錦州銀行股份有限公司

Bank of Jinzhou Co., Ltd.*

2018 中期報告
INTERIM REPORT

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

Stock Code: 0416

Stock Code of Preference Shares: 4615

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

Contents

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", "Bank of Jinzhou" 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 institutions
"Board"	the board of Directors of the Bank
"Board of Supervisors"	the supervisory board of the Bank
"CBIRC"	China Banking and Insurance Regulatory Commission, which was formed after duty restructuring of China Banking Regulatory Commission (the "**CBRC**") and China Insurance Regulatory Commission
"CBRC Liaoning Bureau"	China Banking Regulatory Commission Liaoning Bureau (中國銀行業監督管理委員會遼寧監管局)
"CSRC"	China Securities Regulatory Commission
"Director(s)"	the director(s) of the Bank
"Domestic Share(s)"	the ordinary share(s) 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 (integrated circuit card) for motor vehicles (passenger cars) to pay highway tolls
"H Share(s)"	the ordinary share(s) 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
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as the same may be amended, supplemented or otherwise modified from time to time

"Offshore Preference Share(s)"	offshore preference share(s) in the preference share capital of the Bank, with a nominal value of RMB100 each, which are listed on the Hong Kong Stock Exchange and traded in US dollars (stock code: 4615)
"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 2018
"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 holder(s) of the Share(s) of the Bank
"Share(s)"	the Domestic Share(s) and the H Share(s), excluding the Offshore Preference Share(s)
"Supervisor(s)"	the supervisor(s) of the Bank
"US$" or "US dollars"	the lawful currency of the United States of America

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	:	40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong
Accountant	:	Ernst & Young
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	:	H Shares: Hong Kong Stock Exchange; BANKOFJINZHOU; 0416 Offshore Preference Shares: Hong Kong Stock Exchange; BOJZ 17USDPREF; 4615
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, the PRC. There are 15 branches established in Beijing, Tianjin, Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin, Liaoyang, Huludao, Benxi, Yingkou and Jinzhou in China and 7 village and township banks were promoted and established, namely 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); 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, 237 organs.

As at the end of the Reporting Period, the Bank had total assets of RMB748,392 million, total loans and advances released of RMB248,193 million and total deposits of RMB351,627 million.

The Bank has been listed on the Main Board of the Hong Kong Stock Exchange since 7 December 2015 (stock code: 0416). The Bank successfully issued Offshore Preference Shares with a total amount of US$1.496 billion on 27 October 2017 and was listed on the Hong Kong Stock Exchange (stock code: 4615).

III. Awards in the First Half of 2018

In January 2018, the Bank was rated the "Provincial Advanced Unit of Secrecy Work" (全省保密工作先進集體) by the State Secrecy Bureau of Liaoning Province (遼寧省國家保密局).

In June 2018, the Bank received the "Best Ten Bank Smart Branch Innovation Award" (十佳銀行智能網點創新獎) at the "2018 China Financial Innovation Awards" (2018 中國金融創新獎) organized by The Banker (銀行家) magazine.

In June 2018, the Bank received the "2018 Junding Award for City Commercial Bank (Rural Commercial Bank) Wealth Management Brand" (2018中國城商行(農商行)理財品牌君鼎獎) at the "2018 Junding Awards for China Wealth Management Organizations" (2018年中國財富管理機構君鼎獎) organized by the Sercurities Times (證券時報).

In June 2018, the Bank was rated the "2018 Inclusive Finance Practice Organization" (2018普惠金融踐行機構) by the 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-month period ended 30 June 2018	2017	Interim period of 2018 vs Interim period of 2017	For the year ended 31 December 2017
Operating Results			Rate of change (%)	
Interest income	**22,029,076**	17,898,864	23.1	39,943,533
Interest expense	**(13,150,564)**	(9,512,088)	38.3	(21,410,609)
Net interest income	**8,878,512**	8,386,776	5.9	18,532,924
Net fee and commission income	**365,020**	400,567	(8.9)	736,674
Net trading income/(loss)	**1,587,877**	(45,155)	(3,616.5)	(278,264)
Dividend income	**–**	–	–	640
Net gains arising from investment securities	**24,296**	17,350	40.0	30,796
Net foreign exchange losses	**(1,191,352)**	(236,380)	404.0	(239,637)
Other net operating income	**8,033**	9,219	(12.9)	22,859
Operating income	**9,672,386**	8,532,377	13.4	18,805,992
Operating expenses	**(1,571,707)**	(1,574,069)	(0.2)	(3,308,138)
Operating profit before impairment	**8,100,679**	6,958,308	16.4	15,497,854
Impairment losses on assets	**(2,348,651)**	(1,615,348)	45.4	(3,444,523)
Profit before tax	**5,752,028**	5,342,960	7.7	12,053,331
Income tax expense	**(1,412,287)**	(1,312,916)	7.6	(2,963,273)
Profit for the period	**4,339,741**	4,030,044	7.7	9,090,058
Profit for the period attributable to equity shareholders of the Bank	**4,229,574**	3,990,797	6.0	8,976,990
Calculated on a per share basis (RMB)			Change	
Basic and diluted earnings per share	**0.62**	0.59	0.03	1.32

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2018	As at 31 December 2017	30 June 2018 vs 31 December 2017	As at 30 June 2017
Major indicators of assets/liabilities			Rate of change (%)	
Total assets	**748,392,211**	723,417,650	3.5	664,012,574
Of which: loans and advances to customers	**240,609,152**	209,084,947	15.1	184,291,934
Total liabilities	**685,660,325**	663,252,922	3.4	598,396,207
Of which: deposits from customers	**351,626,638**	342,264,228	2.7	312,060,261
Share capital	**6,781,616**	6,781,616	0.0	6,781,616
Total equity attributable to equity shareholders of the Bank	**58,687,546**	56,230,555	4.4	41,756,015
Total equity	**62,731,886**	60,164,728	4.3	45,616,367

II. Financial Indicators

	For the six-month period ended 30 June 2018	For the six-month period ended 30 June 2017	Interim period of 2018 vs Interim period of 2017	For the year ended 31 December 2017
Profitability indicators (%)			Change	
Return on average total assets [1]	**1.18***	1.36*	(0.18)	1.44
Return on average equity [2]	**17.79***	19.76*	(1.97)	21.03
Net interest spread [3]	**2.16***	2.51*	(0.35)	2.58
Net interest margin [4]	**2.51***	2.80*	(0.29)	2.88
Net fee and commission income to operating income ratio	**3.77**	4.69	(0.92)	3.92
Cost-to-income ratio [5]	**14.70**	15.83	(1.13)	15.71

	As at 30 June 2018	As at 31 December 2017	30 June 2018 vs 31 December 2017	As at 30 June 2017
Assets quality indicators (%)			Change	
Non-performing loan ratio [6]	**1.26**	1.04	0.22	1.06
Allowance coverage ratio [7]	**242.10**	268.64	(26.54)	300.33
Allowance to loans ratio [8]	**3.06**	2.81	0.25	3.17
Capital adequacy indicators (%)			Change	
Core tier 1 capital adequacy ratio [9]	**7.95**	8.44	(0.49)	9.18
Tier 1 capital adequacy ratio [10]	**9.57**	10.24	(0.67)	9.19
Capital adequacy ratio	**11.61**	11.67	(0.06)	10.97
Total equity to total assets	**8.38**	8.32	0.06	7.08
Other Indicators (%)			Change	
Loan-to-deposit ratio [11]	**57.99**	53.68	4.31	51.41

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 non-performing loans.

(8) Allowance to loans ratio = allowance for impairment losses on loans/total loans and advances to customers.

(9) Core tier 1 capital adequacy ratio = (core tier 1 capital — corresponding capital deductions)/risk-weighted assets.

(10) Tier 1 capital adequacy ratio = (tier 1 capital — corresponding capital deductions)/risk-weighted assets.

(11) Such ratios represent the ratios the Bank submitted to the CBIRC and were calculated in accordance with financial data under PRC Generally Accepted Accounting Principles and the CBIRC requirements.

Chapter 3 Management Discussions and Analysis

I. Financial Review

During the Reporting Period, with the change in economic situation of the PRC from rapid growth to high quality development, facing the regulatory deployment and requirement of "de-leverage, chaotic phenomena tackling, risk prevention", the Bank fiduciously implemented the spirits of 19th National Congress of the Communist Party of China, the requirements of the Central Economic Work Conference and the spirit of National Financial Work Conference. By adhering to the operation principle of "mode transformation, structural adjustment, risks control and stable development", the Bank implemented the principle of the government towards financial works and the requirements of the regulatory authorities, and thus experienced steady and healthy development in its various business and delivered sound returns to the investors and Shareholders.

The Bank recorded a net profit of RMB4,340 million in the Reporting Period, representing an increase of 7.7% as compared to the six months ended 30 June 2017 (the "**Interim Period of 2017**"). The Bank's performance not only delivered sound returns to the Shareholders and investors, but also laid a solid foundation for its sustainable development.

At the end of the Reporting Period, the total assets of the Bank amounted to RMB748,392 million, representing an increase of 3.5% compared to that as at the end of 2017; the net loans and advances to customers amounted to RMB240,609 million, representing an increase of 15.1% as compared to that as at the end of 2017; the non-performing loan ratio was 1.26%, representing an increase of 0.22 percentage point as compared to that as at the end of 2017; the deposits from customers balance of the Bank amounted to RMB351,627 million, representing an increase of 2.7% as compared to that as at the end of 2017. During the Reporting Period, the operating income of the Bank amounted to RMB9,672 million, representing an increase of 13.4% as compared with that in the Interim Period of 2017; and the net profit amounted to RMB4,340 million, representing an increase of 7.7% as compared with that in the Interim Period of 2017.

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 11.61%, 9.57% and 7.95%, respectively.

(I) Analysis of the Income Statement

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June 2018	2017	Change in amount	Rate of Change (%)
Interest income	**22,029,076**	17,898,864	4,130,212	23.1
Interest expense	**(13,150,564)**	(9,512,088)	(3,638,476)	38.3
Net interest income	**8,878,512**	8,386,776	491,736	5.9
Net fee and commission income	**365,020**	400,567	(35,547)	(8.9)
Net trading income/(loss)	**1,587,877**	(45,155)	1,633,032	(3,616.5)
Net gains arising from investment securities	**24,296**	17,350	6,946	40.0
Net foreign exchange losses	**(1,191,352)**	(236,380)	(954,972)	404.0
Other net operating income	**8,033**	9,219	(1,186)	(12.9)
Operating income	**9,672,386**	8,532,377	1,140,009	13.4
Operating expenses	**(1,571,707)**	(1,574,069)	2,362	(0.2)
Impairment losses on assets	**(2,348,651)**	(1,615,348)	(733,303)	45.4
Profit before tax	**5,752,028**	5,342,960	409,068	7.7
Income tax expense	**(1,412,287)**	(1,312,916)	(99,371)	7.6
Profit for the period	**4,339,741**	4,030,044	309,697	7.7

During the Reporting Period, the Bank's profit before tax was RMB5,752 million, representing a year-on-year increase of 7.7%; the profit for the period was RMB4,340 million, representing a year-on-year increase of 7.7%, which was mainly attributable to the increase in net interest income of RMB492 million or 5.9% as compared to the Interim Period of 2017 as a result of the stable growth of interest earning assets of the Bank. In addition, the Bank initially applied International Financial Reporting Standard 9 – Financial Instruments (the "**IFRS 9**") on 1 January 2018. According to the requirements of the standard, the Bank will account for the net interest income from financial assets and liabilities at fair value through the profit or loss under the item of net trading income, and financial assets at fair value through the profit or loss were no longer interest-earning assets and financial liabilities at fair value through profit or loss were no longer interest-bearing liabilities, which affected the net interest income, net trading income, net interest spread and net interest margin.

1. **Net interest income**

Net interest income accounted for the largest portion of the Bank's operating income, representing 91.8% and 98.3% of operating income in the Reporting Period and the Interim Period of 2017, 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-month period ended 30 June **2018**	2017	Rate of Change in amount	Change (%)
Interest income	**22,029,076**	17,898,864	4,130,212	23.1
Interest expense	**(13,150,564)**	(9,512,088)	(3,638,476)	38.3
Net interest income	**8,878,512**	8,386,776	491,736	5.9

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-month period ended 30 June 2018** **Average balance**	**Interest income/ expense**	**Average yield/cost (%)**	For the six-month period ended 30 June 2017 Average balance	Interest income/ expense	Average yield/cost (%)
Interest-earning Assets						
Loans and advances to customers	**235,608,813**	**7,599,213**	**6.45**	144,033,061	4,472,224	6.21
Investment securities and other financial assets	**392,082,947**	**13,478,494**	**6.88**	384,451,814	12,698,732	6.61
Balances with the central bank	**58,422,453**	**448,787**	**1.54**	44,823,113	342,444	1.53
Deposits with banks and other financial institutions	**7,752,772**	**127,021**	**3.28**	11,952,852	95,418	1.60
Placements with banks and other financial institutions	**3,612,277**	**56,890**	**3.15**	1,613,753	10,712	1.33
Financial assets held under resale agreements	**3,108,358**	**45,294**	**2.91**	6,611,630	94,006	2.84
Finance lease receivables	**7,252,906**	**273,377**	**7.54**	5,003,339	185,328	7.41
Total interest-earning assets	**707,840,526**	**22,029,076**	**6.22**	598,489,562	17,898,864	5.98

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June 2018 Average balance	Interest income/ expense	Average yield/cost (%)	For the six-month period ended 30 June 2017 Average balance	Interest income/ expense	Average yield/cost (%)
Interest-bearing Liabilities						
Deposits from customers	**355,717,320**	**6,349,451**	**3.57**	302,391,237	4,397,479	2.91
Deposits from banks and other financial institutions	**141,880,415**	**3,596,341**	**5.07**	128,301,200	2,821,888	4.40
Placements from banks and other financial institutions	**19,592,595**	**263,510**	**2.69**	9,134,272	88,587	1.94
Financial assets sold under repurchase agreements	**46,617,617**	**916,110**	**3.93**	29,035,446	521,925	3.60
Debt securities issued	**83,729,671**	**2,022,615**	**4.83**	57,918,556	1,276,937	4.41
Financial liabilities at fair value through profit or loss	—	—	—	21,627,039	405,092	3.75
Borrowing from the central bank	**232,772**	**2,537**	**2.18**	17,569	180	2.05
Total interest-bearing liabilities	**647,770,390**	**13,150,564**	**4.06**	548,425,319	9,512,088	3.47
Net interest income		**8,878,512**			8,386,776	
Net interest spread[(1)]			**2.16**			2.51
Net interest margin[(2)]			**2.51**			2.80

Notes: (1) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.

(2) Calculated by dividing net interest income by the average interest-earning assets (based on the daily average of the 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. The 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-month period ended 30 June 2018 vs 2017		
	Changes in volume(1)	Changes in interest rate(2)	Net increase/ (decrease)(3)
Interest-earning Assets			
Loans and advances to customers	2,843,425	283,564	3,126,989
Investment securities and other financial assets	252,062	527,700	779,762
Balances with the central bank	103,898	2,445	106,343
Deposits with banks and other financial institutions	(33,529)	65,132	31,603
Placements with banks and other financial institutions	13,266	32,912	46,178
Financial assets held under resale agreements	(49,810)	1,098	(48,712)
Finance lease receivables	83,326	4,723	88,049
Changes in interest income	3,212,638	917,574	4,130,212
Interest-bearing Liabilities			
Deposits from customers	775,487	1,176,485	1,951,972
Deposits from banks and other financial institutions	298,665	475,788	774,453
Placements from banks and other financial institutions	101,428	73,495	174,923
Financial assets sold under repurchase agreements	316,047	78,138	394,185
Debt securities issued	569,061	176,617	745,678
Financial liabilities at fair value through profit or loss	(405,092)	—	(405,092)
Borrowing from the central bank	2,205	152	2,357
Changes in interest expense	1,657,801	1,980,675	3,638,476
Changes in net interest income	1,554,837	(1,063,101)	491,736

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-month period ended 30 June			
	2018		2017	
	Amount	% of total	Amount	% of total
Loans and advances to customers				
Corporate loans and advances	**7,079,048**	**32.1**	4,173,835	23.4
Personal loans and advances	**310,129**	**1.4**	290,941	1.6
Discounted bills	**210,036**	**1.0**	7,448	0.0
Subtotal	**7,599,213**	**34.5**	4,472,224	25.0
Investment securities and other financial assets	**13,478,494**	**61.2**	12,698,732	71.0
Balances with the central bank	**448,787**	**2.0**	342,444	1.9
Deposits with banks and other financial institutions	**127,021**	**0.6**	95,418	0.5
Financial assets held under resale agreements	**45,294**	**0.2**	94,006	0.5
Placements with banks and other financial institutions	**56,890**	**0.3**	10,712	0.1
Finance lease receivables	**273,377**	**1.2**	185,328	1.0
Total	**22,029,076**	**100.0**	17,898,864	100.0

The Bank's interest income increased by 23.1% to RMB22,029,076 thousand in the Reporting Period from RMB17,898,864 thousand for the Interim Period of 2017, primarily due to the increase in the investment and loan business of the Bank which resulted in the corresponding increase in interest income.

(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 34.5% and 25.0% of the Bank's interest income in the Reporting Period and the Interim Period of 2017, respectively. The following table sets forth, for the periods indicated, the average balance, interest income and average yield for loans and advances to customers:

	For the six-month period ended 30 June					
	2018			2017		
(Expressed in thousands of Renminbi, unless otherwise stated)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans and advances	219,708,191	7,079,048	6.44	134,328,057	4,173,835	6.21
Personal loans and advances	7,986,894	310,129	7.77	9,553,204	290,941	6.09
Discounted bills	7,913,728	210,036	5.31	151,800	7,448	9.81
Total	235,608,813	7,599,213	6.45	144,033,061	4,472,224	6.21

Interest income from loans and advances to customers increased by 69.9% from RMB4,472,224 thousand for the Interim Period of 2017 to RMB7,599,213 thousand for the Reporting Period, primarily due to the increase in average balance and average yield of loans and advances to customers.

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

Interest income from investment securities and other financial assets increased by 6.1% to RMB13,478,494 thousand in the Reporting Period from RMB12,698,732 thousand in the Interim Period of 2017, primarily due to the increase in the scale of investment assets and the surge in yield rate of investment resulting in the corresponding increase in interest income.

(3) Interest income from balances with the central bank

Interest income from balances with the central bank increased by 31.1% to RMB448,787 thousand in the Reporting Period from RMB342,444 thousand in the Interim Period of 2017, 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 increased by 33.1% to RMB127,021 thousand in the Reporting Period from RMB95,418 thousand in the Interim Period of 2017, primarily due to the fact that the average rate of return of the deposits with the Bank increased from 1.60% in the Interim Period of 2017 to 3.28% in the Reporting Period as a result of the increase in the interbank market interest rate.

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

Interest income from placements with banks and other financial institutions increased by 431.1% to RMB56,890 thousand in the Reporting Period from RMB10,712 thousand in the Interim Period of 2017, primarily due to an increase in the size and average yield rate of placements with banks and other financial institutions. The average balance of placements with banks and other financial institutions increased by 123.8% to RMB3,612,277 thousand in the Reporting Period from RMB1,613,753 thousand in the Interim Period of 2017. The average yield of placements with banks and other financial institutions rose to 3.15% in the Reporting Period from 1.33% for the Interim Period of 2017, primarily due to the surge of capital market rate and the increase in transaction frequency and volume of foreign placements with banks and other financial institutions by the Bank.

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

Interest income from financial assets held under resale agreements decreased by 51.8% to RMB45,294 thousand in the Reporting Period from RMB94,006 thousand in the Interim Period of 2017, primarily due to the decrease in the average balance. The average balance of financial assets held under resale agreements decreased by 53.0% to RMB3,108,358 thousand in the Reporting Period from RMB6,611,630 thousand for the Interim Period of 2017, primarily due to the Bank's reduction in scale of investment in financial assets held under resale agreements for balanced management of liquidity and revenue.

(7) Interest income from finance lease receivables

Interest income from finance lease receivables increased by 47.5% to RMB273,377 thousand for the Reporting Period from RMB185,328 thousand for the Interim Period of 2017, 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-month period ended 30 June			
	2018		2017	
	Amount	% of total	Amount	% of total
Deposits from customers	**6,349,451**	**48.3**	4,397,479	46.2
Deposits from banks and other financial institutions	**3,596,341**	**27.3**	2,821,888	29.7
Placements from banks and other financial institutions	**263,510**	**2.0**	88,587	0.9
Financial assets sold under repurchase agreements	**916,110**	**7.0**	521,925	5.5
Debt securities issued	**2,022,615**	**15.4**	1,276,937	13.4
Financial liabilities at fair value through profit or loss	**—**	**—**	405,092	4.3
Borrowing from the central bank	**2,537**	**0.0**	180	0.0
Total	**13,150,564**	**100.0**	9,512,088	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-month period ended 30 June 2018 Average balance	Interest expense	Average cost (%)	2017 Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time	**143,138,027**	**2,478,643**	**3.46**	139,482,486	2,188,147	3.14
Demand	**54,841,068**	**428,230**	**1.56**	48,338,352	129,537	0.54
Subtotal	**197,979,095**	**2,906,873**	**2.94**	187,820,838	2,317,684	2.47
Personal deposits						
Time	**142,221,072**	**3,361,301**	**4.73**	100,981,023	2,036,493	4.03
Demand	**15,517,153**	**81,277**	**1.05**	13,589,376	43,302	0.64
Subtotal	**157,738,225**	**3,442,578**	**4.36**	114,570,399	2,079,795	3.63
Total deposits from customers	**355,717,320**	**6,349,451**	**3.57**	302,391,237	4,397,479	2.91

Interest expense on deposits from customers increased by 44.4% to RMB6,349,451 thousand in the Reporting Period from RMB4,397,479 thousand in the Interim Period of 2017, primarily due to the rapid increase in the scale of the Bank's deposits from customers and the increase in the cost.

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

Interest expense on deposits from banks and other financial institutions increased by 27.4% to RMB3,596,341 thousand in the Reporting Period from RMB2,821,888 thousand in the Interim Period of 2017, primarily due to the increase in the scale of the deposits from banks and other financial institutions and the increase in the cost.

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

Interest expense on placements from banks and other financial institutions increased by 197.5% to RMB263,510 thousand in the Reporting Period from RMB88,587 thousand in the Interim Period of 2017, 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 114.5% to RMB19,592,595 thousand in the Reporting Period from RMB9,134,272 thousand in the Interim Period of 2017, primarily because the Bank raised the transaction volume of placements from banks and other financial institution. The average cost of placements from banks and other financial institutions increased from 1.94% in the Interim Period of 2017 to 2.69% in the Reporting Period, which was mainly attributable to the increase in the offered rate of the US dollars in the monetary market in the Reporting Period.

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

Interest expense on financial assets sold under repurchase agreements increased by 75.5% to RMB916,110 thousand in the Reporting Period from RMB521,925 thousand in the Interim Period of 2017, primarily due to the increase in the average balance. The average balance of financial assets sold under repurchase agreements increased by 60.6% to RMB46,617,617 thousand in the Reporting Period from RMB29,035,446 thousand in the Interim Period of 2017, mainly because the Bank's needs for balanced management of liquidity and revenue moderately increased the scale of financial assets sold under repurchase agreements. The average cost of financial assets sold under repurchase agreements increased from 3.60% in the interim period of 2017 to 3.93% in the Reporting Period, primarily due to the increase in the average interest rate in the capital market in the Reporting Period.

(5) Interest expense on debt securities issued

During the Reporting Period, the Bank's interest expense on debt securities issued increased by RMB745,678 thousand to RMB2,022,615 thousand as compared with that of the Interim Period of 2017, primarily due to an increase in the Bank's average balance of debt securities issued and the increase in the average cost. The average balance of debt securities issued increased by 44.6% to RMB83,729,671 thousand in the Reporting Period from RMB57,918,556 thousand in the Interim Period of 2017, which was mainly attributable to the Bank's issuance of interbank deposit certificates and additional issuance of tier-two capital debts; the average cost increased to 4.83% in the Reporting Period from 4.41% in the Interim Period of 2017.

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

Financial liabilities at fair value through profit or loss are the funds of the Bank's wealth management products that are managed and measured at fair value. As the Bank implements IFRS 9, the interest expense of financial liabilities at fair value through profit or loss in the Reporting Period was adjusted to net trading income, and therefore, there was no interest expense of financial liabilities at fair value through profit or loss in the Reporting Period.

(7) Interest expense on borrowing from the central bank

During the Reporting Period, interest expense on borrowing from the central bank of the Bank increased from RMB180,000 in the Interim Period of 2017 to RMB2,537 thousand in the Reporting Period, mainly attributable to the increase in the average balance of borrowing from the central bank of the Bank.

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 interest-earning assets.

The net interest spread decreased to 2.16% in the Reporting Period as compared to 2.51% in the Interim Period of 2017 and the net interest margin decreased to 2.51% in the Reporting Period as compared to 2.80% in the Interim Period of 2017, primarily due to the impacts of interest rate liberalization and the change of interest rate in capital market.

5. **Non-interest income**

(1) ***Net fee and commission income***

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June 2018	2017	Change in amount	Rate of change (%)
Fee and commission income				
Agency services fees	**127,666**	175,057	(47,391)	(27.1)
Settlement and clearing fees	**119,131**	157,590	(38,459)	(24.4)
Wealth management service fees	**96,948**	73,696	23,252	31.6
Underwriting and advisory fees	**28,813**	40,286	(11,473)	(28.5)
Bank card service fees	**6,672**	7,555	(883)	(11.7)
Others	**19,115**	1,379	17,736	1,286.1
Subtotal	**398,345**	455,563	(57,218)	(12.6)
Fee and commission expense				
Settlement and clearing fees	**15,080**	30,949	(15,869)	(51.3)
Others	**18,245**	24,047	(5,802)	(24.1)
Subtotal	**33,325**	54,996	(21,671)	(39.4)
Net fee and commission income	**365,020**	400,567	(35,547)	(8.9)

The Bank's fee and commission income decreased by 12.6% to RMB398,345 thousand in the Reporting Period as compared to RMB455,563 thousand in the Interim Period of 2017, mainly attributable to decrease in agency services fees and settlement and clearing fees of the Bank. Agency services fees decreased by 27.1% to RMB127,666 thousand in the Reporting Period from RMB175,057 thousand in the Interim Period of 2017, mainly because banks focused on their core functions under the influence of the macro-economic policies, resulting in the Bank shrinking the scale of entrusted loan business. Settlement and clearing fees decreased by 24.4% to RMB119,131 thousand in the Reporting Period from RMB157,590 thousand in the Interim Period of 2017, mainly attributable to the decrease in service fees of corporate settlement business as a result of the decrease in issued foreign exchange letters of credit and letters of guarantees affected by the structural adjustment of foreign exchange business of the Bank.

Fee and commission expense consist 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 decreased by 39.4% to RMB33,325 thousand in the Reporting Period as compared to RMB54,996 thousand in the Interim Period of 2017, primarily because the adjustment of the Bank's foreign exchange business reduced the business of other banks in issuing letters of credit and guarantees, thereby reducing the fee of other banks accordingly.

(2) Net trading income/(loss)

Net trading income/(loss) primarily comprises of net income/(loss) from financial assets and liabilities at fair value through profit or loss. During the Reporting Period, the Bank incurred a net trading gain of RMB1,587,877 thousand, while for the Interim Period of 2017, the Bank incurred a net trading loss of RMB45,155 thousand, primarily because (i) after implementation of IFRS 9, the net interest income of financial assets and liabilities measured at fair value has been re-classified to net trading gains; (ii) the decrease in the yield of debt securities and increase in valuation of debt securities in the Reporting Period; and (iii) the increase in revenue as a result of the significant increase in fair value of the forward US dollars buy-in foreign exchange derivatives of the Bank affected by the appreciation of US dollars.

(3) Net gains arising from investment securities

The Bank incurred a net gain arising from investment securities of RMB24,296 thousand in the Reporting Period, as compared with the net gain arising from investment securities of RMB17,350 thousand in the Interim Period of 2017, which was mainly attributable to the increase in income from disposing of investment securities by the Bank.

(4) Net foreign exchange losses

Net foreign exchange losses increased to a net loss of RMB1,191,352 thousand in the Reporting Period from a net loss of RMB236,380 thousand in the Interim Period of 2017, which was mainly due to the increase in loss from current portion of foreign exchange derivatives of the Bank affected by the appreciation of US dollars.

(5) Other net operating income

Other net operating income decreased by 12.9% to RM8,033 thousand in the Reporting Period from RMB9,219 thousand in the Interim Period of 2017.

6. Operating expenses

During the Reporting Period, the Bank's operating expenses were RMB1,571,707 thousand, representing a decrease of RMB2,362 thousand on a year-on-year basis.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June			
	2018	2017	Change in amount	Rate of change (%)
Staff costs	**830,797**	782,150	48,647	6.2
General and administrative expenses	**381,093**	369,040	12,053	3.3
Depreciation and amortization	**210,236**	198,722	11,514	5.8
Tax and surcharges	**85,381**	67,607	17,774	26.3
Others	**64,200**	156,550	(92,350)	(59.0)
Total operating expenses	**1,571,707**	1,574,069	(2,362)	(0.2)

(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-month period ended 30 June			
	2018	2017	Change in amount	Rate of Change (%)
Salaries and bonuses	**602,676**	578,368	24,308	4.2
Staff welfares	**26,818**	30,529	(3,711)	(12.2)
Social insurance	**128,045**	111,904	16,141	14.4
Housing allowances	**46,239**	39,241	6,998	17.8
Supplementary retirement benefits	**980**	815	165	(20.2)
Other long-term staff welfares	**2,036**	(1,851)	3,887	(210.0)
Union funds and education funds	**24,003**	23,144	859	3.7
Total staff costs	**830,797**	782,150	48,647	6.2

During the Reporting Period, the Bank's total staff costs were RMB830,797 thousand, representing an increase of RMB48,647 thousand or 6.2% as compared with that of the Interim Period of 2017, primarily due to an increase in labour costs as a result of the increases in remuneration of the Bank's employees.

(2) General and administrative expenses

General and administrative expenses increased by 3.3% to RMB381,093 thousand in the Reporting Period as compared to RMB369,040 thousand in the Interim Period of 2017, primarily due to (i) the increase of daily administration expenses as a result of the increase in outlets; and (ii) the increase of general and administrative expenses as a result of the increase in volume of the Bank's business.

(3) Depreciation and amortization

Depreciation and amortization increased by 5.8% to RMB210,236 thousand in the Reporting Period as compared to RMB198,722 thousand in the Interim Period of 2017, primarily due to the increase in depreciation and amortization expenses as a result of an increase in the Bank's software and an increase in the rental expenses of the Bank's operating outlets.

(4) Tax and surcharges

The Bank's tax and surcharges increased by 26.3% to RMB85,381 thousand in the Reporting Period as compared to RMB67,607 thousand in the Interim Period of 2017, which was primarily attributable to the increase in value-added tax due to the business development of the Bank.

(5) Others

Other operating expense significantly decreased to RMB64,200 thousand in the Reporting Period from RMB156,550 thousand in the Interim Period of 2017. These expenses were mainly used for the Bank's targeted poverty alleviation. The Bank has been carrying out targeted poverty alleviation since 2017, and the donation for poverty alleviation is made based on the progress of relevant targeted poverty alleviation projects. Due to the smaller capital demand for targeted poverty alleviation projects during the Reporting Period as compared with that of the Interim Period of 2017, the donation made during the Reporting Period decreased as compared with that in the Interim Period of 2017.

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 2018**
Loans and advances to customers	
– Stage I (12-month expected credit loss)	**457,308**
– Stage II (lifetime expected credit loss)	**1,024,282**
– Stage III (lifetime expected credit loss - impaired)	**134,880**
Subtotal	**1,616,470**
Financial assets at amortised cost	**450,000**
Finance lease receivables	**17,052**
Credit commitment	**265,129**
Total	**2,348,651**

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June 2017
Loans and advances to customers	
– Individually assessed	215,409
– Collectively assessed	985,419
Subtotal	1,200,828
Debt instruments classified as receivables	359,807
Finance lease receivables	54,713
Total	1,615,348

Impairment losses on assets increased by 45.4% to RMB2,348,651 thousand in the Reporting Period from RMB1,615,348 thousand in the Interim Period of 2017, mainly due to (i) the increase in the impairment allowance of the loans and advances to customers affected by the increase of the balance of loans and advances to customers, resulting in the increase in impairment losses on loans and advances to customers; and (ii) the slight increase in allowance for impairment of credit commitment as a result of the increase in allowance for impairment losses of off-balance-sheet credit commitment after the adoption of IFRS 9 and expected loss model by the Bank.

8. Income tax expense

During the Reporting Period, the Bank's income tax was RMB1,412,287 thousand, representing an increase of RMB99,371 thousand or 7.6% as compared with the Interim Period of 2017, which was mainly due to the increase in income tax expense as a result of the increase in profit before tax of the Bank. The Bank's actual tax rate was 24.55%, representing a decrease of 0.02 percentage point as compared with that of the Interim Period of 2017.

(II) Analysis of the Statement of Financial Position

1. Assets

The principal components of the Bank's assets were (i) loans and advances to customers; (ii) investment securities and other financial assets; and (iii) cash and balances with the central bank, accounting for 32.2%, 56.1% and 7.6%, 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)	**As at 30 June 2018**		As at 31 December 2017	
	Amount	**% of total**	Amount	% of total
Assets				
Total loans and advances to customers	**248,193,384**	**33.2**	215,121,174	29.7
Allowance for impairment losses on loans and advances to customers	**(7,584,232)**	**(1.0)**	(6,036,227)	(0.8)
Net Loans and advances to customers	**240,609,152**	**32.2**	209,084,947	28.9
Investment securities and other financial assets, net (1)	**419,863,687**	**56.1**	425,372,238	58.8
Balances with the central bank	**56,871,761**	**7.6**	52,117,510	7.2
Deposits with banks and other financial institutions	**7,339,138**	**1.0**	9,617,694	1.3
Financial assets held under resale agreements	**296,753**	**0.0**	3,572,794	0.5
Placements with banks and other financial institutions	**198,498**	**0.0**	2,500,000	0.3
Finance lease receivables	**7,665,471**	**1.0**	6,840,341	0.9
Other assets (2)	**15,547,751**	**2.1**	14,312,126	2.1
Total assets	**748,392,211**	**100.0**	723,417,650	100.0

Notes: (1) Investments in 2018 include the financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortized cost.

Investments in 2017 include held-to-maturity investments, available-for-sale financial assets, financial assets at fair value through profit or loss and debt instruments classified as receivables.

(2) Include interest receivables, property and equipment, deferred income tax assets, and positive fair value of derivatives and others.

The Bank's total assets increased by 3.5% from RMB723,417,650 thousand as at 31 December 2017 to RMB748,392,211 thousand as at the end of the Reporting Period. The increase in the Bank's total assets was primarily because the Bank made appropriate expansion of investment and loan size based on the needs of real economy development and the Bank's business development plan, which resulted in the increase in relevant asset size.

(1) ***Loans and advances to customers***

As at the end of the Reporting Period, the Bank's total loans and advances to customers was RMB248,193,384 thousand, representing an increase of 15.4% as compared to that at the end of 2017. Total loans and total advances to customers accounted for 33.2% of the Bank's total assets, representing an increase of 3.5 percentage points as compared to that at the end of 2017.

(Expressed in thousands of Renminbi, unless otherwise stated)	**As at 30 June 2018**		As at 31 December 2017	
	Amount	**% of total**	Amount	% of total
Corporate loans and advances	**230,550,092**	**92.9**	202,487,355	94.2
Personal loans and advances	**10,859,208**	**4.4**	10,161,100	4.7
Discounted bills	**6,784,084**	**2.7**	2,472,719	1.1
Total loans and advances to customers	**248,193,384**	**100.0**	215,121,174	100.0

The Bank's total loans and advances to customers primarily comprise of corporate loans and advances, personal loans and advances and discounted bills. Corporate loans and advances is the largest component of the Bank's loan portfolio. As at the end of the Reporting Period and as at 31 December 2017, the Bank's corporate loans and advances amounted to RMB230,550,092 thousand and RMB202,487,355 thousand, respectively, accounting for 92.9% and 94.2% of the Bank's total loans and advances to customers, respectively.

The Bank's corporate loans and advances increased by 13.9% from RMB202,487,355 thousand as at 31 December 2017 to RMB230,550,092 thousand as at the end of the Reporting Period, primarily due to (i) the continued growth of the market demand for corporate loans; and (ii) the appropriate increase of loans granted to new high-quality customers by the Bank.

The Bank's personal loans and advances mainly comprise of personal business loans, residential mortgage loans, personal consumption loans, credit card overdrafts and other personal loans. At the end of the Reporting Period, the balance of personal loans and advances amounted to RMB10,859,208 thousand, representing an increase of RMB698,108 thousand or 6.9% as compared to that at the end of 2017, accounting for 4.4% of the Bank's total loans and advances to customers.

A. Loans by collateral

As at the end of the Reporting Period and as at 31 December 2017, collateralized loans, pledged loans or guaranteed loans represented, in aggregate, 93.8% and 92.0%, 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)	**As at 30 June 2018**		As at 31 December 2017	
	Amount	**% of total**	Amount	% of total
Unsecured loans	**15,339,305**	**6.2**	17,226,342	8.0
Guaranteed loans	**92,485,550**	**37.3**	76,539,268	35.6
Collateralized loans	**74,534,182**	**30.0**	55,872,860	26.0
Pledged loans	**65,834,347**	**26.5**	65,482,704	30.4
Total loans and advances to customers	**248,193,384**	**100.0**	215,121,174	100.0

As at the end of the Reporting Period, the balance of the Bank's loans secured by mortgages and pledges amounted to RMB140,368,529 thousand, representing an increase of RMB19,012,965 thousand or 15.7% as compared to that at the end of 2017, accounting for 56.5% of the Bank's total loans and advances to customers. The balance of unsecured and guaranteed loans was RMB107,824,855 thousand, representing an increase of RMB14,059,245 thousand as compared to that at the end of 2017, accounting for 43.5% of the Bank's total loans and advances to customers.

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

(Expressed in thousands of Renminbi, unless otherwise stated)	Stage I (12-month ECL)(1)	Stage II (Lifetime ECL)	Stage III (Life-time ECL-impaired)	Total
Balance as at 31 December 2017	—	—	—	6,036,227
Impact of adopting IFRS 9	—	—	—	(31,555)
Balance as at 1 January 2018	3,587,382	1,114,478	1,302,812	6,004,672
Charge for the period	457,308	1,024,282	215,793	1,697,383
Release for the period	—	—	(80,913)	(80,913)
Subtotal	457,308	1,024,282	134,880	1,616,470
Stage conversion	(195,767)	(151,540)	347,307	—
Convert to Stage I	23,593	(13,720)	(9,873)	—
Convert to Stage II	(137,546)	164,274	(26,728)	—
Convert to Stage III	(81,814)	(302,094)	383,908	—
Unwinding of discount	—	—	(36,910)	(36,910)
Balance as at 30 June 2018	3,848,923	1,987,220	1,748,089	7,584,232

Note: (1) Represents expected credit loss ("**ECL**").

(Expressed in thousands of Renminbi, unless otherwise stated)	For which allowance is collectively assessed	For which allowance is individually assessed	Total
Balance as at 31 December 2016	3,903,641	965,681	4,869,322
Charge for the year	865,897	900,830	1,766,727
Release for the year	—	(143,519)	(143,519)
Unwinding of discount	—	(67,635)	(67,635)
Disposal	—	(388,668)	(388,668)
Balance as at 31 December 2017	4,769,538	1,266,689	6,036,227

Allowance for impairment losses on loans increased by 25.6% from RMB7,584,232 thousand as at 31 December 2017 to RMB6,036,227 thousand as at the end of the Reporting Period, primarily due to the increase of the Bank's allowance for impairment losses to counter against uncertainties arising from the macro-economic 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 using funds of wealth management products, precious metals held for trading, financial assets measured at amortised cost and debt instruments classified as receivables. As at the end of the Reporting Period and 31 December 2017, the Bank had net investment securities and other financial assets of RMB419,863,687 thousand and RMB425,372,238 thousand, accounting for 56.1% and 58.8% of the Bank's total assets, respectively.

(Expressed in thousands of Renminbi, unless otherwise stated)	**30 June 2018**		31 December 2017	
	Amount	**% of total**	Amount	% of total
Debt investments	**63,113,267**	**15.0**	59,423,064	14.0
Financial assets at fair value through profit or loss	19,165,526	4.6	1,005,451	0.2
Financial assets at fair value through other comprehensive income	38,394,620	9.1	N/A	N/A
Financial assets at amortized cost	5,553,200	1.3	N/A	N/A
Held-to-maturity investments	N/A	N/A	7,778,664	1.9
Available-for-sale debt investments	N/A	N/A	50,638,949	11.9
Allowance for impairment losses on debt investments	(79)	0.0	—	—
Equity investments	**105,830**	**0.0**	58,250	0.0
Financial assets at fair value through other comprehensive income	105,830	0.0	N/A	N/A
Available-for-sale equity investments	N/A	N/A	58,250	0.0
Wealth management products investments	**26,767,793**	**6.4**	22,507,706	5.3
Precious metals held for trading	—	—	13,651	0.0
Financial assets at amortized cost (other than debt investments)	**329,876,797**	**78.6**	N/A	N/A
Beneficial interest transfer plans	334,584,202	79.7	N/A	N/A
Investments in wealth management products of financial institutions	203,261	0.0	N/A	N/A
Allowance for impairment losses on financial assets at amortized cost (other than debt investments)	(4,910,666)	(1.1)	N/A	N/A
Debt instruments classified as receivables	**N/A**	**N/A**	343,369,567	80.7
Investments in wealth management products of financial institutions	N/A	N/A	200,088	0.0
Beneficial interest transfer plans	N/A	N/A	346,673,345	81.5
Allowance for impairment losses on debt securities classified as receivables	N/A	N/A	(3,503,866)	(0.8)
Net investments	**419,863,687**	**100.0**	425,372,238	100.0

As at the end of the Reporting Period, the Bank's investment securities and other financial assets, net amounted to RMB419,863,687 thousand, representing a decrease of 1.3% from RMB425,372,238 thousand as at the end of 2017, which was mainly attributable to the decrease in the scale of beneficial interest transfer plans stated at amortized cost.

2. Liabilities

As at the end of the Reporting Period and as at 31 December 2017, the Bank's total liabilities amounted to RMB685,660,325 thousand and RMB663,252,922 thousand, respectively. The Bank's liabilities mainly comprise of (i) deposits from customers; (ii) deposits from banks and other financial institutions; and (iii) debt securities issued, accounting for 51.3%, 21.8% and 12.2%, respectively of the Bank's total liabilities as at the end of the Reporting Period.

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

(Expressed in thousands of Renminbi, unless otherwise stated)	**As at 30 June 2018**		As at 31 December 2017	
	Amount	**% of total**	Amount	% of total
Deposits from customers	**351,626,638**	**51.3**	342,264,228	51.6
Deposits from banks and other financial institutions	**149,800,363**	**21.8**	134,537,429	20.3
Financial assets sold under repurchase agreements	**38,735,359**	**5.6**	39,064,430	5.9
Debt securities issued	**83,731,348**	**12.2**	89,564,751	13.5
Placements from banks and other financial institutions	**16,314,145**	**2.4**	13,466,127	2.0
Financial liabilities at fair value through profit or loss	**26,485,025**	**3.9**	22,439,776	3.4
Other liabilities (1)	**18,967,447**	**2.8**	21,916,181	3.3
Total	**685,660,325**	**100.0**	663,252,922	100.0

Note: (1) Include borrowing from the central bank, negative fair value of derivatives, accrued staff costs, taxes payable, interests payable and others.

(1) Deposits from customers

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

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2018		As at 31 December 2017	
	Amount	**% of total**	Amount	% of total
Corporate deposits				
Demand deposits	**42,328,483**	**12.0**	52,192,358	15.2
Time deposits	**131,772,499**	**37.5**	138,545,258	40.5
Subtotal	**174,100,982**	**49.5**	190,737,616	55.7
Personal deposits				
Demand deposits	**18,720,804**	**5.3**	14,276,240	4.2
Time deposits	**158,804,852**	**45.2**	137,250,372	40.1
Subtotal	**177,525,656**	**50.5**	151,526,612	44.3
Total	**351,626,638**	**100.0**	342,264,228	100.0

As at the end of the Reporting Period, the Bank's total deposits from customers amounted to RMB351,626,638 thousand, representing an increase of RMB9,362,410 thousand or 2.7% as compared to that at the end of 2017. The increase in deposits from customers was because the Bank optimized the service channel and outlet construction while increasing its efforts in marketing of customer deposits.

(2) Deposits from banks and other financial institutions

The counterparties of the Bank's deposits from the banks and other financial institutions mainly included domestic banks and other financial institutions. The following table sets out the composition of the counterparties of the Bank's deposits from the banks and other financial institutions as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2018		As at 31 December 2017	
	Amount	**% of total**	Amount	% of total
Banks	**70,203,218**	**46.9**	78,318,057	58.2
Other financial institutions	**79,597,145**	**53.1**	56,219,372	41.8
Total	**149,800,363**	**100.0**	134,537,429	100.0

As at the end of the Reporting Period, the Bank's total deposits from the banks and other financial institutions amounted to RMB149,800,363 thousand, increased by RMB15,262,934 thousand or 11.3% from the end of 2017, which was mainly due to the increase in scale of deposits from the banks and other financial institutions as a result of the Bank's strengthened effort in business cooperation with other banks.

(3) Debts securities issued

On 24 January 2014, the Bank issued the tier-two capital debts with write-down terms in an aggregate principal amount of RMB1,500 million. The debts have a term of ten years and fixed coupon rate of 7.00% per annum. 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 tier-two capital debts with write-down terms in an aggregate principal amount of RMB2,500 million. The debts have a term of ten years and fixed coupon rate of 4.30% per annum. The Bank has an option to redeem the debts at the nominal amount on 27 December 2021.

On 26 March 2018, the Bank issued the tier-two capital debts with write-down terms in an aggregate principal amount of RMB4,000 million. The debts have a term of ten years and fixed coupon rate of 4.90% per annum. The Bank has an option to redeem the debts at the nominal amount on 27 March 2023.

As at the end of the Reporting Period and as of 31 December 2017, the Bank issued 215 and 238 tranches of RMB interbank certificates of deposit which were not matured, the balance of which were RMB75,739 million and RMB85,569 million, respectively, with a term ranging from one month to one year.

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)	**As at 30 June 2018**		As at 31 December 2017	
	Amount	**% of total**	Amount	% of total
Share capital	**6,781,616**	**10.8**	6,781,616	11.3
Preference shares	**9,897,363**	**15.8**	9,897,363	16.5
Capital reserve	**14,184,913**	**22.6**	13,578,809	22.6
Surplus reserve	**2,994,679**	**4.8**	2,994,679	5.0
General reserve	**9,818,070**	**15.7**	9,818,070	16.3
Retained earnings	**15,010,905**	**23.9**	13,160,018	21.9
Non-controlling interests	**4,044,340**	**6.4**	3,934,173	6.4
Total equity	**62,731,886**	**100.0**	60,164,728	100.0

On 27 October 2017, the Bank issued 74,800,000 non-cumulative perpetual Offshore Preference Shares with a par value of RMB100 at an offering price of USD20 per share. The total proceeds from the issuance of Offshore Preference Shares amounted to RMB9,944 million and have been used to replenish the Bank's additional tier-one capital after deducting the commissions and expenses relating to the issuance.

(III) Loan Quality Analysis

1. Breakdown of loans by the five-category classification

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 RMB3,132,681 thousand. The Bank's total allowance for impairment losses on loans to customers was RMB7,584,232 thousand. The following table sets forth the distribution of the Bank's loans and advances to customers by the five-category loan classification as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2018		As at 31 December 2017	
	Amount	% of total	Amount	% of total
Pass	236,769,559	95.4	207,906,403	96.7
Special mention	8,291,144	3.3	4,967,838	2.3
Substandard	2,215,224	0.9	1,470,816	0.7
Doubtful	888,911	0.4	475,259	0.2
Loss	28,546	0.0	300,858	0.1
Total loans and advances to customers	248,193,384	100.0	215,121,174	100.0
Non-performing loan	3,132,681	1.26	2,246,933	1.04

As at the Reporting Period and as at 31 December 2017, the non-performing loan ratios of the Bank were 1.26% and 1.04%, respectively. The Bank's non-performing loan ratio as at the end of the Reporting Period is 0.22 percentage point higher as compared to that at the end of 2017, primarily due to the fact that affected by the uncertainty in the national macroeconomy, customers in certain industries experienced difficulties in their operation which led to an increase in the non-performing rate of the Bank.

2. Concentration of loans

(1) Concentration by industry of corporate loans

Corporate loans and advances consist of loans and advances to customers in various industries. The table below sets forth the breakdown of corporate loans and advances by industry as at the dates indicated:

	As at 30 June 2018				As at 31 December 2017			
(Expressed in thousands of Renminbi, unless otherwise stated)	Loan amount	% of total	Non-performing loann amount	Non-performing loan ratio (%)	Loan amount	% of total	Non-performing loann amount	Non-performing loan ratio (%)
Corporate loans								
Wholesale and retail trade	**112,979,073**	**45.5**	**904,088**	**0.80**	107,983,226	50.2	566,118	0.52
Manufacturing	**40,766,314**	**16.4**	**1,333,638**	**3.27**	34,526,186	16.0	986,879	2.86
Real estate	**21,051,916**	**8.5**	**140,077**	**0.67**	14,611,490	6.8	12,243	0.08
Leasing and commercial services	**14,594,982**	**5.9**	**25,904**	**0.18**	11,297,965	5.3	22,961	0.20
Public management and social organization	**8,053,819**	**3.2**	**–**	**–**	8,160,339	3.8	–	–
Education	**5,556,280**	**2.2**	**140**	**0.00**	5,573,015	2.6	1,640	0.03
Electricity, gas and water production and supply	**3,221,370**	**1.3**	**–**	**–**	2,524,672	1.2	–	–
Mining	**2,446,496**	**1.0**	**8,282**	**0.34**	2,312,522	1.1	8,282	0.36
Construction	**3,365,994**	**1.4**	**52,917**	**1.57**	2,088,328	1.0	51,744	2.48
Transportation, storage and postal services	**4,833,631**	**2.0**	**12,070**	**0.25**	1,704,719	0.8	12,070	0.71
Agriculture, forestry, animal husbandry and fishery	**1,173,441**	**0.5**	**54,386**	**4.63**	1,540,602	0.7	33,925	2.20
Water, environment and public utility management	**1,338,700**	**0.5**	**–**	**–**	1,326,750	0.6	–	–
Others	**11,168,076**	**4.5**	**142,618**	**1.28**	8,837,541	4.1	141,691	1.60
Discounted bills	**6,784,084**	**2.7**	**–**	**–**	2,472,719	1.1	–	–
Personal loans	**10,859,208**	**4.4**	**458,561**	**4.22**	10,161,100	4.7	409,380	4.03
Total	**248,193,384**	**100.0**	**3,132,681**	**1.26**	215,121,174	100.0	2,246,933	1.04

As at the end of the Reporting Period, corporate loans and advances offered 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 and advances. As at the end of the Reporting Period and as at 31 December 2017, the balance of loans and advances provided to the corporate customers in the aforesaid four industries was RMB189,392,285 thousand and RMB168,418,867 thousand, respectively, accounting for 82.1% and 83.2% of the total corporate loans and advances issued by the Bank, respectively.

(2) Borrower concentration

A. Indicators of concentration

Major regulatory	Regulatory indicators standard	As at 30 June 2018	As at 31 December 2017
Loan concentration ratio for the largest single borrower	≤10%	**4.88%**	4.41%
Loan concentration ratio for the top ten single borrowers	≤50%	**32.44%**	32.29%

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

B. Loans to the ten largest single borrowers

The table below sets forth the borrowing amounts of the top ten 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)		As at 30 June 2018	
Customer	**Industry involved**	**Amount**	**% of total**
Customer A	Real estate	**3,500,000**	**1.4**
Customer B	Scientific research and technical services	**2,865,116**	**1.2**
Customer C	Manufacturing	**2,848,000**	**1.1**
Customer D	Wholesale and retail trade	**2,090,000**	**0.8**
Customer E	Transportation, storage and postal services	**2,000,000**	**0.8**
Customer F	Leasing and business services	**2,000,000**	**0.8**
Customer G	Wholesale and retail trade	**1,999,000**	**0.8**
Customer H	Wholesale and retail trade	**1,998,660**	**0.8**
Customer I	Wholesale and retail trade	**1,995,000**	**0.8**
Customer J	Wholesale and retail trade	**1,990,000**	**0.8**
Total		**23,285,776**	**9.3**

(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)	As at 30 June 2018 Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	As at 31 December 2017 Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans and advances						
Small Enterprises and Micro Enterprises	**113,560,218**	**1,310,642**	**1.15**	101,147,853	1,076,518	1.06
Medium Enterprises	**74,841,492**	**631,633**	**0.84**	65,919,809	457,046	0.69
Others	**42,148,382**	**731,845**	**1.74**	35,419,693	303,989	0.86
Subtotal	**230,550,092**	**2,674,120**	**1.16**	202,487,355	1,837,553	0.91
Discounted bills	**6,784,084**	—	—	2,472,719	—	—
Personal loans and advances						
Personal business loans	**8,811,358**	**421,342**	**4.78**	8,641,737	399,090	4.62
Personal consumption loans	**445,879**	**19,330**	**4.34**	645,395	7,868	1.22
Residential mortgage loans	**1,351,517**	**2,443**	**0.18**	747,574	1,002	0.13
Credit card overdrafts	**147,565**	**1,436**	**0.97**	125,988	1,014	0.80
Others	**102,889**	**14,010**	**13.62**	406	406	100.00
Subtotal	**10,859,208**	**458,561**	**4.22**	10,161,100	409,380	4.03
Total	**248,193,384**	**3,132,681**	**1.26**	215,121,174	2,246,933	1.04

The non-performing loan ratio, representing non-performing loans divided by the Bank's total loans and advances to customers, was 1.26% as at the end of the Reporting Period, representing an increase of 0.22 percentage point as compared to 1.04% as at 31 December 2017.

As at the end of the Reporting Period and as at 31 December 2017, the non-performing loan ratios of the Bank's corporate loans and advances were 1.16% and 0.91%, respectively.

As at the end of the Reporting Period and as at 31 December 2017, the non-performing loan ratios of the Bank's personal loans and advances were 4.22% and 4.03%, 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)	**As at 30 June 2018**		As at 31 December 2017	
	Amount	**% of total**	Amount	% of total
Overdue within 3 months (inclusive)	**3,166,824**	**49.6**	873,455	28.2
Overdue more than 3 months to 6 months (inclusive)	**653,281**	**10.2**	213,726	6.9
Overdue more than 6 months to 1 year (inclusive)	**689,351**	**10.8**	354,620	11.5
Overdue more than 1 year	**1,879,323**	**29.4**	1,653,749	53.4
Total overdue loans and advances to customers	**6,388,779**	**100.0**	3,095,550	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 2015) 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 was 7.95%, representing a decrease of 0.49 percentage point as compared to that as at the end of 2017; the tier 1 capital adequacy ratio was 9.57%, representing a decrease of 0.67 percentage point as compared to that as at the end of 2017; the capital adequacy ratio was 11.61%, representing a decrease of 0.06 percentage point as compared to that as at the end of 2017. The decrease in capital adequacy ratios during the Reporting Period was mainly due to the decrease in undistributed profit as a result of the increase in provision for impairment by the Bank in accordance with the requirement of IFRS 9.

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)	**As at 30 June 2018**	As at 31 December 2017
Core tier-one capital		
– Share capital	**6,781,616**	6,781,616
– Qualifying portion of capital reserve	**14,184,913**	13,578,809
– Surplus reserve	**2,994,679**	2,994,679
– General reserve	**9,818,070**	9,818,070
– Retained earnings	**15,010,905**	13,160,018
– Qualifying portions of non-controlling interests	**588,484**	532,382
Core tier-one capital deductions		
– Other intangible assets other than land use right	**(187,933)**	(182,643)
Net core tier-one capital	**49,190,734**	46,682,931
Other tier-one capital	**9,977,931**	9,968,347
Net tier-one capital	**59,168,665**	56,651,278
Tier-two capital		
– Instruments issued and share premium	**8,000,000**	4,000,000
– Surplus provision for loan impairment	**4,451,551**	3,969,198
– Qualifying portions of non-controlling interests	**156,929**	141,968
– Tier-two capital deductions	—	(200,000)
Net capital base	**71,777,145**	64,562,444
Total risk weighted assets	**618,369,171**	553,087,541
Core tier-one capital adequacy ratio	**7.95%**	8.44%
Tier-one capital adequacy ratio	**9.57%**	10.24%
Capital adequacy ratio	**11.61%**	11.67%

(V) Segment Information

1. Summary of geographical segments

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

Jinzhou Region: the Bank's headquarters, Jinzhou branch, Jinzhou Taihe 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).

Other Northeastern Region (excluding Jinzhou region): Shenyang branch, Dalian branch, Harbin branch, Dandong branch, Fushun branch, Anshan branch, Chaoyang branch, Fuxin branch, Liaoyang branch, Huludao branch, Benxi branch, Yingkou 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 Co., Ltd. (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-month period ended 30 June 2018 Amount	2018 % of total	2017 Amount	2017 % of total
Operating Income				
Jinzhou Region	**7,172,849**	**74.2**	6,174,107	72.3
Other Northeastern Region	**1,143,779**	**11.8**	1,065,330	12.5
Northern China Region	**1,355,758**	**14.0**	1,292,940	15.2
Total	**9,672,386**	**100.0**	8,532,377	100.0

2. Summary of business segment

The Bank manages its business by business lines and geographical areas. Consistent with the way in which information is reported internally to the Bank's 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-month period ended 30 June 2018 Amount	% of total	2017 Amount	% of total
Operating income				
Corporate banking	**3,385,826**	**35.0**	2,736,426	32.1
Retail banking	**872,514**	**9.0**	662,072	7.8
Treasury business	**5,406,370**	**55.9**	5,164,700	60.5
Others	**7,676**	**0.1**	(30,821)	(0.4)
Total	**9,672,386**	**100.0**	8,532,377	100.0

(VI) Analysis of Off-balance Sheet Items

The Bank's off-balance sheet items include credit commitments and other off-balance sheet items. Credit commitments mainly include bank bill acceptances, letters of credit, letters of guarantee issued, undrawn credit card limits and loan commitments. Other off-balance sheet items include operating lease commitments and capital expenditure commitments. Bank bill acceptances are commitments made to the payment for a bank draft issued by the Bank's customers. The letters of guarantee 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)	As at 30 June 2018	As at 31 December 2017
Bank bill acceptances	**143,605,439**	105,422,308
Letters of credit	**16,679,114**	21,070,234
Letters of guarantee issued	**2,318,947**	3,284,999
Loan commitments	**4,403,567**	3,870,216
Undrawn credit card limits	**1,098,984**	929,182
Subtotal	**168,106,051**	134,576,939
Operating lease commitments	**452,020**	439,920
Capital commitments	**459,856**	1,022,570
Subtotal	**911,876**	1,462,490
Total	**169,017,927**	136,039,429

II. Business Overview

(I) Corporate banking

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June 2018	2017	Rate of Change (%)
External net interest income	**4,382,212**	1,883,242	132.7
Interest (expenses)/income of intersegment	**(855,035)**	566,113	(251.0)
Net interest income	**3,527,177**	2,449,355	44.0
Net fee and commission income	**242,026**	310,728	(22.1)
Net foreign exchange losses	**(383,377)**	(23,657)	1,520.6
Impairment losses on income assets	**(1,642,466)**	(1,232,093)	33.3
Operating expenses	**(470,944)**	(721,833)	(34.8)
Profit before tax	**1,272,416**	782,500	62.6
Depreciation and amortization expenses	**(138,718)**	(91,129)	52.2
Capital expenditure	**199,204**	147,541	35.0

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June 2018	31 December 2017	Rate of Change (%)
Segment assets	**236,111,741**	207,210,217	13.9
Segment liabilities	**185,244,660**	198,695,911	(6.8)

1. Corporate deposits

As at the end of the Reporting Period, total corporate deposits (in local and foreign currencies) amounted to RMB174,100,982 thousand, representing a decrease of RMB16,636,634 thousand or 8.7% as compared to that of the end of the previous year, in which, corporate demand deposits amounted to RMB42,328,483 thousand, accounting for 24.3%; corporate time deposits amounted to RMB131,772,499 thousand, accounting for 75.7%.

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, managed financial inclusion, served micro-enterprises, 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 revolving operations. The Bank fulfilled its commitment of providing dedicated services and assumed social responsibilities by improving the platform and products of financial services, provided convenient and quality financial services to satisfy the needs of customers on financial services, materialized the rapid growth of customer groups and various businesses for the Bank. The structure of the deposits taken by the Bank matched its sustained healthy development trend.

2. Corporate loans

As at the end of the Reporting Period, corporate loans of the Bank (excluding discount) amounted to RMB230,550,092 thousand, increased by RMB28,062,737 thousand or 13.9% as compared to the end of the previous year.

During the Reporting Period, the Bank continued to seriously implement national policies, made dedicating efforts to support supply-side structural reforms, increased efforts on serving the real economy, facilitated the development of SMEs, and carried out financial inclusion effectively. The Bank supported existing customers while attracting new customers through marketing, and maintained steady development towards targets of characterization and differentiation. Based on the distribution of new loans by industry, the Bank focused on serving real economy to facilitate restructuring and upgrading of traditional industries, support the development of strategic emerging industries and revitalize the old industrial base in the Northeastern China. The Bank also launched more flexible credit products to support and bring benefit to agriculture, supported agricultural reform on the supply side, strengthened credit support to accurate poverty alleviation and areas including service sector, medical, science eduction and consumption upgrade, gradually reduced scale of overcapacity in steel industry, implemented destocking policy in property industry, reasonably adjusted credit structure and prevented financial risks. During the Reporting Period, the loans of wholesaling and retailing sector, manufacturing sector, and property sector increased RMB4,995,847 thousand, RMB6,240,128 thousand and RMB6,440,426 thousand, respectively.

3. Discounted bills

During the Reporting Period, the Bank integrated macro-economic trend, bills market and regulatory requirements, reasonably adjusted loan structures, and comprehensively consider the asset scale, liquidity, revenue and risks. At the end of the Reporting Period, the discounted bills of the Bank amounted to RMB6,784,084 thousand representing an increase of RMB4,311,365 thousand or 174.4% as compared with that at the end of the previous year.

4. International business

During the Reporting Period, the Bank was committed to product innovation, launched unique foreign currency financial products by combining traditional loan-deposit products with trade finance products and financial derivative instruments, including "Youyuebao" (悠悦寶), "Ronghuitong" (融匯通) and "Agreement Deposit" (協議存款). Besides, the Bank established forward settlement and sale exchange business for customers to avoid exchange risks of export enterprises brought by fluctuations of RMB exchange rate, promoted development of derivative product business, and established RMB foreign exchange swap business in the inter-bank market.

During the Reporting Period, the foreign exchange capital products of the Bank became diversified and the trade volume increased continuously, the Bank achieved improved economic benefits. The cumulative trade volume of inter-bank foreign exchange reached USD7.437 billion, representing an increase of 12.6% compared to the same period of last year, of which the cumulative trade volume of derivative product business (including foreign exchange forward and swap) amounted to USD6.394 billion, representing an increase of 219.2% compared to the same period of last year. During the Reporting Period, the cumulative trade volume of inter-bank foreign currency borrowing reached USD93.340 billion, representing an increase of 139.4% compared to that in the same period of last year.

During the Reporting Period, the Bank's international business had a steady development. The Bank's international settlement amount was USD2.934 billion and the forfeiting business volume amounted to RMB7.688 billion. Besides, the Bank's foreign currency savings business developed rapidly. At the end of the Reporting Period, foreign currency savings deposits of the Bank amounted to USD33 million, representing an increase of 190.4% compared to that at the end of last year. For agency channel development and inter-bank cooperation, the Bank combined the needs of customers and business development, as well as enhanced the Bank's foreign agency network and domestic inter-bank cooperation channels. Its agency network covered 69 countries and regions, comprised of 486 agencies and entered into forfeiting business cooperation agreement with 52 banks, so as to cater to customers' needs of settlement and finance comprehensively.

(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, and online deloyment", various tasks of "Three Basis & Three Smalls" proceeded steadily. As at the end of the Reporting Period, the "Three Smalls" loan balance of the Bank amounted to RMB10,302,126 thousand. The number of customers of "Three Smalls" loans amounted to 10,968 accounts, representing 89.3% of the accounts of total loans (excluding subsidiaries). The "Three Basis" business maintained its good development momentum, the number of settlement accounts amounted to 75,000 accounts, increased by 2,850 accounts as compared to that at the end of the previous year. The basic settlement volume accumulated to 25.08 million, representing an increase of 1.02 million on a year-on-year basis. The coverage of integrated financial services for "Three Smalls" customers was increasing continuously.

2. Measures for developing the "Three Basis & Three Smalls" business

(1) The Bank strengthened risk management to enrich the means of risk control. The Bank achieved the management of the dynamic authorization of business examination and approval according to the level of risk management. To adjust the structure of guarantee, the Bank continued to withdraw from high-risk guarantees and weak guarantee businesses such as joint guarantee, mutual guarantee and offsite businesses. In order to lower the loss given default and increase the risk mitigation, the Bank has included the normal type of deferred interest loans in the management of problematic loans, and a special person should be responsible for it. The newly added overdue and interest-bearing loans were strictly controlled and the "list system" was implemented, and a special person should collect them; the overdue and interest-bearing loans over 90 days was included in the management of non-performing loans, and "every one of them should be treated with a special pattern", a special agency, a special scheme, a special management and professional collection.

(2) The Bank increased the input of rescurces to focus on the development of inclusive financial services and promoted the loans of RMB1 million or less, consumer loans, personal housing mortgage loans among the "Three Smalls" customers, to expand the monthly repayment to business ratio. Executing differential cost accounting to the

inclusive financial loans, the Bank endorsed favorable policies for effectiveness assessment and commenced inclusive financial work with specialized people and positions. Meanwhile, the Bank responded to the poverty alleviation of the country by increasing the fund in respect of poverty alleviation, applied fast track approval and executed preferential rates. At the end of Reporting Period, balance of inclusive financial loans increased by 16.89% as compared to that at the end of the previous year.

(3) Supported real economy and reduced leverage. The Bank reduced the leverage ratio of small and micro enterprises and supported their operational capital demand; strictly controlled the financing of high-leveraged enterprises and guided the capital to flow into the real economy from the virtual economy. The Bank reduced the financing costs of enterprises, restrained the leverage ratio of residents, prohibited the misappropriation of consumer loans, and strictly controlled the illegal flow of personal loans into the stock market and housing market. The investment in high-leveraged residents was restricted and high liability individual customers were given up.

(4) Promoted layouts of technological finance and the innovation of financial products. The Bank strived to organize the online channels to achieve comprehensiveness and integration of financial services; it researched and developed electronic channel self-help pledge loans to provide convenient credit services, easing the busyness of front-line business; it researched and developed "Salary Loans" products to exploit existing high-quality customers and improve cross-selling rate; it cooperated with WeBank to launch WeCar Loan products, setting up layouts of online passenger groups. The Bank attempted to cooperate with third-party platforms and explore online consumer finance, so as to broaden ways to attract new customers; it provided business support for re-credit of exiting customers and new credit of potential customers, which was supported by large data as well as customer relationship management system (CRM) to accumulate data within the Bank.

(5) Promoted management adjustment and optimized "Three Smalls" system construction. Based on the requirements of supervision on the specialized management of small and micro-business in financial institutions by the departments, and with the overall direction of improving the "six mechanisms" and deepening the "four single principles", the Bank adjusted the structure, re-engineered the process and built the team of credit management for the "three smalls". Human resources were professionally allocated, business process was professionally managed, the appraisal of specific performance was implemented and business data was specifically collected.

(6) Innovated after-sales service system for the "Three Smalls" to enhance service quality and efficiency. By setting up special service organizations, special communication channels, special data accumulation and special system management, relying on WeChat Bank, the "Three Smalls" after-sales service system was innovatively launched to improve service quality and further strengthen supervision and management. Meanwhile, the Bank grasped current market fluctuations, and reasonably adjusted product and service positioning and optimization of customer experience according to market orientation.

(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 innovations, channel innovation and service enhancement to optimise customer structure, expand business scale and 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 **2018**	 2017	Rate of Change (%)
External net interest expenses	**(3,132,449)**	(1,855,417)	68.8
Interest income of intersegments	**3,928,285**	2,467,741	59.2
Net interest income	**795,836**	612,324	30.0
Net fee and commission income	**97,408**	49,909	95.2
Net foreign exchange losses	**(20,730)**	(161)	12,775.8
Impairment losses on assets	**(256,185)**	(23,448)	992.6
Operating expenses	**(26,231)**	(364,448)	(92.8)
Profit before tax	**590,098**	274,176	115.2
Depreciation and amortization expenses	**(35,747)**	(46,011)	(22.3)
Capital expenditure	**51,334**	74,492	(31.1)

(Expressed in thousands of Renminbi, unless otherwise stated)	**30 June 2018**	31 December 2017	Rate of Change (%)
Segment assets	**11,005,496**	10,676,142	3.1
Segment liabilities	**204,133,961**	170,395,089	19.8

1. Retail Deposits

During the Reporting Period, the Bank unceasingly optimized pricing mechanism and system upgrade so as to provide retail customers with personalized stratified pricing products and raise pricing capability within authorized interest rates and their floating range. Utilising new means of Fintech and thinking patterns of the "Internet plus", the Bank continuously broke through online and offline channels to make attempts on innovating online products and marketing means. The Bank also adopted various marketing tactics including Mini Program and online "red pocket" certificate of deposit to explore the needs of customers in-depth and raise customers' experiences. At the end of the Reporting Period, the balance of retail deposits of the Bank amounted to RMB177,525,656 thousand, increasing RMB25,999,044 thousand or 17.2% compared with that at the end of the previous year. The deposits of retail showed a steady growth momentum.

2. Retail Loans

During the Reporting Period, the Bank focused on loans in the inclusive finance area, facilitated the development of consumption loans, mortgage loan for residential and commercial buildings and poverty alleviation microloans, launched online consumption financial product "Micro Car Loans", developed electronic self-service platform for pledge loans, developed "Salary Loans" products based on internal data to intergrate online platforms and enhance service quality and efficiency. At the end of the Reporting Period, retail loans of the Bank comprising of personal business loans, personal consumption loans, residential and business accommodation mortgage loans, and credit card overdrafts amounted to RMB10,859,208 thousand, of which personal business loans amounted to RMB8,811,358 thousand, personal consumption loans amounted to RMB445,879 thousand, and residential and business accommodation mortgage amounted to RMB1,351,517 thousand.

As at the end of the Reporting Period, the total amount of credit card facilities of the Bank amounted to RMB1,246,406 thousand, increased by RMB191,456 thousand or 18.1% as compared to that at the end of last year.

3. Bank Cards

During the Reporting Period, the Bank further promoted the expansion and operation regarding cardholding customers, adhered to the customer-oriented philosophy, catered to customers' needs, continuously improved customer service process and explored new business channels. Bedises, the Bank's debit card ETC function commenced operation successfully, convenient payment functions, including signature-free and password-free small transactions and mobile payment, were improved, and credit card points shopping mall was established, and self-service process was further enhanced. The Bank also continued to organize various bank card marking events to encourage customers to form habits of using the Bank's cards, and boost customers' loyalty. At the end of the Reporting Period, the Bank has issued a total of 5,648,000 debit cards, representing an increase of 184,300 cards or 3.4% compared to that at the end of last year. The total number of issued credit cards amounted to 65,510, representing an increase of 9,245 cards or 16.4% as 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 demands 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 5.3145 million, representing an increase of 120,300 or 2.3% compared with that at the end of last year. The number of core customers was 512,800, representing an increase of 73,400 or 16.7% compared with that at the end of last year. There were 205,100 VIP customers, with 34,500 or 20.2% increase compared with that at the end of previous year. Among VIP customers, the number of Gold class customers, Violet Gold class customers, Platinum class customers and Black Gold class customers were 135,947, 58,486, 9,544 and 1,123 respectively.

In accordance with regulatory requirements, dedicated corner for wealth management products and recording and filming system were established at all points of sale of the Bank's products. The Bank has 122 registered points of sales for fund sales business and 109 registered points of sales for insurance sales business.

(IV) Captial Business

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June 2018	2017	Rate of Change (%)
External net interest income	**7,628,749**	8,358,951	(8.7)
Interest expenses among intersegments	**(3,073,250)**	(3,033,854)	1.3
Net interest income	**4,555,499**	5,325,097	(14.5)
Net fee and commission income	**25,586**	39,930	(35.9)
Net trading gain/(loss)	**1,587,877**	(45,155)	(3,616.5)
Net gains arising from investment securities	**24,296**	17,350	40.0
Net foreign exchange losses	**(786,888)**	(172,522)	356.1
Impairment losses on assets	**(450,000)**	(359,807)	25.1
Operating expenses	**(1,009,880)**	(331,223)	204.9
Profit before tax	**3,946,490**	4,473,670	(11.8)
Depreciation and amortization expenses	**(221,501)**	(41,816)	429.7
Capital expenditure	**318,082**	67,701	369.8

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June 2018	31 December 2017	Rate of Change (%)
Segment assests	**491,374,361**	494,839,182	(0.7)
Segment liabilities	**292,147,549**	285,754,251	2.2

1. Currency Market Transactions

During the Reporting Period, the Bank adhered to the general approach of financial regulation and deleveraging, however, theterminal interest rate decreased as currency policy was slightly relaxed. The Bank always insisted on ensuring the safety of liquidity as the premise and integrated history experience with market situations, flexibly allocated financing structure, and endeavoured to reduce financing cost and increase productivity according to the forecast of market trends. As at the end of the Reporting Period, the balance of financial assets held under resale agreements amounted to RMB297 million and the balance of financial assets sold under repurchase agreements amounted to RMB38.735 billion.

2. Investments in Securities and Other Financial Assets

During the Reporting Period, the Bank's results of deleveraging efforts emerged, and the next target was stablizing leverage level because the factors affecting bond market in China were becoming more complicated. The sentiment and trade behavior of bond market participants are always affected by basic economic factors, capital factors, financial regulation, exchange rate, the foreign market, the structure of bond market partipants, product transaction chain and other factors.

The Bank paid close attention to changes in policy environment, facilitated analysis and research on the financial market, and adjusted operation strategies when appropriate. On the premises of ensuring risk prevention, the Bank managed to shorten the debt holding duration and control the leverage ratio in a timely manner, so as to guarantee the liquidity and safety of its bond investment portfolio. While reducing repurchase financial cost by various means, the Bank selected certain bond assets with reasonable duration and yields for the steady increase in the scale of its bond portfolio. The Bank maintained its expected bond portfolio structure and there was not any credit risks.

(1) Securities investment by business model and holding purpose

	As at 30 June 2018		As at 31 December 2017	
(Expressed in thousands of Renminbi, unless otherwise stated)	**Amount**	**% of total**	Amount	% of total
Financial assets at fair value through profit or loss	**45,933,319**	**10.9**	23,526,808	5.6
Financial assets at fair value through other comprehensive income	**38,500,450**	**9.2**	N/A	N/A
Financial assets at amortised cost	**335,429,918**	**79.9**	N/A	N/A
Available-for-sale financial assets	**N/A**	**N/A**	50,697,199	11.9
Held-to-maturity investment	**N/A**	**N/A**	7,778,664	1.8
Debt securities classified as receivables	**N/A**	**N/A**	343,369,567	80.7
Total	**419,863,687**	**100.0**	425,372,238	100.0

(2) Breakdown the distribution of securities investment on the basis of remaining time

The undiscounted contractual cash flows of the Bank's securities investments are divided as follows according to the remaining maturity. Since the cash flow without discounted contract includes principal and interest, the amount in the table below cannot directly correspond to the amount in Table 2(1).

	As at 30 June 2018		As at 31 December 2017	
(Expressed in thousands of Renminbi, unless otherwise stated)	**Amount**	**Percentage of total (%)**	Amount	Percentage of total (%)
Indefinite	**569,220**	**0.1**	563,091	0.1
Repayable on demand	**1,353,391**	**0.3**	525,567	0.1
Within 3 months	**29,902,620**	**6.3**	47,641,930	10.5
Between 3 and 12 months	**105,276,826**	**22.0**	109,922,121	24.3
Between 1 and 5 years	**332,444,816**	**69.6**	281,584,783	62.2
More than 5 years	**7,903,191**	**1.7**	12,768,110	2.8
Total	**477,450,064**	**100.0**	453,005,602	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 RMB4.23 billion. The table below showed the nine state bonds held by the Bank in the aforementioned 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
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 RMB39.54 billion. The table below showed 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	2,010,000	3.98	19 April 2020
16 Jin Chu 01	2,000,000	2.82	22 February 2019
17 Jin Chu 07	1,700,000	4.37	15 May 2020
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. **Financial Management Business**

As at the end of the Reporting Period, the balance of the Bank's continuing financial products amounted to RMB58.665 billion. Among them, the balance of the principal-guaranteed financial products amounted to RMB33.124 billion and the balance of non-principal-guaranteed financial products amounted to RMB25.541 billion. During the Reporting Period, the Bank issued 377 wealth management products in the amount of RMB53.841 billion. The Bank has 382 expired products in the amount of RMB57.083 billion. All expired products reached their expected return rates without compliants from customers. Besides maintaining stable returns and development in scale of its products, the Bank also sought breakthoughs in asset structure and product innovation to fulfill customers' diversified wealth management need. Based on its four existing product lines "Jinxiu" (錦繡), "Chuangying" (創贏), "Chuangfu" (創富) and "Tiantianshang" (天天上), the Bank has officially issued the new net-worth product "Chuangxin" (創鑫). During the Reporting Period, the Bank's financial management business recorded stable profit growth with increasingly improved investment channels, a more rational investment mix and wider product varieties. Tha Bank has already established a positive brand image of "7777 Wealth Management" (7777理財).

For asset allocation, the Bank strictly abided by the relevant provisions of the regulatory authorities, and 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 RMB16.650 billion, accounting for 28.38% of the balance of investment on financial products and 2.30% of the total assets for the end of 2017. Both of them were in line with the regulatory requirements.

In June 2018, the Bank was granted "2018 Chinatown Firm (Agricultural Commercial Bank) Financial Brand Jun Ding Award"(2018中國城商行 (農商行) 理財品牌君鼎獎) in the activities of the "2018 China Wealth Management Agency Jun Ding Award"(2018年中國財富管理機構君鼎獎).

4. **Interbank Business**

The Bank properly allocated interbank business in liabilities, investment and bills transactions and proactively expanded asset securitization and bonds issuance. As at the end of the Reporting Period, the Bank's deposit with banks and other financial institutions amounted to RMB7,339,138 thousand, and the Bank's deposits from banks and other financial institutions amounted to RMB149,800,363 thousand. As at the end of the Reporting Period, the Bank issued and not yet due 215 interbank certificates of deposit in total, with book balance of RMB75,739 million.

5. **Investment Business**

During the Reporting Period, the Bank proactively responded to guidance of national macrpolicies, set fulfillment of customers' financial needs and support to the real economy as its major targets, improved the structure of its investment banking business and diversified its investment banking products. At the end of the Reporting Period, the original value of the carrying amount of the Bank's beneficial interest transfer plans measured at amortised cost was RMB334,584 million. Since the Bank obtained underwriter qualification for non-financial enterprise debt financing instruments, the Bank has proactively engaged in distributing business. During the Reporting Period, the Bank successfully distributed financing instruments and effectively facilitated the development and transformation of the Bank's investment banking business.

(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 212 outlets (excluding those of its subsidiaries). In addition to the headquarters, the Bank had 15 branches, 189 sub-branches, 6 mini/community 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 136 self-service banking and self-service zones, that was an increase of 9 self-service points compared with that at the end of the previous year. During the reporting period, the Bank (excluding subsidiaries) possessed 773 self-service machines, of which 553 were automatic teller machines (ATM) (the accumulated number of transactions reached 2.9983 million with transaction amount of RMB5.135 billion), 117 multi-media enquiry machines (increased by 3 as compared to the end of the previous year, and the accumulated number of transactions reached 247,000 during the reporting period), and 95 self-service card-issuing machines (increased by 7 as compared to the end of the previous year, and the accumulated number of transactions reached 25,346 during the reporting period), and 8 smart ATMs were newly added during the Reporting Period.

During the Reporting Period, the Bank introduced functions of account class adjustment, opening of class III account, tax residence information input and idenfication in its self-service card issuance machines. "Lingcunbao" (零存寶) regular passbook record function was introduced in the Bank's multimedia enquiry machines.

During the Reporting Period, sales of wealth management product and wealth management risk assessment functions were introduced in the Bank's smart ATMs, which provided customers with self-service purchase of financial products and wealth management risk assessment. Customers could purchase financial products by SMS-verification, which was in compliance with regulatory requirements and enhanced customer experience. Functions including contract signing on personal online banking, mobile banking, SMS, phone banking, "Huoqibao" (活期寶) and "Dinghuobao" (定活寶). Single contract and multiple contracts could be signed simutaneously through one-touch linked contract signing with the Bank's contract signing machine.

During the Reporting Period, the Bank received the "Best Ten Bank Smart Branch Innovation Award" at the "2018 China Financial Innovation Awards" organized by The Banker magazine. The smart branches of the Bank combined smart equipments, digital media and human-computer interaction technologies, achieved segmentation by functions within the branch, and integrated its e-banking business, self-service channel and manual channel. Over 20 high-tech smart equipments were installed at the Bank's branches gradually, including smart navigation panels, "Yintietong" (銀鐵通) ticket machines, "Jiuyitong" (就醫通) medical services machines, smart ATMs, Virtual Teller Machines, electronic interactive white boards, face recognition devices and physical interactive experiences, shaping a high-tech style at the Bank's branches.

3. Electronic Banking

During the Reporting Period, the Bank considered focusing on financial technology as the core, striving to perform well in the product innovation as the highlight, deepening its efforts in research and analysis as the characteristic and taking practical steps to provide customer service as the principle of its e-banking business, committing to engage in the innovation of e-banking products and business management.

(1) Online Banking

Adhering to the business philosophy of "streamlined process and sound risk management", the Bank completed the revision and upgrade of enterprises online banking management system during the Report Period. The original business functions and process were further adjusted, rationalized and streamlined, and the management and risk prevention and control level of related business will be significantly enhanced. Personal online banking introduced smart customer service products addressing customer online issues, to provide users with specialized, effective and high-quality online services via language identification, context association, semantics analysis and other intelligent interaction technologies. Hence, the customer service models of "artificial + intelligence" of the Bank was materialized, which mitigated the pressure on manual customer service, satisfied customers' demands for diversified and personalized financial services, and made substantial progress in strengthening customer relationship, enhancing customer experience, and retaining customer loyalty. Personal online banking introduced dynamic token safety certification products on the basis of the single certification of USBKEY, which enabled online banking customers to have securer transactions and flexible business options.

At the end of the Reporting Period, the Bank had 33,100 corporate online banking customers in aggregate, representing an increase of 27.8% on a year-on year basis; during the Reporting Period, the number of transactions amounted to 1.3680 million, representing an increase of 48.2% on a year-on year basis; and the transaction volume amounted to RMB1,008.290 billion, representing an increase of 5.9% on a year-on year basis.

At the end of the Reporting Period, the Bank had 275,000 personal online banking customers in aggregate, representing an increase of 20.9% on a year-on year basis; during the Reporting Period, the number of transactions amounted to 4.7216 million, representing an increase of 61.9% on a year-on year basis; and the transaction volume amounted to RMB125.634 billion, representing an increase of 26.1% on a year-on year basis.

(2) Mobile Banking

Mobile banking introduced the function of online claim for tax reduction to enable taxpayers to pay tax online, which provided tax payment business with convenience and reduced the pressure on counter business. The Bank is the first bank to support online tax payment business in Liaoning Province. The online interest account of "Lingcunbao" (零存寶), 5-year product of "Lixiande" (利先得) and net worth wealth management products offered by the Bank's mobile banking catered for the online requirements of various businesses and broadened the Bank's product distribution channels. Hence, the variety of mobile banking is further enhanced.

At the end of the Reporting Period, the Bank had 283,500 mobile banking customers in aggregate, representing an increase of 59.1% on a year-on year basis; during the Reporting Period, the number of transactions amounted to 1.3660 million, representing an increase of 48.4% on a year-on year basis; and the transaction volume amounted to RMB23.183 billion, representing an increase of 130.7% on a year-on year basis.

The Bank had 145,300 number of WeChat banking customers in aggregate, representing an increase of 108.8% on a year-on year basis; during the Reporting Period, the number of transactions amounted to 124,800, representing an increase of 17.7% on a year-on year basis; and the transaction volume amounted to RMB2.692 billion, representing an increase of 332.1% on a year-on year basis.

(3) Phone Banking

The Bank offers business consultation and transaction service round-the-clock for customers through its national customer service hotline "+86-400-66-96178". The business process of the Bank's phone banking was improved. The sequence of menu broadcast and the speed of voice broadcast were adjusted, so that customers can immediately experience our convenient and clear mobile banking in a timely manner.

(4) Unified Internet Payment Platform

Upon the specification of the compliance of QR code collection of micro and small merchants by the Trial Regulations regarding the Business of QR code Payment" (Yin Fa[2017] No.269), the Bank launched an all-rounded QR code payment product oriented to micro and small merchants, and introduced voice broadcast of immediate collection and dynamic collection code services for merchants on this basis, which provided micro and small merchants with convenient acquiring services and expanded the marketing scope of the Bank's branches, thereby acting as a starting point and a business driver for the further cooperation between the Bank and micro and small merchants.

At the end of the Reporting Period, the number of QR code merchants of the Bank reached 9,527, representing an increase of 6,722 as compared to that at the end of last year. The number of transactions amounted to 1.3539 million and the transaction volume amounted to RMB0.665 billion.

(5) E-commerce Platform

The Bank continued to diversify the varieties and functions of the e-commerce platform products, and fully enhanced its integrated service ability. Firstly, the Bank provided convenience services and products, such as selecting cinema seating, usage top-up, mobile top-up and fuel cards. Secondly, the Bank introduced the HTML version of the 5th generation mobile mall, which realized the direct access of e-commerce platform with mobile banking and WeChat banking through the cross-certification of mobile banking, WeChat banking and e-commerce platforms without downloading the App of e-commerce, thereby enhancing the customer service experience.

(6) Safe Risk Control

The Bank has achieved initial success in risk control and anti-fraud system of e-banking business. For Internet platform and QR code business, the Bank effectively secured the capital safety of customers and reduced the exposures arose from businesses by monitoring business on a real-time basis, which further enhanced the risk control capability of its e-banking business. The Bank actively carried out a good job of connecting the Nets Union platform. The Bank's quick payment business successfully accessed the Nets Union platform and the compliance requirements of the regulator were met.

(VI) Information on Subsidiaries

1. Banks in Villages and Towns

During the Reporting Period, the Bank owned 7 village and 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 village and township banks amounted to RMB8,144,883 thousand; the net amount of loans and advances was RMB4,551,353 thousand, representing an increase of 10.1% as compared to the end of last year. The total deposits amounted to RMB6,933,109 thousand, representing an increase of 8.8% as compared to the end of last year. The net profit amounted to RMB24,202 thousand.

The village and township banks funded and established by the Bank actively implemented the Group's overall development strategy and adhered to the business policy of "changing mode, adjusting structure, controlling risks, and stabilizing development". With the principle of "based on urban and rural areas, supporting small and micro, serving agriculture, rural areas and farmers, and benefiting the people", it actively adapted to the new norm and constantly built up new strengths to expand the brand effect of "Jinyin village and township banks", further improve the corporate governance structure and level, and enhance the influence and competitiveness of "Jinyin village and township banks". The Bank identifies 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. The Bank aims 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 Company Limited

Since the establishment of Bank of Jinzhou Financial Leasing Company Limited ("Jinyin Leasing"), the Bank made steady progress and developed coordinately. According to the national industrial policy, the characteristics of the financial leasing industry, the current market environment and the Company's development requirements, the Bank adhered to the industry, customer and regional orientation of market expansion, and give priority to supporting the industries which were encouraged by national industrial policies and also suitable for developing financial leasing business, and the mature enterprises in the above-mentioned industries. By regarding the enterprises' sustainable operation ability as the core concern in the current situation, the Bank actively served major national strategies such as the Belt and Road, the coordinated development of Beijing, Tianjin and Hebei, the development of the Yangtze River Economic belt, "Made in China 2025" and the revitalization of the old industrial base in Northeast China. The Bank supported the development of real economy through financing projects precisely, so as to promote the optimization and adjustment of industrial structure. As at the end of Reporting Period,the total assets of Jinyin Leasing was RMB7,965,039 thousand, of which the balance of finance leases was RMB7,665,471 thousand. The net profit of RMB139,194 thousand was materialized in the Reporting Period.

In the future, the leasing department of the Bank will continue to base itself on Liaoning and extend its business to the whole country. Aiming at supporting the development of the real economy, optimizing the industrial structure, and supporting the development of small and medium-sized enterprises, it will actively serve the national strategies such as the Belt and Road, coordinated development of Beijing, Tianjin and Hebei, "Made in China 2025" and revitalization of the old industrial base in Northeast China. The main business will be financial leasing business, and new leasing business models will be explored actively. Stable customer groups covering a number of major industries will be expanded and formed, following the origin of financial institutions, serving the real economy with high-quality products, and professional ability. Taking the opportunity of further deepening the special management of banking market disorder, the Bank should strengthen internal control and risk management, put an end to market disorder operations, further improve the system, enhance the awareness of compliance and law-abiding of the whole staff, achieve the goal of "learning, knowing, understanding and using regulations", and make steady progress so as to achieve compliance management and healthy development.

(VII) Information Technology

During the Reporting Period, the Bank carried out a series of work in internal management, infrastructure, information security and system construction and achieved certain results. In the aspect of internal management, the Bank deepened the refined project management concept and improved the overall strength rapidly; it refined the outsourcing management system and strengthened the management of outsourcing personnel interviews and pricing; it formulated scientific and effective staff performance appraisal rules, and effectively incorporated the job quantity and quality of employees into daily management. In the aspect of infrastructure, the main projects that were launched included disaster recovery and storage upgrade project, PC server platform expansion project, and expansion and transformation project of core network access at 10Gigabit/s. In the aspect of information security, data desensitization system and the second authentication means of operation and maintenance audit system were emphatically constructed, and the integrated operation and maintenance system and business performance management centre (BPC monitoring system) were optimized. The Bank conducted Internet security monitoring, ISO27001 information security system certification, village bank related system security assessment and other services. In the aspect of system construction, the Bank has launched the "WeCar loan", financial E-loan, new call centre, big data risk control, customer relationship management system (CRM system), precision marketing, bill management, intelligent teller machines, Party building platforms and other new system projects; it updated more than 30 business systems such as the international settlement, data warehouse, mobile banking and other systems, and continued to optimize the core business, credit business, financial management business, interbank business; The Bank constantly developed and improved a variety of characteristic products to meet business development need.

III. Risk Management

The Bank is at the the following risks in respect of 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 the risk level of the Bank. Risk management policies and relevant internal control systems are reviewed regularly to adapt to changes in market conditions and the Bank's operational 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 contractual obligations. The core of the Bank's credit risk management system mainly includes the formulation of credit policies, pre-credit due diligence, customer credit rating, collateral assessment, loan review and approval, loan disbursement management, post-loan management, non-performing loan management and accountability. The Bank adopts the same credit risk management control procedures for on and off-balance credit business.

The Bank's risk and compliance department is responsible for continuous monitoring, review and evaluation of the adequacy and effectiveness of the Bank's credit risk management system, giving advice for the improvement of the Bank's credit risk management system and developing and maintaining the rating and limit tools. The Bank's credit management department is in charge of the improvement of the Bank's credit review system and operating procedures. The Bank's post-credit management department is responsible for the determination of five-category loan assets. The unified credit management department is responsible for the formulation of limit management as well as organizing and convening meetings of credit management committee of the Bank. 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 also improves the credit approval procedures of its branches. The Bank has established the operating mechanism of the Bank's credit management 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 carrying out 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 identifying, measuring, monitoring and managing interest rate risk. The Bank regularly performs assessment on the interest sensitivity of variety rate repricing gap and the effect on the Bank's net interest income and economic value 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 profit taking from actual or expected price fluctuations of short-term. The banking book transactions represent non-trading businesses. The Bank mainly analyzes the interest rate risks of banking book transactions.

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 risks. The interest rate risks 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 financial assets and financial 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)	Total	Overdue/ Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
	As at 30 June 2018					
Financial assets						
Cash and balances with the central bank	56,871,761	910,279	55,961,482	–	–	–
Deposits with banks and other financial institutions	7,339,138	–	3,415,761	3,923,377	–	–
Placements with banks and other financial institutions	198,498	–	198,498	–	–	–
Financial assets at fair value through profit or loss	45,933,319	1,353,391	11,449,326	19,112,301	14,018,301	–
Positive fair value of derivatives	487,522	487,522	–	–	–	–
Financial assets held under resale agreements	296,753	–	296,753	–	–	–
Loans and advances to customers	240,609,152	4,255,225	22,387,978	66,004,029	144,845,478	3,116,442
Financial assets at fair value through other comprehensive income	38,394,620	–	200,382	10,021,982	25,201,888	2,970,368
Financial assets at amortized cost	335,429,918	549,838	11,457,002	56,857,695	262,066,304	4,499,079
Finance lease receivables	7,665,471	43,000	812,033	1,911,630	4,898,808	–
Other financial assets	4,298,366	4,298,366	–	–	–	–
Total financial assets	737,524,518	11,897,621	106,179,215	157,831,014	451,030,779	10,585,889
Financial liabilities						
Borrowing from the central bank	82,101	–	6,680	75,421	–	–
Deposits from banks and other financial institutions	149,800,363	–	30,241,643	57,227,820	45,590,900	16,740,000
Placements from banks and other financial institutions	16,314,145	–	10,204,489	6,109,656	–	–
Financial liabilities at fair value through profit or loss	26,485,025	–	11,424,654	14,997,932	62,439	–
Negative fair value of derivatives	172,679	172,679	–	–	–	–
Financial assets sold under repurchase agreements	38,735,359	–	38,735,359	–	–	–
Deposits from customers	351,626,638	262,802	100,292,620	97,427,757	151,980,456	1,663,003
Debt securities issued	83,731,348	–	30,627,734	41,661,399	11,442,215	–
Other financial liabilities	16,802,409	16,802,409	–	–	–	–
Total financial liabilities	683,750,067	17,237,890	221,533,179	217,499,985	209,076,010	18,403,003
Net position	53,774,451	(5,340,269)	(115,353,964)	(59,668,971)	241,954,769	(7,817,114)

(Expressed in thousands of Renminbi, unless otherwise stated)	Total	Overdue/ Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
	As at 31 December 2017					
Financial assets						
Cash and balances with the central bank	52,117,510	747,977	51,369,533	–	–	–
Deposits with banks and other financial institutions	9,617,694	–	6,365,194	2,598,000	654,500	–
Placements with banks and other financial institutions	2,500,000	–	2,500,000	–	–	–
Financial assets at fair value through profit or loss	23,526,808	–	11,274,671	11,386,175	626,507	239,455
Positive fair value of derivatives	1,409	1,409	–	–	–	–
Financial assets held under resale agreements	3,572,794	–	3,572,794	–	–	–
Loans and advances to customers	209,084,947	1,753,684	21,470,776	72,016,790	111,635,692	2,208,005
Available-for-sale financial assets	50,638,949	300,187	289,702	1,582,689	45,668,060	2,798,311
Held-to-maturity investment	7,778,664	–	–	697,589	4,752,553	2,328,522
Debt instruments classified as receivables	343,369,567	556,597	29,532,795	81,329,828	227,931,207	4,019,140
Finance lease receivables	6,840,341	–	2,977,922	1,676,518	2,185,901	–
Other financial assets	4,319,866	4,319,866	–	–	–	–
Total financial assets	713,368,549	7,679,720	129,353,387	171,287,589	393,454,420	11,593,433
Financial liabilities						
Borrowing from the central bank	307,848	–	–	307,848	–	–
Deposits from banks and other financial institutions	134,537,429	–	30,869,509	54,184,550	46,270,870	3,212,500
Placements from banks and other financial institutions	13,466,127	–	3,546,559	9,919,568	–	–
Financial liabilities at fair value through profit or loss	22,439,776	–	11,265,000	11,135,626	39,150	–
Negative fair value of derivatives	722,982	722,982	–	–	–	–
Financial assets sold under repurchase agreements	39,064,430	–	39,064,430	–	–	–
Deposits from customers	342,264,228	111,982	102,330,196	91,867,159	147,919,590	35,301
Debt securities issued	89,564,751	–	31,994,793	47,594,477	9,975,481	–
Other financial liabilities	15,703,600	15,703,600	–	–	–	–
Total financial liabilities	658,071,171	16,538,564	219,070,487	215,009,228	204,205,091	3,247,801
Net position	55,297,378	(8,858,844)	(89,717,100)	(43,721,639)	189,249,329	8,345,632

The Bank uses sensitivity analysis to measure the potential impact of changes in interest rate on its net profit or loss and shareholders' equity. The following table sets forth, as of 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)	For the six-month period ended 30 June			
	2018		2017	
	Changes in Net Profit	**Changes in Equity**	Changes in Net Profit	Changes in Equity
100 basis points increase	**(93,912)**	**(728,169)**	(723,129)	(1,535,333)
100 basis points decrease	**98,072**	**762,034**	723,128	1,571,157

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 through the following measures: 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)	As at 30 June 2018 RMB	 USD (RMB equivalent)	 Others (RMB equivalent)	 Total (RMB equivalent)
Financial assets				
Cash and balances with the central bank	56,627,248	242,395	2,118	56,871,761
Deposits with banks and other financial institutions	6,300,352	935,464	103,322	7,339,138
Placements with banks and other financial institutions	–	198,498	–	198,498
Financial assets at fair value through profit or loss	45,732,935	200,384	–	45,933,319
Positive fair value of derivatives	–	472,977	14,545	487,522
Financial assets held under resale agreements	296,753	–	–	296,753
Loans and advances to customers	237,893,783	2,627,486	87,883	240,609,152
Financial assets at fair value through other comprehensive income	38,394,620	–	–	38,394,620
Financial assets at amortized cost	335,429,918	–	–	335,429,918
Finance lease receivables	7,665,471	–	–	7,665,471
Other financial assets	4,260,083	37,223	1,050	4,298,366
Total financial assets	732,601,163	4,714,437	208,918	737,524,518
Financial liabilities				
Borrowing from the central bank	82,101	–	–	82,101
Deposits from banks and other financial institutions	149,800,363	–	–	149,800,363
Placements from banks and other financial institutions	1,300,930	14,744,556	268,659	16,314,145
Financial liabilities at fair value through profit or loss	26,485,025	–	–	26,485,025
Negative fair value of derivatives	–	128,384	44,295	172,679
Financial assets sold under repurchase agreements	38,735,359	–	–	38,735,359
Deposits from customers	347,313,772	3,560,650	752,216	351,626,638
Debt securities issued	83,731,348	–	–	83,731,348
Other financial liabilities	16,193,658	198,760	409,991	16,802,409
Total financial liabilities	663,642,556	18,632,350	1,475,161	683,750,067
Net position	68,958,607	(13,917,913)	(1,266,243)	53,774,451
Credit commitments	164,978,228	2,150,300	977,523	168,106,051

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2017 RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Financial assets				
Cash and balances with the central bank	51,694,247	421,551	1,712	52,117,510
Deposit with banks and other financial institutions	7,812,720	1,688,247	116,727	9,617,694
Placements with banks and other financial institutions	2,500,000	–	–	2,500,000
Financial assets at fair value through profit or loss	23,526,808	–	–	23,526,808
Positive fair value of derivatives	–	1,207	202	1,409
Financial assets held under resale agreements	3,572,794	–	–	3,572,794
Loans and advances to customers	205,758,970	3,240,758	85,219	209,084,947
Available-for-sale financial assets	50,441,061	197,888	–	50,638,949
Held-to-maturity investment	7,778,664	–	–	7,778,664
Debt instruments classified as receivables	343,369,567	–	–	343,369,567
Financial lease receivables	6,840,341	–	–	6,840,341
Other financial assets	4,285,446	33,597	823	4,319,866
Total financial assets	707,580,618	5,583,248	204,683	713,368,549
Financial liabilities				
Borrowing from the central bank	307,848	–	–	307,848
Deposits from banks and other financial institutions	134,537,429	–	–	134,537,429
Placements from banks and other financial institutions	2,012,000	11,040,562	413,565	13,466,127
Financial liabilities at fair value through profit or loss	22,439,776	–	–	22,439,776
Negative fair value of derivatives	–	574,099	148,883	722,982
Financial assets sold under repurchase agreements	39,064,430	–	–	39,064,430
Deposits from customers	333,934,816	7,843,255	486,157	342,264,228
Debt securities issued	89,564,751	–	–	89,564,751
Other financial liabilities	15,136,736	285,007	281,857	15,703,600
Total financial liabilities	636,997,786	19,742,923	1,330,462	658,071,171
Net position	70,582,832	(14,159,675)	(1,125,779)	55,297,378
Credit commitments	130,544,733	3,033,937	998,269	134,576,939

(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 tables below summarize the maturity profile of the Bank's financial instruments based on the contractual undiscounted cash flows. The balances of some items in the tables below are different from the balances on the statement of financial position as the tables incorporate all cash flows relating to both principal and interest. The Bank's expected cash flows on these instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2018 Overdue/ Undated	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Non-derivative financial assets								
Cash and balances with the central bank	53,335,275	3,560,225	–	–	–	–	–	56,895,500
Deposits with banks and other financial institutions	–	1,603,560	1,451,949	436,434	4,092,998	–	–	7,584,941
Placements with banks and other financial institutions	–	–	198,709	–	–	–	–	198,709
Financial assets at fair value through profit or loss	–	1,353,391	4,508,206	7,092,551	19,868,663	14,659,351	–	47,482,162
Financial assets held under resale agreements	–	–	296,993	–	–	–	–	296,993
Loans and advances to customers	3,404,449	1,190,169	8,869,314	17,305,189	76,578,563	161,997,387	3,899,604	273,244,675
Financial assets at fair value through other comprehensive income	–	–	117,325	437,987	11,049,335	27,374,777	3,396,588	42,376,012
Financial assets at amortized cost	569,220	–	5,755,360	11,991,191	74,358,828	290,410,688	4,506,603	387,591,890
Finace lease receivables	–	71,360	124,328	894,030	2,281,883	5,260,078	–	8,631,679
Other financial assets	–	–	196,315	–	4,092	795	–	201,202
Total financial assets	57,308,944	7,778,705	21,518,499	38,157,382	188,234,362	499,703,076	11,802,795	824,503,763
Non-derivative financial liabilities								
Borrowing from the central bank	–	–	1,853	5,263	77,255	–	–	84,371
Deposits from banks and other financial institutions	–	48,980	8,462,300	23,872,681	60,201,203	60,047,901	16,763,442	169,396,507
Placements from banks and other financial institutions	–	–	8,630,020	2,669,302	6,156,176	–	–	17,455,498
Financial liabilities at fair value through profit or loss	–	842,848	3,065,748	7,758,833	15,245,033	64,616	305,884	27,282,962
Financial assets sold under repurchase agreements	–	–	38,817,036	–	–	–	–	38,817,036
Deposits from customers	–	60,895,357	15,344,106	27,235,033	102,693,999	160,959,219	1,663,047	368,790,761
Debt securities issued	–	–	6,706,384	24,631,983	43,114,098	12,695,195	–	87,147,660
Other financial liabilities	–	632,496	1,870,205	598	50,553	233,133	–	2,786,985
Total financial liabilities	–	62,419,681	82,897,652	86,173,693	227,538,317	234,000,064	18,732,373	711,761,780
Net position	57,308,944	(54,640,976)	(61,379,153)	(48,016,311)	(39,303,955)	265,703,012	(6,929,578)	112,741,983
Loan commitments and credit card commitments	–	5,029,422	50	309,946	118,783	44,350	–	5,502,551

(Expressed in thousands of Renminbi, unless otherwise stated)	Overdue/ Undated	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
	As at 31 December 2017							
Non-derivative financial assets								
Cash and balances with the central bank	48,228,548	3,890,603	–	–	–	–	–	52,119,151
Deposits with banks and other financial institutions	–	2,063,194	512,879	3,840,415	2,667,278	691,676	–	9,775,442
Placements with banks and other financial institutions	–	–	2,503,646	–	–	–	–	2,503,646
Financial assets at fair value through profit or loss	-	225,380	4,507,401	6,791,481	11,430,989	692,597	239,455	23,887,303
Financial assets held under resale agreements	–	–	3,581,726	–	–	–	–	3,581,726
Loans and advances to customers	1,638,398	124,536	4,405,584	17,268,592	75,435,787	139,901,849	2,790,366	241,565,112
Available-for-sale financial assets	–	300,187	319,279	835,262	4,090,824	46,440,394	4,536,062	56,522,008
Held-to-maturity investments	–	–	44,727	89,455	1,064,035	5,395,225	3,774,534	10,367,976
Debt instruments classified as receivables	563,091	–	11,200,076	23,854,249	93,336,273	229,056,567	4,218,059	362,228,315
Finance lease receivables	–	–	177,549	639,182	2,372,934	4,783,221	–	7,972,886
Other financial assets	–	–	88,703	–	1,878	365	–	90,946
Total financial assets	50,430,037	6,603,900	27,341,570	53,318,636	190,399,998	426,961,894	15,558,476	770,614,511
Non-derivative financial liabilities								
Borrowing from the central bank	–	–	567	1,134	312,951	–	–	314,652
Deposits from banks and other financial institutions	–	289,509	6,342,130	25,728,689	57,718,069	50,611,078	–	140,689,475
Placements from banks and other financial institutions	–	–	1,446,698	2,171,844	10,090,681	–	–	13,709,223
Financial liabilities at fair value through profit or loss	-	211,730	4,406,673	6,676,516	11,136,221	39,150	11,730	22,482,020
Financial assets sold under repurchase agreements	–	–	33,878,068	5,320,900	–	–	–	39,198,968
Deposits from customers	–	66,468,598	13,882,311	24,133,622	97,370,265	156,972,269	35,301	358,862,366
Debt securities issued	–	–	9,045,899	23,159,186	49,232,917	11,806,979	–	93,244,981
Other financial liabilities	–	412,305	2,643,579	390	32,954	151,972	–	3,241,200
Total financial liabilities	–	67,382,142	71,645,925	87,192,281	225,894,058	219,581,448	47,031	671,742,885
Net current amount	50,430,037	(60,778,242)	(44,304,355)	(33,873,645)	(35,494,060)	207,380,446	15,511,445	98,871,626
Loan commitments and credit card commitments	–	4,255,368	254,500	57,890	207,210	24,430	–	4,799,398

(V) Management of Anti-money Laundering

During the Reporting Period, the Bank strictly complied with anti-money laundering laws and regulations, earnestly fulfilled its obligations in anti-money laundering, put into practice the concept of "risk-based" anti-money laundering work, continued to implement the Work Requirements of the Measures for the Management of Reports on Large-scale Transactions and Suspicious Transactions (Order No. 3 of the People's Bank of China [2016]), and constantly promoted the anti-money laundering institution construction, system building and personnel quality training. The Bank actively promoted customer identification for anti-money laundering, conducted identity inspection and verification of existing customers, strengthened customer identity and transaction information collection and preservation management and improved the data quality, and continued to promote the construction and improvement of suspicious transaction models; according to the actual situation of business development and various business scenarios, a suspicious transaction model was established and perfected around the key points of risk control. The Bank actively coordinated with the regulatory authorities on anti-money laundering co-investigation work, organized the anti-money laundering business training and publicity, continuously strengthened the off-site anti-money laundering inspection, and constantly improved the anti-money laundering risk prevention and control capability.

(VI) Rights Protection for Consumers

During the Reporting Period, the Bank has always regarded the protection of consumer rights and interests as the top priority of its business management. Through the establishment of the Consumer Rights and Interests Protection Committee under the Board of Directors and the Consumer Rights and Interests Protection Office, the Bank established a sound organization system, consummated the rules and regulations, strengthened business guidance and work assessment, and vigorously promoted the orderly and healthy development of the Bank's consumer rights and interests protection.

As for the popularization of financial knowledge, the Bank adopted a combination of everyday publicity and centralized publicity. In the aspect of everyday publicity, innovative activities such as "Jin's Time", "Community Culture Day" and "Financial Morning and Night Market" were carried out to explain issues such as the financial products, services and the safe use of bank cards that consumers were concerned about, so as to enhance consumers' awareness of financial knowledge. In the aspect of centralized publicity, the Bank sponsored the event of "3.15 Financial Consumer Rights and Interests Protection Art Festival" organized by Liaoning Provincial Banking Regulatory Bureau and hosted the publicity campaign of "Popularizing Financial Knowledge and Guarding Your Money Bag" (普及金融知識，守住錢袋子). Besides taking its branches as the front for propaganda, the Bank also walked into public areas such as universities, communities and shopping malls to further enhance consumers' awareness of preventing financial risks, bringing a closer relationship between banks and the public and increasing the masses' confidence in banking institutions. During the publicity campaign of "Popularizing Financial Knowledge and Guarding Your Money Bag", 320 thematic public education campaigns were conducted, and 80,000 folders on financial knowledge were issued and 100,000 people were benefited.

IV. IInternal 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 the Bank, the realization of the development strategies and operating objectives of the Bank, the effectiveness of risk management of the 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, which mainly includes: Firstly, the system building of the internal control system was strengthened. During the Reporting Period, the Bank has further improved its system through the revision and improvement of it, the working standards raised, the sense of compliance enhanced, and a unified standard and norms for the future work established. This revision extended to all the systems of 26 departments of the head office, with a total of 4 million words. It covered all the business processes and the key links of each business activity, effectively managed the risk points, clarified the responsibilities of the responsible departments and individuals, and eliminated the blind spot of monitoring. Secondly, the internal control measures were improved. 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 position 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 went through a series of activities held during the "risk management year","compliance establishment year","system implementation year"and"dual compliance", and 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 will review and supervise the internal audit work progress. The Internal Audit Department shall be accountable to the Board and the Audit Committee, and 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, 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, adhered to the risk-oriented audit principle, impletemented the concept of "audit cycles", explored management benefit assessment, and carried out audit projects strictly according to the 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 by combining with the actual development of departments, the Bank continuously standardized the basic audit work procedure, optimized the audit project management mode, and provided a strong guarantee for the launch of audit work. While completing the routine audit projects, the internal audit department of the Bank focused on the implementation of special audit projects, and carried out periodic audit projects in accordance with high-risk business lines and key areas of concern of regulatory departments. The Bank innovated audit measures, optimized audit methods, and made full use of the audit system platform to increase off-site analysis for auditors, providing strong data support for audit work. At the same time, apart from completing the audit plan with high quality and efficiency, the internal audit department of the Bank carried out a special self-examination of "strive to amend banking market disorder" within the scope of the whole bank in accordance with the supervision requirements and the business situation of the industry, so as to keep the internal audit work in line with the supervision guidance, deepen the supervision and examination linkage, grasp the pulse of supervision and guidance, and try to standardize business behavior, and guard against financial risks.

V. Prospects

In the second half of 2018, the Bank will continue to thoroughly implement the spirit of the 19th National Congress of the Communist Party of China, the requirements of the National Financial Work Conference and the spirit of the Central Economic Work Conference, to adhere to the operating policies of "Changing mode, Adjusting structure, Controlling risk and Strengthening development", actively responding to the national strategies and plans, capturing the opportunities of deepening financial reform, strengthening the risk prevention and guarding the risk bottom line and keeping the basis of serving the real economy in mind. With the theme of reform and development, the mainstream of transformation and renovation, the driver of innovation and technology, the protection of compliance and stability and the objective of efficiency and quality, the Bank will consolidate its strategic position of "Three Basis & Three Smalls" (三基三小), comprehensively develop financial technology, increase the efforts in facilitating inclusive finance, establish a diversified and characteristic business pattern with low capital consumption, and enhance the efficiency of refined, professional and collaborative management, thereby continuously facilitating and forming a new pattern of high-quality development of the Bank.

Chapter 4 Changes in Ordinary Shares and Particulars of Shareholders

I. Changes in Ordinary Shares of the Bank

(I) Share Capital

There was no change in the share capital of ordinary Shares of the Bank during the Reporting Period. As at the end of the Reporting Period, the issued ordinary Shares of the Bank were 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 the Number of Shares

	31 December 2017		Changes during the Reporting Period			**30 June 2018**	
	Number of Shares	Percentage (%)	Issues 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	56,136,296	0.83	—	(34,877,216)	(34,877,216)	**21,259,080**	**0.31**
(2) Shareholding of Private corporate Shareholders	4,130,562,262	60.91	—	34,877,216	34,877,216	**4,165,439,478**	**61.43**
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 of Ordinary Shares

(I) Number of Shareholders

As at the end of the Reporting Period, the Bank had 2,348 Shareholders of ordinary Shares, of which 2,242 were Shareholders of Domestic Shares and 106 were Shareholders of H Shares.

(II) Shareholding of Shareholders

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

No.	Name of Shareholders	Nature of Shareholding	Total Number of Shares held	Approximate Percentage of the Total Issued Share Capital(1) of Ordinary Shares of the Bank(%)	Approximate Percentage of the Total Issued Class of Share Capital(1) of Ordinary Shares of the Bank(%)
1	China Enterprise Development Investment (Beijing) Co., Ltd (“**CEDI**”) (1)	Private	317,509,907	4.68	—
2	Rongcheng Huatai Motor Co., Ltd.	Private	317,076,722	4.68	317,076,722
3	Yinchuan Baota Refined Chemical Industry Co., Ltd.	Private	250,000,000	3.69	250,000,000
4	Jincheng International Logistics Group Co., Ltd.	Private	213,507,565	3.15	150,000,000
5	Qingzhou Taihe Mines Co., Ltd.	Private	180,000,000	2.65	180,000,000
6	Liaoning Tenghua Plastic Co., Ltd.	Private	180,000,000	2.65	—
7	Liaoning Chengwei Plastic Profile Co., Ltd.	Private	170,000,000	2.51	—
8	Shanghai Greenland Hongtu Investment Development Co., Ltd.	Private	150,000,000	2.21	—
9	Beijing Urban Construction Investment Development Co., Ltd.	Private	130,000,000	1.92	—
10	Jinzhou Daxing Construction Group Co., Ltd.	Private	110,000,000	1.62	—
Total			**2,018,094,194**	**29.76**	**897,076,722**

Note: (1) In 2017, CEDI and certain Shareholders of the Bank entered into share transfer agreements separately and acquired a total of 324,523,430 Domestic Shares, of which, CEDI had completed the filing and registration of 317,509,907 Domestic Shares with relevant regulatory authorities in China as at the end of the Reporting Period, and finally completed the relevant filing and registration of the remaining 7,013,523 Domestic Shares on 17 August 2018. In accordance with relevant laws and regulations, the transfer of such Shares should become effective from the completion date of the filing and registration.

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 executives 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／Name	Nature of Interests	Class of Shares	Number of Shares(1)	Approximate Percentage of the Total Issued Share Capital(1) of Ordinary Shares of the Bank (%)	Approximate Percentage of the Total Issued Class of Share Capital(1) of Ordinary Shares of the Bank (%)
Domestic Shares					
Rongcheng Huatai Motor Co., Ltd. (2)	Beneficial Owner	Domestic Shares	317,076,722 (L)	4.68	7.44
Huatai Automobile Group Co., Ltd (2)	Interest of Controlled Corporation	Domestic Shares	317,076,722 (L)	4.68	7.44
Zhang Hongliang (2)	Interest of Controlled Corporation	Domestic Shares	317,076,722 (L)	4.68	7.44
CEDI (3)	Beneficial Owner	Domestic Shares	308,809,907 (L)	4.55	7.24
Tianjin Quanying Technology Development Co., Ltd. (3)	Interest of Controlled Corporation	Domestic Shares	308,809,907 (L)	4.55	7.24
Zhang Haibo (3)	Interest of Controlled Corporation	Domestic Shares	308,809,907 (L)	4.55	7.24
Yinchuan Baota Refined Chemical Industry Co., Ltd. (4)	Beneficial Owner	Domestic Shares	250,000,000 (L)	3.69	5.86
Ningxia Baota Enengy Chemical Co., Ltd. (4)	Interest of Controlled Corporation	Domestic Shares	250,000,000 (L)	3.69	5.86
Baota Petrochemical Group Co., Ltd. (4)	Interest of Controlled Corporation	Domestic Shares	250,000,000 (L)	3.69	5.86
Sun Hengchao (4)	Interest of Controlled Corporation	Domestic Shares	250,000,000 (L)	3.69	5.86
Li Dongjun (5)	Interest of controlled corporation	Domestic Shares	213,507,565 (L)	3.15	5.01
	Interest of controlled corporation	Domestic Shares	33,179,021 (L)	0.49	0.78

Name of Shareholders/Name	Nature of Interests	Class of Shares	Number of Shares[1]	Approximate Percentage of the Total Issued Share Capital[1] of Ordinary Shares of the Bank (%)	Approximate Percentage of the Total Issued Class of Share Capital[1] of Ordinary Shares of the Bank (%)
H Shares					
Grand Fortune Venture Limited [6]	Beneficial Owner	H Shares	201,700,000 (L)	2.97	8.01
Xuzhou Zhong'an Mining Services Limited [6]	Interests of Controlled Corporation	H Shares	201,700,000 (L)	2.97	8.01
Zhang Yuan [6]	Interests of Controlled Corporation	H Shares	201,700,000 (L)	2.97	8.01
Beijing Jingyuan Wanlong Investment Management Company Limited [7]	Interests of Controlled Corporation	H Shares	200,000,000 (L)	2.95	7.95
Li Feng [7]	Interests of Controlled Corporation	H Shares	200,000,000 (L)	2.95	7.95
Wang Xiaoliang [7]	Interests of Controlled Corporation	H Shares	200,000,000 (L)	2.95	7.95
Wah Li (Hong Kong) Limited [8]	Beneficial Owner	H Shares	184,845,000 (L)	2.73	7.34
CITIC Securities Company Limited	Interest of controlled corporation	H Shares	179,410,231 (L)	2.65	7.13
		H Shares	179,410,231 (S)	2.65	7.13
Asian Sense Investments Limited [9]	Beneficial Owner	H Shares	168,086,000 (L)	2.48	6.68
Li Yongjun [9]	Interests of Controlled Corporation	H Shares	168,086,000 (L)	2.48	6.68
Liu Xinjun [9]	Interests of Controlled Corporation	H Shares	168,086,000 (L)	2.48	6.68
BNP PARIBAS SA	Beneficial Owner	H Shares	149,508,525 (L)	2.20	5.94
Guosen (HK) Financial Products Company Limited[10]	Beneficial owner	H Shares	128,150,165 (L)	1.89	5.09
		H Shares	128,150,165 (S)	1.89	5.09

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

(2) Such shares were held by Rongcheng Huatai Motor Co., Ltd. ("**Rongcheng Huatai**") which is wholly owned by Huatai Automobile Group Co., Ltd. ("**Huatai Automobile**") and Huatai Automobile was controlled by Zhang Hongliang as to 76%. Under the SFO, Huatai Automobile and Zhang Hongliang are deemed to own the interests in all the Shares held by Rongcheng Huatai.

(3) According to the disclosure of interest filed by CEDI pursuant to section 336 of the SFO, CEDI held 308,809,907 Domestic Shares as at the end of the Reporting Period. In 2017, CEDI and certain Shareholders of the Bank entered into share transfer agreements separately and acquired a total of 324,523,430 Domestic Shares, all of which were filed and registered as of 17 August 2018. In accordance with relevant laws and regulations, the transfer of such Shares should become effective from the completion date of the filing and registration. Such Shares are held by CEDI, which was then held by Tianjin Quanying Technology Development Co., Ltd. ("**TQTD**") as to 23.08%, while TQTD was held as to 80% by Zhang Haibo. Under the SFO, both TQTD and Zhang Haibo are deemed to be interested in all the Shares held by CEDI.

(4) Such Shares are held by Yinchuan Baota Refined Chemical Industry Co., Ltd. ("**Yinchuan Baota**"), which is wholly owned by Ningxia Baota Energy Chemical Co., Ltd. ("**Baota Energy**"), which is in turn held by Baota Petrochemical Group Co., Ltd. ("**Baota Petrochemical**") as to 90.20%. Baota Petrochemical is controlled by Sun Hengchao as to 43.79%. Under the SFO, Baota Energy, Baota Petrochemical and Sun Hengchao are deemed to be interested in all the Shares held by Yinchuan Baota.

(5) 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) ("**Jincheng Logistics**") and Dalian Changxing Island Green-city Development Co., Ltd. (大連長興島綠城發展有限公司) ("**Changxing Island Green-city**") as to 213,507,565 Domestic Shares and 33,179,021 Domestic Shares, respectively. 99.82% equity interests in Jincheng Logistics is held by Jinlian Investment Group Co., Ltd. (錦聯控股集團有限公司) ("**Jinlian Group**"), 90% equity interests in which is held by Li Dongjun. Changxing Island Green-city is wholly-owned by Jinlian Asset Management Co., Ltd. (錦聯資產管理有限公司) ("**Jinlian Asset**"), which is in turn wholly-owned by Jinlian Group, whose 90% equity interests in turn is owned by Li Dongjun. Under the SFO, Li Dongjun is deemed to be interested in all the Shares held by Jincheng Logistics and Changxing Island Green-city.

(6) Such Shares are held by Grand Fortune Venture Limited, which is wholly-owned by Xuzhou Zhong'an Mining Services Limited ("**Xuzhou Zhong'an**"), which is in turn held by Zhang Yuan as to 80%. Under the SFO, Xuzhou Zhong'an and Zhang Yuan are deemed to be interested in all the Shares held by Grand Fortune Venture Limited.

(7) Such Shares are held by Hong Kong Jingyuan Wanlong Investment Management Co., Limited, which is wholly-owned by Beijing Jingyuan Wanlong Investment Management Co., Ltd. ("**Jingyuan Wanlong**"), which is in turn held by Li Feng and Wang Xiaoliang as to 60% and 40%, respectively. Under the SFO, Jingyuan Wanlong, Li Feng and Wang Xiaoliang are deemed to be interested in all the Shares held by Hong Kong Jingyuan Wanlong Investment Management Co., Limited.

(8) Such Shares are held by Wah Li (Hong Kong) Limited, which is wholly owned by Zhao Yong. Under the SFO, Zhao Yong is deemed to be interested in all the Shares held by Wah Li (Hong Kong) Limited.

(9) Such Shares are held by Asian Sense Investments Limited, which is in turn held by Li Yongjun and Liu Xinjun as to 50% and 50%, respectively. Under the SFO, Li Yongjun and Liu Xinjun are deemed to be interested in all the Shares held by Asian Sense Investments Limited.

(10) Guosen (HK) Financial Products Company Limited ("**GSFP**") subscribed for total return swap linked with Offshore Preference Shares but it does not hold any Offshore Preference Shares directly. GSFP is not expected to hold or control any Offshore Preference Shares, however, as Offshore Preference Shares are convertible to H Shares, pursuant to sction 336 of the SFO, GSFP is deemed to be interested in the H Shares of Jinzhou Bank.

Save as disclosed above, the Bank is not aware of any other person, other than the Directors, Supervisors and chief executives 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 held 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. In 2017, CEDI and certain Shareholders of the Bank entered into share transfer agreements separately and acquired a total of 324,523,430 Domestic Shares, all of which were filed and registered with relevant authorities as of 17 August 2018. In accordance with relevant laws and regulations, the transfer of such Shares should become effective from the completion date of the filing and registration. After completion of the aforementioned transfers, CEDI holds an aggregate of approximately 4.79% of issued share capital of ordinary shares of the Bank and becomes its single largest Shareholder.

CEDI is one of the Bank's non-state-owned corporate Shareholders, which is held as to 23.08% by TQTD and is the Shareholder with largest shareholding. The business scope of CEDI mainly comprises (but is not limited to) the investment management, investment consultation, economic trade consultation, etc.

(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 had no undertakings from it or its Shareholder holding more than 5% of Shares.

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

As at the end of the Reporting Period, there was no pledging and freezing of Shares in respect of Shareholders holdings more than 5% (inclusive) of Shares.

Chapter 5 Particulars of Preference Shares

I. Issuance and Listing of Preference Shares for the Past Three Years as of the End of the Reporting Period

Pursuant to the approval of the CBRC Liaoning Bureau (Liaoyinjianfu [2017] No. 133) and the CSRC (CSRC [2017] No. 1833), on 27 October 2017, the Bank issued non-accumulative perpetual Offshore Preference Shares of US$1.496 billion (stock name: BOJZ 17USDPREF, stock code: 4615) over the counter. The Offshore Preference Shares were listed on the Hong Kong Stock Exchange on 30 October 2017. The par value of the Offshore Preference Shares was RMB100 each at the issue price of US$20 per share. The total number of the issued Offshore Preference Share is 74,800,000, all of which were fully paid in US dollars.

According to the RMB exchange rate announced by the China Foreign Exchange Trading Center on 27 October 2017, the total amount of gross proceeds raised from the issuance of Offshore Preference Shares was approximately RMB9.944 billion. After deducting relevant commissions and expenses for issuance, the proceeds raised from the issuance of Offshore Preference Shares have been used to supplement additional tier 1 capital of the Bank in accordance with the applicable laws and regulations and the approval of the relevant regulatory authorities such as the CBRC Liaoning Bureau and the CSRC.

Please refer to the announcements issued by the Bank on the website of the Hong Kong Stock Exchange and website of the Bank for the terms of the issuance of Offshore Preference Shares.

II. Number of Preference Shareholders and Their Shareholdings

At the end of the Reporting Period and as at the date of this interim report, the number of offshore preference shareholders of the Bank was 1.

At the end of the Reporting Period, the shareholdings of the top ten offshore preference shareholders (or proxies) of the Bank were as follows:

Name of Shareholder	Nature of Shareholder	Class of Shares	Changes (Increase/ Decrease) in the Reporting Period	Pro Rata Basis (%)	Total Number of Shares Held	Number of Shares held with Restrictive Conditions	Number of Shares Pledged or Frozen
The Bank of New York Depository (Nominees) Limited	Offshore Corporation	Offshore Preference Shares	—	100.0	74,800,000	—	Unknown

Notes: 1. The shareholdings of the Offshore Preference Share are based on the information listed in the register of the Offshore Preference Shares of the Bank.

2. Since the issuance of the Offshore Preference Share was an offshore non-public offering, the shareholders listed in the offshore preference shareholders list is the information of the proxy the allocated investor.

3. The Bank is not aware of whether there is any related relationship between the above-mentioned offshore preference shareholders and the top ten ordinary Shareholders, or who are acting in concert.

III. Changes in Preference Shares

Categories of Preference Shares	31 December 2017 Number of Offshore Preference Shares Issued	Changes in Reporting Period	**30 June 2018 Number of Offshore Preference Shares Issued**
US Dollar Offshore Preference Shares	74,800,000	—	74,800,000

IV. Profit Distribution of Preference Shares

During the Reporting Period, there was no dividend payment for preference shares in the Bank.

V. Repurchase or Conversion of Preference Shares

During the Reporting Period, there was no repurchase or conversion of preference shares in the Bank.

VI. Dilution Impact on the Shares in the Event that all Outstanding Offshore Preference Shares were Converted as at 30 June 2018

As at 30 June 2018, the outstanding principal amount of all 74,800,000 Offshore Preference Shares was US$1.496 billion. Assuming that the conditions of mandatory conversion were activated and that the conversion price was the initial mandatory conversion price, i.e. HK$9.09 per H Share, a maximum number of 1,278,084,312 H Shares (as converted into HK dollars at the conversion exchange rate of U.S.$1.00 to HK$7.7659) would be issued upon conversion of all outstanding Offshore Preference Shares, representing approximately 18.85% of the then existing issued share capital of the Bank as at 30 June 2018 and approximately 15.86% of the issued share capital of the Bank as enlarged by the issue of the H Shares upon the conversion of all the outstanding Offshore Preference Shares. Based on the net profit attributable to equity Shareholders of the parent company for the six months ended 30 June 2018 amounted to approximately RMB4.23 billion, the diluted earnings per share would be diluted to approximately RMB0.52 assuming occurrence of such conversion.

Conversion price of the Offshore Preference Shares will be subject to adjustment for distributing bonus shares with respect to the H Shares, making capitalisation issues, issuing H Shares below the market price of the H Shares (excluding any increase in the share capital as a result of conversion of certain financial instruments issued by the Bank that are convertible into ordinary shares) or making any rights issues, as the case may be, which may have impacts on the rights of the holders of the Offshore Preference shares. Under the premise of obtaining the approval of the CBIRC and conditions of redemption, the Bank has right to redeem all or some of Offshore Preference Shares in first call date and subsequent any dividend payment date. The first redemption date is set at five years after issuance, i.e. 27 October 2022. Additional information of the main clauses of the Offshore Preference Shares are set out in the note 43 to the consolidated financial statements in this interim report.

VII. Resumption of Preference Shares Voting Rights in Reporting Period

During the Reporting Period, there was no resumption of preference shares voting rights in the Bank.

VIII. Accounting Policies and Reasoning Adopted by Preference Shares

According to the "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments", "Accounting Standards for Business Enterprises No. 37 – Reporting of Financial Instruments", "Differentiation of Financial Liabilities and Equity Instruments and Relevant Accounting Regulations" issued by the Ministry of Finance and the "International Financial Reporting Standards No. 9-Financial Instruments" and "International Financial Reporting Standards No. 32- Financial Instruments: Disclosure and Presentation" issued by International Accounting Standards Board as well as the key terms of the Offshore Preference Shares, the Offshore Preference Shares issued by the Bank met the requirements for accounting as an equity instrument. Therefore, the Offshore Preference Shares issued by the Bank were accounted for as equity instruments.

CHAPTER 6 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, EMPLOYEES AND ORGANISATIONS

I. Information on Directors, Supervisors and Senior Management

As at the date of this interim report, the basic information on the Directors, Supervisors and senior managements of the Bank was as follows:

Name	Gender	Age	Position
ZHANG Wei	Male	60	Chairman, Executive Director
HUO Lingbo	Male	61	Vice-Chairman, Executive Director, Executive Vice President
LIU Hong	Female	55	Executive Director, President
WANG Jing	Male	49	Executive Director, Vice President
SUN Jing	Male	41	Executive Director, Secretary to the Board
WANG Xiaoyu	Female	49	Executive Director, Person-in-charge of Finance
GU Jie	Female	51	Non-Executive Director
MENG Xiao	Female	31	Non-Executive Director
CHOON Yew Khee	Male	48	Independent Non-Executive Director
LIN Yanjun	Male	39	Independent Non-Executive Director
CHANG Peng'ao	Male	44	Independent Non-Executive Director
PENG Taoying	Female	53	Independent Non-Executive Director
TAN Ying	Female	53	Independent Non-Executive Director
CAI Hongguang	Male	58	Chairman of Board of Supervisors, Employee Representative Supervisor
DAI Shujun	Male	53	Vice Chairman of Board of Supervisors, Employee Representative Supervisor
CAO Wenqing	Female	49	Employee Representative Supervisor
LI Wei	Female	53	Employee Representative Supervisor
LI Xiu	Female	45	Employee Representative Supervisor
HE Baosheng	Male	71	Shareholder Representative Supervisor
CHEN Tanguang	Male	34	Shareholder Representative Supervisor
HE Mingyan	Female	39	Shareholder Representative Supervisor
JIANG Daxing	Male	47	External Supervisor
DENG Xiaoyang	Male	53	External Supervisor
NIE Ying	Female	47	External Supervisor
LI Tongyu	Female	46	External Supervisor
ZHAO Hongxia	Female	39	External Supervisor
GUO Guang	Male	58	Vice President
LIU Wenzhong	Male	55	Vice President
WANG Xin (王昕)	Male	42	Vice President
WANG Xin (王鑫)	Male	48	Vice President
SONG Yaping	Female	55	General Accountant

II. Changes in Directors, Supervisors and Senior Management

On 29 December 2017, upon the consideration and approval at the second extraordinary general meeting in 2017, the Bank elected Ms. Liu Hong and Mr. Sun Jing as executive Directors for the fifth sesson of the Board of the Bank, Mr. Wang Jinsong and Ms. Meng Xiao as non-executive Directors for the fifth sesson of the Board of the Bank, Mr. Chang Peng'ao, Ms. Peng Taoying and Ms. Tan Ying as independent non-executive Directors for the fifth sesson of the Board of the Bank. The Bank received the approval of the CBRC Liaoning Bureau on their respective qualifications as Directors of the Bank on 13 and 14 February 2018. The term of office of Ms. Liu Hong commenced from 9 February 2018 until the expiration of the fifth session of the Board. The terms of office of Mr. Sun Jing, Mr. Wang Jinsong, Ms. Meng Xiao, Mr. Chang Peng'ao, Ms. Peng Taoying and Ms. Tan Ying commenced from 11 February 2018 until the expiration of the fifth session of the Board. Meanwhile, Mr. Jiang Daxing, Mr. Deng Xiaoyang, Mr. Niu Sihu and Ms. Jiang Jian retired as independent non-executive Directors on 11 February 2018.

On 29 December 2017, upon consideration and approval at the second extraordinary general meeting in 2017, the Bank elected Mr. Jiang Daxing and Mr. Deng Xiaoyang as the external Supervisors of the Bank. Their respective term of office commenced from 11 February 2018 until the expiration of the term of the fifth session of the Board of Supervisors.

On 29 December 2017, in accordance with the resolution passed at the first meeting of the fifth session of the Board, Mr. Wang Xin (王昕), Mr. Wang Jing and Mr. Wang Xin (王鑫) were appointed as vice presidents of the Bank. Their terms of office commenced from 11 February 2018 until the expiration of the fifth session of the Board. Mr. Lu Siwei was appointed as the assistant to president of the Bank; his term of office was from 21 March 2018 until the expiration of the fifth session of the Board.

On 7 August 2018, upon consideration and approval at the fifth Board meeting of the fifth session of the Board, Mr. Zhang Caiguang has tendered his resignation as a non-executive Director and a member of the risk management committee of the Bank due to his personal work engagement. Mr. Wang Jinsong has also tendered his resignation as a non-executive Director due to work reallocation. The resignation of Mr. Zhang Caiguang and Mr. Wang Jinsong has taken effect on 7 August 2018.

On 7 August 2018, upon consideration and approval at the fifth Board meeting of the fifth session of the Board, Ms. Tang Fang and Mr. Li Dongjun were nominated as candidates for non-executive Directors. The election of Ms. Tang and Mr. Li will be proposed at the 2018 first extraordinary general meeting of the Bank to be held on 21 September 2018 (the "**EGM**") for Shareholders' approval. Their initial term of office will commence from the date of approval at the EGM or relevant regulatory authorities (as the case may be) until the expiration of the term of the fifth session of the Board.

On 20 August 2018, Mr. Lu Siwei tendered his resignation to the Bank due to health reasons. As approved by the party committee of the Bank, the resignation of Mr. Lu Siwei became effective on 20 August 2018.

III. Securities Transactions by Directors and Supervisors

The Bank has adopted, in respect of securities transactions by Directors and Supervisors, 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, each Director and Supervisor of the Bank has confirmed that he/she has 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]	Approximate Percentage of Domestic shares(%) [1]	Approximate percentage of the Total Issued Share Capital[1] of Ordinary Shares of the Bank(%)
ZHANG Wei	Chairman, Executive Director	Domestic Shares	Beneficial Owner	374,670 (L)	0.00879	0.00552
HUO Lingbo	Vice Chairman, Executive Director, Executive Vice President	Domestic Shares	Beneficial Owner	282,635 (L)	0.00663	0.00417
		Domestic Shares	Interests of Spouse[2]	86,472 (L)	0.00203	0.00128
LIU Hong	Executive Director, President	Domestic Shares	Beneficial Owner	91,541 (L)	0.00215	0.00135
WANG Jing	Executive Director, Vice President	Domestic Shares	Beneficial Owner	81,679 (L)	0.00192	0.00120
SUN Jing	Executive Director, Secretary to the Board of Directors	Domestic Shares	Beneficial Owner	10,000 (L)	0.00023	0.00015
		Domestic Shares	Interests of Spouse[3]	10,000 (L)	0.00023	0.00015
WANG Xiaoyu	Executive Director, Person-in-charge of Finance	Domestic Shares	Beneficial Owner	71,027 (L)	0.00167	0.00105
CAI Hongguang	Chairman of Board of Supervisors, Employee Representative Supervisor	Domestic Shares	Beneficial Owner	292,635 (L)	0.00686	0.00432
DAI Shujun	Vice Chairman of Board of Supervisors, Employee Representative Supervisor	Domestic Shares	Beneficial Owner	124,419 (L)	0.00292	0.00183
LI Wei	Employee Representative Supervisor	Domestic Shares	Beneficial Owner	69,026 (L)	0.00162	0.00102
LI Xiu	Employee Representative Supervisor	Domestic Shares	Beneficial Owner	55,958 (L)	0.00131	0.00083
HE Baosheng	Shareholder Representative Supervisor	Domestic Shares	Interests of Controlled Corporation[4]	10,000,000 (L)	0.23451	0.14746

Notes: (1) As at the end of the Reporting Period, the Bank had a total of 6,781,615,684 ordinary Shares in issue, including 4,264,295,684 Domestic Shares and 2,517,320,000 H Shares. (L) represents long position.

(2) Pursuant to SFO, Mr. HUO Lingbo is deemed to own the interests of all equity held by his spouse.

(3) Pursuant to SFO, Mr. SUN Jing is deemed to own the interests of all equity held by his spouse.

(4) Such Shares are held by Jinzhou Jinhua Co., Ltd. (錦州錦華股份有限公司), which is controlled by Mr. HE Baosheng as to 46.77%. Under the SFO, Mr. HE Baosheng is deemed to be interested in all the Shares held by Jinzhou Jinhua 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 or debentures of the Bank or its associated corporations at the end of the Reporting Period.

V. Employees, Employee Compensation Policy and Employee Training Program

(I) Employee Composition

As at the end of the Reporting Period, the Bank (excluding subsidiaries) had 4,571 full-time employees, of which 3,211 employees or 70.25% 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, the Bank also had 1,290 contractors from third-party human resources agencies. These contractors are not the Bank's employees and enter into employment contracts with third-party human resources agencies.

(II) Employee Training Program

The Bank regards quality of its team, notices the overall enhance in leadership of management members and business skill level of employee, as well as insists in performing training to promote achievement in business objectives. In the annual training plan, the Bank connected the key training programs and the daily works. The Bank formed a multi-dimensional, three-dimensional training model online and offline from the perspective of improving the training management system, to ensure full coverage of the training work. In order to ensure the improvement of internal training quality and establish an optimal platform for learning and development, the Bank started the "Jinxiansheng" (錦先聲) internal training instructor training program, extracts internal knowledge of the Bank, explores the promotion path for employee, and promotes to enhance both staff quality and standard and level of competitiveness of the Bank.

(III) Employee Incentive Policies

The Bank has been committed to establishing comprehensive performance management system by effective combination of firm performance assessment and employee performance assessment, so as to decompose its strategic objectives into subobjectives, and eventually into objectives for every employee to fill, to ensure unity of objectives in the Bank. In the aspect of applications of performance management, by positive exploration of the contents and functions of performance management tools such as Balanced Scorecard (BSC) and Key Performance Indicator (KPI), the Bank is able to take full advantage of leading performance management tools, to promote the performance management level of the Bank. In addition, the Bank concentrates its efforts to provide "Y" type career development channel for the employees by an integration of supervisory sequence and professional sequence, to increase promotion opportunities and satisfy employees' requirements for career development, fully encouraging employees to achieve self-value.

(IV) Remuneration Policies for Employees

The Bank's remuneration policies are in line with the implementation of its strategic goals, the enhancement of its competitiveness, the talent cultivation and the risk control. These policies are developed based on the principles that satisfy the Bank's corporate governance requirements, give consideration to both the competitiveness and sustainability of the Bank, and are in line with the Bank's operating results adapted to risk cost and balance the Bank's short-term and long-term incentives. Remuneration of the Bank's 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 stipulation of relevant laws of the PRC, the male employees of the Bank who have reached the age of 60 and the cadre female employees who 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 stop paying the wages of retired employees from the second month after executing retirement arrangements. Concerning the welfare, the headquarters and branches will base on the requirements of the State to take part in basic old-age pension in their respective regions, unemployment insurance, basic medical insurance, injury insurance, reproduction insurance, and housing provident fund.

VI. Branches and Subsidiaries

Name of Branches/Subsidiaries	Business Address	Remarks
Headquarter	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 6 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 18 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 5 sub-branches
Bank of Jinzhou Co., Ltd. Chaoyang Branch	No. 5 Xinhua Road (Section 2), Shuangta District, Chaoyang, Liaoning Province, the PRC	With 6 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, Liaoling Province, the PRC	
Bank of Jinzhou Co., Ltd. Yingkou Branch	No. 12-1-1 Bohai Street East, Zhanqian District, Liaoning Province, the PRC	
Bank of Jinzhou Co., Ltd. Jinzhou Branch	No. 69 Shifu Road, Jinzhou, Liaoning Province, the PRC	With 108 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 3 sub-branches
Liaoning Kazuo Jinyin Village and Township Bank Co., Ltd.	No. 01001, Building 10, Lidu Shuian Community, Binhe North Road, Dachengzi Town, Kazuo County, Chaoyang, Liaoning Province, the PRC	With 1 sub-branch
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 7 IMPORTANT EVENTS

I. Corporate Governance Code

The Bank is dedicated to improving its transparency and accountability of corporate governance, and 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.

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 financial statements of this interim report.

The Board did not recommend to declare any interim dividend for the interim period of 2018 (Interim Period of 2017: nil).

III. Proposed A Share Offering

Pursuant to the resolutions passed at the 2015 annual general meeting, domestic shareholders' class meeting and 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 of the conversion of the Offshore Preference Shares, and the proposed issue of new H Shares (the details are set out in "IV. Proposed Issue of New H Shares"). The actual number of shares to be issued will be determined by the Board, as authorized by the general meeting of the Bank, upon communication with the regulatory authorities with reference to the capital requirement of the Bank and the market condition at the time of the issue. At the 2016 annual general meeting, domestic shareholders' class meeting and H shareholders' class meeting of the Bank held on 25 May 2017 and the 2017 annual general meeting, domestic shareholders' class meeting and H shareholders' class meeting of the Bank held on 29 May 2018, the resolution on the extension of the validity period of the A Share Offering and the relevant authorisation matters were considered and approved. The Bank will disclose further details of and progress in the A Share Offering in due course.

IV. Proposed Issue of New H Shares

Upon consideration and approval in the 2017 annual general meeting, domestic shareholders' class meeting and H shareholders' class meeting of the Bank held on 29 May 2018, the Bank proposed to issue no more than 1 billion new H Shares in total at a nominal value of RMB1.00 each, representing 12.85% of the enlarged issued share capital of the Bank (without taking into account of the A Share Offering). The actual number of Shares to be issued shall be determined by the two executive Directors of the Bank, Mr. Zhang Wei and Mr. Wang Jing, or senior management of the Bank designated by one of them after consultation with the lead underwriter and depending upon the market situation at the time of the issue, but in any event no more than 1 billion new H Shares. The Bank shall disclose further details and progresses on the proposed new issuance of H Share in due courses.

V. Issuance of Debt Securities

Debt Securities Issued

Upon the approval of CBRC and the People's Bank of China, the Bank issued tier-two capital bonds with written off provisions on 24 January 2014. The total issue amount was RMB1.5 billion. The maturity was 10 years with a fixed coupon rate of 7.00% per annum. The bonds shall be redeemed partially or wholly discretionary by the Bank at the nominal amount at the end of five years upon the approval of relevant regulatory authorities.

Upon the approval of CBRC and the People's Bank of China, the Bank issued tier-two capital bonds with written off provisions on 26 December 2016. The total issue amount was RMB2.5 billion. The maturity was 10 years with a fixed coupon rate of 4.30% per annum. The bonds shall be redeemed partially or wholly discretionary by the Bank at the nominal amount at the end of five years upon the approval of relevant regulatory authorities.

Upon the approval of CBRC and the People's Bank of China, the Bank issued tier-two capital bonds with written off provisions on 26 March 2018. The total issue amount was RMB4.0 billion. The maturity was 10 years with a fixed coupon rate of 4.90% per annum. The bonds shall be redeemed partially or wholly discretionary by the Bank at the nominal amount at the end of five years upon the approval of relevant regulatory authorities.

Interbank Certificates of Deposit Issued

As at the end of the Reporting Period, the Bank issued 215 interbank certificates of deposit (issued in the market which are not matured yet) in total with an aggregate amount of RMB75,739 million.

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:

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.

The Board has resolved, and the Shareholders have approved at the 2017 annual general meeting of the Bank held on 29 May 2018 that, subject to obtaining necessary approvals from regulatory authorities, the Bank will issue the following debt securities:

The tier-two capital bonds to be issued with the total principal amounting to not more than RMB6 billion (including RMB6 billion) to members of the inter-bank bond market for a term of no longer than 10 years (including 10 years). Fixed interest rate will be determined by the Bank and lead underwriter depending upon the market situation at the time of the issue. The proceeds shall be used to replenish the Bank's tier-two capital.

The capital bonds to be issued with the total principal amounting to not more than RMB4 billion (including RMB6 billion) to members of the inter-bank bond market through allotment or to members of the bond issuance system of the People's Bank of China through bidding. Fixed interest rate will be determined by the Bank and lead underwriter depending upon the market situation at the time of the issue. The proceeds shall be used to replenish the Bank's additional tier 1 capital.

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 RMB136,588 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, none of the Bank, or its Directors, Supervisors and senior management members had been subject to inspections, administrative penalties and circulating criticisms by CSRC or public censures by the Hong Kong Stock Exchange, or 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. Implementation of New Accounting Standards

The Bank has adopted relevant new accounting standards since 1 January 2018. For details of changes in relevant accounting policies, please refer to note 2 in the interim financial statements issued by Ernst & Young.

XII. Engagement and Dismissal of Auditors

KPMG Huazhen LLP and KPMG (collectively, "**KPMG**") were the former domestic and international auditors of the Bank. In accordance to the relevant regulations of the Administrative Measures for the Election and Appointment of Accounting Firms by Financial Enterprises, the same accounting firm successively hired by the financial enterprises, in principles, should not exceed 5 years of appointment, including the related member units of such accounting firm. Therefore, KPMG retired from the positions as the Bank's domestic and international auditors on the 2017 annual general meeting held on 29 May 2018 with effect from 29 May 2018.

Upon consideration and approval in the 2017 annual general meeting, the Bank appointed Ernst & Young Hua Ming LLP (Special General Partnership) as the Bank's domestic auditor and Ernst & Young as the Bank's international auditor respectively. Their terms of office commenced from 29 May 2018.

XIII. 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.

XIV. Review of Interim Report

Financial statements disclosed in this interim report are unaudited. The interim financial statements for the six months ended 30 June 2018 of the Bank were prepared according to the International Accounting Standards 34 issued by the International Accounting Standards Board and it was reviewed by Ernst & Young according to International Standard on Review Engagements 2410.

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

XV. 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 8 Independent Auditor's Report on Review

Report on Review of Interim Financial Information

To the board of directors of Bank of Jinzhou Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the accompanying interim financial information set out on pages 89 to 184, which comprises the condensed consolidated statement of financial position of Bank of Jinzhou Co., Ltd. (the "Bank") and its subsidiaries (the "Group") as at 30 June 2018 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "*Interim Financial Reporting*" ("IAS 34") issued by the International Accounting Standards Board.

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants

Hong Kong
28 August 2018

CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the six-month period ended 30 June 2018

(Amount in thousands of RMB, unless otherwise stated)

	Notes	For the six-month period ended 30 June 2018 Unaudited	2017 Unaudited
Interest income	4	**22,029,076**	17,898,864
Interest expense	4	**(13,150,564)**	(9,512,088)
NET INTEREST INCOME	4	**8,878,512**	8,386,776
Fee and commission income	5	**398,345**	455,563
Fee and commission expense	5	**(33,325)**	(54,996)
NET FEE AND COMMISSION INCOME	5	**365,020**	400,567
Net trading income/(loss)	6	**1,587,877**	(45,155)
Net gains arising from investment securities	7	**24,296**	17,350
Net foreign exchange losses		**(1,191,352)**	(236,380)
Other net operating income	8	**8,033**	9,219
OPERATING INCOME		**9,672,386**	8,532,377
OPERATING EXPENSES	9	**(1,571,707)**	(1,574,069)
OPERATING PROFIT BEFORE IMPAIRMENT		**8,100,679**	6,958,308
Impairment losses on assets	10	**(2,348,651)**	(1,615,348)
PROFIT BEFORE TAX		**5,752,028**	5,342,960
Income tax expense	11	**(1,412,287)**	(1,312,916)
PROFIT FOR THE PERIOD		**4,339,741**	4,030,044
Attributable to:			
Equity shareholders of the Bank		**4,229,574**	3,990,797
Non-controlling interests		**110,167**	39,247
PROFIT FOR THE PERIOD		**4,339,741**	4,030,044
Basic and diluted earnings per share (in RMB)	13	**0.62**	0.59

The accompanying notes form an integral part of these financial statements.

Condensed consolidated statement of comprehensive income

For the six-month period ended 30 June 2018

(Amount in thousands of RMB, unless otherwise stated)

	Note	For the six-month period ended 30 June 2018 Unaudited	2017 Unaudited
Profit for the period		**4,339,741**	4,030,044
Other comprehensive income (after tax, net):	44		
Items that will be reclassified subsequently to the statement of income			
– Net gains on investments in debt instruments measured at fair value through other comprehensive income		**530,013**	–
– Net losses on available-for-sale financial assets		**–**	(254,099)
Items that will not be reclassified to the statement of income			
– Net gains on investments in equity instruments designated at fair value through other comprehensive income		**9,768**	–
– Remeasurement of defined benefit liabilities		**(1,354)**	1,129
Other comprehensive income for the period	44	**538,427**	(252,970)
Total comprehensive income for the period		**4,878,168**	3,777,074
Total comprehensive income attributable to:			
Equity shareholders of the Bank		**4,768,001**	3,737,827
Non-controlling interests		**110,167**	39,247
Total comprehensive income for the period		**4,878,168**	3,777,074

The accompanying notes form an integral part of these financial statements.

Condensed consolidated statement of financial position

As at 30 June 2018

(Amount in thousands of RMB, unless otherwise stated)

	Notes	As at 30 June 2018 Unaudited	As at 31 December 2017 Audited
ASSETS			
Cash and balances with the central bank	14	**56,871,761**	52,117,510
Deposits with banks and other financial institutions	15	**7,339,138**	9,617,694
Placements with banks and other financial institutions	16	**198,498**	2,500,000
Financial assets at fair value through profit or loss	17	**45,933,319**	23,526,808
Positive fair value of derivatives	18	**487,522**	1,409
Financial assets held under resale agreements	19	**296,753**	3,572,794
Interests receivable	20	**4,097,164**	4,228,920
Loans and advances to customers	21	**240,609,152**	209,084,947
Financial assets at fair value through other comprehensive income	22	**38,500,450**	–
Financial assets at amortised cost	23	**335,429,918**	–
Available-for-sale financial assets	24	**–**	50,697,199
Held-to-maturity investments	25	**–**	7,778,664
Debt instruments classified as receivables	26	**–**	343,369,567
Finance lease receivables	27	**7,665,471**	6,840,341
Property and equipment	28	**6,526,766**	6,452,324
Deferred tax assets	29	**2,805,671**	2,379,845
Other assets	30	**1,630,628**	1,249,628
TOTAL ASSETS		**748,392,211**	723,417,650
LIABILITIES			
Borrowing from the central bank	32	**82,101**	307,848
Deposits from banks and other financial institutions	33	**149,800,363**	134,537,429
Placements from banks and other financial institutions	34	**16,314,145**	13,466,127
Financial liabilities at fair value through profit or loss	17	**26,485,025**	22,439,776
Negative fair value of derivatives	18	**172,679**	722,982
Financial assets sold under repurchase agreements	35	**38,735,359**	39,064,430
Deposits from customers	36	**351,626,638**	342,264,228
Accrued staff costs	37	**253,289**	259,517
Taxes payable	38	**709,256**	1,148,908
Interests payable	39	**14,015,424**	12,462,400
Debt securities issued	40	**83,731,348**	89,564,751
Other liabilities	41	**3,734,698**	7,014,526
TOTAL LIABILITIES		**685,660,325**	663,252,922

Condensed consolidated statement of financial position *(continued)*

As at 30 June 2018

(Amount in thousands of RMB, unless otherwise stated)

	Notes	**As at 30 June 2018 Unaudited**	As at 31 December 2017 Audited
EQUITY			
Share capital	42	**6,781,616**	6,781,616
Preference Shares	43	**9,897,363**	9,897,363
Capital reserve	44	**14,184,913**	13,578,809
Surplus reserve	45	**2,994,679**	2,994,679
General reserve	46	**9,818,070**	9,818,070
Retained earnings	47	**15,010,905**	13,160,018
Total equity attributable to equity shareholders of the Bank		**58,687,546**	56,230,555
Non-controlling interests		**4,044,340**	3,934,173
TOTAL EQUITY		**62,731,886**	60,164,728
TOTAL LIABILITIES AND EQUITY		**748,392,211**	723,417,650

The accompanying notes form an integral part of these financial statements.

Zhang Wei	**Wang Xiaoyu**	
Chairman	Executive Director/Head of Finance	Company Chop

Condensed Consolidated Statement of Changes in Equity

For the six-month period ended 30 June 2018

(Amount in thousands of RMB, unless otherwise stated)

		Unaudited								
		Total equity attributable to equity shareholders of the Bank								
	Note	Share capital	Preference Shares	Capital reserve	Surplus reserve	General reserve	Retained earnings	Subtotal	Non-controlling interests	Total
Balance at 31 December 2017		6,781,616	9,897,363	13,578,809	2,994,679	9,818,070	13,160,018	56,230,555	3,934,173	60,164,728
Changes in accounting policies -										
Impact of adopting IFRS 9	2.1.1	–	–	67,677	–	–	(1,293,628)	(1,225,951)	–	(1,225,951)
Balance at 1 January 2018		6,781,616	9,897,363	13,646,486	2,994,679	9,818,070	11,866,390	55,004,604	3,934,173	58,938,777
Changes in equity for the period:										
Total comprehensive income		–	–	538,427	–	–	4,229,574	4,768,001	110,167	4,878,168
Appropriation of profits										
– Appropriation to shareholders		–	–	–	–	–	(1,085,059)	(1,085,059)	–	(1,085,059)
Balance at 30 June 2018		6,781,616	9,897,363	14,184,913	2,994,679	9,818,070	15,010,905	58,687,546	4,044,340	62,731,886

		Unaudited							
		Total equity attributable to equity shareholders of the Bank							
	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	Subtotal	Non-controlling interests	Total
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									
– Appropriation to shareholders		–	–	–	–	(1,017,242)	(1,017,242)	(37,777)	(1,055,019)
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

The accompanying notes form an integral part of these financial statements.

Condensed Consolidated Statement of Changes in Equity *(continued)*

For the six-month period ended 30 June 2018

(Amount in thousands of RMB, unless otherwise stated)

	Unaudited								
	Total equity attributable to equity shareholders of the Bank								
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Retained earnings	Subtotal	Non-controlling interests	Total
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
Changes in equity for the period:									
Total comprehensive income	–	–	(409,016)	–	–	4,986,193	4,577,177	73,821	4,650,998
Capital injection by other equity holders	–	9,897,363	–	–	–	–	9,897,363	–	9,897,363
Appropriation of profits									
– Appropriation to surplus reserve	–	–	–	893,570	–	(893,570)	–	–	–
– Appropriation to general reserve	–	–	–	–	2,592,788	(2,592,788)	–	–	–
Balance at 31 December 2017	6,781,616	9,897,363	13,578,809	2,994,679	9,818,070	13,160,018	56,230,555	3,934,173	60,164,728

The accompanying notes form an integral part of these financial statements.

Condensed consolidated statement of cash flows

For the six-month period ended 30 June 2018

(Amount in thousands of RMB, unless otherwise stated)

	Note	For the six-month period ended 30 June 2018 Unaudited	2017 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		**4,339,741**	4,030,044
Adjustments for:			
Impairment losses on assets	10	**2,348,651**	1,615,348
Depreciation and amortization	9	**210,236**	198,722
Unwinding of discount	4	**(36,910)**	(30,775)
Net foreign exchange losses		**1,200,529**	108,467
Dividend income	7	**(880)**	–
Net gains on disposal of investment securities	7	**(23,416)**	(17,350)
Net trading (income)/loss	6	**(1,587,877)**	45,155
Interest expense on debt securities issued	4	**2,022,615**	1,276,937
Net gains on disposal of property, equipment and other long term assets		**153**	–
Income tax expense	11	**1,412,287**	1,312,916
Subtotal		**9,885,129**	8,539,464
Net increase in operating assets:			
Net increase in deposits with the central bank, banks and other financial institutions		**(2,798,335)**	(12,896,777)
Net increase in loans and advances to customers		**(33,133,507)**	(63,531,192)
Net increase in finance lease receivables		**(842,182)**	(368,657)
Net increase in other operating assets		**(4,541,991)**	(1,179,682)
Subtotal		**(41,316,015)**	(77,976,308)
Net increase/(decrease) in operating liabilities:			
Net increase/(decrease) in borrowing from the central bank		**(225,747)**	178,294
Net increase in deposits from banks and other financial institutions		**15,262,934**	4,212,400
Net decrease in financial assets sold under repurchase agreements		**(329,071)**	(13,504,682)
Net increase in placements from banks and other financial institutions		**2,848,018**	8,144,427
Net increase in other operating liabilities		**1,238,081**	2,725,094
Net increase in deposits from customers		**9,362,410**	49,091,050
Income tax paid		**(2,062,081)**	(2,004,445)
Subtotal		**26,094,544**	48,842,138
Net cash flows used in operating activities		**(5,336,342)**	(20,594,706)

The accompanying notes form an integral part of these financial statements.

Condensed consolidated statement of cash flows *(continued)*

For the six-month period ended 30 June 2018

(Amount in thousands of RMB, unless otherwise stated)

	Note	For the six-month period ended 30 June 2018 Unaudited	2017 Unaudited
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal and redemption of investments		**219,308,924**	204,433,879
Dividend income		**880**	—
Proceeds from disposal of property, equipment and other assets		**23,897**	—
Payments on acquisition of investments		**(211,500,578)**	(234,372,408)
Payments on acquisition of property and equipment, intangible assets and other assets		**(569,071)**	(321,736)
Net cash flows generated from/(used in) investing activities		**7,264,052**	(30,260,265)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of debt securities		**59,840,040**	47,688,874
Repayment of debt securities issued		**(65,673,443)**	—
Interests paid on debt securities issued		**(1,974,888)**	(105,000)
Dividends paid		**(266)**	(34,804)
Net cash flows (used in)/generated from financing activities		**(7,808,557)**	47,549,070
Effect of foreign exchange rate changes on cash and cash equivalents		**(16,203)**	(114,167)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(5,897,050)**	(3,420,068)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**12,469,950**	12,229,671
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	48	**6,572,900**	8,809,603

The accompanying notes form an integral part of these financial statements.

Chapter 10 Notes to the Unaudited Interim Financial Report

For the Six-Month Period ended 30 June 2018

(Amount in thousands of RMB, unless otherwise stated)

1. Corporate information and group structure

Bank of Jinzhou Co., Ltd. (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 "former CBRC", which was renamed as China Banking Insurance Regulatory Commission on 8 April 2018). The Bank obtained its business licence 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 2018, the share capital of the Bank was 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 former CBRC. The Group operates in Mainland China, which, for the purpose of this report, excludes the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau") and Taiwan. As at 30 June 2018, the Bank had 15 branches in Jinzhou, Beijing, Tianjin, Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin, Liaoyang, Hu Ludao, Benxi and Yingkou.

2. Basis of presentation and principal accounting policies

The unaudited condensed consolidated interim financial information for the six-month period ended 30 June 2018 has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") and should be read in conjunction with the annual financial statements for the year ended 31 December 2017.

Except as described below, the principal accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial information are consistent with those used in the Group's annual financial statements for the year ended 31 December 2017.

(Amount in thousands of RMB, unless otherwise stated)

2. Basis of presentation and principal accounting policies *(continued)*

2.1 Standards, amendments and interpretations effective in 2018

On 1 January 2018, the Group adopted the following new standards, amendments and interpretations.

IAS 40 Amendments	*Transfers of Investment Property*
IFRS 2 Amendments	*Classification and Measurement of Share-based Payment Transactions*
IFRS 4 Amendments	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15 and Amendments	*Revenue from Contracts with Customers*
IFRIC Interpretation 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements to IFRSs 2014-2016 Cycle (issued in December 2016):	
IAS 28	*Investments in Associates and Joint Ventures*

IAS 40 Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

The IASB issued amendments to IFRS 4 that address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing the new insurance contracts standard that the IASB is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

2. Basis of presentation and principal accounting policies *(continued)*

2.1 Standards, amendments and interpretations effective in 2018 *(continued)*

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. IFRS 15 does not apply to revenue associated with financial instruments, and therefore, will not impact the majority of the Group's revenue, including net interest income, net trading gains and net gains on financial investments which are covered under IFRS 9.

IFRIC Interpretation 22 clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

Annual Improvements to IFRSs 2014-2016 Cycle was issued in December 2016. The amendments to IAS 28 *Investments in Associates and Joint Ventures* clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

The adoption of the above standards, amendments and interpretations does not have any significant impact on the operating results, financial position and comprehensive income of the Group.

2.1.1 IFRS 9 — Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project to replace IAS 39 Financial Instruments: Recognition and Measurement. The standard introduces new requirements for classification and measurement, impairment and hedge accounting.

Classification and Measurement

In IFRS 9, financial assets are classified into three categories: amortised cost, fair value through other comprehensive income and fair value through profit or loss based on the entity's business model for managing the financial assets and their contractual cash flow characteristics. In addition, investments in equity instruments are required to be measured at fair value through profit or loss, unless an option is irrevocably exercised at inception to present changes in fair value in other comprehensive income in which case the accumulated fair value changes in other comprehensive income will not be recycled to the statement of income in the future.

2. Basis of presentation and principal accounting policies *(continued)*

2.1 Standards, amendments and interpretations effective in 2018 *(continued)*

2.1.1 IFRS 9 — Financial Instruments *(continued)*

Business model

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, the financial assets are classified as part of "other" business model. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Characteristics of the contractual cash flows

The assessment of the characteristics of the contractual cash flows aims to identify whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding. Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement.

Classification of the Group's financial assets

The Group classifies the financial assets according to the business model for managing the financial assets and characteristics of the contractual cash flows. The categories of the financial assets are as follows:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through other comprehensive income ("OCI") with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Impairment

IFRS 9 requires that the measurement of impairment of a financial asset be changed from "incurred loss model" to "expected credit loss model" ("ECL model") and this way of measurement applies to financial assets measured at amortised cost, measured at fair value with changes taken to other comprehensive income, and loan commitments and financial guarantee contracts. Details are presented in Note 55(a).

(Amount in thousands of RMB, unless otherwise stated)

2. Basis of presentation and principal accounting policies *(continued)*

2.1 Standards, amendments and interpretations effective in 2018 *(continued)*

2.1.1 IFRS 9 — Financial Instruments *(continued)*

The impacts of transition to IFRS 9

Considering the impact of this standard on the consolidated financial statements, the Group has recorded an adjustment to 1 January 2018 shareholders' equity at the adoption date, but did not restate comparative periods. The impact of the Group's adoption of IFRS 9 is disclosed as follows:

2.1.1.1 Transition disclosures of the balance in financial statements from IAS 39 to IFRS 9

A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 January 2018 is as follows:

		IAS 39 measurement		Re-classification	Re-measurement		IFRS 9 measurement	
	Notes	Category	Amount		ECL	Other	Amount	Category
Financial assets								
Cash and balances with the central bank		L&R	52,117,510	–	–	–	52,117,510	AC
Deposits with banks and other financial institutions		L&R	9,617,694	–	(3,086)	–	9,614,608	AC
Placements with banks and other financial institutions		L&R	2,500,000	–	–	–	2,500,000	
Financial assets at FVPL		FVPL	1,019,102	20,377,475	–	(140,241)	21,256,336	FVPL
From: HTM	A			2,226,075		(89,840)		
From: AFS	B			9,629,561		(6,209)		
From: L&R	C			8,521,839	–	(44,192)		
Financial assets designated at FVPL		FVPL	22,507,706	–	–	–	22,507,706	FVPL
Financial assets held under resale agreements		L&R	3,572,794	–	(47)	–	3,572,747	AC
Loans and advances to customers		L&R	209,084,947	–	31,555	26,515	209,143,017	AC+ FVOCI
To: Loans and advances to customers at FVOCI	D	L&R		(2,472,719)				AC
From: Loans and advances to customers at AC	D	L&R		2,472,719				FVOCI
Positive fair value of derivatives		FVPL	1,409	–	–	–	1,409	FVPL
L&R		L&R	343,369,567	(343,369,567)			N/A	
To: Financial assets at AC	E			(334,847,728)				
To: Financial assets at FVPL	C			(8,521,839)				

(Amount in thousands of RMB, unless otherwise stated)

2. Basis of presentation and principal accounting policies *(continued)*

2.1 Standards, amendments and interpretations effective in 2018 *(continued)*

2.1.1 IFRS 9 — Financial Instruments *(continued)*

2.1.1.1 Transition disclosures of the balance in financial statements from IAS 39 to IFRS 9 (continued)

		IAS 39 measurement		Re-classification	Re-measurement		Presented as per IFRS 9	
	Notes	Category	Carrying Amount		ECL	Other	Carrying Amount	Category
HTM		HTM	7,778,664	(7,778,664)			N/A	
To: Financial assets at AC	E			(5,552,589)				
To: Financial assets at FVPL	A			(2,226,075)				
AFS		AFS	50,697,199	(50,697,199)			N/A	
To: Debt instruments at FVOCI	G			(41,009,388)				
To: Equity instruments at FVOCI	F			(58,250)				
To: Financial assets at FVPL	B			(9,629,561)				
Financial assets at AC			N/A	340,400,317	(1,041,079)	–	339,359,238	AC
From: HTM	E			5,552,589	(33)	–		
From: L&R	E			334,847,728	(1,041,046)	–		
Debt instruments at FVOCI			N/A	41,009,388	–	–	41,009,388	FVOCI
From: AFS (Debt instruments)	G			41,009,388	–	–	41,009,388	
Equity instruments at FVOCI			N/A	58,250	–	34,556	92,806	FVOCI
From: AFS (Equity instruments)	F			58,250	–	34,556	92,806	
Finance lease receivables		L&R	6,840,341	–	–	–	6,840,341	AC
Other financial assets		L&R	4,319,866	–	–	–	4,319,866	AC

(Amount in thousands of RMB, unless otherwise stated)

2. Basis of presentation and principal accounting policies *(continued)*

2.1 Standards, amendments and interpretations effective in 2018 *(continued)*

2.1.1 IFRS 9 — Financial Instruments *(continued)*

2.1.1.1 Transition disclosures of the balance in financial statements from IAS 39 to IFRS 9 (continued)

		IAS 39 measurement		Re-classification	Re-measurement		Presented as per IFRS 9	
	Notes	Category	Carrying Amount		ECL	Other	Carrying Amount	Category
Non-financial assets		N/A	9,990,851	–	388,857	19,793	10,399,501	N/A
Include: Deferred tax assets			2,379,845	–	388,857	19,793	2,788,495	
Total assets			723,417,650	–	(623,800)	(59,377)	722,734,473	
Financial liabilities								
Borrowing from the central bank		AC	307,848	–	–	–	307,848	AC
Deposits from banks and other financial institutions		AC	134,537,429	–	–	–	134,537,429	AC
Placements from banks and other financial institutions		AC	13,466,127	–	–	–	13,466,127	AC
Financial liabilities at fair value through profit or loss		FVPL	22,439,776	–	–	–	22,439,776	FVPL
Negative fair value of derivatives		FVPL	722,982	–	–	–	722,982	FVPL
Financial assets sold under repurchase agreements		AC	39,064,430	–	–	–	39,064,430	AC
Deposits from customers		AC	342,264,228	–	–	–	342,264,228	AC
Debt securities issued		AC	89,564,751	–	–	–	89,564,751	AC
Other financial liabilities		AC	15,703,600	–	–	–	15,703,600	AC
Non-financial liabilities		N/A	5,181,751	–	542,774	–	5,724,525	N/A
Include: Contingent liabilities	H	N/A	–	–	542,774	–	542,774	N/A
Total liabilities			663,252,922	–	542,774	–	663,795,696	

Note: L&R Debt instruments classified as receivables

AFS Available-for-sale financial assets

HTM Held-to-maturity investments

AC Amortised cost

FVPL Fair value through profit or loss

FVOCI Fair value through other comprehensive income

ECL Expected credit loss

2. Basis of presentation and principal accounting policies *(continued)*

2.1 Standards, amendments and interpretations effective in 2018 *(continued)*

2.1.1 IFRS 9 — Financial Instruments *(continued)*

2.1.1.1 Transition disclosures of the balance in financial statements from IAS 39 to IFRS 9 (continued)

A. As of 1 January 2018, the Group has reclassified a portion of its HTM investments as financial assets measured at FVPL as the contractual cash flows did not meet the SPPI criterion.

B. As of 1 January 2018, the Group has reclassified a portion of its AFS financial assets as financial assets measured at FVPL as the payments did not meet the SPPI criterion.

C. As of 1 January 2018, the Group has reclassified a portion of its L&R as financial assets measured at FVPL as the payments did not meet the SPPI criterion.

D. As of 1 January 2018, the Group has reclassified its discounted bills from loans and advances to customers measured at AC to loans and advances to customers measured at FVOCI. The Group concluded that these discounted bills are managed with a business model of collecting contractual cash flows and selling the financial assets. Accordingly, the Group has classified these discounted bills as loans and advances to customers measured at FVOCI.

E. As of 1 January 2018, the Group has reclassified its HTM investments and L&R which met the SPPI criterion, were not actively traded and were held with the intention to collect cash flows and without the intention to sell, as debt instruments at AC.

F. As of 1 January 2018, the Group has elected the option to irrevocably designate some of its previous AFS equity instruments as equity instruments at FVOCI.

G. As of 1 January 2018, the Group has assessed its liquidity portfolio which had previously been classified as AFS debt instruments. The Group concluded that, apart from a small portion, as described in Section B and F above, these debt instruments are managed with a business model of collecting contractual cash flows and selling the financial assets. Accordingly, the Group has classified these investments as debt instruments measured at FVOCI.

H. The Group presents the impairment provision for credit commitments in "other liabilities - contingent liabilities". The cumulative effect of the re-measurement of impairment losses related to credit commitment is included in the undistributed profit at the beginning of the period.

(Amount in thousands of RMB, unless otherwise stated)

2. Basis of presentation and principal accounting policies *(continued)*

2.1 Standards, amendments and interpretations effective in 2018 *(continued)*

2.1.1 IFRS 9 — Financial Instruments *(continued)*

2.1.1.2 *The impact of transition from IAS 39 to IFRS 9 on equity is as follows:*

Other comprehensive income	
Closing balance under IAS 39 at 31 December 2017	(681,417)
Reclassification of investment securities from AFS to FVOCI	26,157
Reclassification of discounted bills from loans and advances to customers measured at AC to loans and advances to customers measured at FVOCI	26,515
Recognition of ECLs under IFRS 9 for debt instruments at FVOCI	753
Recognition of ECLs under IFRS 9 for loans and advances at FVOCI	36,811
Deferred tax in relation to the above	(22,559)
Opening balance under IFRS 9 at 1 January 2018	(613,740)
Retained earnings	
Closing balance under IAS 39 at 31 December 2017	13,160,018
Reclassification of investment securities from AFS to FVPL	2,190
Reclassification of investment securities from HTM and L&R to FVPL	(134,032)
Recognition of IFRS 9 ECLs	(1,592,995)
Deferred tax in relation to the above	431,209
Opening balance under IFRS 9 at 1 January 2018	11,866,390
Non-controlling interests	
Closing balance under IAS 39 at 31 December 2017	3,934,173
Opening balance under IFRS 9 at 1 January 2018	3,934,173
Total change in equity due to adopting IFRS 9	(1,225,951)

(Amount in thousands of RMB, unless otherwise stated)

2. Basis of presentation and principal accounting policies *(continued)*

2.1 Standards, amendments and interpretations effective in 2018 *(continued)*

2.1.1 IFRS 9 — Financial Instruments *(continued)*

2.1.1.3 The impact of transition to IFRS 9 on provision allowances is as follows:

The following table reconciles the aggregate opening loan loss provision allowances under IAS 39 at 31 December 2017 to the ECL allowances under IFRS 9 at 1 January 2018:

Measurement category	Loan loss provision under IAS 39/IAS 37 at 31 December 2017	Re-classification	Re-measurement	ECLs under IFRS 9 at 1 January 2018
L&R investment securities per IAS 39/ financial assets at AC under IFRS 9				
Deposits with banks and other financial institutions	–	–	3,086	3,086
Financial assets held under resale agreements	–	–	47	47
Finance lease receivable	179,902	–	–	179,902
Loans and advances to customers, net	6,036,227	–	(31,555)	6,004,672
Financial investments	3,503,866	–	1,041,046	4,544,912
L&R investment securities per IAS 39/financial assets at FVOCI under IFRS 9				
Loans and advances to customers, net	–	–	36,811	36,811
HTM investment securities per IAS 39/debt instruments at AC under IFRS 9				
Financial investments	–	–	33	33
AFS investment securities per IAS 39/financial assets at FVOCI under IFRS 9				
Financial investments	–	–	753	753
Loan commitments and finance guarantees	–	–	542,774	542,774
Total	9,719,995	–	1,592,995	11,312,990

(Amount in thousands of RMB, unless otherwise stated)

2. Basis of presentation and principal accounting policies *(continued)*

2.2 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2018

		Effective for annual periods beginning on or after
IAS 19 (2011) Amendments	*Employee Benefits*	1 January 2019
IAS 28 (2011) Amendments	*Long-term Interests in Associates and Joint Ventures*	1 January 2019
IFRS 9 Amendments	*Prepayment Features with Negative Compensation*	1 January 2019
IFRS 10 and IAS 28 (2011) Amendments	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Effective date has been deferred indefinitely
IFRS 16	*Leases*	1 January 2019
IFRS 17	*Insurance Contracts*	1 January 2021
IFRIC Interpretation 23	*Uncertainty over Income Tax Treatments*	1 January 2019
Annual Improvements to IFRSs 2015-2017 Cycle		1 January 2019

The Group is considering the impact of these standards, amendments and interpretations on the consolidated financial statements.

3. Significant accounting judgements and estimates

The implementation of IFRS 9 has resulted in a change to the assessment of the critical accounting estimates and judgements related to impairment of financial instruments. Except for this, the nature and assumptions related to the Group's accounting estimates are consistent with those adopted in the Group's financial statements for the year ended 31 December 2017.

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns PDs to the individual grades
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a life time ECL basis and the qualitative assessment
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, EADs and LGDs

The Group will regularly review the expected credit loss model in the context of actual loss experience and adjust when necessary.

(Amount in thousands of RMB, unless otherwise stated)

4. Net interest income

	For the six-month period ended 30 June 2018	2017
Interest income arising from		
Balances with the central bank	**448,787**	342,444
Deposits with banks and other financial institutions	**127,021**	95,418
Placements with banks and other financial institutions	**56,890**	10,712
Loans and advances to customers		
– Corporate loans and advances	**7,079,048**	4,173,835
– Personal loans and advances	**310,129**	290,941
– Discounted bills	**210,036**	7,448
Financial assets held under resale agreements	**45,294**	94,006
Available-for-sale financial assets	**–**	660,069
Held-to-maturity financial investments	**–**	178,214
Debt instruments classified as receivables	**–**	11,295,420
Financial assets at fair value through other comprehensive income	**745,250**	–
Financial assets at amortised cost	**12,698,340**	–
Finance lease receivables	**273,377**	185,328
Subtotal	**21,994,172**	17,333,835
Financial assets at fair value through profit or loss	**34,904**	565,029
Total	**22,029,076**	17,898,864
Interest expense arising from		
Borrowing from the central bank	**2,537**	180
Deposits from banks and other financial institutions	**3,596,341**	2,821,888
Placements from banks and other financial institutions	**263,510**	88,587
Deposits from customers		
– Corporate customers	**2,906,873**	2,317,684
– Individual customers	**3,442,578**	2,079,795
Financial assets sold under repurchase agreements	**916,110**	521,925
Debt securities issued	**2,022,615**	1,276,937
Subtotal	**13,150,564**	9,106,996
Financial liabilities at fair value through profit or loss	**–**	405,092
Total	**13,150,564**	9,512,088
Net interest income	**8,878,512**	8,386,776
Including: Interest income on impaired loans	**36,910**	30,775

(Amount in thousands of RMB, unless otherwise stated)

5. Net fee and commission income

	For the six-month period ended 30 June 2018	2017
Fee and commission income		
Agency services fees	**127,666**	175,057
Settlement and clearing fees	**119,131**	157,590
Wealth management service fees	**96,948**	73,696
Underwriting and advisory fees	**28,813**	40,286
Bank card service fees	**6,672**	7,555
Others	**19,115**	1,379
Subtotal	**398,345**	455,563
Fee and commission expense		
Settlement and clearing fees	**15,080**	30,949
Others	**18,245**	24,047
Subtotal	**33,325**	54,996
Net fee and commission income	**365,020**	400,567

6. Net trading income/(loss)

	For the six-month period ended 30 June 2018	2017
Debt instruments	**471,602**	975
Derivative financial instruments	**1,036,416**	(34,259)
Financial instruments designated at fair value through profit or loss	**79,859**	(11,871)
Total	**1,587,877**	(45,155)

The above amounts mainly include gains and losses arising from the purchase and sale of, interest income and changes in the fair value of financial assets and liabilities at fair value through profit or loss and derivative financial instruments.

(Amount in thousands of RMB, unless otherwise stated)

7. Net gains arising from investment securities

	For the six-month period ended 30 June	
	2018	2017
Dividends derived from equity instruments designated at fair value through other comprehensive income	**880**	–
Net losses on disposal of financial instruments at amortised cost	**(3,862)**	–
Net gains on disposal of financial instruments at fair value through other comprehensive income	**27,278**	–
Net gains on disposal of available-for-sale financial assets	**–**	17,350
Total	**24,296**	17,350

8. Other net operating income

	For the six-month period ended 30 June	
	2018	2017
Government grants	**3,819**	4,126
Rental income	**3,478**	4,052
Others	**736**	1,041
Total	**8,033**	9,219

9. Operating expenses

	For the six-month period ended 30 June	
	2018	2017
Staff costs		
Salaries and bonuses	**602,676**	578,368
Social Insurance	**128,045**	111,904
Housing allowance	**46,239**	39,241
Staff welfares	**26,818**	30,529
Union funds and education funds	**24,003**	23,144
Supplementary retirement benefits	**980**	815
Other long-term staff welfare	**2,036**	(1,851)
Subtotal	**830,797**	782,150
Depreciation and amortization	**210,236**	198,722
Tax and surcharges	**85,381**	67,607
Rental and property management expenses	**46,102**	44,019
Other general and administrative expenses	**399,191**	481,571
Total	**1,571,707**	1,574,069

(Amount in thousands of RMB, unless otherwise stated)

10. Impairment losses on assets

	For the six-month period ended 30 June 2018
Loans and advances to customers	
— Stage I	457,308
— Stage II	1,024,282
— Stage III	134,880
Subtotal	1,616,470
Financial assets at amortised cost	450,000
Finance lease receivables	17,052
Credit commitments	265,129
Total	2,348,651

	For the six-month period ended 30 June 2017
Loans and advances to customers	
— Individually assessed	215,409
— Collectively assessed	985,419
Subtotal	1,200,828
Debt instruments classified as receivables	359,807
Finance lease receivables	54,713
Total	1,615,348

(Amount in thousands of RMB, unless otherwise stated)

11. Income tax expense

(a) Income tax

	For the six-month period ended 30 June 2018	2017
Current income tax expenses	**1,609,390**	1,564,238
Deferred income tax expenses	**(197,103)**	(251,322)
Total	**1,412,287**	1,312,916

(b) Reconciliation between income tax and accounting profit

The income tax of the Group's institutions has been provided at the statutory rate of 25%. A reconciliation of the income tax expense applicable to profit before tax at the PRC statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows:

	For the six-month period ended 30 June 2018	2017
Profit before tax	**5,752,028**	5,342,960
Statutory tax rate	**25%**	25%
Income tax calculated at statutory tax rate	**1,438,007**	1,335,740
Non-deductible expenses (i)		
– Staff costs	**325**	85
– Others	**539**	2120
Subtotal	**864**	2,205
Non-taxable income (ii)		
– Interest income from the PRC government bonds	**(17,053)**	(18,379)
– Others	**(9,531)**	(6,650)
Subtotal	**(26,584)**	(25,029)
Income tax expense	**1,412,287**	1,312,916

Notes: (i) The non-deductible items mainly represent non-deductible expenses.

(ii) The non-taxable income mainly represents interest income arising from the PRC government bond which is exempted from income tax under Chinese tax regulations.

12. Dividends

	For the six-month period ended 30 June 2018	2017
Declared final dividends–RMB0.16 (2017: RMB0.15) per ordinary share:	**1,085,059**	1,017,242

An ordinary share dividend of RMB0.16 per share in respect of the profit for the year ended 31 December 2017 was approved by the equity holders of the Group at the Annual General Meeting held in May 2018.

An ordinary share dividend of RMB0.15 per share in respect of the profit for the year ended 31 December 2016 was approved by the equity holders of the Group at the Annual General Meeting held in May 2017.

13. Basic and diluted earnings per share (in RMB)

The calculation of basic earnings per share is based on the following:

	For the six-month period ended 30 June 2018	2017
Net profit attributable to ordinary shareholders of the Bank	**4,229,574**	3,990,797
Weighted average number of ordinary shares (in thousands)	**6,781,616**	6,781,616
Basic and diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB)	**0.62**	0.59

The basic earnings per share amount was computed by dividing the profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares in issue during the period.

The Group had no potentially dilutive ordinary shares for the six-month period ended 30 June 2018 (for the six-month period ended 30 June 2017: Nil).

(Amount in thousands of RMB, unless otherwise stated)

14. Cash and balances with the central bank

	30 June 2018	31 December 2017
Cash on hand	**653,289**	614,480
Balances with the central bank		
– Statutory deposit reserves (a)	**53,055,110**	48,095,051
– Surplus deposit reserves (b)	**2,906,372**	3,274,482
– Fiscal deposits	**256,990**	133,497
Subtotal	**56,218,472**	51,503,030
Total	**56,871,761**	52,117,510

(a) The Group is required to place mandatory reserve balances with the PBOC. Mandatory reserve balances with the central bank are not available for use in the Group's daily operations. As at 30 June 2018 and 31 December 2017, the mandatory deposit reserve ratios of the branches and subsidiaries of the Bank in respect of customer deposits denominated in RMB and foreign currencies were consistent with the requirement of the PBOC.

(b) Surplus reserves with the central bank include funds for the purpose of cash settlement and other kinds of unrestricted deposits.

15. Deposits with banks and other financial institutions

	30 June 2018	31 December 2017
Deposits in Mainland China		
– Banks	**6,535,185**	8,675,412
– Other financial institutions	**3,050**	3,050
Deposits outside Mainland China		
– Banks	**803,989**	939,232
Total deposits with banks and other financial institutions	**7,342,224**	9,617,694
Less: Allowance for impairment losses	**(3,086)**	–
Net value	**7,339,138**	9,617,694

As at 30 June 2018, all the deposits with banks and other financial institutions were in Stage 1.

(Amount in thousands of RMB, unless otherwise stated)

16. Placements with banks and other financial institutions

	30 June 2018	31 December 2017
– Banks in Mainland China	**198,498**	–
– Other financial institutions in Mainland China	–	2,500,000
Total	**198,498**	2,500,000

As at 30 June 2018, all the placements with banks and other financial institutions were in Stage 1.

17. Financial assets and liabilities at fair value through profit or loss

Trading financial assets and other financial assets at fair value through profit or loss as follows:

	30 June 2018	31 December 2017
Debt instruments held for trading (a)	**3,213,250**	1,005,451
Precious metals	–	13,651
Certificates of deposit	**1,534,031**	–
Beneficial interest transfer plans (b)	**13,679,415**	–
Debt funds	**503,600**	–
Wealth management products	**235,230**	–
Subtotal	**19,165,526**	1,019,102
Financial assets designated at fair value through profit or loss (c)	**26,767,793**	22,507,706
Total	**45,933,319**	23,526,808

(Amount in thousands of RMB, unless otherwise stated)

17. Financial assets and liabilities at fair value through profit or loss *(continued)*

(a) Debt instruments held for trading

	30 June 2018	31 December 2017
Issued by institutions in Mainland China		
– Government	–	28,900
– Banks and other financial institutions	3,012,866	976,551
Issued by institutions outside Mainland China		
– Banks and other financial institutions	200,384	–
Total	3,213,250	1,005,451
Listed	3,012,866	1,005,451
Non-listed	200,384	–
Total	3,213,250	1,005,451

As at the balance sheet date, part of the debt instruments held for trading was pledged for repurchase agreements. Please refer to Note 49(e) for detailed information on pledged assets.

(b) Beneficial interest transfer plans

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

(c) Financial assets and liabilities designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss represented investments in debt instruments 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.

18. Derivatives

The Group enters into currency rate related derivative financial instruments for trading and on behalf of customers.

The contractual/notional amounts and fair values of derivative instruments held by the Group are set out in the following tables. The contractual/notional amounts of financial instruments provide a basis for comparison with fair value instruments recognised on the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in foreign exchange rates relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

(Amount in thousands of RMB, unless otherwise stated)

18. Derivatives *(continued)*

	30 June 2018			31 December 2017		
	Contractual/ notional amount	**Fair value Assets**	**Liabilities**	Contractual/ notional amount	Fair value Assets	Liabilities
Foreign exchange forwards	**4,967,154**	**60,989**	**(172,679)**	16,073,876	1,409	(722,982)
Foreign exchange swap	**13,226,067**	**426,533**	**–**	–	–	–
	18,193,221	**487,522**	**(172,679)**	16,073,876	1,409	(722,982)

19. Financial assets held under resale agreements

	30 June 2018	31 December 2017
Analysed by type and location of counterparty:		
In Mainland China		
– Banks	**296,800**	3,083,594
– Other financial institutions	**–**	489,200
Total financial assets held under resale agreements	**296,800**	3,572,794
Less: Allowance for impairment losses	**(47)**	–
Net value	**296,753**	3,572,794
Analysed by type of security held:		
Debt instruments		
– Financial bonds	**287,000**	1,589,750
– Government bonds	**9,800**	1,063,100
– Corporate bonds	**–**	120,000
Subtotal	**296,800**	2,772,850
Bank acceptance	**–**	799,944
Total financial assets held under resale agreements	**296,800**	3,572,794
Less: Allowance for impairment losses	**(47)**	–
Net value	**296,753**	3,572,794

As at 30 June 2018, all the financial assets held under resale agreements were in Stage I.

(Amount in thousands of RMB, unless otherwise stated)

20. Interests receivable

	30 June 2018	31 December 2017
Interests receivable from investments	**2,835,637**	3,050,966
Interests receivable from loans and advances to customers	**1,145,187**	1,019,513
Interests receivable from deposits and placements with banks and other financial institutions	**116,340**	158,441
Total	**4,097,164**	4,228,920

21. Loans and advances to customers

21.1 Analysis of loans and advances to customers

	30 June 2018	31 December 2017
Loans and advances measured at amortised cost		
– Corporate loans and advances	**230,550,092**	202,487,355
– Personal loans and advances	**10,859,208**	10,161,100
– Discounted bills	–	2,472,719
Subtotal	**241,409,300**	215,121,174
Loans and advances measured at fair value through other comprehensive income		
– Discounted bills	**6,784,084**	–
Total loans and advances to customers	**248,193,384**	215,121,174
Less: Allowance for impairment losses	**(7,584,232)**	(6,036,227)
Loans and advances to customers, net	**240,609,152**	209,084,947

As at the balance sheet date, part of the discounted bills was pledged for repurchase agreements. Please refer to Note 49(e) for detailed information on pledged assets.

21.2 Analysis of loans and advances to customers by industry, collateral type and analysis of overdue loans and advances to customers are presented in Note 55 (a).

(Amount in thousands of RMB, unless otherwise stated)

21. Loans and advances to customers *(continued)*

21.3 Analysis of loans and advances to customers by allowance assessments

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at 30 June 2018				
Total loans and advances	**232,026,875**	**13,033,828**	**3,132,681**	**248,193,384**
Allowance for impairment losses	**(3,848,923)**	**(1,987,220)**	**(1,748,089)**	**(7,584,232)**
Loans and advances to customers, net	**228,177,952**	**11,046,608**	**1,384,592**	**240,609,152**

	For which allowance is collectively assessed[(i)]	For which allowance is individually assessed[(ii)]	Total
As at 31 December 2017			
Total loans and advances	212,874,241	2,246,933	215,121,174
Allowance for impairment losses	(4,769,538)	(1,266,689)	(6,036,227)
Loans and advances to customers, net	208,104,703	980,244	209,084,947

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 pass 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.

(Amount in thousands of RMB, unless otherwise stated)

21. Loans and advances to customers *(continued)*

21.4 Reconciliation of allowance for impairment losses on loans and advances to customers

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL- impaired)	Total
As at 31 December 2017	–	–	–	6,036,227
Impact of adopting IFRS 9	–	–	–	(31,555)
As at 1 January 2018	3,587,382	1,114,478	1,302,812	6,004,672
Charge for the period	457,308	1,024,282	215,793	1,697,383
Release for the period	–	–	(80,913)	(80,913)
Subtotal	457,308	1,024,282	134,880	1,616,470
Stage conversion	(195,767)	(151,540)	347,307	–
Convert to Stage I	23,593	(13,720)	(9,873)	–
Convert to Stage II	(137,546)	164,274	(26,728)	–
Convert to Stage III	(81,814)	(302,094)	383,908	–
Unwinding of discount	–	–	(36,910)	(36,910)
As at 30 June 2018	3,848,923	1,987,220	1,748,089	7,584,232

	For which allowance is collectively assessed	For which allowance is individually assessed	Total
As at 31 December 2016	3,903,641	965,681	4,869,322
Charge for the year	865,897	900,830	1,766,727
Release for the year	–	(143,519)	(143,519)
Unwinding of discount	–	(67,635)	(67,635)
Disposal	–	(388,668)	(388,668)
As at 31 December 2017	4,769,538	1,266,689	6,036,227

(Amount in thousands of RMB, unless otherwise stated)

22. Financial assets at fair value through other comprehensive income

	30 June 2018	31 December 2017
Debt instruments Issuers in Mainland China		
– Government	**2,656,269**	–
– Financial institutions	**34,726,195**	–
– Corporate	**1,012,156**	–
Subtotal	**38,394,620**	–
Equity instruments	**105,830**	–
Total financial assets at fair value through other comprehensive income	**38,500,450**	–

As at 30 June 2018, all the financial assets at fair value through other comprehensive income debt instruments of the Group are in Stage 1. The Group's accumulated impairment change on the financial assets at fair value through other comprehensive income amounted to RMB753 thousand.

As at the balance sheet date, part of the financial assets at fair value through other comprehensive income was pledged for repurchase agreements. Please refer to Note 49(e) for detailed information on pledged assets.

23. Financial assets at amortised cost

	30 June 2018	31 December 2017
Debt instruments		
Issuers in Mainland China		
– Government	**3,833,333**	–
– Financial institutions	**1,699,999**	–
– Corporate	**19,868**	–
Subtotal	**5,553,200**	–
Wealth management products	**203,261**	–
Beneficial interest transfer plans	**334,584,202**	–
Subtotal	**340,340,663**	–
Less: Allowance for impairment losses	**(4,910,745)**	–
Net Value	**335,429,918**	–

As at the balance sheet date, part of the financial assets at amortised cost was pledged for repurchase agreements. Please refer to Note 49(e) for detailed information on pledged assets.

(Amount in thousands of RMB, unless otherwise stated)

24. Available-for-sale financial assets

Available-for-sale financial assets comprise the following:

	30 June 2018	31 December 2017
Debt instruments (a)	–	50,638,949
Equity instruments (b)	–	58,250
Total	–	50,697,199
Listed	–	41,009,388
Unlisted	–	9,687,811
Total	–	50,697,199

(a) Debt instruments

	30 June 2018	31 December 2017
In Mainland China		
– Government	–	2,324,942
– Banks and other financial institutions	–	47,215,613
– Corporations	–	900,506
Subtotal	–	50,441,061
Outside Mainland China		
– Banks and other financial institutions	–	197,888
Subtotal	–	197,888
Total	–	50,638,949

As at the balance sheet date, part of the available-for-sale financial assets was pledged for repurchase agreements. Please refer to Note 49(e) for detailed information on pledged assets.

(b) Equity instruments

Certain available-for-sale unlisted equity instruments which do not have any quoted market prices and whose fair values cannot be measured reliably are stated at cost less any impairment losses. There is no active market for these investments and it is the Group's intention to dispose of them as opportunities arise.

(Amount in thousands of RMB, unless otherwise stated)

25. Held-to-maturity investments

	30 June 2018	31 December 2017
Debt securities issued by the following institutions in Mainland China		
– Government	–	3,832,750
– Banks and other financial institutions	–	3,926,073
– Corporations	–	19,841
Total carrying value	–	7,778,664
Listed in Mainland China	–	7,778,664

As at the balance sheet date, part of the held-to-maturity investments was pledged as security for repurchase agreements. Please refer to Note 49(e) for detailed information on pledged assets.

26. Debt instruments classified as receivables

The debt instruments classified as receivables are unlisted and stated at amortised cost and comprise the following:

	30 June 2018	31 December 2017
Wealth management products (a)	–	200,088
Beneficial interest transfer plans (b)	–	346,673,345
Total	–	346,873,433
Less: Allowance for impairment losses	–	(3,503,866)
Net value	–	343,369,567

(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.

(Amount in thousands of RMB, unless otherwise stated)

27. Finance lease receivables

	30 June 2018	31 December 2017
Finance lease receivables	**8,631,679**	7,584,316
Less: Unearned finance lease income	**(769,254)**	(564,073)
Present value of minimum finance lease receivables	**7,862,425**	7,020,243
Less: Allowance for impairment losses	**(196,954)**	(179,902)
Net balance	**7,665,471**	6,840,341

As at 30 June 2018	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL- impaired)	Total
Total finance lease receivables	**6,960,642**	**901,783**	–	**7,862,425**
Allowance for impairment losses	**(70,704)**	**(126,250)**	–	**(196,954)**
Finance lease receivables, net	**6,889,938**	**775,533**	–	**7,665,471**

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

	30 June 2018			31 December 2017		
	Finance lease receivables	Unearned finance lease income	Minimum finance lease receivables	Finance lease receivables	Unearned finance lease income	Minimum finance lease receivables
Less than 1 years	**3,154,064**	**(278,245)**	**2,875,819**	3,454,890	(306,903)	3,147,987
1 year to 2 years	**3,095,053**	**(277,438)**	**2,817,615**	2,333,277	(155,970)	2,177,307
2 years to 3 years	**1,501,645**	**(134,606)**	**1,367,039**	1,132,050	(73,743)	1,058,307
3 years to 5 years	**880,917**	**(78,965)**	**801,952**	664,099	(27,457)	636,642
Total	**8,631,679**	**(769,254)**	**7,862,425**	7,584,316	(564,073)	7,020,243

(Amount in thousands of RMB, unless otherwise stated)

28. Property and equipment

	Properties and buildings	Construction in progress	Motor vehicles	Leasehold improve-ments	Others	Total
Cost:						
At 1 January 2017	6,530,122	241,931	71,840	176,209	644,699	7,664,801
Additions	244,798	301,087	2,851	11,005	86,029	645,770
CIP transfers	42,388	(42,388)	—	—	—	—
Transfers to other assets	—	(22,357)	—	—	—	(22,357)
At 31 December 2017 and 1 January 2018	6,817,308	478,273	74,691	187,214	730,728	8,288,214
Additions	10,631	283,885	1,434	4,524	25,463	325,937
CIP transfers	302,631	(302,631)	—	—	—	—
Transfers to other assets	—	(66,544)	—	—	—	(66,544)
Disposals	(30,160)	—	—	—	(32,153)	(62,313)
At 30 June 2018	7,100,410	392,983	76,125	191,738	724,038	8,485,294
Accumulated depreciation:						
At 1 January 2017	(955,892)	—	(55,480)	(73,553)	(437,800)	(1,522,725)
Depreciation charge for the year	(216,751)	—	(5,036)	(18,104)	(73,274)	(313,165)
At 31 December 2017 and 1 January 2018	(1,172,643)	—	(60,516)	(91,657)	(511,074)	(1,835,890)
Depreciation charge for the period	(112,363)	—	(2,225)	(12,858)	(33,455)	(160,901)
Disposals	6,594	—	—	—	31,669	38,263
At 30 June 2018	(1,278,412)	—	(62,741)	(104,515)	(512,860)	(1,958,528)
Net carrying amount:						
At 31 December 2017	5,644,665	478,273	14,175	95,557	219,654	6,452,324
At 30 June 2018	5,821,998	392,983	13,384	87,223	211,178	6,526,766

(Amount in thousands of RMB, unless otherwise stated)

28. Property and equipment *(continued)*

The carrying value of the Group's properties and buildings is analysed based on the remaining terms of the land leases as follows:

	30 June 2018	31 December 2017
Located inside Mainland China		
Over 50 years	**75,933**	68,622
10 to 50 years	**5,730,577**	5,561,734
Less than 10 years	**15,488**	14,309
	5,821,998	5,644,665

As at 30 June 2018, the process of obtaining the titles for the Group's properties and buildings with an aggregate net carrying value of RMB1,971 million (31 December 2017: RMB1,896 million) was still in progress. Management is of the view that the aforesaid matter would not affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

29. Deferred tax assets and liabilities

(a) Movements of deferred tax

For the six-month period ended 30 June 2018	At 1 January 2018	Impact of adopting IFRS 9	Total gains/ (losses) recorded in profit or loss	Total gains/ (losses) recorded in other comprehensive income	At 30 June 2018
Deferred tax assets:					
Allowance for impairment losses	**2,050,580**	**253,164**	**227,612**	**–**	**2,531,356**
Allowance for credit commitments	**–**	**135,693**	**66,283**	**–**	**201,976**
Changes in fair value of financial assets at fair value through other comprehensive income	**–**	**213,263**	**–**	**(179,927)**	**33,336**
Changes in fair value of available-for-sale financial assets	**226,431**	**(226,431)**	**–**	**–**	**–**
Changes in fair value of financial assets at fair value through profit or loss	**21,310**	**32,961**	**(54,271)**	**–**	**–**
Salaries payable	**46,274**	**–**	**11,894**	**–**	**58,168**
Other temporary differences	**35,250**	**–**	**14,425**	**–**	**49,675**
Subtotal	**2,379,845**	**408,650**	**265,943**	**(179,927)**	**2,874,511**
Deferred tax liabilities:					
Changes in fair value of financial assets at fair value through profit or loss	**–**	**–**	**(68,840)**	**–**	**(68,840)**
Subtotal	**–**	**–**	**(68,840)**	**–**	**(68,840)**
Net deferred tax	**2,379,845**	**408,650**	**197,103**	**(179,927)**	**2,805,671**

(Amount in thousands of RMB, unless otherwise stated)

29. Deferred tax assets and liabilities *(continued)*

(a) Movements of deferred tax *(continued)*

For the year of 2017	At 1 January 2017	Total gains/ (losses) recorded in profit or loss	Total gains/ (losses) recorded in other comprehensive income	At 31 December 2017
Deferred tax assets:				
Allowance for impairment losses	1,440,944	609,636	–	2,050,580
Change in fair value of available-for-sale financial assets	6,469	–	219,962	226,431
Change in fair value of financial assets held for trading	(24,428)	45,738	–	21,310
Salaries payable	44,982	1,292	–	46,274
Other temporary differences	8,372	26,878	–	35,250
Subtotal	1,476,339	683,544	219,962	2,379,845
Net deferred tax	1,476,339	683,544	219,962	2,379,845

As at 30 June 2018, the Group did not have significant unrecognised deferred tax assets and liabilities (31 December 2017: Nil).

(Amount in thousands of RMB, unless otherwise stated)

30. Other assets

	30 June 2018	31 December 2017
Repossessed assets	**666,172**	602,610
Intangible assets	**187,933**	182,643
Long-term deferred expense	**309,057**	117,882
Deferred expense	**101,430**	88,994
Value-added tax	**84,530**	83,565
Land use right	**80,304**	82,988
Other receivables	**201,202**	90,946
Total	**1,630,628**	1,249,628

31. Investments in subsidiaries

		30 June 2018	31 December 2017
Taihe Jinyin Village Bank Co., Ltd.	(a)	**60,450**	60,450
Yixian Jinyin Village Bank Co., Ltd.	(b)	**63,240**	63,240
Beizhen Jinyin Village Bank Co., Ltd.	(c)	**49,290**	49,290
Heishan Jinyin Village Bank Co., Ltd.	(d)	**57,750**	57,750
Kazuo Jinyin Village Bank Co., Ltd.	(e)	**49,900**	49,900
Linghai Jinyin Village Bank Co., Ltd.	(f)	**49,900**	49,900
Huanren Jinyin Village Bank Co., Ltd.	(g)	**49,000**	49,000
Bank of Jinzhou Financial Leasing Co. Ltd.	(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 in 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 2017 were audited by KPMG Huazhen LLP.

(b) Yixian Jinyin Village Bank Co., Ltd. ("Yixian Jinyin") was incorporated on 8 November 2010 in 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% of voting rights of Yixian Jinyin. The financial statements of Yixian Jinyin for the year ended 31 December 2017 were audited by KPMG Huazhen LLP.

(c) Beizhen Jinyin Village Bank Co., Ltd. ("Beizhen Jinyin") was incorporated on 2 March 2011 in 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 2017 were audited by KPMG Huazhen LLP.

(Amount in thousands of RMB, unless otherwise stated)

31. Investments in subsidiaries *(continued)*

Notes: *(continued)*

(d) Heishan Jinyin Village Bank Co., Ltd. ("Heishan Jinyin") was incorporated on 28 January 2014 in 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 2017 were audited by KPMG Huazhen LLP.

(e) Kazuo Jinyin Village Bank Co., Ltd. ("Kazuo Jinyin") was incorporated on 27 November 2015 in 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 2017 were audited by KPMG Huazhen LLP.

(f) Linghai Jinyin Village Bank Co., Ltd. ("Linghai Jinyin") was incorporated on 16 December 2016 in 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. The financial statements for the year ended 31 December 2017 were audited by KPMG Huazhen LLP.

(g) Huanren Jinyin Village Bank Co., Ltd. ("Huanren Jinyin") was incorporated on 20 December 2016 in 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. The financial statements for the year ended 31 December 2017 were audited by KPMG Huazhen LLP.

(h) Bank of Jinzhou Financial Leasing Co., Ltd. ("Jinyin Leasing") was incorporated on 1 December 2015 in 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 2018, the Bank held 30.61% of equity interest and 71.43% voting rights of Jinyin Leasing. The financial statements for the year ended 31 December 2017 were audited by KPMG Huazhen LLP.

32. Borrowing from the central bank

	30 June 2018	31 December 2017
Borrowing from the central bank	**82,101**	307,848

33. Deposits from banks and other financial institutions

	30 June 2018	31 December 2017
Deposits:		
Banks operating in Mainland China	**70,203,218**	78,318,057
Other financial institutions in Mainland China	**79,597,145**	56,219,372
Total	**149,800,363**	134,537,429

(Amount in thousands of RMB, unless otherwise stated)

34. Placements

	30 June 2018	31 December 2017
Banks operating in Mainland China	**16,314,145**	13,466,127

35. Financial assets sold under repurchase agreements

Repurchase agreements comprise the repurchase of bonds and bills.

	30 June 2018	31 December 2017
Repurchase agreements analysed by collateral:		
Debt instruments	**34,410,720**	38,074,261
Discounted Bills	**3,458,689**	990,169
Interbank certificates of deposit	**865,950**	–
Total	**38,735,359**	39,064,430
Repurchase agreements analysed by counterparty:		
Banks	**36,870,979**	26,690,936
Other financial Institutions	**1,864,380**	12,373,494
Total	**38,735,359**	39,064,430

(Amount in thousands of RMB, unless otherwise stated)

36. Deposits from customers

	30 June 2018	31 December 2017
Demand deposits:		
Corporate customers	**39,070,855**	48,135,836
Personal customers	**18,458,002**	14,276,141
Subtotal	**57,528,857**	62,411,977
Time deposits:		
Corporate customers	**88,909,863**	101,556,457
Personal customers	**155,271,057**	132,996,662
Subtotal	**244,180,920**	234,553,119
Pledged deposits:		
Acceptances	**29,487,651**	20,301,291
Letters of guarantees	**4,853,995**	4,955,820
Letters of credit	**3,841,072**	3,975,529
Others	**26,827**	9,281
Subtotal	**38,209,545**	29,241,921
Inward and outward remittances	**262,801**	111,982
Structured deposits:		
Corporate customers	**7,910,720**	11,691,419
Individual customers	**3,533,795**	4,253,810
Subtotal	**11,444,515**	15,945,229
Total	**351,626,638**	342,264,228

(Amount in thousands of RMB, unless otherwise stated)

37. Accrued staff costs

	30 June 2018	31 December 2017
Salary and welfare payable	**127,876**	117,270
Pension payable	**29,137**	29,842
Supplementary retirement benefits payable	**30,379**	28,043
Other long-term staff welfare payable	**65,897**	84,362
Total	**253,289**	259,517

38. Taxes payable

	30 June 2018	31 December 2017
Income tax payable	**353,019**	805,710
Value-added tax and surcharge payable	**316,008**	296,542
Others	**40,229**	46,656
Total	**709,256**	1,148,908

39. Interests payable

	30 June 2018	31 December 2017
Interests payable arising from:		
– Deposits from customers	**11,103,453**	9,845,733
– Deposits from banks and other financial institutions	**2,725,576**	2,409,111
– Debt instruments	**174,265**	126,539
– Others	**12,130**	81,017
Total	**14,015,424**	12,462,400

(Amount in thousands of RMB, unless otherwise stated)

40. Debt securities issued

	30 June 2018	31 December 2017
Tier 2 capital bonds issued	**7,992,215**	3,995,481
Negotiable certificates of deposit issued	**75,739,133**	85,569,270
Total	**83,731,348**	89,564,751

As approved by the PBOC and the former CBRC, the Group issued the tier 2 capital bonds through the open market in recent years. These bonds were traded in the interbank bond market. The bonds could be redeemed by the Bank at the nominal amount at the end of the fifth year. The Group has not had any defaults of principal or interest or other financial bonds issued during the six-month period ended 30 June 2018 (2017: Nil). The relevant information on these financial bonds is set out below:

Name	Issue date	Issue price (RMB)	Coupon rate	Value date	Maturity date	Issue amount (RMB'000)
Fixed rate tier two capital debts maturing in January 2024	2014/1/24	100	7.00%	2014/1/28	2024/1/28	1,500,000
Fixed rate tier two capital debts maturing in January 2026	2016/12/26	100	4.30%	2016/12/27	2026/12/27	2,500,000
Fixed rate tier two capital debts maturing in January 2028	2018/3/26	100	4.90%	2018/3/28	2028/3/28	4,000,000

As at 30 June 2018 and 31 December 2017, 215 tranches and 238 tranches of negotiable certificates of deposit issued by the Bank have not yet expired, the balances of which were RMB75.74 billion and RMB85.57 billion respectively, with a time limit of 1 month to 1 year.

41. Other liabilities

	30 June 2018	31 December 2017
Financial liabilities related to precious metals	**13,317**	3,768,872
Asset backed securities payable	**88,992**	1,550,730
Payment and collection clearance accounts	**417,415**	813,844
Dividend payable	**1,363,798**	279,005
Deferred income	**75,894**	4,454
Other payable	**916,780**	597,621
Contingent liabilities	**807,903**	–
Sundry tax payables	**50,599**	–
Total	**3,734,698**	7,014,526

(Amount in thousands of RMB, unless otherwise stated)

42. Share capital

	2018		2017	
	Number of shares (thousand)	Nominal value	Number of shares (thousand)	Nominal value
As at 30 June 2018 and 31 December 2017	**6,781,616**	**6,781,616**	6,781,616	6,781,616

43. Preference shares

(a) Preference shares outstanding at the end of the period/year

Financial instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount (thousand shares)	In original currency (thousand)	In RMB (thousand)	Maturity	Conversion condition	Conversion
Overseas preference shares										
USD	27/10/2017	Equity	5.50%	USD 20/Share	74,800	1,496,000	9,944,360	None	Mandatory	No
Total							9,944,360			
Less: Issue fees							(46,997)			
Book value							9,897,363			

(b) Main clauses

(i) Dividend

Fixed rate for a certain period (5 years) after issuance. Dividend reset every 5 years thereafter to the sum of the benchmark rate and a fixed spread of 3.486% per annum. The fixed spread will remain unchanged throughout the term of the preference shares. The dividend rate shall not at any time exceed 27.44% per annum. Dividends will be paid annually.

(ii) Conditions to distribution of dividends

The Group could pay dividends while the Group still has distributable after-tax profit (which is the undistributed profit as shown in the financial statements of the parent company prepared in accordance with the PRC GAAP or IFRS, whichever amount is lower), after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Group's capital adequacy ratio meets regulatory requirements, and the Board having passed a resolution to declare such Dividend in accordance with the Articles of Association. Preference shareholders of the Group are senior to the ordinary shareholders on the right to dividends. The Group may elect to cancel any dividend, but such cancellation will require a shareholder's resolution to be passed.

43. Preference shares *(continued)*

(b) Main clauses *(continued)*

(iii) Dividend stopper

If the resolution for the Group to cancel all or part of the dividends to the Preference Shareholders is passed at a Shareholders' general meeting, the Group undertakes that any resolution passed at a Shareholders' general meeting that cancels a Dividend (in whole or in part) on the Offshore Preference Shares will be a Parity Obligation Dividend Cancellation Resolution, and shall not make any dividend distribution to ordinary shareholders before the Group pays the dividends for the current dividend period to the Preference Shareholders in full.

(iv) Order of distribution and liquidation method

The Preference Shareholders will rank equally for payment. The Preference Shareholders will be subordinated to holders of all liabilities of the Bank including subordinated liabilities and obligations issued or guaranteed by the Bank that rank, or are expressed to rank, but will be senior to the ordinary shareholders.

(v) Mandatory conversion trigger events

Upon the occurrence of an additional tier 1 capital trigger event (namely, the core tier 1 capital adequacy ratio of the Bank falling to 5.125% or below), the Bank shall have the right to convert, obtained the approval of the former CBRC but without the need for the consent of the preference shareholders, all or part of the offshore preference shares then issued and outstanding into H Shares based on the aggregate value of such offshore preference shares in order to restore the core tier 1 capital adequacy ratio of the Bank to above 5.125%. Upon conversion of the offshore preference shares into H Shares, such H Shares will not be converted back to preference shares under any circumstances.

Upon the occurrence of a tier 2 capital trigger event, the Bank shall have the right to convert, without the consent of the preference shareholders, all of the offshore preference shares then issued and outstanding into H Shares based on the aggregate value of such offshore preference shares. Upon conversion of the offshore preference shares into H Shares, such H Shares will not be converted back to preference shares under any circumstances. A tier 2 capital trigger event means the earlier of the following events: (1) the former CBRC having concluded that without a conversion or write-off of the Bank's capital, the Bank would become non-viable, and (2) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable.

(vi) Redemption

Under the premise of obtaining the approval of the former CBRC and conditions of redemption, the Group has right to redeem all or some of overseas preference shares in first call date and subsequent any dividend payment date. The redemption price for each Offshore Preference Share so redeemed shall be the aggregate of an amount equal to its Liquidation Preference plus any declared but unpaid Dividends in respect of the period from (and including) the immediately preceding Dividend Payment Date to (but excluding) the date scheduled for redemption.

USD Preference Shares: the First Redemption Date is five years after issuance, 27 October 2022.

(Amount in thousands of RMB, unless otherwise stated)

43. Preference shares *(continued)*

(b) Main clauses *(continued)*

(vii) Dividend setting mechanism

Non-cumulative dividend is a dividend on preference shares which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Group will not participate the distribution of residual profits with ordinary shareholders.

44. Capital reserve

	30 June 2018	31 December 2017
Share premium	**14,252,077**	14,252,077
Other comprehensive income:		
– Fair value changes on available-for-sale financial assets	**–**	(679,293)
– Fair value changes on financial assets at fair value through other comprehensive income	**(71,835)**	–
– Changes on remeasurement of defined benefit liabilities	**(3,478)**	(2,124)
Others	**8,149**	8,149
Total	**14,184,913**	13,578,809

Transactions of other comprehensive income attributed to equity shareholders of the Bank in the consolidated statement of comprehensive income:

	For the six-month period ended 30 June	
	2018	2017
Items that will be reclassified subsequently to the statement of income:		
Changes in fair value of debt instruments measured as fair value through other comprehensive income	**705,913**	–
Changes in fair value of available-for-sale financial assets	**–**	(274,104)
Items that will not be reclassified to the statement of income:		
Changes in fair value of equity instruments designated at fair value through other comprehensive income	**13,024**	–
Changes on remeasurement of defined benefit liabilities	**(1,354)**	1,129
Transfer to the statement of the statement of income arising from disposal	**771**	(64,695)
Income tax effect	**(179,927)**	84,700
Total	**538,427**	(252,970)

(Amount in thousands of RMB, unless otherwise stated)

44. Capital reserve *(continued)*

Other comprehensive income attributed to equity shareholders of the Bank in the consolidated statement of financial position:

	Net gains on financial assets measured at fair value through other comprehensive income	Fair value changes on available-for-sale financial assets	Changes on remeasurement of defined benefit liabilities	Total
1 January 2017	–	(19,407)	(24)	(19,431)
Changes in amount for the previous year	–	(659,886)	(2,100)	(661,986)
31 December 2017	–	(679,293)	(2,124)	(681,417)
Impact for adopting IFRS 9	(611,616)	679,293	–	67,677
1 January 2018	**(611,616)**	–	**(2,124)**	**(613,740)**
Changes in amount for the period	**539,781**	–	**(1,354)**	**538,427**
30 June 2018	**(71,835)**	–	**(3,478)**	**(75,313)**

45. Surplus reserve

	Statutory surplus reserve	Discretionary surplus reserve	Total
At 1 January 2017	2,089,083	12,026	2,101,109
Appropriation during the year	893,570	–	893,570
At 31 December 2017	2,982,653	12,026	2,994,679
Appropriation during the period	–	–	–
At 30 June 2018	2,982,653	12,026	2,994,679

The Bank is required to appropriate 10% of its profit for the year pursuant to the Company Law of the People's Republic of China and the Articles of Association to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses of the Bank, if any, and may also be converted into capital of the Bank, provided that the balance of the statutory surplus reserve after this capitalisation is not less than 25% of the registered capital immediately before capitalisation.

After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the year determined under PRC GAAP to the discretionary surplus reserve upon approval by the shareholders in general meetings. Subject to the approval by the shareholders, the discretionary surplus reserve may be used to offset accumulated losses of the Bank, if any, and may be converted into capital.

(Amount in thousands of RMB, unless otherwise stated)

46. General reserve

	30 June 2018	31 December 2017
Balance as at the beginning of the period/year	**9,818,070**	7,225,282
Increase during the period/year	–	2,592,788
Balance as at the end of the period/year	**9,818,070**	9,818,070

From 1 July 2012, according to the requirements of the Ministry of Finance ("MOF"), the Group is required to maintain a general reserve within equity, through the appropriation of profit, which should not be less than 1.5% of the year ending balance of its risk assets.

47. Retained earnings

	30 June 2018	31 December 2017
Balance as at the end of the period/year	**13,160,018**	8,686,628
Impact of adopting IFRS 9	**(1,293,628)**	–
Balance as at the beginning of the period/year	**11,866,390**	8,686,628
Profit for the period/year attributable to equity shareholders of the Bank	**4,229,574**	8,976,990
Net of:		
Appropriation to surplus reserves	–	(893,570)
Appropriation to general and regulatory reserves	–	(2,592,788)
Dividends	**(1,085,059)**	(1,017,242)
Balance as at the end of the period/year	**15,010,905**	13,160,018

(Amount in thousands of RMB, unless otherwise stated)

48. Cash and cash equivalents

On the condensed consolidated statement of cash flows, cash and cash equivalents with an original maturity of less than three months are as follows:

	30 June 2018	31 December 2017
Cash on hand	**653,289**	614,480
Balances with the central bank	**2,906,372**	3,274,482
Deposits with banks and other financial institutions	**2,517,941**	2,508,194
Placements with banks and other financial institutions	**198,498**	2,500,000
Financial assets held under resale agreements	**296,800**	3,572,794
Total	**6,572,900**	12,469,950

49. Commitments and contingent liabilities

(a) Capital commitments

The Group had capital commitments as follows:

	30 June 2018	31 December 2017
Purchase of property and equipment:		
Contracted but not paid for	**375,606**	901,773
Authorised but not contracted	**84,250**	120,797
Total	**459,856**	1,022,570

(Amount in thousands of RMB, unless otherwise stated)

49. Commitments and contingent liabilities *(continued)*

(b) Operating lease commitments

Operating lease commitments - Lessee

Under irrevocable operating lease contracts, the minimum lease payments that should be paid by the Group in the future are summarised as follows:

	30 June 2018	31 December 2017
Within one year	**125,403**	106,568
After one year but not more than five years	**258,227**	264,693
After five years	**68,390**	68,659
Total	**452,020**	439,920

(c) Credit commitments

At any given time, the Group has outstanding commitments to extend credit. These commitments are in the form of approved loans and undrawn credit card limits.

The Group provides letters of credit and financial guarantees to guarantee the performance of customers to third parties.

Bank acceptances comprise 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.

The contractual amounts of credit commitments by category are set out below. The amounts disclosed in respect of undrawn credit card limit are under the assumption that the amounts will be fully advanced. The amounts for bank bill acceptances, letters of credit and guarantees represent the maximum potential losses that would be recognised at the balance sheet date had the counterparties who failed to perform as contracted.

	30 June 2018	31 December 2017
Loan commitments	**4,403,567**	3,870,216
Bank bill acceptance	**143,605,439**	105,422,308
Letters of guarantee issued	**2,318,947**	3,284,999
Letters of credit	**16,679,114**	21,070,234
Undrawn credit card limits	**1,098,984**	929,182
Total	**168,106,051**	134,576,939

(Amount in thousands of RMB, unless otherwise stated)

49. Commitments and contingent liabilities *(continued)*

(d) Outstanding litigations and disputes

As at 30 June 2018, the Group was still the defendant of unresolved litigations and disputes, the claims of which amount to RMB 138 million (31 December 2017: RMB 104 million). The Bank was involved in an equity dispute lawsuit with a former shareholder beginning in July 2012, which the Bank won the first instance on 4 June 2018 and the court rebutted the plaintiff's case. The plaintiff appealed on 8 June 2018. As of 24 July 2018, the case has entered the second instance and was still in process. The latest demands of the said former shareholder on 8 June 2018 are that the court (1) rule that he has the right to purchase 9.16% of the Bank's 4,402,233,866 domestic shares under the conditions of RMB 1 per share, 12 year term; (2) until the other defendant returns to him the shareholder equity, rule that the Bank and the other defendant should be jointly liable for RMB 121 million. If the court's ruling are disadvantageous to the Bank, the shareholder's shareholdings in the Bank may be diluted. The relevant shares will amount to roughly 5.61% of the outstanding shares as of 30 June 2018, which will cause said former shareholder to become our biggest individual shareholder. The Bank's directors and legal advisors of this case believe that based on existing evidence, the probability of the Bank losing the equity dispute is remote. After consulting the Group's internal and external legal counsel, the Group did not accrue provisions for the related unresolved litigations and disputes in this period.

(e) Assets pledged as security

Financial assets of the Group including debt instruments and bills have been pledged as security for liabilities or contingent liabilities which mainly arise from repurchase agreements and negotiated deposits. As at 30 June 2018, The following table sets out the carrying value of the financial assets of the Group pledged as security:

	30 June 2018	31 December 2017
– Financial assets at fair value through other comprehensive income	**31,039,000**	–
– Financial assets at amortised cost	**4,798,000**	–
– Available-for-sale debt investments	–	33,538,917
– Held-to-maturity investments	–	4,599,500
– Debt instruments held for trading	**1,768,000**	997,139
– Discounted bills	**3,458,689**	990,169
Total	**41,063,689**	40,125,725

(Amount in thousands of RMB, unless otherwise stated)

50. Fiduciary activities

	30 June 2018	31 December 2017
Designated funds	**135,043,170**	279,728,120
Designated loans	**135,043,170**	279,728,120

The designated funds represent the funding that the trustors have instructed the Group to use to grant loans to third parties as designated by them. The credit risk remains with the trustors.

The designated loans represent the loans granted to specific borrowers designated by the trustors on their behalf according to the entrusted agreements signed by the Group and the trustors. The Group does not bear any risk.

51. Transfers of financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose entities. In some cases where these transferred financial assets qualify for derecognition, the transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognise the transferred assets.

Repurchase agreements

Transferred financial assets that do not qualify for derecognition mainly include debt instruments held by counterparties as collateral under repurchase. The counterparties are allowed to sell or repledge those securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may in certain circumstances require or be required to pay additional cash collateral. The Group has determined that the Group retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, the Group recognised a financial liability for cash received.

As at 30 June 2018 and 31 December 2017, none of the above-mentioned financial assets was transferred to third parties while that did not qualify for derecognition.

Securitisation transactions

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to special purpose entities which in turn issue asset-backed securities to investors. The Group may acquire some subordinated tranches of securities and accordingly may retain part of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

As at 30 June 2018, the Group derecognised the transferred credit assets in their entirety in the securitisation transactions. The corresponding total carrying amount of asset-backed securities held by the Group in the securitisation transactions was RMB508 million as at 30 June 2018 (31 December 2017: RMB8.40 million), which also approximates to the Group's maximum exposure to loss.

52. Interests in unconsolidated structured entities

The Group is principally involved with structured entities through financial investments and asset management. These structured entities generally finance the purchase of assets by issuing securities or by other means. The Group determines whether or not to consolidate these structured entities depending on the Group's controls on them. The interests held by the Group in the unconsolidated structured entities are set out below:

52.1 Unconsolidated structured entities managed by the Group

(1) Wealth management products

When conducting wealth management businesses, the Group has established various structured entities to provide customers with specialised investment opportunities within narrow and well-defined objectives. As at 30 June 2018, the balance of the unconsolidated wealth management products issued by the Group amounted to RMB22.01 billion (31 December 2017: RMB23.45 billion). For the six-month period ended 30 June 2018, fee and commission income included commission and custodian fee and management fee income from wealth management business that amounted to RMB96,948 thousand (for the six-month period ended 30 June 2017: RMB73,696 thousand).

For the purpose of asset-liability management, wealth management products may trigger short-term financing needs for the Group and other banks. However, the Group is not contractually obliged to provide financing. During the six-month period ended 30 June 2018, the Group did not provide any financing to the unconsolidated wealth management products (for the six-month period ended 30 June 2017: Nil).

(2) Asset securitisation business

Another type of structured entity managed by the Group but not yet consolidated is the special purpose entities set up by the third party trust company due to the Group's asset securitisation transactions. The Group acts as the loan service agency of the special purpose entities and charges the corresponding fees and commissions. The Group believes that its variable returns on this structured entity are not significant.

For the six-month period ended 30 June 2018, the Group did not transfer credit assets into the special purpose entities (for the six-month period ended 30 June 2017: RMB 9,973 million).

(Amount in thousands of RMB, unless otherwise stated)

52. Interests in unconsolidated structured entities *(continued)*

52.2 Structured entities sponsored by other financial institutions

The Group invested some structured entities which are out of consolidation scope, issued and managed by other institutions, and recognised its investment income. These structured entities mainly include the financial product, specific asset management plan, investment trust plan, etc. These structured entities' nature and purpose are earning management fee by managing the investors' assets, and the way of financing is to issue investment products to investors. For the six-month ended 30 June 2018 and the year ended 31 December 2017, the Group has not provided liquidity support for those kinds of structured entities.

As at 30 June 2018, the interests held by the Group in the structured entities sponsored by other financial institutions through direct investments are set out below:

	As at 30 June 2018		
	Financial assets at fair value through profit or loss	**Financial assets at amortised cost**	**Total**
Wealth management products	**235,230**	**203,245**	**438,475**
Investment trusts and asset management plans	**13,679,415**	**329,673,473**	**343,352,888**
Funds	**503,600**	**–**	**503,600**
Financial assets designated at fair value through profit or loss	**26,767,793**	**–**	**26,767,793**
Total	**41,186,038**	**329,876,718**	**371,062,756**

	As at 31 December 2017			
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Debt instruments classified as receivables	Total
Wealth management products	–	200,000	200,088	400,088
Investment trusts and asset management plans	–	8,893,088	343,169,479	352,062,567
Funds	–	300,187	–	300,187
Financial assets designated at fair value through profit or loss	22,507,706	–	–	22,507,706
Total	22,507,706	9,393,275	343,369,567	375,270,548

53. Related party disclosures

(a) Related parties of the Group

There is neither immediate nor ultimate controlling party of the Group nor Shareholders of the Bank with ownership of 5% or above during the reporting period. Related parties of the group during the reporting period which have transactions are disclosed as follows:

(i) Enterprises under the control or significant influence of directors

Jinlian Investment Group Co., Ltd. ("錦聯控股集團有限公司")

Jincheng Logistics International Service Group Co., Ltd. ("錦程國際物流服務有限公司")

Jincheng Logistics Network Technology Group Co., Ltd. ("錦程物流網絡技術有限公司")

Dalian Changxing Island Green-city Development Co., Ltd. ("大連長興島綠城發展有限公司")

Jincheng International Air Cargo Co., Ltd. ("錦程國際航空貨運服務有限公司")

Shenyang Longxi Real Estate Development Co., Ltd. ("瀋陽龍璽房地產開發有限公司")

Panjin Jialun Real Estate Co., Ltd. ("盤錦加倫置業有限公司")

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")

Shenyang Jinlian Environmental Development. Co., Ltd. ("瀋陽錦聯生態科技園發展有限公司")

Shenyang New Economic Industrial Park Development ("瀋陽錦聯新經濟工業園開發有限公司")

Yingkou Jialun Real Estate Co., Ltd. ("營口加倫置業有限公司")

Jincheng Logistics International Online Service Group Co., Ltd. ("錦程國際物流在線服務有限公司")

Shenyang Jinlian Development of New Economic Industrial Region Co., Ltd. ("瀋陽錦聯新經濟產業園開發有限公司")

Jincheng Logistics International Group Co., Ltd. ("錦程國際物流集團股份有限公司")

Jincheng Logistics Industry Development Group Co., Ltd. ("錦程物流產業發展有限公司")

Dalian Jinlian Classic Life Property Management Co., Ltd. ("大連錦聯經典生活物業管理有限公司")

53. Related party disclosures *(continued)*

(a) Related parties of the Group *(continued)*

(i) Enterprises under the control or significant influence of directors *(continued)*

Dalian Jinlian Investment Guarantee Co., Ltd. ("大連錦聯投資擔保有限公司")

Dalian Zhongshan Jinlian Microcredit Co., Ltd. ("大連中山錦聯小額貸款股份有限公司")

Dandong Jinlian Microcredit Co., Ltd. ("丹東元寶區錦聯小額貸款有限公司")

Tianjin Jinlian Financial Leasing Co., Ltd. ("天津錦聯融資租賃有限公司")

Jinlian Real Estate Group Co., Ltd. ("錦聯地產集團有限公司")

Jinlian Financial Service (Tianjin) Co., Ltd. ("錦聯金融服務集團 (天津) 股份有限公司")

Shenyang Jinlian Microcredit Co., Ltd. ("瀋陽市渾南新區錦聯小額貸款有限公司")

Beijing Fulaige Investment Co., Ltd. ("北京浮萊格投資有限公司")

(ii) Enterprises under the control or significant influence of supervisors

Jinzhou Yixing College Logistics Service Co., Ltd. ("錦州逸興高校後勤服務有限公司")

Liaoning Deying Huijin Technology Development Co., Ltd. ("遼寧德營慧晶科技發展有限公司") *

Beizhen Deying oil Shale Processing Co., Ltd. ("北鎮德營油母葉岩油有限公司") *

Beizhen Deying Tongda vehicle leasing Co., Ltd. ("北鎮德營通達車輛運輸租賃有限公司") *

Jinzhou Asphalt Factory Co., Ltd. ("錦州市瀝青廠") *

Beizhen Huiyin Microcredit Co., Ltd. ("北鎮匯銀小額貸款有限責任公司") *

Liaoning Deying Petrochemical Co., Ltd. ("遼寧德營石油化工集團有限公司") *

Jinzhou Jinhua Co., Ltd. ("錦州錦華股份有限公司")

* The supervisor left the company in December 2017.

(Amount in thousands of RMB, unless otherwise stated)

53. Related party disclosures *(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:

	For the period ended 30 June	
	2018	2017
Interest income	**75,384**	54,359
Interest expense	**9**	13

	30 June	31 December
	2018	2017
Loans and advances to customers	**2,560,316**	2,053,443
Interests receivable	**4,709**	11,997
Deposits from customers	**11,638**	2,195
Interests payable	**1**	1

(Amount in thousands of RMB, unless otherwise stated)

53. Related party disclosures *(continued)*

(c) Key management personnel

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

(i) Transactions between the Group and key management personnel

	For the period ended 30 June	
	2018	2017
Interest income	**18**	328
Interest expense	**364**	3,864

	30 June 2018	31 December 2017
Loans and advances to customers	–	2,632
Interests receivable	–	255
Deposits from customers	**13,501**	283,940
Principal guaranteed wealth management products	**750**	1,380
Non-principal-guaranteed wealth management products	**6,340**	5,710
Interests payable	**312**	11,795

(ii) Key management personnel compensation

The aggregate compensation of key management personnel is as follows:

	For the period ended 30 June	
	2018	2017
Short-term staff benefits	**15,130**	19,084
Retirement benefits		
– Basic social pension insurance	**2,595**	2,613

In the view of the management of the Group, the transactions with the above related parties were conducted based on general business terms and conditions, general transaction prices for the pricing and according to the normal business procedures.

54. Segment information

(a) Operating segments

For management purposes, the Group is organised into four different operating segments as follows:

Corporate banking business

Corporate banking business covers the provision of financial products and services to corporate customers. The products and services include deposits, loans, settlement and clearing and other products and services relating to the trading business.

Retail banking business

Retail banking business covers the provision of financial products and services to retail customers. The products and services include deposits, bank cards and credit cards, personal loans and collateral loans, and personal wealth management services.

Treasury business

Treasury business covers money market placements, investments and repurchasing, foreign exchange transactions, for the Group's own accounts or on behalf of customers.

Other business

This represents business other than corporate banking business, retail banking business and treasury business, whose assets, liabilities, income and expenses are not directly attributable or cannot be allocated to a segment on a reasonable basis.

The transfer prices among segments are determined by the capital sources and due time which should match with the level of lending and deposit rates and interbank market rates announced by the People's Bank of China. Expenses are distributed among different segments according to their benefits.

(Amount in thousands of RMB, unless otherwise stated)

54. Segment information *(continued)*

(a) Operating segments *(continued)*

	Corporate banking business	Retail banking business	Treasury business	Other business and undistributed project	Total
Six months ended 30 June 2018					
Operating income					
External net interest income/(expense)	4,382,212	(3,132,449)	7,628,749	–	8,878,512
Internal net interest income/(expense)	(855,035)	3,928,285	(3,073,250)	–	—
Net interest income	3,527,177	795,836	4,555,499	–	8,878,512
Net fee and commission income	242,026	97,408	25,586	–	365,020
Net trading income	–	–	1,587,877	–	1,587,877
Net gains arising from investment securities	–	–	24,296	–	24,296
Net foreign exchange losses	(383,377))	(20,730)	(786,888)	(357)	(1,191,352)
Other net operating income	–	–	–	8,033	8,033
Total operating income	3,385,826	872,514	5,406,370	7,676	9,672,386
Operating expenses	(470,944)	(26,231)	(1,009,880)	(64,652)	(1,571,707)
Operating profit/(losses) before impairment	2,914,882	846,283	4,396,490	(56,976)	8,100,679
Impairment losses on assets	(1,642,466)	(256,185)	(450,000)	–	(2,348,651)
Profit/(losses) before tax	1,272,416	590,098	3,946,490	(56,976)	5,752,028
As at 30 June 2018					
Segment assets	236,111,741	11,005,496	491,374,361	7,094,942	745,586,540
Deferred tax assets	–	–	–	2,805,671	2,805,671
Total assets	236,111,741	11,005,496	491,374,361	9,900,613	748,392,211
Segment liabilities	185,244,660	204,133,961	292,147,549	2,770,357	684,296,527
Dividend payable	–	–	–	1,363,798	1,363,798
Total liabilities	185,244,660	204,133,961	292,147,549	4,134,155	685,660,325
Other segment information:					
– Depreciation and amortization	(138,718)	(35,747)	(221,501)	(314)	(396,280)
– Capital expenditure	199,204	51,334	318,082	451	569,071

(Amount in thousands of RMB, unless otherwise stated)

54. Segment information *(continued)*

(a) Operating segments *(continued)*

	Corporate banking business	Retail banking business	Treasury business	Other business and undistributed project	Total
Six months ended 30 June 2017					
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
Net foreign exchange losses	(23,657)	(161)	(172,522)	(40,040)	(236,380)
Other net operating income	–	–	–	9,219	9,219
Total 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/(loss) 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/(loss) before tax	782,500	274,176	4,473,670	(187,386)	5,342,960
As at 31 December 2017					
Segment assets	207,210,217	10,676,142	494,839,182	8,312,264	721,037,805
Deferred tax assets	–	–	–	2,379,845	2,379,845
Total assets	207,210,217	10,676,142	494,839,182	10,692,109	723,417,650
Segment liabilities	198,695,911	170,395,089	285,754,251	8,128,666	662,973,917
Dividend payable	–	–	–	279,005	279,005
Total liabilities	198,695,911	170,395,089	285,754,251	8,407,671	663,252,922
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

(Amount in thousands of RMB, unless otherwise stated)

54. Segment information *(continued)*

(b) Geographical information

The Group operates principally in Mainland 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.

The distribution of the geographical areas is as follows:

Jinzhou region:	Including head quarter of the Bank, Jinzhou branch and the five subsidiaries of the Group.
Other northeastern China:	Including the following areas serviced by branches of the Bank: Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin, Liaoyang, Hu Ludao, Benxi, Yingkou and the three subsidiaries of the Group.
Northern China:	Including the following areas serviced by branches of the Bank: Beijing and Tianjin.

	Operating Income For six months ended 30 June	
	2018	2017
Jinzhou	**7,172,849**	6,174,107
Other northeastern China	**1,143,779**	1,065,330
Northern China	**1,355,758**	1,292,940
Total	**9,672,386**	8,532,377

	Non-current assets	
	30 June 2018	31 December 2017
Jinzhou	**2,712,402**	2,730,457
Other northeastern China	**3,222,826**	3,195,954
Northern China	**772,552**	695,987
Total	**6,707,780**	6,622,398

55. Financial instrument risk management

(a) Credit risk

(i) Credit risk measurement

Measurement of ECL

The ECL is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all receivable contractual cash flows according to the contract and all cash flows expected to be received by the Group discounted to present value at the original effective interest rate, i.e. the present value of all cash shortfalls.

According to the changes of credit risk of financial instruments since the initial recognition, the Group calculates the ECL by three stages:

- Stage I: The financial instruments without significant increases in credit risk after initial recognition are included in Stage I to calculate their impairment allowance at an amount equivalent to the ECL of the financial instrument for the next 12 months;

- Stage II: Financial instruments that have had a significant increase in credit risk since initial recognition but are not considered credit-impaired are included in Stage II, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments;

- Stage III: Financial assets that are considered credit-impaired at the balance sheet date are included in Stage III, with their impairment allowance measured at the amount equivalent to the ECL for the lifetime of the financial instruments.

For the previous accounting period, the impairment allowance has been measured at the amount equivalent to the ECL over the entire lifetime of the financial instrument. However, at the balance sheet date of the current period, if the financial instrument no longer belongs to the situation of there being a significant increase in credit risk since initial recognition, the Group will measure the impairment allowance of the financial instruments on the balance sheet date of the current period according to the ECL in the next 12 months.

55. Financial instrument risk management *(continued)*

(a) Credit risk *(continued)*

(i) Credit risk measurement *(continued)*

Measurement of ECL *(continued)*

The Group shall measure ECL of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic condition

When measuring ECL, an entity need not necessarily identify every possible scenario. However, the Group shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

The Group conducted an assessment of ECL according to forward-looking information and used complex models and assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group adopts judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as:

- Criteria for judging significant increases in credit risk
- Definition of credit-impaired financial asset
- Parameters for measuring ECL
- Forward-looking information
- Modification of contractual cash flows

55. Financial instrument risk management *(continued)*

(a) Credit risk *(continued)*

(i) Credit risk measurement *(continued)*

Criteria for judging significant increases in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria

- At the reporting date, the rating or the probability of default (PD) of the financial instruments reaches a certain extent, comparing with the one at initial recognition.

Qualitative criteria

- The credit risk event of the debtor which is highly likely to lead to significant adverse effects;
- The debtor meets problems of cash flow or liquidity, i.e. overdue loans;
- The debtor is unwilling to repay the debt, i.e. debt dodge, fraud;
- The debtor defaults on loans outside the Group, resulting in non-performing assets in PBOC credit system;
- Credit spread increases significantly; and
- For collateralised and pledged loans, change of the value of collateral might incur a rise in credit risk.

Baseline criteria

- Be classified into Special Mention category.

55. Financial instrument risk management *(continued)*

(a) Credit risk *(continued)*

(i) Credit risk measurement *(continued)*

Definition of credit-impaired financial asset

The standard adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

Parameters of ECL measurement

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). Based on the current New Basel Capital Accord used in risk management and the requirements of IFRS 9, the Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collaterals, repayments, etc.) and forward-looking information in order to establish the model of PD, LGD and EAD.

55. Financial instrument risk management *(continued)*

(a) Credit risk *(continued)*

(i) Credit risk measurement *(continued)*

Parameters of ECL measurement *(continued)*

Relative definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the results of the Internal Rating-Based Approach under the New Basel Capital Accord, taking into account the forward-looking information and deducting the prudential adjustment to reflect the debtor's point-in-time (PIT) PD under the current macroeconomic environment;

- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, the LGD varies. The LGD is the percentage of loss of risk exposure at the time of default, calculated over the next 12 months or over the entire remaining lifetime;

- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

Forward-looking information

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various business types.

The impact of these economic indicators on the PD and the LGD varies according to different types of business. In this process, the Group mainly applies external data and supplements the internal experts' judgement. The Group determines the impact of these economic indicators on the PD and the LGD by conducting regression analysis.

In addition to providing a baseline economic scenario, internal experts of the Group determine the weight of other possible scenarios based on the baseline economic scenario. The Group measures the weighted average ECL of 12 months (stage I) or life time (stage II and stage III). The weighted average credit loss above is calculated by multiplying the ECL for each scenario by the weight of the corresponding scenario.

(Amount in thousands of RMB, unless otherwise stated)

55. Financial instrument risk management *(continued)*

(a) Credit risk *(continued)*

(ii) 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 balance sheet date.

(iii) Risk concentrations

By industry distribution

The credit risk exposures of the Group mainly comprise loans and advances to customers, finance lease receivables and investments in debt instruments. Details of the composition of the Group's investments in debt instruments are set out in note 55(a) to the interim financial information. The composition of the Group's gross loans and advances to customers by industry is analysed as follows:

	30 June 2018	31 December 2017
Wholesale and retail trade	**112,979,073**	107,983,226
Manufacturing	**40,766,314**	34,526,186
Real estate	**21,051,916**	14,611,490
Leasing and commercial services	**14,594,982**	11,297,965
Public administration and social organisations	**8,053,819**	8,160,339
Education	**5,556,280**	5,573,015
Transportation, storage and postal services	**4,833,631**	1,704,719
Construction	**3,365,994**	2,088,328
Electricity, gas and water production and supply	**3,221,370**	2,524,672
Mining	**2,446,496**	2,312,522
Water, environment and public utility management	**1,338,700**	1,326,750
Agriculture, forestry, animal husbandry and fishery	**1,173,441**	1,540,602
Others	**11,168,076**	8,837,541
Subtotal for corporate loans and advances	**230,550,092**	202,487,355
Personal loans and advances	**10,859,208**	10,161,100
Discounted bills	**6,784,084**	2,472,719
Total	**248,193,384**	215,121,174

(Amount in thousands of RMB, unless otherwise stated)

55. Financial instrument risk management *(continued)*

(a) Credit risk *(continued)*

(iv) Loans and advances to customers

The total credit risk exposures of loans and advances to customers are summarised as follows:

	30 June 2018	31 December 2017
Neither overdue nor impaired	241,695,177	211,977,611
Overdue but not impaired	3,365,526	896,630
Impaired	3,132,681	2,246,933
Total loans and advances	248,193,384	215,121,174
Less: provision for impairment losses	(7,584,232)	(6,036,227)
Net loans and advances	240,609,152	209,084,947

Neither overdue nor impaired

The management of the Group considers that these loans are exposed to normal business risk and there was no identifiable objective evidence of impairment for these loans which may incur losses to the Group at the balance sheet date.

The following table presents the types of loans and advances to customers which are neither overdue nor impaired as at the balance sheet date:

	30 June 2018		
	Pass	Special mention	Total
Unsecured loans	14,904,603	166,690	15,071,293
Guaranteed loans	87,085,167	3,012,889	90,098,056
Collateralized loans	68,463,446	2,696,938	71,160,384
Pledged loans	65,023,824	341,620	65,365,444
	235,477,040	6,218,137	241,695,177

	31 December 2017		
	Pass	Special mention	Total
Unsecured loans	17,097,006	118,696	17,215,702
Guaranteed loans	73,171,298	2,091,086	75,262,384
Collateralized loans	52,494,928	1,823,487	54,318,415
Pledged loans	64,968,115	212,995	65,181,110
	207,731,347	4,246,264	211,977,611

(Amount in thousands of RMB, unless otherwise stated)

55. Financial instrument risk management *(continued)*

(a) Credit risk *(continued)*

(iv) Loans and advances to customers *(continued)*

Overdue but not impaired

The following tables present the ageing analysis of each type of loans and advances to customers of the Group that are subject to credit risk which are past due but not impaired as at the balance sheet date:

	30 June 2018	31 December 2017
Overdue for:		
Less than three months	**3,157,751**	748,914
Three to six months	**157,019**	40,478
Over six months	**50,756**	107,238
Total	**3,365,526**	896,630

Impaired

Impaired loans and advances are defined as loans and advances which have objective evidence of impairment as a result of one or more events that occurred after initial recognition and that event has an impact on the estimated future cash flows of loans and advances that can be reliably estimated.

Loans and advances to customers analysed by the five-tier loan classification and the three stage of the ECL as follows:

	Six-month period ended 30 June 2018			
	Stage I (12-month ECL)	**Stage II (Lifetime ECL)**	**Stage III (Lifetime ECL-impaired)**	**Total**
Pass	**232,026,875**	**4,742,684**	**–**	**236,769,559**
Special-mention	**–**	**8,291,144**	**–**	**8,291,144**
Substandard	**–**	**–**	**2,215,224**	**2,215,224**
Doubtful	**–**	**–**	**888,911**	**888,911**
Loss	**–**	**–**	**28,546**	**28,546**
Total loans and advances	**232,026,875**	**13,033,828**	**3,132,681**	**248,193,384**
Allowance for impairment losses	**(3,848,923)**	**(1,987,220)**	**(1,748,089)**	**(7,584,232)**
Loans and advances to customers, net	**228,177,952**	**11,046,608**	**1,384,592**	**240,609,152**

(Amount in thousands of RMB, unless otherwise stated)

55. Financial instrument risk management *(continued)*

(a) Credit risk *(continued)*

(v) Finance lease receivables

	30 June 2018	31 December 2017
The lease amount		
Neither overdue nor impaired	**6,960,642**	7,020,243
Overdue but not impaired	**901,783**	–
Impaired	**–**	–
Subtotal	**7,862,425**	7,020,243
Less: Provision for impairment losses	**(196,954)**	(179,902)
Net amount	**7,665,471**	6,840,341

	Six-month period ended 30 June 2018			
	Stage I (12-month ECL)	**Stage II (Lifetime ECL)**	**Stage III (Lifetime ECL-impaired)**	**Total**
Pass	6,960,642	–	–	6,960,642
Special-mention	–	901,783	–	901,783
Subtotal	6,960,642	901,783	–	7,862,425
Less: Provision for impairment losses	(70,704)	(126,250)	–	(196,954)
Net amount	6,889,938	775,533	–	7,665,471

The finance lease receivables were neither past due nor impaired as at 31 December 2017.

(Amount in thousands of RMB, unless otherwise stated)

55. Financial instrument risk management *(continued)*

(a) Credit risk *(continued)*

(vi) Debt instruments

Financial assets at amortised cost by five-tier loan classification and three-staging analysed as follows:

	Six-month period ended 30 June 2018			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
Pass	334,626,625	4,599,900	–	339,226,525
Special-mention	–	1,076,258	–	1,076,258
Substandard	–	–	37,880	37,880
Total	334,626,625	5,676,158	37,880	340,340,663
Allowance for impairment losses	(4,345,676)	(546,927)	(18,142)	(4,910,745)
Net balance	330,280,949	5,129,231	19,738	335,429,918

Debt instruments at fair value through other comprehensive income by five-tier loan classification and three-staging analysed as follows:

	Six-month period ended 30 June 2018			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
Pass	38,394,620	–	–	38,394,620
Net balance	38,394,620	–	–	38,394,620

As at 30 June 2018, the Group's accumulated impairment change on the financial assets at fair value through other comprehensive income amounted to RMB753 thousand.

(Amount in thousands of RMB, unless otherwise stated)

55. Financial instrument risk management *(continued)*

(a) Credit risk *(continued)*

(vi) Debt instruments *(continued)*

31 December 2017	Debt instruments classified as receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets held for trading	Total
Neither past due nor impaired					
Governments	–	3,832,750	2,324,942	28,900	6,186,592
Banks and other financial institutions	200,088	3,926,073	47,413,501	23,497,908	75,037,570
Corporate entities	345,858,845	19,841	900,506	–	346,779,192
Subtotal	346,058,933	7,778,664	50,638,949	23,526,808	428,003,354
Overdue but not impaired					
Corporate entities	–	–	–	–	–
Subtotal	–	–	–	–	–
Impaired					
Corporate entities	814,500	–	–	–	814,500
Subtotal	814,500	–	–	–	814,500
Less: Provision for impairment losses	(3,503,866)	–	–	–	(3,503,866)
Total	343,369,567	7,778,664	50,638,949	23,526,808	425,313,988

(Amount in thousands of RMB, unless otherwise stated)

55. Financial instrument risk management *(continued)*

(b) Liquidity risk

(i) Maturity analysis of contractual undiscounted cash flows

The tables below summarise the maturity profile of the Group's financial instruments based on the contractual undiscounted cash flows. The balances of some items in the tables below are different from the balances on the statement of financial position as the tables incorporate all cash flows relating to both principal and interest. The Group's expected cash flows on these instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

30 June 2018	Overdue/ Undated	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Total
Non-Derivative Financial assets:								
Cash and balances with the central bank	53,335,275	3,560,225	–	–	–	–	–	56,895,500
Deposits with banks and other financial institutions	–	1,603,560	1,451,949	436,434	4,092,998	–	–	7,584,941
Placements with banks and other financial institutions	–	–	198,709	–	–	–	–	198,709
Financial assets at fair value through profit or loss	–	1,353,391	4,508,206	7,092,551	19,868,663	14,659,351	–	47,482,162
Financial assets held under resale agreements	–	–	296,993	–	–	–	–	296,993
Loans and advances to customers (i)	3,404,449	1,190,169	8,869,314	17,305,189	76,578,563	161,997,387	3,899,604	273,244,675
Financial assets at fair value through other comprehensive income	–	–	117,325	437,987	11,049,335	27,374,777	3,396,588	42,376,012
Financial assets at amortised cost (ii)	569,220	–	5,755,360	11,991,191	74,358,828	290,410,688	4,506,603	387,591,890
Finance lease receivables	–	71,360	124,328	894,030	2,281,883	5,260,078	–	8,631,679
Other financial assets	–	–	196,315	–	4,092	795	–	201,202
Total assets	57,308,944	7,778,705	21,518,499	38,157,382	188,234,362	499,703,076	11,802,795	824,503,763

(Amount in thousands of RMB, unless otherwise stated)

55. Financial instrument risk management *(continued)*

(b) Liquidity risk *(continued)*

(i) Maturity analysis of contractual undiscounted cash flows *(continued)*

30 June 2018	Overdue/ Undated	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Total
Non-Derivative Financial liabilities:								
Borrowing from the central bank	–	–	1,853	5,263	77,255	–	–	84,371
Deposits from banks and other financial institutions	–	48,980	8,462,300	23,872,681	60,201,203	60,047,901	16,763,442	169,396,507
Placements from banks and other financial institutions	–	–	8,630,020	2,669,302	6,156,176	–	–	17,455,498
Financial liabilities at fair value through profit or loss	–	842,848	3,065,748	7,758,833	15,245,033	64,616	305,884	27,282,962
Financial assets sold under repurchase agreements	–	–	38,817,036	–	–	–	–	38,817,036
Deposits from customers	–	60,895,357	15,344,106	27,235,033	102,693,999	160,959,219	1,663,047	368,790,761
Debt securities issued	–	–	6,706,384	24,631,983	43,114,098	12,695,195	–	87,147,660
Other financial liabilities	–	632,496	1,870,205	598	50,553	233,133	–	2,786,985
Total liabilities	–	62,419,681	82,897,652	86,173,693	227,538,317	234,000,064	18,732,373	711,761,780
Net position	57,308,944	(54,640,976)	(61,379,153)	(48,016,311)	(39,303,955)	265,703,012	(6,929,578)	112,741,983
Loan commitments and credit card commitments	–	5,029,422	50	309,946	118,783	44,350	–	5,502,551

Derivative cash flows	Within three months	Three months to one year	Total
Derivative financial instruments settled on gross basis			
Cash outflow	(12,324,171)	(5,595,142)	(17,919,313)
Cash inflow	12,479,166	5,714,056	18,193,222

(Amount in thousands of RMB, unless otherwise stated)

55. Financial instrument risk management *(continued)*

(b) Liquidity risk *(continued)*

(i) Maturity analysis of contractual undiscounted cash flows *(continued)*

31 December 2017	Overdue/ Undated	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Total
Non-Derivative Financial assets:								
Cash and balances with the central bank	48,228,548	3,890,603	–	–	–	–	–	52,119,151
Deposits with banks and other financial institutions	–	2,063,194	512,879	3,840,415	2,667,278	691,676	–	9,775,442
Placements with banks and other financial institutions	–	–	2,503,646	–	–	–	–	2,503,646
Financial assets at fair value through profit or loss	–	225,380	4,507,401	6,791,481	11,430,989	692,597	239,455	23,887,303
Financial assets held under resale agreements	–	–	3,581,726	–	–	–	–	3,581,726
Loans and advances to customers (i)	1,638,398	124,536	4,405,584	17,268,592	75,435,787	139,901,849	2,790,366	241,565,112
Available-for-sale financial assets	–	300,187	319,279	835,262	4,090,824	46,440,394	4,536,062	56,522,008
Held-to-maturity investments	–	–	44,727	89,455	1,064,035	5,395,225	3,774,534	10,367,976
Debt instruments classified as receivables (ii)	563,091	–	11,200,076	23,854,249	93,336,273	229,056,567	4,218,059	362,228,315
Finance lease receivables			177,549	639,182	2,372,934	4,783,221	–	7,972,886
Other financial assets	–	–	88,703	–	1,878	365	–	90,946
Total assets	50,430,037	6,603,900	27,341,570	53,318,636	190,399,998	426,961,894	15,558,476	770,614,511

(Amount in thousands of RMB, unless otherwise stated)

55. Financial instrument risk management *(continued)*

(b) Liquidity risk *(continued)*

(i) Maturity analysis of contractual undiscounted cash flows *(continued)*

31 December 2017	Overdue/ Undated	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Total
Non-Derivative Financial liabilities:								
Borrowing from the central bank	—	—	567	1,134	312,951	—	—	314,652
Deposits from banks and other financial institutions	—	289,509	6,342,130	25,728,689	57,718,069	50,611,078	—	140,689,475
Placements from banks and other financial institutions	—	—	1,446,698	2,171,844	10,090,681	—	—	13,709,223
Financial liabilities at fair value through profit or loss	—	211,730	4,406,673	6,676,516	11,136,221	39,150	11,730	22,482,020
Financial assets sold under repurchase agreements	—	—	33,878,068	5,320,900	—	—	—	39,198,968
Deposits from customers	—	66,468,598	13,882,311	24,133,622	97,370,265	156,972,269	35,301	358,862,366
Debt securities issued	—	—	9,045,899	23,159,186	49,232,917	11,806,979	—	93,244,981
Other financial liabilities	—	412,305	2,643,579	390	32,954	151,972	—	3,241,200
Total liabilities	—	67,382,142	71,645,925	87,192,281	225,894,058	219,581,448	47,031	671,742,885
Net position	50,430,037	(60,778,242)	(44,304,355)	(33,873,645)	(35,494,060)	207,380,446	15,511,445	98,871,626
Loan commitments and credit card commitments	—	4,255,368	254,500	57,890	207,210	24,430	—	4,799,398

Derivative cash flows	Within three months	Three months to one year	Total
Derivative financial instruments settled on gross basis			
Cash outflow	(5,521,914)	(11,594,990)	(17,116,904)
Cash inflow	5,439,483	11,014,141	16,453,624

(i) 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.

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

55. Financial instrument risk management *(continued)*

(c) Market risk

Market risk is the risk of loss, in respect of the Group's on-and off-balance-sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading businesses.

The Group's market risk contains interest rate risk and currency risk.

The Group is primarily exposed to structural interest rate risk arising from commercial banking and position risk arising from treasury transactions.

The Group's currency risk mainly results from the risk arising from exchange rate fluctuations on its foreign exchange exposures. Foreign exchange exposures include the mismatch of foreign exchange assets and liabilities, and off-balance-sheet foreign exchange positions arising from derivative transactions.

Sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major market risk management tools used by the Group. The Bank uses different management methods to control market risks, including trading book and banking book risks.

(i) Currency risk

The Group conducts it businesses mainly in RMB, with certain transactions denominated in USD, HKD and, to a lesser extent, other currencies. Transactions in foreign currencies mainly arise from the Group's treasury operations and foreign exchange dealings.

The exchange rate of RMB to USD is managed under a floating exchange rate system.

The tables below indicate a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure on its monetary assets and liabilities and its forecasted cash flows. The analysis shows the effect of a reasonably possible movement in the currency rates against RMB, with all other variables held constant, on profit before tax and equity. A negative amount in the table reflects a potential net reduction in profit before tax or equity, while a positive amount reflects a potential net increase. This effect, however, is based on the assumption that the Group's foreign exchange exposures as at the period end are kept unchanged and, therefore, has not incorporated actions that would be taken by the Group to mitigate the adverse impact of this foreign exchange risk.

The Group sets trading limits, stop-loss limits and exposure limits to foreign exchange transactions to manage foreign exchange risk and to keep currency risk within limits. Based on the guidelines provided by the Risk Management Committee, laws and regulations as well as evaluation of the current market, the Group sets its risk limits and minimizes the possibility of mismatch through more reasonable allocation of foreign currency sources and deployment.

(Amount in thousands of RMB, unless otherwise stated)

55. Financial instrument risk management *(continued)*

(c) Market risk *(continued)*

(i) Currency risk *(continued)*

Currency	Change in rate	Effect on profit before tax 30 June 2018	31 December 2017
USD	-1%	**139,179**	141,597
Others	-1%	**12,662**	11,258

While the table above indicates the effect on profit before tax of 1% depreciation of USD, there will be an opposite effect with the same amount if the currencies appreciate by the same percentage.

A breakdown of the financial assets and financial liabilities analysed by currency is as follows:

30 June 2018	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Financial assets:				
Cash and balances with the central bank	56,627,248	242,395	2,118	56,871,761
Deposits with banks and other financial institutions	6,300,352	935,464	103,322	7,339,138
Placements with banks and other Financial Institutions	–	198,498	–	198,498
Financial assets at fair value through profit or loss	45,732,935	200,384		45,933,319
Positive fair value of derivatives	–	472,977	14,545	487,522
Financial assets held under resale agreements	296,753	–	–	296,753
Loans and advances to customers	237,893,783	2,627,486	87,883	240,609,152
Financial assets at fair value through other comprehensive income	38,394,620	–	–	38,394,620
Financial assets at amortised cost	335,429,918	–	–	335,429,918
Finance lease receivables	7,665,471	–	–	7,665,471
Others financial assets	4,260,083	37,233	1,050	4,298,366
Total assets	732,601,163	4,714,437	208,918	737,524,518

(Amount in thousands of RMB, unless otherwise stated)

55. Financial instrument risk management *(continued)*

(c) Market risk *(continued)*

(i) Currency risk *(continued)*

A breakdown of the financial assets and financial liabilities analysed by currency is as follows: *(continued)*

30 June 2018	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Financial liabilities:				
Borrowing from the central bank	82,101	–	–	82,101
Deposits from banks and other financial institutions	149,800,363	–	–	149,800,363
Placements from banks and other financial Institutions	1,300,930	14,744,556	268,659	16,314,145
Financial liabilities at fair value through profit or loss	26,485,025	–	–	26,485,025
Negative fair value of derivatives	–	128,384	44,295	172,679
Financial assets sold under repurchase agreements	38,735,359	–	–	38,735,359
Deposits from customers	347,313,772	3,560,650	752,216	351,626,638
Debt securities issued	83,731,348	–	–	83,731,348
Other financial liabilities	16,193,658	198,760	409,991	16,802,409
Total liabilities	663,642,556	18,632,350	1,475,161	683,750,067
Net position	68,958,607	(13,917,913)	(1,266,243)	53,774,451
Credit commitments	164,978,228	2,150,300	977,523	168,106,051

(Amount in thousands of RMB, unless otherwise stated)

55. Financial instrument risk management *(continued)*

(c) Market risk *(continued)*

(i) Currency risk *(continued)*

A breakdown of the financial assets and financial liabilities analysed by currency is as follows: *(continued)*

31 December 2017	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Financial assets:				
Cash and balances with the central bank	51,694,247	421,551	1,712	52,117,510
Deposits with banks and other financial institutions	7,812,720	1,688,247	116,727	9,617,694
Placements with Banks and Other Financial Institutions	2,500,000	–	–	2,500,000
Financial assets at fair value through profit or loss	23,526,808	–	–	23,526,808
Positive fair value of derivatives	–	1,207	202	1,409
Financial assets held under resale agreements	3,572,794	–	–	3,572,794
Loans and advances to customers	205,758,970	3,240,758	85,219	209,084,947
Available-for-sale financial assets	50,441,061	197,888	–	50,638,949
Held-to-maturity investments	7,778,664	–	–	7,778,664
Debt instruments classified as receivables	343,369,567	–	–	343,369,567
Finance lease receivables	6,840,341	–	–	6,840,341
Other financial assets	4,285,446	33,597	823	4,319,866
Total assets	707,580,618	5,583,248	204,683	713,368,549

(Amount in thousands of RMB, unless otherwise stated)

55. FINANCIAL INSTRUMENT RISK MANAGEMENT *(continued)*

(c) Market risk *(continued)*

(i) Currency risk *(continued)*

A breakdown of the financial assets and financial liabilities analysed by currency is as follows: *(continued)*

31 December 2017	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Financial liabilities:				
Borrowing from the central bank	307,848	–	–	307,848
Deposits from banks and other financial institutions	134,537,429	–	–	134,537,429
Placements from banks and other financial Institutions	2,012,000	11,040,562	413,565	13,466,127
Financial liabilities at fair value through profit or loss	22,439,776	–	–	22,439,776
Negative fair value of derivatives	–	574,099	148,883	722,982
Financial assets sold under repurchase agreements	39,064,430	–	–	39,064,430
Deposits from customers	333,934,816	7,843,255	486,157	342,264,228
Debt securities issued	89,564,751	–	–	89,564,751
Other financial liabilities	15,136,736	285,007	281,857	15,703,600
Total liabilities	636,997,786	19,742,923	1,330,462	658,071,171
Net position	70,582,832	(14,159,675)	(1,125,779)	55,297,378
Credit commitments	130,544,733	3,033,937	998,269	134,576,939

(Amount in thousands of RMB, unless otherwise stated)

55. FINANCIAL INSTRUMENT RISK MANAGEMENT *(continued)*

(c) Market risk *(continued)*

(ii) Interest rate risk

The tables below summarise the contractual repricing or maturity dates, whichever are earlier, of the Group's financial assets and financial liabilities:

30 June 2018	Overdue/Non-interest bearing	Within three months	Three months to one year	One to five years	More than five years	Total
Financial assets:						
Cash and balances with the central bank	910,279	55,961,482	–	–	–	56,871,761
Deposits with banks and other financial institutions	–	3,415,761	3,923,377	–	–	7,339,138
Placements with Banks and Other Financial Institutions	–	198,498	–	–	–	198,498
Financial assets at fair value through profit or loss	1,353,391	11,449,326	19,112,301	14,018,301	–	45,933,319
Positive fair value of derivatives	487,522	–	–	–	–	487,522
Financial assets held under resale agreements	–	296,753	–	–	–	296,753
Loans and advances to customers	4,255,225	22,387,978	66,004,029	144,845,478	3,116,442	240,609,152
Financial assets at fair value through other comprehensive income	–	200,382	10,021,982	25,201,888	2,970,368	38,394,620
Financial assets at amortised cost	549,838	11,457,002	56,857,695	262,066,304	4,499,079	335,429,918
Finance lease receivables	43,000	812,033	1,911,630	4,898,808	–	7,665,471
Other financial assets	4,298,366	–	–	–	–	4,298,366
Total assets	11,897,621	106,179,215	157,831,014	451,030,779	10,585,889	737,524,518

(Amount in thousands of RMB, unless otherwise stated)

55. FINANCIAL INSTRUMENT RISK MANAGEMENT *(continued)*

(c) Market risk *(continued)*

(ii) Interest rate risk *(continued)*

The tables below summarise the contractual repricing or maturity dates, whichever are earlier, of the Group's financial assets and financial liabilities: *(continued)*

30 June 2018	Overdue/Non-interest bearing	Within three months	Three months to one year	One to five years	More than five years	Total
Financial liabilities:						
Borrowing from the central bank	–	6,680	75,421	–	–	82,101
Deposits from banks and other financial institutions	–	30,241,643	57,227,820	45,590,900	16,740,000	149,800,363
Placements from banks and other financial institutions	–	10,204,489	6,109,656	–	–	16,314,145
Financial liabilities at fair value through profit or loss	–	11,424,654	14,997,932	62,439	–	26,485,025
Negative fair value of derivatives	172,679	–	–	–	–	172,679
Financial assets sold under repurchase agreements	–	38,735,359	–	–	–	38,735,359
Deposits from customers	262,802	100,292,620	97,427,757	151,980,456	1,663,003	351,626,638
Debt securities issued	–	30,627,734	41,661,399	11,442,215	–	83,731,348
Other financial liabilities	16,802,409	–	–	–	–	16,802,409
Total liabilities	17,237,890	221,533,179	217,499,985	209,076,010	18,403,003	683,750,067
Net position	(5,340,269)	(115,353,964)	(59,668,971)	241,954,769	(7,817,114)	53,774,451

(Amount in thousands of RMB, unless otherwise stated)

55. FINANCIAL INSTRUMENT RISK MANAGEMENT *(continued)*

(c) Market risk *(continued)*

(ii) Interest rate risk *(continued)*

The tables below summarise the contractual repricing or maturity dates, whichever are earlier, of the Group's financial assets and financial liabilities: *(continued)*

31 December 2017	Overdue/Non-interest bearing	Within three months	Three months to one year	One to five years	More than five years	Total
Financial assets:						
Cash and balances with the central bank	747,977	51,369,533	–	–	–	52,117,510
Deposits with banks and other financial institutions	–	6,365,194	2,598,000	654,500	–	9,617,694
Placements with banks and Other Financial Institutions	–	2,500,000	–	–	–	2,500,000
Financial assets at fair value through profit or loss	–	11,274,671	11,386,175	626,507	239,455	23,526,808
Positive fair value of derivatives	1,409	–	–	–	–	1,409
Financial assets held under resale agreements	–	3,572,794	–	–	–	3,572,794
Loans and advances to customers	1,753,684	21,470,776	72,016,790	111,635,692	2,208,005	209,084,947
Available-for-sale financial assets	300,187	289,702	1,582,689	45,668,060	2,798,311	50,638,949
Held-to-maturity investments	–	–	697,589	4,752,553	2,328,522	7,778,664
Debt instruments classified as receivables	556,597	29,532,795	81,329,828	227,931,207	4,019,140	343,369,567
Finance lease receivables	–	2,977,922	1,676,518	2,185,901	–	6,840,341
Other financial assets	4,319,866	–	–	–	–	4,319,866
Total assets	7,679,720	129,353,387	171,287,589	393,454,420	11,593,433	713,368,549

(Amount in thousands of RMB, unless otherwise stated)

55. FINANCIAL INSTRUMENT RISK MANAGEMENT *(continued)*

(c) Market risk *(continued)*

(ii) Interest rate risk *(continued)*

The tables below summarise the contractual repricing or maturity dates, whichever are earlier, of the Group's financial assets and financial liabilities: *(continued)*

31 December 2017	Overdue/Non-interest bearing	Within three months	Three months to one year	One to five years	More than five years	Total
Financial liabilities:						
Borrowing from the central bank	–	–	307,848	–	–	307,848
Deposits from banks and other financial institutions	–	30,869,509	54,184,550	46,270,870	3,212,500	134,537,429
Placements from banks and other financial institutions	–	3,546,559	9,919,568	–	–	13,466,127
Financial liabilities at fair value through profit or loss	–	11,265,000	11,135,626	39,150	–	22,439,776
Negative fair value of derivatives	722,982	–	–	–	–	722,982
Financial assets sold under repurchase agreements	–	39,064,430	–	–	–	39,064,430
Deposits from customers	111,982	102,330,196	91,867,159	147,919,590	35,301	342,264,228
Debt securities issued	–	31,994,793	47,594,477	9,975,481	–	89,564,751
Other financial liabilities	15,703,600	–	–	–	–	15,703,600
Total liabilities	16,538,564	219,070,487	215,009,228	204,205,091	3,247,801	658,071,171
Net position	(8,858,844)	(89,717,100)	(43,721,639)	189,249,329	8,345,632	55,297,378

55. Financial instrument risk management *(continued)*

(d) Capital management

The Group's objectives on capital management are:

- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to support the Group's stability and growth;
- to allocate capital using an efficient and risk-based approach to optimise the risk adjusted return to the shareholders; and
- to maintain an adequate capital base to support the development of its business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust its profit distribution policy, issue or redeem own shares, long-term subordinated bonds, etc.

Capital adequacy ratios and the use of regulatory capital are monitored regularly by the Group's management based on regulations issued by the former CBRC. The required information is filed with the former CBRC by the Group and the Bank semi-annually and quarterly.

The capital adequacy ratios and related components of the Group are computed in accordance with the statutory financial statements of the Group prepared under PRC GAAP. During the period, the Group has fully complied with all its externally imposed capital requirements. The requirements pursuant to these regulations may have significant differences comparing to those applicable in Hong Kong and other countries.

Since 1 January 2013, the Group has begun to disclose the capital adequacy ratio in accordance with the "Capital Rules for Commercial Banks (Provisional)"and will continue to promote the content of this disclosure. According to the requirement of the former CBRC, commercial banks should reach the regulatory requirement of capital adequacy ratio by the end of 2018. The regulatory requirements request a commercial bank to maintain its core tier 1 capital adequacy ratio above 7.5%, the tier 1 capital adequacy ratio above 8.5% and the capital adequacy ratio above 10.5%.

(Amount in thousands of RMB, unless otherwise stated)

55. Financial instrument risk management *(continued)*

(d) Capital management

	30 June 2018	31 December 2017
Core capital		
Share capital	**6,781,616**	6,781,616
Qualifying part of capital reserve	**14,184,913**	13,578,809
Surplus reserve	**2,994,679**	2,994,679
General reserve	**9,818,070**	9,818,070
Retained earnings	**15,010,905**	13,160,018
Qualified part of non-controlling interests	**588,484**	532,382
Core tier 1 capital deductible items:		
Fully deductible items	**(187,933)**	(182,643)
Net core tier 1 capital	**49,190,734**	46,682,931
Net other tier 1 capital	**9,977,931**	9,968,347
Net tier 1 capital	**59,168,665**	56,651,278
Net tier 2 capital	**12,608,480**	7,911,166
Net capital	**71,777,145**	64,562,444
Total risk-weighted assets	**618,369,171**	553,087,541
Core tier 1 capital adequacy ratio	**7.95%**	8.44%
Tier 1 capital adequacy ratio	**9.57%**	10.24%
Capital adequacy ratio	**11.61%**	11.67%

(Amount in thousands of RMB, unless otherwise stated)

56. Fair value of financial instruments

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for the determination and disclosure of the fair values of financial instruments:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following tables show the fair value hierarchy of financial instruments measured or disclosed at fair value:

30 June 2018	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
– Debt instruments	503,600	8,832,411	9,829,515	19,165,526
Financial assets designated at fair value through profit or loss	–	–	26,767,793	26,767,793
Financial assets at fair value through other comprehensive income				
– Debt instruments	–	38,394,620	–	38,394,620
Positive fair value of derivatives				
– Foreign currency derivatives	–	487,522	–	487,522
Total	503,600	47,714,553	36,597,308	84,815,461
Financial liabilities measured at fair value				
Financial liability at fair value through profit or loss	–	–	26,485,025	26,485,025
Negative fair value of derivatives				
– Derivative financial liability	–	172,679	–	172,679
Total	–	172,679	26,485,025	26,657,704
Financial assets disclosed at fair value				
Financial assets at amortised cost	–	340,346,870	–	340,346,870
Financial liabilities disclosed at fair value				
Tier 2 capital bonds issued	–	7,939,360	–	7,939,360
Negotiable certificates of deposit issued	–	75,905,138	–	75,905,138
Total	–	83,844,498	–	83,844,498

(Amount in thousands of RMB, unless otherwise stated)

56. Fair value of financial instruments *(continued)*

The following tables show the fair value hierarchy of financial instruments measured or disclosed at fair value:

	Available for-sale financial assets	Financial assets designated at fair value through profit or loss	Total financial assets	Financial liability designated at fair value through profit or loss	Total financial liability
31 December 2017	9,629,561	20,634,006	30,263,567	(22,439,776)	(22,439,776)
Influence of IFRS9	(9,629,561)	9,629,561	–	–	–
1 January 2018	–	30,263,567	30,263,567	(22,439,776)	(22,439,776)
Total gains or loss					
– in profit or loss for the period	–	32,022	32,022	(67,973)	(67,973)
Purchases	–	26,086,380	26,086,380	(30,530,189)	(30,530,189)
Settlements	–	(19,784,661)	(19,784,661)	26,552,913	26,552,913
30 June 2018	–	36,597,308	36,597,308	(26,485,025)	(26,485,025)

(Amount in thousands of RMB, unless otherwise stated)

56. Fair value of financial instruments *(continued)*

Determination of fair value and fair value hierarchy *(continued)*

The following tables show the fair value hierarchy of financial instruments measured or disclosed at fair value: *(continued)*

31 December 2017	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
Financial assets held for trading				
– Debt instruments	—	1,005,451	—	1,005,451
– Precious metals	—	13,651	—	13,651
Financial assets designated at fair value through profit or loss	—	1,873,700	20,634,006	22,507,706
Available-for-sale financial assets				
– Debt instruments	—	41,009,388	9,629,561	50,638,949
Positive fair value of derivatives				
– Foreign currency derivatives	—	1,409	—	1,409
Total	—	43,903,599	30,263,567	74,167,166
Financial liabilities measured at fair value				
Financial liability designated at fair value through profit or loss	—	—	22,439,776	22,439,776
Negative fair value of derivatives				
– Foreign currency derivatives	—	722,982	—	722,982
Total	—	722,982	22,439,776	23,162,758
Financial assets disclosed at fair value				
Held-to-maturity investments	—	7,617,355	—	7,617,355
Debt instruments classified as receivables	—	343,369,567	—	343,369,567
Total	—	350,986,922	—	350,986,922
Financial liabilities disclosed at fair value				
Tier 2 capital bonds issued	—	3,960,770	—	3,960,770
Negotiable certificates of deposit issued	—	85,369,965	—	85,369,965
Total	—	89,330,735	—	89,330,735

Financial assets held for trading and derivative financial instruments are stated at fair value by reference to the quoted market prices when available. If quoted market prices are not available, fair values are estimated on the basis of discounted cash flows or pricing models. For debt instruments, the fair values of these bonds are determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data.

(Amount in thousands of RMB, unless otherwise stated)

56. Fair value of financial instruments *(continued)*

Determination of fair value and fair value hierarchy *(continued)*

	Available for-sale financial assets	Financial assets designated at fair value through profit or loss	Total financial assets	Financial liability designated at fair value through profit or loss	Total financial liabilities
1 January 2017	1,881,078	19,169,083	21,050,161	(20,986,772)	(20,986,772)
Total gains or loss					
– in profit or loss for the year	—	39,864	39,864	(36,314)	(36,314)
– in other comprehensive income	9,999	—	9,999	—	—
Purchases	9,801,163	40,067,469	49,868,632	(41,959,700)	(41,959,700)
Settlements	(2,062,679)	(38,642,410)	(40,705,089)	40,543,010	40,543,010
31 December 2017	9,629,561	20,634,006	30,263,567	(22,439,776)	(22,439,776)

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain of the financial assets and liabilities held and issued by the Group, the discounted cash flow method or other valuation methods described below are adopted to determine the fair values of these assets and liabilities:

(i) The debt instruments classified as receivables are not quoted in an active market. In the absence of any other relevant observable market, the fair values of debt instruments classified as receivables are estimated on the basis of pricing models or discounted cash flows.

(ii) The fair values of held-to-maturity investments, Tier 2 capital bonds, financial bonds and negotiable certificates of deposit are determined with reference to the available market values. If quoted market prices are not available, fair values are estimated on the basis of pricing models or discounted cash flows.

All of the above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's assets and liabilities. However, other financial institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

56. Fair value of financial instruments *(continued)*

Determination of fair value and fair value hierarchy *(continued)*

Those financial instruments for which their carrying amounts are the reasonable approximations of their fair values because, for example, they are short term in nature or repriced at current market rates frequently, are as follows:

Assets	Liabilities
Balances with the central bank	Borrowing from the central bank
Deposits with banks and other financial institutions	Deposits from banks and other financial institutions
Placements with banks and other financial institutions	Placements from banks and other financial institutions
Financial assets held under resale agreements	Financial assets sold under repurchase agreements
Loans and advances to customers	Deposits from customers
Finance lease receivables	Other financial liabilities
Other financial assets	

57. Events after the balance sheet date

As of the approval date of the financial statements, there were no significant events need to be disclosed by the Group after the balance sheet date.

58. Comparative amounts

Certain comparative amounts have been reclassified to conform with the current period's presentation.

59. Approval of the condensed consolidated interim financial information

The financial statements were approved and authorised for issue by the Board of Directors on 28 August 2018.

Chapter 11 Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

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

(a) Liquidity ratio

	As at 30 June 2018	Average for the period ended 30 June 2018
Liquidity coverage ratio (RMB and foreign currency)	**132.95%**	**148.04%**

	As at 31 December 2017	Average for the year ended 31 December 2017
Liquidity coverage ratio (RMB and foreign currency)	163.13%	235.91%

These liquidity ratios are calculated based on the relevant regulations imposed by the CBRC and Chinese accounting standards ("CAS").

(b) Currency concentrations

	USD	HKD	Others	Total
30 June 2018				
Spot assets	**4,714,437**	**45,897**	**163,021**	**4,923,355**
Spot liabilities	**(18,632,350)**	**(428,746)**	**(1,046,415)**	**(20,107,511)**
Net long/(short) position	**(13,917,913)**	**(382,849)**	**(883,394)**	**(15,184,156)**
Net structural position	**–**	**–**	**–**	**–**
31 December 2017				
Spot assets	5,583,248	26,080	178,603	5,787,931
Spot liabilities	(19,742,923)	(425,734)	(904,728)	(21,073,385)
Net long/(short) position	(14,159,675)	(399,654)	(726,125)	(15,285,454)
Net structural position	–	–		–

(Expressed in thousands of Renminbi, unless otherwise stated)

(c) 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.

	As at 30 June 2018		
	Banks and other financial institutions	**Non-bank private sector**	**Total**
Asia Pacific	**46,482**	**2,627,486**	**2,673,968**
– of which attributed to Hong Kong	**12,321**	**–**	**12,321**
Europe	**2,311,821**	**–**	**2,311,821**
North and South America	**43,005**	**–**	**43,005**
Total	**2,401,308**	**2,627,486**	**5,028,794**

	As at 31 December 2017		
	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	1,530,720	3,360,397	4,891,117
– of which attributed to Hong Kong	214,724	—	214,724
Europe	32,458	—	32,458
North and South America	858,241	—	858,241
Total	2,421,419	3,360,397	5,781,816

(Expressed in thousands of Renminbi, unless otherwise stated)

(d) Loans and advances to customers

(i) Gross amount of loans and advances overdue for more than 90 days

	30 June 2018	31 December 2017
Amounts for overdue loans and advances to customers:		
Between 3 and 6 months	**653,281**	213,726
Between 6 and 12 months	**689,351**	354,620
Over 12 months	**1,879,323**	1,653,749
Total	**3,221,955**	2,222,095
As a percentage of the total gross loans and advances to customers:		
Between 3 and 6 months	**0.26%**	0.10%
Between 6 and 12 months	**0.28%**	0.16%
Between 12 and 36 months	**0.76%**	0.77%
Total	**1.30%**	1.03%

The fair values of collateral that the Group holds relating to overdue loans and advances overdue more than 90 days as at 30 June 2018 amounted to RMB1,317 million (31 December 2017: RMB746 million). The collateral mainly consists of land, buildings, equipment and others.

(ii) Loans and advances overdue for more than 90 days by geographical segments

	30 June 2018	31 December 2017
Jinzhou region	**1,163,020**	804,166
Northeastern China	**1,559,834**	1,076,420
Northern China	**499,101**	341,509
Total	**3,221,955**	2,222,095

(Expressed in thousands of Renminbi, unless otherwise stated)

(e) Overdue deposits with banks and other financial institutions

As at 30 June 2018, there were no overdue accounts from banks and other financial institutions in respect of principal or interest (31 December 2017: Nil).

(f) Overdue placements with banks and other financial institutions

As at 30 June 2018, there were no overdue placements with banks and other financial institutions in respect of principal or interest (31 December 2017: Nil).

(g) Exposures to Mainland China non-bank entities

As a commercial bank established in mainland china, the bank mainly developing banking business in the area. As at 31 December 2017 and 30 June 2018, most of the business risk of the group is from transactions with domestic institutions or individuals.

(h) Leverage ratio (%)

	2018 30 June	2017 31 December
Leverage ratio	**6.86%**	6.82%

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