, with registered capital of RMB119.00 million. The principal activities of Heishan Jinyin are the provision of corporate and retail banking services. The Bank holds 48.53% of equity interest and 66.59% of voting rights of Heishan Jinyin. The financial statements for the year ended 31 December 2016 were audited by KPMG Huazhen LLP.
 - (e) Kazuo Jinyin Village Bank Co., Ltd. ("Kazuo Jinyin") was incorporated on 27 November 2015 at Chaoyang, Liaoning Province, with registered capital of RMB100.00 million. The principal activities of Kazuo Jinyin are the provision of corporate and retail banking services. The Bank holds 49.90% of equity interest and 64.90% of voting rights of Kazuo Jinyin. The financial statements for the year ended 31 December 2016 were audited by KPMG Huazhen LLP.
 - (f) Linghai Jinyin Village Bank Co., Ltd. ("Linghai Jinyin") was incorporated on 16 December 2016 at Jinzhou, Liaoning Province, with registered capital of RMB100.47million. The principal activities of Linghai Jinyin are the provision of corporate and retail banking services. The Bank holds 49.67% of equity interest and 59.62% of voting rights of Linghai Jinyin.
 - (g) Huanren Jinyin Village Bank Co., Ltd. ("Huanren Jinyin") was incorporated on 20 December 2016 at Benxi, Liaoning Province, with registered capital of RMB100.00 million. The principal activities of Huanren Jinyin are the provision of corporate and retail banking services. The Bank holds 49.00% of equity interest and 100.00% of voting rights of Huanren Jinyin.
 - (h) Bank of Jinzhou Financial Leasing Co., Ltd. ("Jinyin Leasing") was incorporated on 1 December 2015 at Shenyang, Liaoning Province, with the original registered capital of RMB1.00 billion. The principal activities of Jinyin Leasing are the provision of financial leasing services. In March 2016, the registered capital increased from RMB1.00 billion to RMB4.90 billion and the Bank subscribed RMB0.9 billion. As at 30 June 2017, the Bank holds 30.61% of equity interest and 71.43% voting rights of Jinyin Leasing. The financial statements for the year ended 31 December 2016 were audited by KPMG Huazhen LLP.

(Expressed in thousands of Renminbi, unless otherwise stated)

25 Property and equipment

	Premises	Construction in progress	Motor vehicles	Leasehold improvements	Others	Total
Cost:						
As at 1 January 2016	5,503,168	371,986	67,463	160,754	591,357	6,694,728
Additions	226,442	714,670	5,078	3,347	53,342	1,002,879
Transfers in/(out) of construction in progress	800,512	(812,620)	—	12,108	—	—
Transfers out to other assets	—	(32,105)	—	—	—	(32,105)
Disposals	—	—	(701)	—	—	(701)
As at 31 December 2016	6,530,122	241,931	71,840	176,209	644,699	7,664,801
As at 1 January 2017	6,530,122	241,931	71,840	176,209	644,699	7,664,801
Additions	21,318	262,996	929	62	25,486	310,791
Transfers in/(out) of construction in progress	44,454	(49,167)	—	4,713	—	—
Transfers out to other assets	—	(19,829)	—	—	—	(19,829)
As at 30 June 2017	6,595,894	435,931	72,769	180,984	670,185	7,955,763
Accumulated depreciation:						
As at 1 January 2016	(754,899)	—	(50,342)	(56,802)	(363,805)	(1,225,848)
Charge for the year	(200,993)	—	(5,804)	(16,751)	(73,995)	(297,543)
Disposals	—	—	666	—	—	666
As at 31 December 2016	(955,892)	—	(55,480)	(73,553)	(437,800)	(1,522,725)
As at 1 January 2017	(955,892)	—	(55,480)	(73,553)	(437,800)	(1,522,725)
Charge for the period	(107,841)	—	(2,485)	(8,592)	(35,573)	(154,491)
As at 30 June 2017	(1,063,733)	—	(57,965)	(82,145)	(473,373)	(1,677,216)
Net book value:						
As at 31 December 2016	5,574,230	241,931	16,360	102,656	206,899	6,142,076
As at 30 June 2017	5,532,161	435,931	14,804	98,839	196,812	6,278,547

25 Property and equipment *(continued)*

As at 30 June 2017, title deeds were not yet finalised for the premises with a carrying amount of RMB1,929 million (31 December 2016: RMB1,917 million). Among them, the carrying amount of premises that the Group has obtained housing property title certificates issued by the authorities but no land use certificates was RMB1,181 million (31 December 2016: RMB1,171 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 2017	At 31 December 2016
Held in Mainland China		
– Long term leases (over 50 years)	83,279	84,772
– Medium term leases (10 - 50 years)	5,434,319	5,474,640
– Short term leases (less than 10 years)	14,563	14,818
Total	5,532,161	5,574,230

26 Deferred tax assets

(a) Analyzed by nature

	At 30 June 2017	At 31 December 2016
Deferred tax assets	1,812,361	1,476,339

(Expressed in thousands of Renminbi, unless otherwise stated)

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 2016	856,241	43,642	(195,657)	(3,404)	700,822
Recognized in profit or loss	584,703	1,340	(5,507)	11,776	592,312
Recognized in other comprehensive income	—	—	183,205	—	183,205
31 December 2016	1,440,944	44,982	(17,959)	8,372	1,476,339
Recognized in profit or loss	236,982	(2,025)	13,641	2,724	251,322
Recognized in other comprehensive income	—	—	84,700	—	84,700
30 June 2017	1,677,926	42,957	80,382	11,096	1,812,361

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.

27 Other assets

	At 30 June 2017	At 31 December 2016
Repossessed assets	568,141	39,260
Intangible assets	160,283	148,166
Long-term deferred expense	133,258	157,797
Deferred expense	86,863	74,012
Land use right	84,265	85,299
Prepayments for acquisition of property and equipment	34,727	5,397
Value-added tax	—	168,595
Other receivables	295,789	276,247
Total	1,363,326	954,773

28 Pledged assets

(a) Assets pledged as collateral

	Note	At 30 June 2017	At 31 December 2016
For repurchase agreements:			
– Debt securities held for trading	15(a)	—	30,980
– Available-for-sale debt investments	20(a)	20,740,898	29,227,875
– Held-to-maturity investments	21(a)	1,629,562	6,314,906
– Debt securities classified as receivables	22(d)	—	1,290,000
Total		22,370,460	36,863,761

(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 pledged in the absence of the counterparty's default.

(Expressed in thousands of Renminbi, unless otherwise stated)

29 Deposits from banks and other financial institutions

Analyzed by type and location of counterparty

	At 30 June 2017	At 31 December 2016
Deposits in Mainland China		
– Banks	82,015,157	59,893,668
– Other financial institutions	53,225,696	71,134,785
Total	135,240,853	131,028,453

30 Placements from banks and other financial institutions

Analyzed by type and location of counterparty

	At 30 June 2017	At 31 December 2016
Placements in Mainland China		
– Banks	11,580,167	3,866,521
Placements outside Mainland China		
– Banks	430,781	–
Total	12,010,948	3,866,521

31 Financial assets sold under repurchase agreements

(a) Analyzed by type and location of counterparty

	At 30 June 2017	At 31 December 2016
In Mainland China		
– Banks	17,549,560	26,182,972
– Other financial institutions	4,109,950	8,981,220
Total	21,659,510	35,164,192

31 Financial assets sold under repurchase agreements *(continued)*

(b) Analyzed by collaterals

	At 30 June 2017	At 31 December 2016
Debt securities	21,659,510	31,306,932
Interbank deposit certificates	—	2,567,260
Beneficial interest transfer plans	—	1,290,000
Total	21,659,510	35,164,192

32 Deposits from customers

	At 30 June 2017	At 31 December 2016
Demand deposits		
– Corporate customers	41,997,998	48,490,755
– Individual customers	15,369,697	12,855,115
Sub-total	57,367,695	61,345,870
Time deposits		
– Corporate customers	94,608,799	75,159,227
– Individual customers	110,491,955	74,793,814
Sub-total	205,100,754	149,953,041
Pledged deposits		
– Acceptances	17,737,893	20,577,875
– Letters of credit	3,382,363	3,521,704
– Letters of guarantees	4,932,887	4,080,501
– Others	307,450	8,392
Sub-total	26,360,593	28,188,472
Inward and outward remittances	107,440	50,848
Structured deposits		
– Corporate customers	16,674,599	16,344,740
– Individual customers	6,449,180	7,086,240
Sub-total	23,123,779	23,430,980
Total	312,060,261	262,969,211

(Expressed in thousands of Renminbi, unless otherwise stated)

33 Accrued staff costs

	At 30 June 2017	At 31 December 2016
Salary and welfare payable	108,554	97,334
Pension payable	29,623	30,236
Supplementary retirement benefits payable	24,466	24,780
Other long-term staff welfare payable	80,987	100,918
Total	243,630	253,268

34 Taxes payable

	At 30 June 2017	At 31 December 2016
Income tax payable	271,832	712,039
Value-added tax and surcharge payable	21,234	7,859
Others	44,798	50,988
Total	337,864	770,886

35 Interests payable

	At 30 June 2017	At 31 December 2016
Interests payable arising from:		
– Deposits from customers	6,957,036	5,206,353
– Deposits and placement from banks and other financial institutions	2,375,055	1,892,041
– Debt securities Issued	108,155	98,720
– Others	25,615	44,302
Total	9,465,861	7,241,416

36 Debt securities issued

	Note	30 June 2017	31 December 2016
Tier two capital debts issued	36(a)	3,994,582	3,994,352
Interbank deposit certificates issued	36(b)	75,080,080	26,228,934
Total		79,074,662	30,223,286

(a) Tier two capital debts issued

	Note	30 June 2017	31 December 2016
Fixed rate tier two capital debts maturing in January 2024	(i)	1,500,000	1,500,000
Fixed rate tier two capital debts maturing in January 2026	(ii)	2,494,582	2,494,352
Total		3,994,582	3,994,352

Notes: (i) 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.

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

As of 30 June 2017, the fair value of the total tier two capital debts issued amounts to RMB4,065 million (31 December 2016: RMB4,026million).

(b) Interbank deposit certificates issued

As of 30 June 2017, 162 interbank deposit certificates were issued by the Group at a total cost of RMB75,080 million. The fair value of the interbank deposit certificates mentioned above approximates to RMB75,123 million.

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Other liabilities

	At 30 June 2017	At 31 December 2016
Financial liabilities related to precious metals	3,190,590	2,754,114
Dividend payable	1,137,047	116,832
Asset-backed security payable	231,311	332,389
Deferred income	64,804	62,294
Payment and collection clearance accounts	4,565	18,415
Others	558,918	369,223
Total	5,187,235	3,653,267

38 Share capital

Share capital of the Group as at 30 June 2017 and 31 December 2016 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 2017	At 31 December 2016
Number of shares authorised, issued and fully paid at par value (in thousands)	6,781,616	6,781,616

Note:

On 28 December 2016, the Bank issued 1,000,000,000 new H-shares with a par value of RMB1 at an offering price of HKD7.5 per share. The premium arising from the issuance of new shares amounting to RMB5,638 million was recorded in capital reserve.

39 Capital reserve

	At 30 June 2017	At 31 December 2016
Share premium	14,252,077	14,252,077
Fair value changes on available-for-sale financial assets	(273,506)	(19,407)
Changes on remeasurement of defined benefit liabilities	1,105	(24)
Others	8,149	8,149
Total	13,987,825	14,240,795

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 RMB2,089 million at 30 June 2017 and 31 December 2016, while other surplus reserve is RMB12 million at 30 June 2017 and 31 December 2016 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 25 May 2017, the proposed profit appropriations for the year ended 31 December 2016 is listed as follows:

- Appropriate statutory surplus reserve amounted to RMB809.08million, based on 10% of the net profit of the Bank.
- Appropriate general reserve amounted to RMB2,423.83 million.
- Declaration of cash dividend of RMB0.15 per shares before tax and in aggregation amount of RMB1,017.24 million to all shareholders.

(b) In accordance with the resolution of the Bank's annual general meeting on 29 June 2016, the proposed profit appropriations for the year ended 31 December 2015 is listed as follows:

- 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.

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 2017 and 31 December 2016:

	At 30 June 2017		At 31 December 2016	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Debt securities classified as receivables	300,885,308	300,885,308	281,680,541	281,680,541
Available-for-sale investments	4,047,073	4,047,073	1,801,266	1,801,266
Total	304,932,381	304,932,381	283,481,807	283,481,807

(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 2017, the amounts of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, are RMB14,537 million (31 December 2016: RMB16,441 million). For the six months ended 30 June 2017, the fee and commission income of the structured entities amounted to RMB74 million (30 June 2016: RMB140 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 RMB3,123 million to an unconsolidated securitization vehicle managed by an independent trust company, which issued asset-backed securities to investors. As of 30 June 2017, the balances of these asset-backed securities held by the Group are RMB28 million (31 December 2016: RMB75 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 period which the Group does not have an interest in as at 30 June 2017 and 31 December 2016:

For the six months ended 30 June 2017 and year ended 31 December 2016, 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 RMB2,431 million and RMB11,634 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 2017 and 31 December 2016 calculated in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" and relevant requirements promulgated by the CBRC are as follows:

	At 30 June 2017	At 31 December 2016
Total core tier-one capital		
– Share capital	6,781,616	6,781,616
– Qualifying portion of capital reserve	13,987,825	14,240,795
– Surplus reserve	2,101,109	2,101,109
– General reserve	7,225,282	7,225,282
– Retained earnings	11,660,183	8,686,628
– Qualifying portions of non-controlling interests	415,295	1,057,708
Core tier-one capital deductions		
– Other intangible assets other than land use right	(160,283)	(148,166)
Net core tier-one capital	42,011,027	39,944,972
Other tier-one capital	55,373	38,102
Net tier-one capital	42,066,400	39,983,074
Tier-two capital		
– Instruments issued and share premium	4,000,000	4,000,000
– Surplus provision for loan impairment	4,029,700	3,311,404
– Qualifying portions of non-controlling interests	110,745	86,576
Net capital base	50,206,845	47,381,054
Total risk weighted assets	457,771,084	407,922,931
Core tier-one capital adequacy ratio	9.18%	9.79%
Tier-one capital adequacy ratio	9.19%	9.80%
Capital adequacy ratio	10.97%	11.62%

44 Notes to consolidated cash flow statements

(a) Net increase in cash and cash equivalents

	Six months ended 30 June	
	2017	2016
Cash and cash equivalents as at 30 June	8,809,603	7,951,429
Less: Cash and cash equivalents as at 1 January	(12,229,671)	(4,802,961)
Net (decrease)/increase in cash and cash equivalents	(3,420,068)	3,148,468

(b) Cash and cash equivalents

	At 30 June	At 31 December
	2017	2016
Cash on hand	544,308	573,486
Deposits with the central bank	2,941,168	3,743,647
Deposits with banks and other financial institutions	3,256,242	7,912,538
Financial assets held under resale agreements	2,067,885	—
Total	8,809,603	12,229,671

(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
– 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
– 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
– Panjin Jialun Real Estate Co., Ltd. (“盤錦加倫置業有限公司”)	Enterprise under the control of directors
– Jinlian Investment Group Co., Ltd. (“錦聯控股集團有限公司”)	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 Service Group Co., Ltd. (“錦程國際物流服務有限公司”)	Enterprise under the control of directors
– Jincheng International Air Cargo Co., Ltd. (“錦程國際航空貨運服務有限公司”)	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. (“大連錦程物流網路技術有限公司”)	Enterprise under the control of directors
– Dalian Jinlian Classic Life Property Management Co., Ltd. (“大連錦聯經典生活物業管理有限公司”)	Enterprise under the control of directors
– Dalian Jinlian Investment Guarantee Co., Ltd. (“大連錦聯投資擔保有限公司”)	Enterprise under the control of directors
– Dalian Zhongshan Jinlian Microcredit Co., Ltd. (“大連中山錦聯小額貸款股份有限公司”)	Enterprise under the control of directors
– Dandong Jinlian Microcredit Co., Ltd. (“丹東元寶區錦聯小額貸款有限公司”)	Enterprise under the control of directors
– Jincheng Logistic development Co., Ltd. (“錦程物流產業發展有限公司”)	Enterprise under the control of directors
– Tianjin Jinlian Financial Leasing Co., Ltd. (“天津錦聯融資租賃有限公司”)	Enterprise under the control of directors
– Jinlian Real Estate Group Co., Ltd. (“錦聯地產集團有限公司”)	Enterprise under the control of directors
– Jinlian Financial Service (Tianjin) Co., Ltd. (“錦聯金融服務集團(天津)股份有限公司”)	Enterprise under the control of directors
– Shenyang Jinlian Environmental Development. Co., Ltd. (“瀋陽錦聯生態科技園發展有限公司”)	Enterprise under the control of directors
– Shenyang Jinlian Microcredit Co., Ltd. (“瀋陽市渾南新區錦聯小額貸款有限公司”)	Enterprise under the control of directors
– Jincheng International Logistic Service Co., Ltd. (“錦程國際物流線上服務有限公司”)	Enterprise under the control of directors
– Liaoning Deying Petrochemical 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 Factory Co., Ltd. (“錦州順達瀝青有限責任公司”)	Enterprise under the control of supervisors
– Jinzhou Jinhua Co., Ltd. (“錦州錦華股份有限公司”)	Enterprise under the control of supervisors
– Beizhen Deying oil Shale Processing Co., Ltd. (“北鎮德營油母葉岩油有限公司”)	Enterprise under the control of supervisors
– Beizhen Huiyin Microcredit Co., Ltd. (“北鎮匯銀小額貸款有限責任公司”)	Enterprise under the control of supervisors
– Beizhen Deying Tongda vehicle leasing Co., Ltd. (“北鎮德營通達車輛運輸租賃有限公司”)	Enterprise under the control of supervisors
– Liaoning Deying Huijin Technology Development Co., Ltd. (“遼寧德營慧晶科技發展有限公司”)	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	
	2017	2016
Transactions during the period:		
Interest income	54,359	60,202
Interest expense	13	139

	At 30 June	At 31 December
	2017	2016
Balances at end of the period/year:		
Loans and advances to customers	1,417,900	2,140,128
– Overdue but not Impaired	–	472,590
Interests receivable	9,987	10,839
Deposits from customers	2,768	51,590
Interests payable	–	6
Other liabilities	1,730	1,730

(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	
	2017	2016
Transactions during the period:		
Interest income	328	640
Interest expense	3,864	3,980

45 Related party relationships and transactions *(continued)*

(c) Key management personnel *(continued)*

(i) Transactions between the Group and key management personnel *(continued)*

	At 30 June 2017	At 31 December 2016
Balances at end of the period/year:		
Loans and advances to customers	2,970	13,203
– Overdue but not Impaired	–	10,000
Interests receivable	251	251
Deposits from customers	280,357	276,138
Principal guaranteed wealth management products	1,010	4,170
Non-principal-guaranteed wealth management products	1,910	8,180
Interests payable	7,961	4,120

(ii) Key management personnel compensation

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

	Six months ended 30 June	
	2017	2016
Short-term staff benefits	19,084	17,146
Retirement benefits		
– Basic social pension insurance	2,613	2,731

(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 2017	At 31 December 2016
Aggregate amount of relevant loans outstanding at the period/year end	2,970	13,203
Maximum aggregate amount of relevant loans outstanding during the reporting period	13,279	13,491

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

(a) Segment results, assets and liabilities

	Six months ended 30 June 2017				Total
	Corporate banking	Retail banking	Treasury business	Others and unallocated items	
Operating income					
External net interest income/(expense)	1,883,242	(1,855,417)	8,358,951	—	8,386,776
Internal net interest income/(expense)	566,113	2,467,741	(3,033,854)	—	—
Net interest income	2,449,355	612,324	5,325,097	—	8,386,776
Net fee and commission income	310,728	49,909	39,930	—	400,567
Net trading losses	—	—	(45,155)	—	(45,155)
Net gains arising from investment securities	—	—	17,350	—	17,350
Foreign exchange losses	(23,657)	(161)	(172,522)	(40,040)	(236,380)
Other net operating income	—	—	—	9,219	9,219
Operating income	2,736,426	662,072	5,164,700	(30,821)	8,532,377
Operating expenses	(721,833)	(364,448)	(331,223)	(156,565)	(1,574,069)
Operating profit before impairment	2,014,593	297,624	4,833,477	(187,386)	6,958,308
Impairment losses on assets	(1,232,093)	(23,448)	(359,807)	—	(1,615,348)
Profit before tax	782,500	274,176	4,473,670	(187,386)	5,342,960
Segment assets	180,602,429	10,403,551	443,056,215	8,138,018	642,200,213
Deferred tax assets	—	—	—	1,812,361	1,812,361
Total assets	180,602,429	10,403,551	443,056,215	9,950,379	644,012,574
Segment liabilities	192,522,297	142,896,124	257,354,276	4,486,463	597,259,160
Dividend payable	—	—	—	1,137,047	1,137,047
Total liabilities	192,522,297	142,896,124	257,354,276	5,623,510	598,396,207
Other segment information					
– Depreciation and amortization	(91,129)	(46,011)	(41,816)	(19,766)	(198,722)
– Capital expenditure	147,541	74,492	67,701	32,002	321,736

46 Segment reporting (continued)

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

	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
	At 31 December 2016				
	Corporate banking	Retail banking	Treasury business	Others and unallocated items	Total
Segment assets	119,894,847	9,325,590	400,735,204	7,627,542	537,583,183
Deferred tax assets	—	—	—	1,476,339	1,476,339
Total assets	119,894,847	9,325,590	400,735,204	9,103,881	539,059,522
Segment liabilities	190,106,923	100,056,009	201,562,894	4,322,552	496,048,378
Dividend payable	—	—	—	116,832	116,832
Total liabilities	190,106,923	100,056,009	201,562,894	4,439,384	496,165,210
Other segment information					
– Depreciation and amortization	(190,417)	(83,720)	(107,056)	(65)	(381,258)
– Capital expenditure	509,454	223,989	286,423	174	1,020,040

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 five 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, Hu Ludao, Benxi, Liaoyang and the three 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	
	2017	2016
Jinzhou	6,174,107	5,527,048
Northeastern China	1,065,330	816,783
Northern China	1,292,940	1,506,806
Total	8,532,377	7,850,637

	Non-current assets	
	At 30 June	At 31 December
	2017	2016
Jinzhou	2,816,071	2,703,152
Northeastern China	2,899,203	2,845,677
Northern China	708,982	724,056
Total	6,424,256	6,272,885

47 Risk management

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

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

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

(a) Credit risk

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

Credit business

The board of directors is responsible for setting the Group's risk management strategy and the overall risk tolerance level. The board also monitors the Group's risk management process and regularly assesses the Group's risk position and risk management strategies. The board gives advice on internal controls relating to risk management. The responsible department for credit risk management include the Risk and Compliance Department, Post-credit Management Department, Credit Management Department, and Unified Credit Management Department, and the Group dispatch Risk Management Officer and Credit Officer to the first-level branches. The Risk and Compliance Department is responsible for implementing the Group's overall risk management system. Besides risk monitoring and control, the Risk and Compliance Department is also responsible for formulating risk management policies. To ensure the independence of credit approval, the Post-credit Management Department is independent from customer relationship and product management departments. The Bank's Credit Management department is in charge of the improvement of the Bank's credit review system and operating procedures. The Unified Credit Management Department is responsible for formulation of limit management as well as organizing and convening meetings of Credit Approval Management Committee of the Bank's headquarters. Front office departments of the corporate and retail banking business carry out credit businesses according to the Group's risk management policies and procedures.

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

47 Risk management *(continued)*

(a) Credit risk *(continued)*

Credit business *(continued)*

For corporate and institutional businesses, the Group has established industry-specific limits for credit approval. It has put in place continuous monitoring mechanism, with regular reporting of credit exposures to the board. The Group's credit risk management covers key operational phases, including pre-lending evaluations, credit approval, and post-lending monitoring. With respect to pre-lending evaluations, the Group assesses customer credit ratings and performs integrated analysis on the risk and return of the loan. In the credit approval phase, all credit applications are approved by designated credit officers. During the post-lending monitoring, the Group continually monitors outstanding loans and other credit related businesses. Any adverse events that may significantly affect a borrower's repayment ability are reported immediately, and actions are taken to mitigate the risks. The Group has further enhanced the parallel operating mechanism. Customer relationship managers and risk managers work independently to manage the key risk points throughout the process of credit business.

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

The Group adopts a loan risk classification approach to manage its loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their levels of risk. Substandard, doubtful and loss loans are considered to be impaired loans and advances. They are classified as such when one or more events demonstrate that there is objective evidence of a loss event. The impairment loss is assessed collectively or individually as appropriate.

47 Risk management *(continued)*

(a) Credit risk *(continued)*

Credit business *(continued)*

The core definitions of the five categories of loans and advances are set out below:

Normal:	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
Special mention:	Borrowers are currently able to service their loans and interest, although repayment may be adversely affected by specific factors.
Substandard:	Borrowers' ability to service their loans is in question and they cannot rely entirely on normal business revenues to repay principal and interest. Losses may ensue even when collaterals or guarantees are invoked.
Doubtful:	Borrowers cannot repay principal and interest in full and significant losses will need to be recognized even when collaterals or guarantees are invoked.
Loss:	Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.

Treasury Business

The Group sets credit limits for treasury operations based on the credit risk inherent in the products, counterparties and geographical areas. Credit risk exposure is closely monitored on a systematic, real-time basis, and credit risk limits are reviewed and updated regularly.

(Expressed in thousands of Renminbi, unless otherwise stated)

47 Risk management (continued)**(a) Credit risk (continued)****Treasury Business (continued)****(i) Maximum credit risk exposure**

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

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

	30 June 2017				
	Loans and advances	Deposits/ Placements with banks and other financial institutions	Financial Assets held under resale agreement	Investments ^(*)	Others ^(**)
<i>Impaired</i>					
Individually assessed gross amount	2,011,525	—	—	1,533,000	13,056
Provision for impairment losses	(1,152,164)	—	—	(628,364)	(13,056)
Sub-total	859,361	—	—	904,636	—
<i>Overdue but not Impaired</i>					
Less than three months (inclusive)	2,503,313	—	—	—	—
Between three months and six months (inclusive)	1,509,777	—	—	1,300,000	—
More than six months	139,915	—	—	—	—
Gross amount	4,153,005	—	—	1,300,000	—
Provision for impairment losses	(523,407)	—	—	(260,000)	—
Sub-total	3,629,598	—	—	1,040,000	—
<i>Neither overdue nor impaired</i>					
Gross amount	184,168,628	12,924,381	2,067,885	378,790,346	9,651,249
Provision for impairment losses	(4,365,653)	—	—	(1,562,561)	(101,867)
Sub-total	179,802,975	12,924,381	2,067,885	377,227,785	9,549,382
Total	184,291,934	12,924,381	2,067,885	379,172,421	9,549,382

47 Risk management (continued)

(a) Credit risk (continued)

Treasury Business (continued)

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

	31 December 2016			
	Loans and advances	Deposits/ Placements with banks and other financial institutions	Investments (*)	Others (**)
<i>Impaired</i>				
Individually assessed gross amount	1,447,918	—	—	13,056
Provision for impairment losses	(965,681)	—	—	(13,056)
Sub-total	482,237	—	—	—
<i>Overdue but not Impaired</i>				
Less than three months (inclusive)	698,924	—	1,450,000	—
Between three months and six months (inclusive)	1,889,235	—	—	—
More than six months	1,068,712	—	—	—
Gross amount	3,656,871	—	1,450,000	—
Provision for impairment losses	(312,706)	—	(39,141)	—
Sub-total	3,344,165	—	1,410,859	—
<i>Neither overdue nor impaired</i>				
Gross amount	121,695,294	8,673,633	348,573,484	8,553,595
Provision for impairment losses	(3,590,935)	—	(2,051,977)	(47,154)
Sub-total	118,104,359	8,673,633	346,521,507	8,506,441
Total	121,930,761	8,673,633	347,932,366	8,506,441

* Investments comprise financial assets at fair value through profit or loss, available-for-sale debt investments, held-to-maturity investments and debt securities classified as receivables.

** Others comprise interests receivable, prepayments for acquisition of property and equipment, other receivables in other assets, financial lease receivables and positive fair value of derivatives.

47 Risk management (continued)

(a) Credit risk (continued)

Treasury Business (continued)

(iii) Credit rating

The Group adopts a credit rating approach in managing the credit risk of the debt securities portfolio. Debt securities are rated with reference to major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analyzed by the rating agency designations as at the end of each of the reporting period are as follows:

	30 June 2017	31 December 2016
Neither overdue nor impaired		
<i>Ratings</i>		
– AAA	47,379,416	37,489,628
– AA- to AA+	4,785,165	5,269,579
– A- to A+	270,000	71,802
– unrated	3,047,303	2,331,395
Total	55,481,884	45,162,404

(b) Market risk

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

The board of directors is ultimately responsible for monitoring the Group's market risk to ensure that the Group has effectively identified, measured and monitored all types of market risk. The Risk Management Committee monitors the market risk management process within the scope authorized by the board of directors, which include review and approval of market risk management strategies, policies and procedures. The Group is primarily exposed to market risk in its treasury business. The Treasury Transaction Department is responsible for carrying out capital investments and transactions. The Finance Management Department and the International Business Department is responsible for monitoring and managing the interest rate risk and foreign exchange risk on a daily basis. The Risk and Compliance Department is responsible for formulating the market risk management policies and procedures, as well as identifying, measuring and monitoring the Group's market risk.

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

47 Risk management *(continued)*

(b) Market risk *(continued)*

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

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

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

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

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

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

Interest rate risk

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

Repricing risk

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

The Finance Management Department is responsible for measuring, monitoring and managing interest rate risk. The Group regularly performs assessment on the interest rate repricing gap between the assets and liabilities that are sensitive to changes in interest rates and sensitivity analysis on the net interest income as a result of changes in interest rates. The primary objective of interest rate risk management is to minimise potential adverse effects on its net interest income or its inherent economic value caused by interest rate volatility.

Trading interest rate risk

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

(Expressed in thousands of Renminbi, unless otherwise stated)

47 Risk management (continued)**(b) Market risk (continued)****Interest rate risk (continued)**

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

	30 June 2017					
	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	46,824,603	921,591	45,903,012	—	—	—
Deposits with banks and other financial institutions	12,924,381	—	3,355,931	8,913,950	654,500	—
Financial assets held under resale agreements	2,067,885	—	2,067,885	—	—	—
Loans and advances to customers (Note (i))	184,291,934	—	19,904,423	65,464,721	97,173,828	1,748,962
Investments (Note (ii))	379,230,671	58,250	42,632,667	100,192,781	227,604,804	8,742,169
Financial lease receivables	4,929,435	—	1,478,718	698,983	2,705,682	46,052
Others	13,743,665	13,743,654	11	—	—	—
Total assets	644,012,574	14,723,495	115,342,647	175,270,435	328,138,814	10,537,183
Liabilities						
Borrowing from the central bank	178,294	—	—	178,294	—	—
Deposits from banks and other financial institutions	135,240,853	—	28,032,623	62,965,730	43,642,500	600,000
Placements from banks and other financial institutions	12,010,948	—	4,441,117	7,569,831	—	—
Financial assets sold under repurchase agreements	21,659,510	—	21,659,510	—	—	—
Deposits from customers	312,060,261	107,371	86,431,700	78,600,256	146,920,887	47
Debt securities issued	79,074,662	—	32,090,790	38,759,290	8,224,582	—
Others	38,171,679	15,234,590	8,152,007	14,760,710	24,372	—
Total liabilities	598,396,207	15,341,961	180,807,747	202,834,111	198,812,341	600,047
Asset-liability gap	45,616,367	(618,466)	(65,465,100)	(27,563,676)	129,326,473	9,937,136

47 Risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

(i) (continued)

	31 December 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	43,666,527	573,486	43,093,041	—	—	—
Deposits with banks and other financial institutions	8,673,633	—	8,464,133	55,000	154,500	—
Loans and advances to customers (Note (i))	121,930,761	—	19,162,528	37,974,369	62,522,367	2,271,497
Investments (Note (ii))	347,990,616	58,250	40,162,403	116,457,560	187,390,603	3,921,800
Financial lease receivables	4,615,491	—	1,075,819	595,989	1,907,346	1,036,337
Others	12,182,494	12,128,636	53,858	—	—	—
Total assets	539,059,522	12,760,372	112,011,782	155,082,918	251,974,816	7,229,634
Liabilities						
Deposits from banks and other financial institutions	131,028,453	—	24,590,953	52,170,000	53,267,500	1,000,000
Placements from banks and other financial institutions	3,866,521	—	3,737,146	129,375	—	—
Financial assets sold under repurchase agreements	35,164,192	—	33,874,192	1,290,000	—	—
Deposits from customers	262,969,211	50,815	92,366,755	55,452,195	115,095,660	3,786
Debt securities issued	30,223,286	—	3,925,514	22,303,420	3,994,352	—
Others	32,913,547	11,793,139	7,931,952	13,188,456	—	—
Total liabilities	496,165,210	11,843,954	166,426,512	144,533,446	172,357,512	1,003,786
Asset-liability gap	42,894,312	916,418	(54,414,730)	10,549,472	79,617,304	6,225,848

Notes: (i) As at 30 June 2017, for loans and advances to customers, the category "Less than three months" includes overdue amounts (net of provision for impairment losses) of RMB 4,418 million (31 December 2016: RMB 3,871 million).

(ii) Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.

47 Risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

(ii) Interest rate sensitivity analysis

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group's net profit and equity. As at 30 June 2017, assuming other variables remain unchanged, an increase in estimated interest rate of 100 basis points will cause the Group's net profit to decrease RMB 723 million (31 December 2016: decrease RMB615 million), and the Group's equity to decrease RMB 1,535 million (31 December 2016: decrease RMB1,232 million); a decrease in estimated interest rate of 100 basis points will cause the Group's net profit to increase RMB723 million (31 December 2016: increase RMB615 million), and the Group's equity to increase RMB1,571 million (31 December 2016: increase RMB1,261 million).

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

- Interest rate movements at the end of each of the reporting period apply to non-derivative financial instruments of the Group.
- At the end of each of the reporting period, an interest rate movement of 100 basis points is based on the assumption of interest rates movement over the next 12 months.
- There is a parallel shift in the yield curve with the changes in interest rates.
- There are no other changes to the assets and liabilities portfolio.
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

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

47 Risk management (continued)

(b) Market risk (continued)

Foreign currency risk

The Group's foreign currency risk mainly arises from exchange rate fluctuation on its foreign exchange exposures. The Group manages foreign currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies and monitoring its foreign currency exposures on daily basis.

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

	At 30 June 2017			
	RMB	USD	Others	Total
	(RMB Equivalent)	(RMB Equivalent)	(RMB Equivalent)	(RMB Equivalent)
Assets				
Cash and deposits with the central bank	46,448,433	374,132	2,038	46,824,603
Deposits with banks and other financial institutions	11,063,122	1,339,578	521,681	12,924,381
Interests receivable	4,263,816	24,247	1,357	4,289,420
Loans and advances to customers	179,597,124	4,418,934	275,876	184,291,934
Others	395,675,231	—	7,005	395,682,236
Total assets	637,047,726	6,156,891	807,957	644,012,574
Liabilities				
Deposits from banks and other financial institutions	135,240,853	—	—	135,240,853
Placements from banks and other financial institutions	2,012,000	9,623,779	375,169	12,010,948
Deposits from customers	304,406,437	7,632,406	21,418	312,060,261
Interests payable	9,348,377	117,117	367	9,465,861
Others	129,610,802	7,053	429	129,618,284
Total liabilities	580,618,469	17,380,355	397,383	598,396,207
Net position	56,429,257	(11,223,464)	410,574	45,616,367
Off-balance sheet credit commitments	112,645,124	6,608,088	1,023,485	120,276,697

(Expressed in thousands of Renminbi, unless otherwise stated)

47 Risk management (continued)**(b) Market risk (continued)****Foreign currency risk (continued)**

	At 31 December 2016			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with the central bank	43,464,090	200,936	1,501	43,666,527
Deposits with banks and other financial institutions	1,727,832	240,989	6,704,812	8,673,633
Interests receivable	3,535,402	18,003	2,043	3,555,448
Loans and advances to customers	116,033,807	5,655,893	241,061	121,930,761
Others	361,226,149	—	7,004	361,233,153
Total assets	525,987,280	6,115,821	6,956,421	539,059,522
Liabilities				
Deposits from banks and other financial institutions	131,028,453	—	—	131,028,453
Placements from banks and other financial institutions	—	3,604,396	262,125	3,866,521
Deposits from customers	259,810,536	3,139,135	19,540	262,969,211
Interests payable	7,213,804	27,417	195	7,241,416
Others	90,996,959	60,269	2,381	91,059,609
Total liabilities	489,049,752	6,831,217	284,241	496,165,210
Net position	36,937,528	(715,396)	6,672,180	42,894,312
Off-balance sheet credit commitments	101,775,465	7,244,064	1,126,444	110,145,973

47 Risk management (continued)

(b) Market risk (continued)

Foreign currency risk (continued)

The Group uses sensitivity analysis to measure the potential effect of changes in the Group's exchange rates on the Group's net profit or loss and equity. As at 30 June 2017, assuming other variables remain unchanged, an appreciation of one hundred basis points in the US dollar against the RMB would decrease both the Group's net profit and equity by RMB11.94 million (31 December 2016: increase by RMB8.38 million); a depreciation of one hundred basis points in the US dollar against the RMB would increase both the Group's net profit and equity by RMB11.94 million (31 December 2016: decrease by RMB8.38 million).

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

- The foreign exchange sensitivity is the gain and loss recognized as a result of one hundred basis points fluctuation in the foreign currency exchange rates against RMB;
- The fluctuation of exchange rates by one hundred basis points is based on the assumption of exchange rates movement over the next 12 months;
- The exchange rates against RMB for the US dollars and HK dollars change in the same direction simultaneously. Due to the immaterial proportion of the Group's total assets and liabilities denominated in currencies other than US dollars and HK dollars, other foreign currencies are converted into US dollars in the above sensitivity analysis;
- The foreign exchange exposures calculated include spot and forward foreign exchange exposures and swaps;
- Other variables (including interest rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

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

47 Risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to sustain its asset business or meet repayment obligations. This risk exists even if a bank's solvency remains strong. In accordance with liquidity policies, the Group monitors the future cash flows and maintains an appropriate level of highly liquid assets.

The Asset and Liability Management Committee ("ALMC") is responsible for managing the Group's overall liquidity risk. The ALMC is responsible for the formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

- Maintaining liquidity at a stable and sufficient level; establishing integrated liquidity risk management system; ensuring the meeting on a timely basis of liquidity requirements and the payment of assets, liabilities, and off-balance sheet business, whether under a normal operating environment or a state of stress; balancing the effectiveness and security of funds in an efficient manner; and
- Making timely and reasonable adjustments to capital structure and scale in response to market changes and business developments; pursuing profit maximization and cost minimization to a modest extent while ensuring appropriate liquidity; achieving the integration of the security, liquidity, and effectiveness of the Bank's funds.

The Finance Management Department takes the lead to execute liquidity management policies and is responsible for formulating and revising the liquidity management strategies, and for identifying, measuring, monitoring and releasing the liquidity risk of the bank. It is also responsible for managing and forecasting the working capital on a regular basis together with the Treasury Transaction Department, and ensuring the liquidity of working capital meets management requirements based on the liquidity strategies. The Treasury Department is responsible for performing the operation following the instructions of the Finance Management Department. Significant disbursement or portfolio changes must be reported to the ALMC on a timely basis.

A substantial portion of the Group's assets are funded by deposits from customers. These deposits from customers, which have been growing in recent years, are widely diversified in terms of type and duration and represent a stable source of funds.

The Group principally uses liquidity gap analysis to measure liquidity risk. Scenario analysis and stress testing are also adopted to assess the impact of liquidity risk.

47 Risk management (continued)

(c) Liquidity risk (continued)

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

	Indefinite Note(i)	Repayable on demand	30 June 2017					Total
			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	43,339,127	3,485,476	—	—	—	—	—	46,824,603
Deposit with banks and other financial institutions	—	2,500,446	426,485	429,000	8,913,950	654,500	—	12,924,381
Financial assets held under resale agreements	—	—	2,067,885	—	—	—	—	2,067,885
Loans and advances to customers (ii)	4,156,968	375,355	3,767,273	10,680,840	65,218,457	97,856,176	2,236,865	184,291,934
Investments (iii)	2,253,907	—	20,522,039	19,776,591	97,401,656	230,514,453	8,762,025	379,230,671
Financial lease receivables	—	—	75,951	347,800	1,061,751	3,397,881	46,052	4,929,435
Others	9,547,319	26	663,332	1,103,262	1,993,886	435,810	30	13,743,665
Total assets	59,297,321	6,361,303	27,522,965	32,337,493	174,589,700	332,858,820	11,044,972	644,012,574
Liabilities								
Borrowing from the central bank	—	—	—	—	178,294	—	—	178,294
Deposits from banks and other financial institutions	—	292,623	12,750,000	14,990,000	62,965,730	43,642,500	600,000	135,240,853
Placements from banks and other financial institutions	—	—	2,298,852	2,142,265	7,569,831	—	—	12,010,948
Financial assets sold under repurchase agreements	—	—	21,659,510	—	—	—	—	21,659,510
Deposit from customers	—	62,403,365	13,375,436	10,760,270	78,600,256	146,920,887	47	312,060,261
Debt securities issued	—	—	11,816,730	20,274,060	38,759,290	8,224,582	—	79,074,662
Others	—	5,531,857	4,977,724	5,675,194	17,455,814	4,433,093	97,997	38,171,679
Total liabilities	—	68,227,845	66,878,252	53,841,789	205,529,215	203,221,062	698,044	598,396,207
Net position	59,297,321	(61,866,542)	(39,355,287)	(21,504,296)	(30,939,515)	129,637,758	10,346,928	45,616,367

(Expressed in thousands of Renminbi, unless otherwise stated)

47 Risk management (continued)**(c) Liquidity risk (continued)**

	Indefinite Note(i)	Repayable on demand	31 December 2016					Total
			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	39,349,394	4,317,133	—	—	—	—	—	43,666,527
Deposit with banks and other financial institutions	—	866,800	723,596	6,873,737	55,000	154,500	—	8,673,633
Loans and advances to customers (ii)	3,693,801	176,869	3,808,079	11,054,126	38,289,124	62,740,046	2,168,716	121,930,761
Investments (iii)	58,250	1,926,545	5,506,587	26,540,708	87,264,452	216,482,034	10,212,040	347,990,616
Financial lease receivables	—	—	13,696	292,213	839,935	3,377,459	92,188	4,615,491
Others	8,658,006	134	538,873	854,750	1,752,228	378,492	11	12,182,494
Total assets	51,759,451	7,287,481	10,590,831	45,615,534	128,200,739	283,132,531	12,472,955	539,059,522
Liabilities								
Deposits from banks and other financial institutions	—	220,953	5,730,000	18,640,000	52,170,000	53,267,500	1,000,000	131,028,453
Placements from banks and other financial institutions	—	—	1,726,994	2,010,152	129,375	—	—	3,866,521
Financial assets sold under repurchase agreements	—	—	31,932,192	1,942,000	1,290,000	—	—	35,164,192
Deposit from customers	—	65,377,256	11,151,995	15,888,319	55,452,195	115,095,660	3,786	262,969,211
Debt securities issued	—	—	—	3,925,514	22,303,420	3,994,352	—	30,223,286
Others	—	4,427,104	4,357,670	5,644,031	15,144,415	3,280,226	60,101	32,913,547
Total liabilities	—	70,025,313	54,898,851	48,050,016	146,489,405	175,637,738	1,063,887	496,165,210
Net position	51,759,451	(62,737,832)	(44,308,020)	(2,434,482)	(18,288,666)	107,494,793	11,409,068	42,894,312

Notes: (i) Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amount of investments represents impaired investments or those overdue more than one month. Equity investments is listed in the category of indefinite.

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

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

47 Risk management (continued)

(c) Liquidity risk (continued)

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

	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	30 June 2017				
				Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowing from the central bank	178,294	180,373	—	—	—	180,373	—	—
Deposits from banks and other financial institutions	135,240,853	147,332,241	292,824	12,963,818	15,273,147	65,551,157	52,476,258	775,037
Placements from banks and other financial institutions	12,010,948	12,254,189	—	2,307,749	2,159,620	7,786,820	—	—
Financial assets sold under repurchase agreements	21,659,510	21,689,078	—	21,689,078	—	—	—	—
Deposits from customers	312,060,261	320,569,253	62,403,365	13,750,251	12,232,389	80,958,072	151,225,128	48
Debt securities issued	79,074,662	81,215,973	—	11,840,000	20,548,473	40,062,500	8,765,000	—
Other financial liabilities	28,483,181	29,273,435	5,530,101	3,744,374	4,489,926	15,309,280	69,123	130,631
Total non-derivative financial liabilities	588,707,709	612,514,542	68,226,290	66,295,270	54,703,555	209,848,202	212,535,509	905,716
Loan commitments and credit card commitments	—	8,131,981	6,677,162	1,357,294	41,080	56,445	—	—

(Expressed in thousands of Renminbi, unless otherwise stated)

47 Risk management (continued)**(c) Liquidity risk (continued)**

	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	31 December 2016				
				Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Deposits from banks and other financial institutions	131,028,453	145,695,834	221,106	5,990,721	18,982,071	55,186,339	64,067,694	1,247,903
Placements from banks and other financial institutions	3,866,521	3,879,651	—	1,729,720	2,018,531	131,400	—	—
Financial assets sold under repurchase agreements	35,164,192	35,337,880	—	31,996,846	1,959,091	1,381,943	—	—
Deposits from customers	262,969,211	268,458,964	65,377,256	11,526,399	16,319,964	57,120,294	118,111,166	3,885
Debt securities issued	30,223,286	31,762,500	—	105,000	3,960,000	23,057,500	4,640,000	—
Other financial liabilities	25,664,193	26,388,057	4,424,153	3,467,273	4,781,479	13,523,576	51,985	139,591
Total non-derivative financial liabilities	488,915,856	511,522,886	70,022,515	54,815,959	48,021,136	150,401,052	186,870,845	1,391,379
Loan commitments and credit card commitments	—	4,204,535	3,423,512	33,950	635,950	109,123	2,000	—

This analysis of the non-derivative financial liabilities by contractual undiscounted cash flow might diverge from actual results.

47 Risk management (continued)

(d) Operational risk

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

The Group establishes a framework of policies and procedures to identify, assess, control, manage and report operational risk. The framework covers all business functions ranging from corporate banking, retail banking, trading, corporate finance, settlement, intermediary business, asset management and all supporting functions, including human resource management, financial management, legal affairs, anti-money laundering and administration management. The key elements of the framework are listed as below:

- A multi-level operational risk management framework with segregation of duties between front and back offices under the leadership of senior management;
- A series of operational risk management policies covering all businesses on the basis of core operational risk management policy;
- An emergency plan and a business continuity system designed to deal with emergent and adverse circumstances, including public relation issues, natural disasters, IT system errors, bank runs, robberies, etc.;
- An evaluation system on the operational risk management as well as an inquiry and disciplinary system on the non-compliance issues; and
- An independent risk assessment framework based on the internal audit and the compliance review.

48 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.

48 Fair value *(continued)*

(a) Methods and assumptions for measurement of fair value *(continued)*

(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 21 and 22.

(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.

48 Fair value (continued)

(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.

	At 30 June 2017			Total
	Level 1	Level 2	Level 3	
Assets				
– debt securities held for trading	–	1,992,729	–	1,992,729
– Financial assets designated at fair value through profit or loss	–	1,859,363	20,945,866	22,805,229
<i>Available-for-sale financial assets</i>				
– debt instruments	–	40,927,687	4,075,486	45,003,173
<i>Positive fair value of derivatives</i>				
– foreign currency derivatives	–	11	–	11
Total	–	44,779,790	25,021,352	69,801,142
Liabilities				
<i>Financial liabilities designated at fair value through profit or loss</i>	–	–	22,714,452	22,714,452
<i>Negative fair value of derivatives</i>				
– foreign currency derivatives	–	222,637	–	222,637
Total	–	222,637	22,714,452	22,937,089

(Expressed in thousands of Renminbi, unless otherwise stated)

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

	At 31 December 2016			Total
	Level 1	Level 2	Level 3	
Assets				
– debt securities held for trading	–	61,715	–	61,715
– Financial assets designated at fair value through profit or loss	–	1,920,338	19,169,083	21,089,421
<i>Available-for-sale financial assets</i>				
– debt instruments	–	32,783,584	1,881,078	34,664,662
<i>Positive fair value of derivatives</i>				
– foreign currency derivatives	–	53,858	–	53,858
Total	–	34,819,495	21,050,161	55,869,656
Liabilities				
<i>Financial liabilities designated at fair value through profit or loss</i>	–	–	20,986,772	20,986,772
<i>Negative fair value of derivatives</i>				
– foreign currency derivatives	–	7,938	–	7,938
Total	–	7,938	20,986,772	20,994,710

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

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

The movement during the period/year ended 30 June 2017 and 31 December 2016 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 2017	1,881,078	19,169,083	21,050,161	(20,986,772)	(20,986,772)
Total gains or losses					
– in profit or loss for the period	–	(3,242)	(3,242)	(1,020)	(1,020)
– in other comprehensive income	15,691	–	15,691	–	–
Purchases	3,813,812	17,673,755	21,487,567	(19,520,990)	(19,520,990)
Settlements	(1,635,095)	(15,893,730)	(17,528,825)	17,794,330	17,794,330
30 June 2017	4,075,486	20,945,866	25,021,352	(22,714,452)	(22,714,452)
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the period	–	(3,242)	(3,242)	(1,020)	(1,020)

	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	–	160,840	160,840	(147,231)	(147,231)
– in other comprehensive income	5,236	–	5,236	–	–
Purchases	1,801,266	32,364,835	34,166,101	(34,265,435)	(34,265,435)
Settlements	–	(27,552,235)	(27,552,235)	28,852,835	28,852,835
31 December 2016	1,881,078	19,169,083	21,050,161	(20,986,772)	(20,986,772)
Total gains or losses for the year included in profit or loss for assets and liabilities held at the end of the year	–	160,840	160,840	(147,231)	(147,231)

During the period/year ended 30 June 2017 and 31 December 2016, there were no significant transfers into or out of Level 3.

(Expressed in thousands of Renminbi, unless otherwise stated)

49 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 2017	At 31 December 2016
Entrusted loans	276,188,456	230,779,868
Entrusted funds	276,188,456	230,779,868

50 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 2017	At 31 December 2016
Loan commitments		
– Original contractual maturity within one year	369,381	506,456
– Original contractual maturity more than one year (inclusive)	7,021,911	3,030,740
Credit card commitments	740,689	667,338
Sub-total	8,131,981	4,204,534
Acceptances	86,110,270	78,222,618
Letters of credit	18,202,385	18,272,197
Letters of guarantees	7,832,061	9,446,624
Total	120,276,697	110,145,973

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.

50 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 2017	At 31 December 2016
Within one year (inclusive)	122,571	71,125
After one year but within two years (inclusive)	118,335	94,521
After two years but within three years (inclusive)	94,297	93,888
After three years but within five years (inclusive)	124,344	144,832
After five years	60,191	104,186
Total	519,738	508,552

(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 2017	At 31 December 2016
Contracted but not paid for		
– Purchase of property and equipment	152,076	167,127
Authorized but not contracted		
– Purchase of property and equipment	200,000	448,000
Total	352,076	615,127

50 Commitments and contingent liabilities *(continued)*

(d) Outstanding litigations and disputes

As at 30 June 2017, the Group was the defendant in certain pending litigations and disputes with gross claims of RMB95.97 million (31 December 2016: RMB95.07 million).

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 5.0% of the Bank's total share capital as of 30 June 2017 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.

51 Non-adjusting events after the reporting period

The Group has no material events for disclosure subsequent to 30 June 2017 and up to the date of this report.

52 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 2017.

CHAPTER 10 UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in thousands of Renminbi, unless otherwise stated)

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 2017	Average for the six months ended 30 June 2017
Liquidity coverage ratio(RMB and foreign currency)	117.89%	213.29%

	As at 31 December 2016	Average for the year ended 31 December 2016
Liquidity coverage ratio(RMB and foreign currency)	308.69%	273.05%

	30 June 2017	As at 31 December 2016
Leverage Ratio	5.98%	6.46%

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

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

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Currency concentrations

	At 30 June 2017			Total
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	
Spot assets	6,156,891	529,994	276,995	6,963,880
Spot liabilities	(17,380,355)	(127,661)	(268,754)	(17,776,770)
Net long position	(11,223,464)	402,333	8,241	(10,812,890)
Net structural position	—	—	—	—

	At 31 December 2016			Total
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	
Spot assets	6,115,821	6,796,468	159,953	13,072,242
Spot liabilities	(6,831,217)	(130,586)	(153,655)	(7,115,458)
Net long position	(715,396)	6,665,882	6,298	5,956,784
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 2017		
	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	1,267,576	4,694,810	5,962,386
– of which attributed to Hong Kong	25,423	–	25,423
Europe	47,220	–	47,220
North and South America	946,786	–	946,786
Total	2,261,582	4,694,810	6,956,392

	As at 31 December 2016		
	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	7,010,606	5,896,954	12,907,560
– of which attributed to Hong Kong	6,680,232	–	6,680,232
Europe	12,473	–	12,473
North and South America	119,974	–	119,974
Total	7,143,053	5,896,954	13,040,007

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

	At 30 June 2017	At 31 December 2016
Jinzhou	2,178,565	1,317,454
Northeastern China	1,008,646	2,761,652
Northern China	339,276	323,947
Total	3,526,487	4,403,053

(Expressed in thousands of Renminbi, unless otherwise stated)

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

	At 30 June 2017	At 31 December 2016
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	1,648,575	2,034,531
– between 6 months and 1 year (inclusive)	411,262	1,071,518
– between 1 year and 3 years (inclusive)	1,091,099	936,432
– over 3 years	375,551	360,572
Total	3,526,487	4,403,053
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.86%	1.60%
– between 6 months and 1 year (inclusive)	0.22%	0.85%
– between 1 year and 3 years (inclusive)	0.57%	0.74%
– over 3 years	0.20%	0.29%
Total	1.85%	3.48%

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 2017 and 31 December 2016, the gross amount of overdue loans and advances overdue more than 90 days of the Group were RMB3,538 million and RMB4,403 million, respectively. The covered portion of these overdue loans and advances were RMB1,955 million and RMB1,607 million respectively. The fair value of collateral held against these loans and advances amounted to RMB2,051 million and RMB1,971 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 2017 and 31 December 2016, substantial amounts of the Bank's exposures arose from businesses with Mainland China entities or individuals.



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