



盛京銀行

SHENGJING BANK

Shengjing Bank Co., Ltd.*

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

Stock Code: 02066

2015 INTERIM REPORT

盛京



* *Shengjing Bank Co., Ltd. is not an authorised 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 authorised to carry on banking and/or deposit-taking business in Hong Kong.*

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COMPANY INFORMATION

Legal Name in Chinese	盛京銀行股份有限公司
Abbreviation in Chinese	盛京銀行
Legal Name in English	Shengjing Bank Co., Ltd.
Abbreviation in English	SHENGJING BANK
Legal Representative	ZHANG Yukun
Authorized Representatives	ZHANG Yukun and ZHOU Zhi
Secretary to the Board of Directors	ZHOU Zhi
Joint Company Secretaries	ZHOU Zhi and KWONG Yin Ping Yvonne
Registered and Business Address	No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC
Contact Number	86-24-22535633
Website	www.shengjingbank.com.cn
Principal Place of Business in Hong Kong	Units 08–09, 18/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong
Website of The Stock Exchange of Hong Kong Limited on which the H Share Interim Report is Published	www.hkexnews.hk
Place of Maintenance of the Interim Report	Office of the Board of Directors of the Bank
Stock Name	Shengjing Bank
Stock Code	02066

COMPANY INFORMATION (Continued)

H Share Registrar and its Business Address	Computershare Hong Kong Investor Services Limited Address: Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Legal Advisor as to PRC Laws and its Business Address	Tian Yuan Law firm 10/F, China Pacific Insurance Plaza 28 Fengsheng Hutong Xicheng District Beijing, the PRC
Legal Advisor as to Hong Kong Law and its Business Address	Freshfields Bruckhaus Deringer 11th Floor, Two Exchange Square Central Hong Kong
Auditor and its Business Address	KPMG 8th Floor Prince's Building 10 Chater Road Hong Kong
Compliance Advisor and its Business Address	CMB International Capital Limited Room 1803–4, 18/F, Bank of America Tower 12 Harcourt Road Central Hong Kong

FINANCIAL HIGHLIGHTS

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June 2015	For the six months ended 30 June 2014	Rate of Change (%)
Operating Results			
Interest income	15,037,787	11,876,123	26.6
Interest expense	(9,411,356)	(7,256,467)	29.7
Net interest income	5,626,431	4,619,656	21.8
Net fee and commission income	620,130	706,401	(12.2)
Net trading losses, net gain/(losses) arising from investments, net foreign exchange gains, other operating income	743,103	(86,545)	(958.6)
Operating income	6,989,664	5,239,512	33.4
Operating expenses	(1,927,376)	(1,590,634)	21.2
Impairment losses on assets	(891,233)	(369,092)	141.5
Operating profit	4,171,055	3,279,786	27.2
Share of profits of associates	–	2,338	(100.0)
Profit before taxation	4,171,055	3,282,124	27.1
Income tax expense	(970,495)	(776,500)	25.0
Net profit	3,200,560	2,505,624	27.7
Net profit attributable to equity shareholders of the Bank*	<u>3,193,906</u>	<u>2,493,564</u>	<u>28.1</u>
Calculated on a per share basis (RMB)			
			Change
Basic earnings per share	0.55	0.59	(0.04)
Diluted earnings per share	0.55	0.59	(0.04)

FINANCIAL HIGHLIGHTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2015	As at 31 December 2014	Rate of Change (%)
Major indicators of assets/liabilities			
Total assets	588,290,096	503,370,514	16.9
Of which: loans and advances to customers	188,428,055	155,946,864	20.8
Total liabilities	550,022,991	467,237,029	17.7
Of which: deposits from customers	354,900,199	315,943,789	12.3
Share capital	5,796,680	5,646,005	2.7
Equity attributable to equity shareholders of the Bank*	37,826,519	35,699,553	6.0
Total equity	38,267,105	36,133,485	5.9

	For the six months ended 30 June 2015	For the six months ended 30 June 2014	Change
Profitability Indicators (%)			
Return on average total assets ⁽¹⁾	1.17	1.25	(0.08)
Return on average equity ⁽²⁾	17.21	21.29	(4.08)
Net interest spread ⁽³⁾	2.02	2.07	(0.05)
Net interest margin ⁽⁴⁾	2.17	2.31	(0.14)
Net fee and commission income to operating income	8.87	13.48	(4.61)
Cost-to-income ratio ⁽⁵⁾	17.61	21.17	(3.56)

FINANCIAL HIGHLIGHTS (Continued)

	As at 30 June 2015	As at 31 December 2014	Change
Asset quality indicators (%)			
Non-performing loan ratio ⁽⁶⁾	0.40	0.44	(0.04)
Allowance to non-performing loans ⁽⁷⁾	440.92	387.42	53.50
Allowance to total loans ⁽⁸⁾	1.79	1.70	0.09
Capital adequacy ratio indicators (%)			
Core tier-one capital adequacy ratio ⁽⁹⁾	9.99	11.04	(1.05)
Tier-one capital adequacy ratio ⁽⁹⁾	9.99	11.04	(1.05)
Capital adequacy ratio ⁽⁹⁾	11.50	12.65	(1.15)
Total equity to total assets ratio	6.50	7.18	(0.68)
Other indicators (%)			
Loan-to-deposit ratio ⁽¹⁰⁾	54.06	50.21	3.85

FINANCIAL HIGHLIGHTS (Continued)

- * Excluding the subsidiaries
- (1) Calculated by dividing the net profit by the average of total assets at the beginning and at the end of the period.
- (2) Representing the net profit during the period as a percentage of the average balance of total equity at the beginning and the end of the period.
- (3) Calculated by deducting the average interest rate of interest-bearing liabilities from the average return rate of interest-earning assets.
- (4) Calculated by dividing net interest income by the average interest-earning assets.
- (5) Calculated by dividing operating expenses (less business tax and surcharges) by operating income.
- (6) Calculated by dividing the balance of non-performing loans by total balance of loans and advances to customers.
- (7) Calculated by dividing the balance of provision for impairment on loans by the balance of non-performing loans.
- (8) Calculated by dividing the balance of provision for impairment on loans by the total balance of loans and advances to customers.
- (9) Core tier-one capital adequacy ratio and Tier-one capital adequacy ratio were calculated in accordance with the latest guidance promulgated by the CBRC (effective from 1 January 2013).
- (10) The loan-to-deposit ratio is calculated by dividing the total balance of loans and advances to customers by total deposits from customers.

MANAGEMENT DISCUSSION AND ANALYSIS

3.1 BUSINESS REVIEW

During the first half of 2015, against the background of numerous challenges ranging from the increasing downward pressure in the economy, the accelerated liberalisation of interest rates to disintermediation in the financial sector, Shengjing Bank continuously solidified its corporate governance with the establishment of different systems and mechanisms, consistently facilitated financial reforms and integrated innovations, intensively promoted business transition as well as structural adjustment and continuously strengthened the development of the comprehensive risk control system. By virtue of such efforts, the Bank's various businesses grew in a stable and rapid manner while its operations have gathered considerable momentum against all the odds in terms of development, allowing the Bank to set a new scene in the opening year upon its listing in the international capital market.

As of 30 June 2015, the total assets of the Bank were RMB588,290 million, representing an increase of 16.9% as compared to that at the beginning of the year; the gross of loans and advances to customers amounted to RMB188,428 million, representing an increase of 20.8% as compared to that at the beginning of the year; and the non-performing loan ratio was 0.40%. The balance of deposits from customers amounted to RMB354,900 million, representing an increase of 12.3% as compared to that at the beginning of the year; the operating income of the Bank amounted to RMB6,990 million, representing an increase of 33.4% compared to that in the same period last year; and the net profit was RMB3,201 million, representing an increase of 27.7% compared to that in the same period last year.

The size of the global offering of H shares of the Bank on 29 December 2014 was 1,375 million shares (comprising 1,250 million H shares offered by the Bank and 125 million sale shares offered by the selling shareholders, excluding the partial exercise of the over-allotment option). On 21 January 2015, the joint global coordinators of the global offering partially exercised the over-allotment option on behalf of the international underwriters of the global offering with the amount of 165,742,500 H Shares (comprising 150,675,000 H Shares offered by the Bank and 15,067,500 sale shares offered by the selling shareholders). All the proceeds raised from the global offering were used to strengthen the capital base of the Bank. As of 30 June 2015, the capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio of the Bank were 11.50%, 9.99% and 9.99%, respectively.

In March 2015, in the "2014 Research Report of Asian Bank Competitiveness", the Bank's overall competitiveness ranked 13th and the income index ranked second, which were the highest rankings among mainland city commercial banks; in July 2015, China Lianhe Credit Rating Co., Ltd. increased the Bank's long-term credit rating from AA+ to AAA, with a stable outlook.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The Bank has further implemented its customer strategy and integrated marketing strategy, while being committed to strengthening the construction of offering payment services in all facets of public utilities and fostering the overall cooperation between the Bank and its strategic customers. The Bank has also consistently strengthened its marketing and business management, continuously optimised the function of the products of its retail business and endeavored to develop agency services and to embark on the marketing of its financial management business portfolio. The Bank has also continuously increased the allocation of resources to foster innovations in its international business, investment banking and the financial market business. The Bank has also aimed to obtain licenses for various new businesses and expand the scope of its services and their functions in the meantime. In addition, it has enhanced and optimised its contractual human resources system and its market-oriented incentive and management system. All of these initiatives have expedited the improvement of the effectiveness and efficiency as well as the transformation and enhancement of the Bank's operations.

Having consistently refined its prudent and sound risk control strategy and continued to optimise its risk control system, the Bank has improved the risk management process and furthered the implementation of the multi-dimensional risk management strategies covering the full spectrum of risk management. The Bank has also adjusted its differentiated credit authorisation management policies in a flexible manner, strengthened the supervision and early-warning management in key areas and industries, timely commenced investigations into specific risk items and assessed risks for key businesses throughout the entire process. The Bank has continued to enhance its capabilities for identifying, supervising and controlling risks. Through all such efforts, the Bank has improved its capabilities of managing, preventing and controlling risks in a comprehensive manner.

The Bank has consistently enhanced the reconstruction of its systems and mechanisms as well as the transformation of its operational model, continuously optimized its three-tier operational system comprising the head office, branches and sub-branches, improved its cost control mechanism, continuously optimised the allocation of its financial resources, actively promoted the multi-divisional reforms in key areas and the establishment of organisations that offer specialized services as part of its efforts to foster professional, standardised and intensive operations. Meanwhile, the Bank has continued to expand its service outlets and digital channels in order to gradually facilitate the development of community finance and digital banking businesses. All of these initiatives have further enhanced the Bank's competitive edges in the market.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

3.2 FINANCIAL REVIEW

3.2.1 Analysis of the Income Statement

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June 2015	For the six months ended 30 June 2014	Change in amount	Rate of Change (%)
Interest income	15,037,787	11,876,123	3,161,664	26.6
Interest expense	(9,411,356)	(7,256,467)	(2,154,889)	29.7
Net interest income	5,626,431	4,619,656	1,006,775	21.8
Net fee and commission income	620,130	706,401	(86,271)	(12.2)
Net trading losses	(28,732)	–	(28,732)	–
Net gains/(losses) arising from investment	581,007	(111,570)	692,577	(620.8)
Net foreign exchange gains	181,693	5,610	176,083	3,138.7
Other operating income	9,135	19,415	(10,280)	(52.9)
Operating income	6,989,664	5,239,512	1,750,152	33.4
Operating expenses	(1,927,376)	(1,590,634)	(336,742)	21.2
Impairment losses on assets	(891,233)	(369,092)	(522,141)	141.5
Share of profits of associate	–	2,338	(2,338)	(100.0)
Profit before taxation	4,171,055	3,282,124	888,931	27.1
Income tax expense	(970,495)	(776,500)	(193,995)	25.0
Net profit	3,200,560	2,505,624	694,936	27.7

In the first half of 2015, the Bank's profit before taxation was RMB4,171 million, representing an increase of 27.1% compared to that in the same period last year; net profit was RMB3,201 million, representing an increase of 27.7% compared to that in the same period last year, mainly attributable to the stable growth of interest-earning assets, leading to an increase of RMB1,007 million or 21.8% of net interest income.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

3.2.1.1 Net interest income

Net interest income constituted the largest component of the operating income of the Bank, accounting for 80.5% and 88.2% of the operating income of the first half of 2015 and the first half of 2014, respectively. The following table sets forth the interest income, interest expense and net interest income of the Bank for the periods indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June 2015	For the six months ended 30 June 2014	Change in amount	Rate of change (%)
Interest income	15,037,787	11,876,123	3,161,664	26.6
Interest expense	(9,411,356)	(7,256,467)	(2,154,889)	29.7
Net interest income	5,626,431	4,619,656	1,006,775	21.8

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The following table sets forth the average balance of interest-earning assets and interest-bearing liabilities, the related interest income or expense and the related average yields on interest-earning assets or the related average costs of interest-bearing liabilities for the periods indicated. The average balances of the interest-earning assets and interest-bearing liabilities for the first half of 2015 and the first half of 2014 are the average balance derived from the Bank's management accounts which have not been audited:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June 2015			For the six months ended 30 June 2014		
	Average balance	Interest income	Average return rate (%)	Average balance	Interest income	Average return rate (%)
Interest-earning assets						
Loans and advances to customers	172,606,561	6,674,576	7.73	142,059,730	5,671,189	7.98
Financial investments	179,325,399	5,076,301	5.66	85,712,821	2,354,683	5.49
Deposits with central bank	61,377,322	465,469	1.52	55,800,627	417,989	1.50
Deposits with banks and other financial institutions	80,312,167	2,256,411	5.62	103,693,702	3,065,431	5.91
Financial assets held under resale agreements	20,561,317	481,656	4.69	12,299,381	361,791	5.88
Placements with banks and other financial institutions	528,483	3,737	1.41	253,985	5,040	3.97
Financial assets at fair value through profit or loss for the period	3,888,098	79,637	4.10	-	-	-
Total interest-earning assets	518,599,347	15,037,787	5.80	399,820,246	11,876,123	5.94

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June 2015			For the six months ended 30 June 2014		
	Average balance	Interest expenses	Average interest rate (%)	Average balance	Interest expenses	Average interest rate (%)
Interest-bearing liabilities						
Deposits from customers	350,884,022	5,998,489	3.42	268,980,327	4,406,201	3.28
Deposits from banks and other financial institutions	95,474,199	2,568,554	5.38	71,367,021	2,072,583	5.81
Financial assets sold under repurchase agreements	41,739,242	692,933	3.32	30,651,343	692,508	4.52
Placements from banks and other financial institutions	6,264,018	54,150	1.73	2,805,424	43,084	3.07
Debt securities issued	3,100,000	97,230	6.27	1,288,950	42,091	6.53
Total interest-bearing liabilities	497,461,481	9,411,356	3.78	375,093,065	7,256,467	3.87
Net interest income		5,626,431			4,619,656	
Net interest spread ⁽¹⁾			2.02			2.07
Net interest margin ⁽²⁾			2.17			2.31

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 average balance of total interest-earning assets on annualised basis.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The following table sets forth the changes in the Bank's interest income and interest expense due to changes in volume and rates for the periods indicated. Volume and rate variances have been measured based on movements in average balances over these periods, and changes in interest rates have been measured based on daily average interest-earning assets and interest-bearing liabilities. Variances caused by changes in both volume and interest rate have been allocated to changes in interest rate.

(Expressed in thousands of Renminbi, unless otherwise stated)	Increase/ (decrease) Volume ⁽¹⁾	Due to Rate ⁽²⁾	Net increase/ (decrease) ⁽³⁾
Interest-earning assets			
Loans and advances to customers	1,218,819	(215,432)	1,003,387
Financial investments	2,569,665	151,953	2,721,618
Deposits with central bank	41,825	5,655	47,480
Deposits with banks and other financial institutions	(690,924)	(118,096)	(809,020)
Financial assets held under resale agreements	242,901	(123,036)	119,865
Placements with banks and other financial institutions	5,449	(6,752)	(1,303)
Financial assets at fair value through profit or loss	–	79,637	79,637
Changes in interest income	<u>3,387,735</u>	<u>(226,071)</u>	<u>3,161,664</u>
Interest-bearing liabilities			
Deposits from customers	1,343,221	249,067	1,592,288
Deposits from banks and other financial institutions	700,314	(204,343)	495,971
Financial assets sold under repurchase agreements	250,587	(250,162)	425
Placements from banks and other financial institutions	53,089	(42,023)	11,066
Debt securities issued	59,131	(3,992)	55,139
Changes in interest expense	<u>2,406,342</u>	<u>(251,453)</u>	<u>2,154,889</u>
Changes in net interest income	<u>981,393</u>	<u>25,382</u>	<u>1,006,775</u>

⁽¹⁾ Represents the average balance for the period minus the average balance for the previous period, multiplied by the average yield or cost for the previous period.

⁽²⁾ Represents the average yield or cost for the period minus the average yield or 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.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

3.2.1.2 Interest income

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June 2015		For the six months ended 30 June 2014	
	Amount	% of total	Amount	% of total
Loans and advances to customers				
Corporate loans (including discounted bills)	6,492,690	43.1	5,549,378	46.8
Personal loans	181,886	1.2	121,811	1.0
Sub-total	6,674,576	44.3	5,671,189	47.8
Financial investments	5,076,301	33.8	2,354,683	19.8
Deposits with central bank	465,469	3.1	417,989	3.5
Deposits with banks and other financial institutions	2,256,411	15.0	3,065,431	25.8
Financial assets held under resale agreements	481,656	3.2	361,791	3.0
Placements with banks and other financial institutions	3,737	0.1	5,040	0.1
Financial assets at fair value through profit or loss	79,637	0.5	–	–
Total	15,037,787	100.0	11,876,123	100.0

The Bank's interest income increased by 26.6% from RMB11,876 million for the first half of 2014 to RMB15,038 million for the first half of 2015, primarily due to (i) an increase in the volume and return rates of financial investments, and (ii) an increase in the volume of loans and advances to customers.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers was the largest component of the Bank's interest income, accounting for 44.3% and 47.8% of the interest income for the first half of 2015 and the first half of 2014, respectively. The following table sets forth the average balances of the loans and advances to customers and the average yields of related interests income and loans and advances to customers for the periods indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June 2015			For the six months ended 30 June 2014		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans (including discounted bills)	166,620,821	6,492,690	7.79	137,929,470	5,549,378	8.05
Personal loans	5,985,740	181,886	6.08	4,130,260	121,811	5.90
Total	172,606,561	6,674,576	7.73	142,059,730	5,671,189	7.98

Interest Income from Financial Investments

Interest income from financial investments increased by 115.6% from RMB2,355 million for the first half of 2014 to RMB5,076 million for the first half of 2015, mainly due to an increase in the average balance of our financial investments as a result of the increase in the scale of our asset management plans and investments in bonds.

Interest Income from Deposits with Central Bank

Interest income from deposits with central bank increased by 11.4% from RMB418 million for the first half of 2014 to RMB465 million for the first half of 2015, primarily due to the growth in deposits of the Bank, which in turn resulted in an increase in the amount of the Bank's statutory deposit reserves with central bank.

Interest Income from Deposits with Banks and Other Financial Institutions

Interest income from deposits with banks and other financial institutions decreased by 26.4% from RMB3,065 million for the first half of 2014 to RMB2,256 million for the first half of 2015, mainly due to the decrease in the amount of average balance and average yield of the deposits with banks and other financial institutions.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Interest Income from Financial Assets Held under Resale Agreements

Interest income from financial assets held under resale agreements increased by 33.1% from RMB362 million for the first half of 2014 to RMB482 million for the first half of 2015, mainly because the Bank increased its investment in financial assets held under resale agreements in accordance with the overall financial position and market interest rates, resulting in the increase in its average balance of 67.2% from RMB12,299 million for the first half of 2014 to RMB20,561 million for the first half of 2015.

Interest Income from Financial Assets at Fair Value through Profit or Loss

For the first half of 2015, the Bank's interest income from financial assets at fair value through profit or loss amounted to RMB80 million, mainly due to the increased investment made by the Bank in financial assets at fair value through profit or loss for the first half of 2015 after considering its overall financial position and market interest rate.

3.2.1.3 Interest Expense

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June 2015		For the six months ended 30 June 2014	
	Amount	% of total	Amount	% of total
Deposits from customers	5,998,489	63.7	4,406,201	60.7
Deposits from banks and other financial institutions	2,568,554	27.3	2,072,583	28.6
Financial assets sold under repurchase agreements	692,933	7.4	692,508	9.5
Placements from banks and other financial institutions	54,150	0.6	43,084	0.6
Debt securities issued	97,230	1.0	42,091	0.6
Total	9,411,356	100.0	7,256,467	100.0

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Interest Expense on Deposits from Customers

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June 2015			For the six months ended 30 June 2014		
	Average Balance	Interest Expense	Average cost (%)	Average Balance	Interest Expense	Average cost (%)
Corporate deposits						
Demand	68,220,513	343,397	1.01	67,779,419	283,686	0.84
Time	185,354,156	3,970,437	4.28	122,464,167	2,789,448	4.56
Sub-total	253,574,669	4,313,834	3.40	190,243,586	3,073,134	3.23
Personal deposits						
Demand	10,363,064	24,820	0.48	10,643,884	21,380	0.40
Time	86,946,289	1,659,835	3.82	68,092,857	1,311,687	3.85
Subtotal	97,309,353	1,684,655	3.46	78,736,741	1,333,067	3.39
Total deposits from customers	350,884,022	5,998,489	3.42	268,980,327	4,406,201	3.28

Interest expense on deposits from customers increased by 36.1% from RMB4,406 million for the first half of 2014 to RMB5,998 million for the first half of 2015, primarily due to the growth of the deposit business of the Bank and the increase in the proportion of time deposits with a higher interest rate.

Interest Expense on Deposits from Banks and Other Financial Institutions

Interest expense on deposits from banks and other financial institutions increased by 23.9% from RMB2,073 million for the first half of 2014 to RMB2,569 million for the first half of 2015, primarily due to the increase in the average balance of deposits from banks and other financial institutions by RMB24,107 million.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Interest Expense on Financial Assets Sold under Repurchase Agreements

Interest expense on financial assets sold under repurchase agreements basically remained at the same level, with a slight increase from RMB692 million for the first half of 2014 to RMB693 million for the first half of 2015, primarily due to the impact of the decrease in interest rate being offset by the increase in the average balance of financial assets sold under repurchase agreements.

Interest Expense on Placements from Banks and Other Financial Institutions

Interest expense on placements from banks and other financial institutions increased from RMB43.08 million for the first half of 2014 to RMB54.15 million for the first half of 2015, mainly due to the increase in the average balance of placements from banks and other financial institutions.

Interest Expense on Debt Securities Issued

During the first half of 2015, the interest expense of the debt securities issued of the Bank amounted to RMB97.23 million, representing an increase of RMB55.14 million as compared to last year, which was mainly due to the issuance of Tier 2 capital bonds of the Bank in May 2014.

3.2.1.4 Net Interest Spread and Net Interest Margin

Net interest spread is the difference between the average yield on the average balance of our total interest-earning assets and the average cost of the average balance of the Bank's total interest-bearing liabilities. Net interest margin is the ratio of net interest income to the average balance of total interest-earning assets. Net interest spread of the Bank decreased from 2.07% for the first half of 2014 to 2.02% for the first half of 2015, and the net interest margin of the Bank decreased from 2.31% for the first half of 2014 to 2.17% for the first half of 2015, primarily due to the decrease in the average yield on assets and the increase in average interest rate of liabilities as (i) the yield on loans and advances to customers which have a higher yield than other interest-earning assets decreased; (ii) the average balance and return rate of deposits with banks and other financial institutions decreased as compared with the same period of last year, leading to a decrease in average yield on interest-earning assets in the first half of 2015; and (iii) the average interest rate of deposits from customers increased.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

3.2.1.5 Non-interest Income

1. Net Fee and Commission Income

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June 2015	For the six months ended 30 June 2014	Change in amount	Rate of Change (%)
Fee and commission income				
Agency and custody service fees	567,179	677,283	(110,104)	(16.3)
Settlement and clearing service fees	93,636	50,030	43,606	87.2
Bank card service fees	13,304	18,914	(5,610)	(29.7)
Fee and commission expenses	(53,989)	(39,826)	(14,163)	35.6
Net fee and commission income	620,130	706,401	(86,271)	(12.2)

The Bank's net fee and commission income decreased from RMB706 million for the first half of 2014 to RMB620 million for the first half of 2015.

The principal sources of the Bank's fee and commission income are (i) agency and custody service, (ii) settlement and clearing service and (iii) bank card service. Fee and commission income decreased from RMB746 million for the first half of 2014 to RMB674 million for the first half of 2015, primarily due to the decrease in the fee income from agency and custody service of the Bank.

Fee and commission expenses primarily include fees paid to third parties for the provision of intermediary services that can be directly classified as expenses related to the provision of such services. Fee and commission expenses of the Bank increased by 35.6% from RMB39.83 million for the first half of 2014 to RMB53.99 million for the first half of 2015. Fee and commission expenses increased, primarily due to an increase in the expenses of the agency and custody service.

2. Net Trading Losses

For the first half of 2015, the losses from the financial assets at fair value through profit or loss amounted to RMB28.73 million, mainly due to the fluctuation of the bond market.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

3. *Net Gains/(Losses) Arising from Financial Investments*

For the first half of 2015, the Bank's net gains arising from financial investments amounted to RMB581 million, representing a significant increase as compared with the same period of 2014. This is mainly because the yield of the bond market declined rapidly in the first half of 2015, and the Bank disposed a large amount of bonds with floating profits it held in its accounts with long position and realised premium as a result.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June 2015	For the six months ended 30 June 2014	Change in amount	Rate of Change (%)
Dividends from available-for-sale equity investments	440	–	440	–
Net gains on disposal of available-for-sale financial assets	580,567	15,418	565,149	3,666.5
Losses from cessation of significant influence over investment in an associate	–	(126,988)	126,988	(100.0)
Total	581,007	(111,570)	692,577	(620.8)

4. *Net Foreign Exchange Gains*

For the first half of 2015, the net foreign exchange gains amounted to RMB182 million, representing a significant increase of RMB176 million as compared to the same period in 2014, mainly due to the large amount of exchange gains on repatriation of listing proceeds.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

3.2.1.6 Operating Expense

For the first half of 2015, the operating expense of the Bank amounted to RMB1,927 million, representing an increase of RMB337 million or 21.2% compared to that in the same period of last year.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June 2015	For the six months ended 30 June 2014	Change in amount	Rate of Change (%)
Staff costs	776,640	634,421	142,219	22.4
Business taxes and surcharges	696,677	481,271	215,406	44.8
Depreciation and amortisation	152,319	142,021	10,298	7.3
Office expenses	106,361	121,370	(15,009)	(12.4)
Rental and property management expenses	83,185	93,251	(10,066)	(10.8)
Other general and administrative expenses	112,194	118,300	(6,106)	(5.2)
Total operating expense	1,927,376	1,590,634	336,742	21.2

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

1. Staff Costs

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June 2015	For the six months ended 30 June 2014	Change in amount	Rate of Change (%)
– Salaries, bonuses and allowances	611,905	460,052	151,853	33.0
– Pension and annuity	65,687	69,483	(3,796)	(5.5)
– Other social insurances	32,248	44,712	(12,464)	(27.9)
– Housing allowances	31,337	25,280	6,057	24.0
– Supplementary retirement benefits	3,533	9,291	(5,758)	(62.0)
– Others	31,930	25,603	6,327	24.7
Total staff costs	776,640	634,421	142,219	22.4

For the first half of 2015, total staff costs of the Bank amounted to RMB777 million, representing an increase of RMB142 million or 22.4% compared to that in the same period of last year, primarily due to (i) an increase in the number of employees of the Bank; and (ii) an increase in employees' compensation by the Bank in 2015.

2. Business Taxes and Surcharges

The business taxes and surcharges increased by 44.8% from RMB481 million for the first half of 2014 to RMB697 million for the first half of 2015, mainly due to the increase in interest income and gains arising from financial investments.

3. Office Expenses, Rent and Property Management Expenses

Office expenses, rent and property management expenses mainly include office supplies, property rents, maintenance fees for electronic devices and security fees, conference fees and postal, telecom and printing fees. Office expenses, rent and property management expenses for the first half of 2015 and the first half of 2014 were RMB190 million and RMB215 million, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

4. Depreciation and Amortisation

Depreciation and amortisation increased by 7.3% from RMB142 million for the first half of 2014 to RMB152 million for the first half of 2015. The increase in depreciation and amortisation was primarily due to the increase in the depreciation resulting from expanded properties and equipment and the increase in long-term prepaid expenses of the Bank, in particular, the renovation costs of leased properties and the expenses for opening operation outlets.

5. Other General and Administrative Expense

Other general and administrative expense decreased by 5.2% from RMB118 million for the first half of 2014 to RMB112 million for the first half of 2015.

3.2.1.7 Impairment Losses on Assets

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June 2015	For the six months ended 30 June 2014	Change in amount	Rate of Change (%)
Loans and advances to customers	832,664	385,624	447,040	115.9
Loans and receivables	60,000	–	60,000	–
Others	(1,431)	(16,532)	15,101	(91.3)
Total	891,233	369,092	522,141	141.5

3.2.1.8 Share of Profits of Associate

The cessation of significant influence over Benxi City Commercial Bank Co., Ltd. in January 2014 resulted in recording nil in the share of profits of associates for the period.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

3.2.1.9 Income Tax Expenses

During the first half of 2015, income tax expenses of the Bank amounted to RMB970 million, representing an increase of RMB194 million or 25.0% as compared to the same period of last year. The effective tax rate of the Bank was 23.27%, representing a decrease of 0.39% as compared to the same period of last year.

3.2.2 Analysis of the Statement of Financial Position

3.2.2.1 Assets

Total assets of the Bank as at 30 June 2015 and 31 December 2014 were RMB588,290 million and RMB503,371 million, respectively. The principal components of the assets were (i) financial investments, (ii) loans and advances to customers, (iii) deposits with banks and other financial institutions, and (iv) cash and deposits with central bank, which accounted for 39.1%, 32.0%, 12.5% and 11.4%, respectively, of the total assets of the Bank as at 30 June 2015. The following table sets forth the balances of principal components of the total assets of the Bank as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2015		As at 31 December 2014	
	Amount	% of total	Amount	% of total
Assets				
Gross loans and advances to customers	191,853,781	32.6	158,644,499	31.5
Provision for impairments	(3,425,726)	(0.6)	(2,697,635)	(0.5)
Net loans and advances to customers	188,428,055	32.0	155,946,864	31.0
Financial investment ⁽¹⁾	229,915,506	39.1	152,186,804	30.2
Deposits with banks and other financial institutions	73,784,031	12.5	85,560,982	17.0
Cash and deposits with central bank	67,159,464	11.4	72,079,244	14.3
Financial assets held under resale agreements	9,880,428	1.7	25,941,589	5.2
Placements with banks and other financial Institutions	1,095,215	0.2	1,513,868	0.3
Financial assets at fair value through profit or loss	5,922,670	1.0	–	–
Other assets ⁽²⁾	12,104,727	2.1	10,141,163	2.0
Total assets	588,290,096	100.0	503,370,514	100.0

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Notes:

- (1) Includes held-to-maturity investments, financial investments classified as loans and receivables, and available-for-sale financial assets, but excludes financial assets at fair value through profit or loss.
- (2) Includes interest receivables, property and equipment, other receivables, deferred income tax assets and other assets.

Total assets of the Bank increased by 16.9% from RMB503,371 million as of 31 December 2014, to RMB588,290 million as of 30 June 2015. The growth in total assets of the Bank from 31 December 2014 to 30 June 2015 was largely the result of an increase in the loans and advances to customers, financial investment and deposits with banks and other financial institutions, which was attributable to the rapid development of the customer base and various business due to economic growth in Liaoning Province stimulated by the Strategy of Revitalisation of the Old Industrial Bases in Northeast China as well as the Bank's implementation of cross-region operations.

1. *Loans and advances to customers*

Loans and advances to customers were the essential component of the assets of the Bank. The total loans and advances to customers made by the Bank as of 30 June 2015 amounted to RMB191,854 million with an increase of 20.9% from the end of the previous year. The net loans and advances to customers accounted for 32.0% of the total assets as with an increase of 1 percentage point from the end of the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2015		As at 31 December 2014	
	Amount	% of total	Amount	% of total
Corporate loans				
– Corporate loans	178,013,812	92.8	152,782,561	96.3
– Discounted bills	7,253,653	3.8	586,296	0.4
Personal loans				
– Residential mortgage	3,787,176	2.0	3,478,119	2.2
– Personal consumption loans	1,118,793	0.6	695,358	0.4
– Credit cards	684,525	0.4	586,871	0.4
– Personal business loans	920,652	0.4	449,424	0.3
– Others	75,170	0.0	65,870	0.0
Total loans and advances to customers	191,853,781	100.0	158,644,499	100.0

The loans and advances to customers made by the Bank consisted mainly of corporate loans (including discounted bills) and personal loans. Corporate loans constituted the largest component of the Bank's loan portfolio. The Bank's corporate loans (including discounted bills) as of 30 June 2015 and 31 December 2014 amounted to RMB185,267 million and RMB153,369 million and accounted for 96.6%, and 96.7%, respectively, of the total loans and advances to customers made by the Bank.

The corporate loans of the Bank increased by 20.8% from RMB153,369 million as at 31 December 2014 to RMB185,267 million as of 30 June 2015, mainly attributable to the fact that, in addition to continuous focus to grant loans to enterprises in key industries, the Bank enhanced the adjustment on loan structure and proactively developed the credit business for small and medium-sized enterprises in line with the industrial policy of the PRC, with the most significant increase in wholesale and retail and transportation industries.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Personal loans offered by the Bank mainly include residential mortgage, personal consumption loans, credit cards, personal business loans and other personal loans. The balance of personal loans amounted to RMB6,586 million with a 24.9% increase of RMB1,311 million. Among personal loans, residential mortgage increased by RMB309 million or 8.9% compared with the end of last year, mainly driven by the demand from the personal residential mortgage market; personal consumption loans increased by RMB423 million or 60.9% compared with the end of last year, mainly due to the increase in both income and spending of residents, together with the increase in the number of distribution outlets and customers as driven by the development of the domestic economy, which promoted the growth of personal consumption loans.

(1) Loans by collateral

As at 30 June 2015 and 31 December 2014, loans secured by mortgages, pledges or guarantees, in aggregate, represented 90.6% and 89.1% of the total loans and advances to customers. If a loan is secured by more than one form of collateral, the entire amount of such a loan is allocated to the category representing the primary form of collateral. The following table sets forth the distribution of loans and advances to customers by collateral type as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2015		As at 31 December 2014	
	Amount	% of total	Amount	% of total
Loans secured by mortgages	88,892,473	46.4	79,391,566	50.0
Loans secured by pledges	19,462,489	10.1	11,572,043	7.3
Guaranteed loans	65,375,923	34.1	50,458,245	31.8
Unsecured loans	18,122,896	9.4	17,222,645	10.9
Total loans and advances to customers	191,853,781	100.0	158,644,499	100.0

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The structure of collaterals of the Bank's loans was stable and the Bank's capability of mitigating risks was solid. As of 30 June 2015, the balance of loans secured by mortgages and pledges amounted to RMB108,355 million, with an increase of RMB17,391 million or 19.1% as compared to the end of last year, representing 56.5% of total loans and advances to customers which decreased by 0.8 percentage point as compared with that at the end of the previous year; the balance of unsecured and guaranteed loans was RMB83,499 million, with an increase of RMB15,818 million or 23.4% from the end of last year, accounting for 43.5% of total loans and advances to customers which increased by 0.8 percentage point as compared with that at the end of the previous year.

(2) Changes in provision for impairment on loans and advances to customers

The following table sets forth the changes in the provision for impairment on loans and advances to customers for the periods indicated:

	As at 30 June 2015				As at 31 December 2014			
	Provision for impairment on loans and advances which are collectively assessed	Provision for impaired loans and advances – which are collectively assessed	Provision for impaired loans and advances – which are individually assessed	Total	Provision for impairment on loans and advances which are collectively assessed	Provision for impaired loans and advances – which are collectively assessed	Provision for impaired loans and advances – which are individually assessed	Total
Balance as at the beginning of the period	2,380,044	53,000	264,591	2,697,635	1,614,987	35,435	228,496	1,878,918
Provision for the period	959,091	7,967	190,903	1,157,961	777,661	17,565	79,040	874,266
Release for the period	(219,770)	(26,399)	(79,128)	(325,297)	(12,604)	–	(720)	(13,324)
Unwinding of discount	–	–	(13,050)	(13,050)	–	–	(12,402)	(12,402)
Write-offs	–	–	(96,955)	(96,955)	–	–	(31,389)	(31,389)
Recoveries	–	–	5,432	5,432	–	–	1,566	1,566
Balance as at the end of the period	3,119,365	34,568	271,793	3,425,726	2,380,044	53,000	264,591	2,697,635

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Provision for impairments on loans and advances to customers increased by 27.0% from RMB2,698 million as of 31 December 2014 to RMB3,426 million as of 30 June 2015, mainly because the Bank gradually increased the loan provision ratio as a result of changes in the macroeconomic conditions and the relevant requirements of the regulatory authorities.

2. Financial Investments

As of 30 June 2015 and 31 December 2014, the respective financial investments (including loans and receivables, available-for-sale financial assets and held-to-maturity investments, but excluding financial assets at fair value through profit or loss) of the Bank amounted to RMB229,916 million and RMB152,187 million, representing 39.1% and 30.2% of the total assets of the Bank, respectively.

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2015		As at 31 December 2014	
	Amount	% of total	Amount	% of total
Available-for-sale investments	23,491,409	10.2	25,437,142	16.7
– Bonds issued by policy banks	18,939,990	8.2	17,400,409	11.4
– Government bonds	2,940,516	1.3	5,290,437	3.5
– Bonds issued by other banks and financial institutions	1,026,603	0.5	2,165,870	1.4
– Corporate bonds	308,375	0.1	304,501	0.2
– Equity investment	275,925	0.1	275,925	0.2
Held-to-maturity investments	47,685,647	20.8	40,627,467	26.7
– Bonds issued by policy banks	31,198,052	13.6	25,867,731	17.0
– Government bonds	12,136,028	5.3	12,812,548	8.4
– Bonds issued by other banks and financial institutions	3,191,362	1.4	1,027,218	0.7
– Corporate bonds	1,160,205	0.5	919,970	0.6
Investments classified as loans and receivables	158,738,450	69.0	86,122,195	56.6
– Investment management products managed by securities companies	115,320,928	50.2	60,179,090	39.6
– Investment management products under trust scheme	42,637,522	18.5	24,603,105	16.2
– Debt securities	600,000	0.3	600,000	0.4
– Wealth management products issued by financial institutions	330,000	0.1	830,000	0.5
Less: provision for loans and receivables	(150,000)	(0.1)	(90,000)	(0.1)
Total	229,915,506	100.0	152,186,804	100.0

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The total financial investments of the Bank increased by 51.1% from RMB152,187 million as of 31 December 2014 to RMB229,916 million as of 30 June 2015, mainly attributable to the increase in the Bank's continuous holding of asset management plans and investments in trust beneficiary rights. The financial investments classified as loans and receivables rose by RMB72,616 million compared with the number recorded at the end of the previous year.

(1) Changes in the provision for loans and receivables

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2015	As at 31 December 2014
Balance at the beginning of the period	(90,000)	–
Provision for the period	(60,000)	(90,000)
Write-offs for the period	–	–
Balance as at the end of the period	(150,000)	(90,000)

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

3.2.2.2 Liabilities

As of 30 June 2015 and 31 December 2014, the total liabilities of the Bank were RMB550,023 million and RMB467,237 million, respectively. The Bank's liabilities mainly consisted of (i) deposits from customers; (ii) deposits from banks and other financial institutions; and (iii) financial assets sold under repurchase agreement, accounting for 64.5%, 21.2% and 10.5%, respectively, with respect to the Bank's total liabilities as of 30 June 2015.

The following table sets forth the components of the Bank's total liabilities for the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2015		As at 31 December 2014	
	Amount	% of total	Amount	% of total
Deposits from customers	354,900,199	64.5	315,943,789	67.6
Deposits from banks and other financial institutions	116,709,929	21.2	92,072,923	19.7
Financial assets sold under repurchase agreements	57,829,378	10.5	42,089,973	9.0
Debt securities issued	3,100,000	0.6	3,100,000	0.7
Placements from banks and other financial institutions	5,030,178	0.9	3,667,715	0.8
Other liabilities ⁽¹⁾	12,453,307	2.3	10,362,629	2.2
Total	550,022,991	100.0	467,237,029	100.0

Note:

- (1) Including interest payable, amounts in settlement accounts, staff's remuneration payable, deferred income, tax payable, amounts in dormant accounts and other liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

1. Deposits from customers

The Bank provides demand and time deposit products to corporate and personal customers. The following table sets forth the Bank's deposits from customers and product types as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2015		As at 31 December 2014	
	Amount	% of total	Amount	% of total
Corporate deposits				
Demand deposits	61,157,616	17.2	73,249,527	23.2
Fixed deposits	141,609,018	39.9	117,297,799	37.1
Sub-total	<u>202,766,634</u>	<u>57.1</u>	<u>190,547,326</u>	<u>60.3</u>
Personal deposits				
Demand deposits	10,630,552	3.0	11,499,217	3.6
Fixed deposits	89,801,329	25.3	75,193,690	23.8
Sub-total	<u>100,431,881</u>	<u>28.3</u>	<u>86,692,907</u>	<u>27.4</u>
Other deposit ⁽¹⁾	<u>51,701,684</u>	<u>14.6</u>	<u>38,703,556</u>	<u>12.3</u>
Total	<u><u>354,900,199</u></u>	<u><u>100.0</u></u>	<u><u>315,943,789</u></u>	<u><u>100.0</u></u>

Note:

(1) Margin deposits were mainly included.

As of 30 June 2015, the Bank's total deposits from customers amounted to RMB354,900 million, with an increase of RMB38,956 million or 12.3% as compared with the number recorded at the end of the previous year. Total deposits from customers accounted for 64.5% with respect to the total liabilities, representing a decrease of 3 percentage points as compared with that at the end of the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Given the interest rate liberalisation and the downward pressure on economy, the Bank's deposits from customers experienced an increase in time deposits, reflecting the change in customers' preference regarding deposits. In the first half of 2015, customers prefer to choose such type of deposits with higher interest rate. Moreover, the Bank moderately increased the proportion of time deposits to optimise the maturity profile of the Bank's deposits and improve the stability of the Bank's deposit portfolio.

2. Debt securities issued

The following table sets forth the components of the Bank's debt securities issued for the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2015		As at 31 December 2014	
	Amount	% of total	Amount	% of total
Subordinated fixed rate debts maturing in November 2021	900,000	29.0	900,000	29.0
Tier 2 capital bond with fixed rate maturing in May 2024	2,200,000	71.0	2,200,000	71.0
Total	3,100,000	100.0	3,100,000	100.0

The Bank issued subordinated bonds of commercial banks in the aggregate of RMB900 million in the national inter-bank bond market on 3 November 2011. The term of maturity of such bonds is 10 years. The interest rate is calculated based on fixed interest rate per annum. The coupon rate is interest-bearing fixed rate of 6.5%. Interest on such bonds shall be paid once per year. Upon approved by the CBRC, the Bank could choose to redeem the current bond in a lump sum at a whole or at a portion per the face value on the last day of the fifth interest calculating year for such bonds.

The Bank issued Tier 2 capital bonds of commercial banks in the aggregate of RMB2,200 million in the national inter-bank bond market on 28 May 2014. The term of maturity of such bonds is 10 years. The interest rate is calculated based on fixed interest rate per annum. The coupon rate is interest-bearing fixed rate of 6.18%. Interest on such bonds shall be paid once per year. Upon approved by the CBRC, the Bank could choose to redeem the current bond in a lump sum at a whole or at a portion per the face value on the last day of the fifth interest calculating year for such bonds.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

3.2.2.3 Equity

The following table sets forth the components of the equity of the Bank as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2015		As at 31 December 2014	
	Amount	% of total	Amount	% of total
Share capital	5,796,680	15.1	5,646,005	15.6
Capital reserve	11,855,505	31.0	11,106,917	30.7
Surplus reserve	3,273,229	8.6	2,733,397	7.6
General reserve	6,176,437	16.1	3,545,733	9.8
Investment revaluation reserve	195,761	0.5	567,881	1.6
Deficit on remeasurement of net defined benefit liabilities	(2,305)	0.0	(2,309)	0.0
Retained earnings	10,531,212	27.5	12,101,929	33.5
Non-controlling interests	440,586	1.2	433,932	1.2
Total equity	38,267,105	100.0	36,133,485	100.0

In accordance with the resolution of the shareholders' meeting of the Bank dated 26 April 2014 and the Approval on the Issuance of Overseas Listed Foreign Shares by Shengjing Bank Co., Ltd. issued by the China Securities Regulatory Commission on 26 November 2014, the Bank completed the global offering of 1,375,000,000 H Shares (including 1,250,000,000 H Shares issued by the bank and 125,000,000 Shares offered by the selling shareholders, excluding the partial exercise of the over-allotment option) on 29 December 2014. The nominal value of the shares is RMB1 and the offer price was HK\$7.56 per share. In addition, the joint global coordinators of the global offering partially exercised the over-allotment option in respect of an aggregate of 165,742,500 Shares (comprising 150,675,000 H Shares issued by the Bank and 15,067,500 sale shares offered by the selling shareholders) on behalf of the international underwriters of the global offering on 21 January 2015. The nominal value of the shares is RMB1 and the offer price was HK\$7.56 per share.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

3.2.3 Loan quality analysis

3.2.3.1 Breakdown of loans by the five-category classification

The following table sets forth the distribution of the Bank's loans and advances to customer by the five-category loan classification as of the dates indicated. For the Bank, the non-performing loans are classified into loans and advances to customers of substandard, doubtful and loss. As at 30 June 2015, the non-performing loans recorded by the Bank amounted to RMB777 million and the total amount of the Bank's provision for impairment on loans and advances to customers was RMB3,426 million. 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 2015		As at 31 December 2014	
	Amount	% of total	Amount	% of total
Normal	188,947,886	98.5	156,970,166	99.0
Special mention	2,128,953	1.1	978,027	0.6
Substandard	637,963	0.3	583,985	0.4
Doubtful	109,295	0.1	68,938	0.0
Loss	29,684	0.0	43,383	0.0
Total loans and advance to customers	191,853,781	100.0	158,644,499	100.0
Non-performing loan	776,942	0.40	696,306	0.44

As of 30 June 2015 and 31 December 2014, the non-performing loan ratios of the Bank's total loan portfolio were 0.40% and 0.44%, respectively. The decrease of the Bank's non-performing loan ratios was mainly due to the reason that the Bank continued to optimise entrance standards of industries, regions and customers, which improved the quality of new loans.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

3.2.3.2 Concentration of loans

1. Concentration by industry and distribution of non-performing loans

Corporate loans consist of loans and advances to customers in a broad range of industries. The following table sets forth the breakdown of loans and non-performing loans by industry as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2015				As at 31 December 2014			
	Loan amount	% of total	Non-performing Loan amount	Non-performing loan ratio (%)	Loan amount	% of total	Non-performing Loan amount	Non-performing loan ratio (%)
Wholesale and retail	46,789,633	24.4	128,518	0.27	34,341,961	21.6	20,529	0.06
Real estate	29,597,231	15.4	228,522	0.77	27,654,699	17.4	228,522	0.83
Manufacturing	32,608,020	17.0	280,420	0.86	30,069,918	19.0	278,716	0.93
Renting and business activities	20,484,890	10.7	–	–	19,311,391	12.2	–	–
Construction	10,704,561	5.6	12,000	0.11	10,093,958	6.4	24,000	0.24
Public administration, social security and social organisation	4,418,986	2.3	–	–	4,198,260	2.6	–	–
Transportation, storage and postal service	8,101,926	4.2	–	–	4,847,454	3.1	–	–
Production and supply of electric power, heat, gas and water	4,392,000	2.3	–	–	4,461,550	2.8	–	–
Mining	3,585,000	1.9	–	–	3,539,000	2.2	–	–
Culture, sports and entertainment	2,266,900	1.2	–	–	3,155,900	2.0	–	–
Accommodation and catering	4,594,700	2.4	43,900	0.96	2,360,380	1.5	43,900	1.86
Agriculture, forestry, animal husbandry and fishery	2,063,390	1.1	15,000	0.73	1,493,140	0.9	15,000	1.00
Household, repair and other services	689,935	0.4	30,000	4.35	883,350	0.6	30,000	3.40
Others	7,716,640	3.9	2,300	0.03	6,371,600	4.0	2,400	0.04
Discounted bills	7,253,653	3.8	–	–	586,296	0.4	–	–
Personal loans	6,586,316	3.4	36,282	0.55	5,275,642	3.3	53,239	1.01
Total	191,853,781	100.00	776,942	0.40	158,644,499	100.00	696,306	0.44

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

As of 30 June 2015, loans provided to customers of (i) wholesale and retail, (ii) manufacturing, (iii) real estate and (iv) renting and business activities industries represented the largest components of the Bank's corporate loans. As of 30 June 2015 and 31 December 2014, the balance of loans provided to the corporate customers in the four industries mentioned in the above were RMB129,480 million and RMB111,378 million, respectively, accounting for 67.5% and 70.2%, respectively, with respect to the Bank's total corporate loans. From the perspective of the structure of increased quantity, the four industries mentioned in the above experienced the largest increment. The increased quantity and increment were respectively as follows: RMB12,448 million, 36.2%; RMB2,538 million, 8.4%; RMB1,943 million, 7.0%; and RMB1,173 million, 6.1%. The Bank paid close attention to the relevant industry loan portfolio and gradually optimised the industry structure of loans.

2. Concentration of borrowers

(1) Indicators of concentration

Major regulatory indicators	Regulatory standard	As at 30 June 2015	As at 31 December 2014
Loan concentration ratio for the largest single customer (%)	<=10	5.57	6.09
Loan concentration ratio for the top ten customers (%)	<=50	41.40	44.10

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(2) Loans to the ten largest single borrowers

The following table sets forth the borrowing amounts of the ten largest single borrowers as at 30 June 2015. As of the same date, all such loans were classified as pass loans.

(Expressed in thousands of Renminbi, unless otherwise stated)		As at 30 June 2015	
Customer	Industry involved	Amount	% of total
Customer A	Manufacturing	2,445,440	1.3
Customer B	Manufacturing	2,200,000	1.2
Customer C	Wholesale and retail	1,980,000	1.1
Customer D	Accommodation and catering	1,850,000	1.0
Customer E	Wholesale and retail	1,800,000	1.0
Customer F	Manufacturing	1,700,000	0.9
Customer G	Wholesale and retail	1,700,000	0.9
Customer H	Wholesale and retail	1,700,000	0.9
Customer I	Mining	1,500,000	0.8
Customer J	Manufacturing	1,300,000	0.7

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

3. Distribution of non-performing loans by product type

The following table sets forth the loans and non-performing loans by product type as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2015			As at 31 December 2014		
	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans	185,267,465	740,660	0.40	153,368,857	643,067	0.42
Short-term loans	70,500,230	443,461	0.63	64,327,098	339,467	0.53
Medium and long term loans	107,513,582	297,199	0.28	88,455,463	303,600	0.34
Discounted bills	7,253,653	–	0.00	586,296	–	0.00
Retail loans	6,586,316	36,282	0.55	5,275,642	53,239	1.01
Residential mortgage	3,787,176	15,094	0.40	3,478,119	24,796	0.71
Personal business loans	920,652	2,600	0.28	449,424	–	0.00
Personal consumption loans	1,118,793	–	0.00	695,358	–	0.00
Credit card overdrawn	684,525	17,788	2.60	586,871	28,443	4.85
Other	75,170	800	1.06	65,870	–	0.00
Total	191,853,781	776,942	0.40	158,644,499	696,306	0.44

The non-performing loan ratio, defined as non-performing loans divided by the Bank's total loans and advances to customers, was 0.40% as of 30 June 2015 and 0.44% as of 31 December 2014.

As of 30 June 2015 and 31 December 2014, the non-performing loan ratio of the Bank's corporate loans (including discounted bills) was 0.40% and 0.42%, respectively.

As of 30 June 2015 and 31 December 2014, the non-performing loan ratio of the Bank's personal loan was 0.55% and 1.01%, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

4. Overdue loans and advances to customers

The following table sets forth the aging analysis of the Bank's overdue loans and advances to customers for the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2015		As at 31 December 2014	
	Amount	% of total	Amount	% of total
Overdue within 3 months	562,547	49.4	26,898	5.4
Overdue more than 3 months to 1 year	307,451	27.0	250,757	50.8
Overdue more than 1 year and within 3 years	187,820	16.5	96,093	19.5
Overdue more than 3 years	80,505	7.1	120,187	24.3
Total overdue loans and advances to customers	1,138,323	100.0	493,935	100.0

Note: Overdue loans and advances to customers include credit card advances.

3.2.4 Analysis on Capital Adequacy Ratio

The Bank calculated and disclosed capital adequacy ratios in accordance with the relevant provisions of the Regulation Governing Capital of Commercial Banks (Provisional) 《商業銀行資本管理辦法(試行)》 (effective since 1 January 2013) promulgated by the CBRC. As at 30 June 2015, the Bank's capital adequacy ratios at all tiers met the regulatory requirements under such new regulation. The Bank's Core Tier-one capital adequacy ratio and Tier-one capital adequacy ratio were both 9.99%, 1.05 percentage points lower than those at the end of the previous year; the capital adequacy ratio was 11.50%, 1.15 percentage points lower than that at the end of the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The following table sets forth the relevant information of the Bank's capital adequacy ratio as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2015	As at 31 December 2014
Core capital		
– Share capital	5,796,680	5,646,005
– Qualifying portion of capital reserve	11,855,505	11,106,917
– Surplus reserve	3,273,229	2,733,397
– General reserve	6,176,437	3,545,733
– Investment revaluation reserve	195,761	567,881
– Retained earnings	10,531,212	12,101,929
– Qualifying portions of non-controlling interests	340,130	351,811
– Others	(2,305)	(2,309)
Core Tier-one Capital	38,166,649	36,051,364
Core Tier-one Capital deductions	(48,605)	(55,966)
Net Core Tier-one Capital	38,118,044	35,995,398
Other Tier-one Capital	–	–
Net Tier-one Capital	38,118,044	35,995,398
Tier-two Capital		
– Qualifying portions of Tier-two capital instruments issued	2,830,000	2,920,000
– Surplus provision for loan impairment	2,955,145	2,318,931
– Core Tier-two Capital deductions	–	–
Net Tier-two Capital	5,785,145	5,238,931
Net Capital base	43,903,189	41,234,329
Total risk weighted assets	381,729,079	325,922,846
Core Tier-one Capital adequacy ratio	9.99%	11.04%
Tier-one Capital adequacy ratio	9.99%	11.04%
Capital adequacy ratio	11.50%	12.65%

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

3.2.5 Segment information

3.2.5.1 Summary of geographical segment

The Bank is mainly operating within China. It has 16 branches all over five provinces and municipalities directly under the Central Government. It also established six subsidiaries in Liaoning Province, Shanghai and Zhejiang Province.

(Expressed in thousands of Renminbi, unless otherwise stated)	Operating revenue				Non-current assets			
	For the six months ended 30 June 2015		For the six months ended 30 June 2014		As at 30 June 2015		As at 31 December 2014	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
Northeast China	5,994,924	85.8	4,454,206	85.0	3,753,996	90.3	3,305,505	88.8
North China	833,666	11.9	675,136	12.9	378,059	9.1	390,082	10.5
Others	161,074	2.3	110,170	2.1	26,419	0.6	28,314	0.7
Total	6,989,664	100.0	5,239,512	100.0	4,158,474	100.0	3,723,901	100.0

3.2.5.2 Summary of Business Segment

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June 2015		For the six months ended 30 June 2014	
	Amount	% of total	Amount	% of total
Operating revenue				
Corporate banking	4,107,378	58.8	3,885,529	74.2
Personal banking	316,644	4.5	243,213	4.6
Treasury business	2,561,700	36.6	1,213,902	23.2
Others	3,942	0.1	(103,132)	(2.0)
Total	6,989,664	100.0	5,239,512	100.0

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

3.2.6 Analysis of Off-balance Sheet Items

Credit commitments and other off-balance sheet items of the Bank mainly include bank acceptances, issued letters of credit, issued letters of guarantee, unused credit card commitments, operating lease commitments and capital commitments. Credit commitments constitute the major component of off-balance sheet items, and consist of bank acceptances, issued letters of credit, issued letters of guarantees, and unused credit card commitments. Bank acceptances are commitments made to the payment for a bank draft issued by the Bank's customers. The letters of guarantees and the letters of credit are issued by the Bank to guarantee the customer's contractual performance for a third party. As at 30 June 2015, the following table sets forth the Bank's credit commitments and other off-balance sheet items for the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2015	As at 31 December 2014
Unused credit card commitments	1,890,856	1,975,783
Guarantees, acceptances and letters of credit	124,460,494	93,408,152
Operating lease commitments	573,146	567,078
Capital commitments	1,971,236	2,296,705
Pledged assets	69,255,999	54,139,628
Total	198,151,731	152,387,346

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

3.3 RISK MANAGEMENT

Major risks to which the Bank is exposed include: credit risk, operational risk, market risk and liquidity risk. In 2015, the Bank continues to implement the prudent and stable risk management strategy, persists to facilitate the comprehensive construction of the risk management system which is compatible to the Bank's development strategy, operating scale, business scope and characteristics of risk, insists to safeguard the principle of the ultimate asset loss, intensifies the comprehensive risk management that involves all members of the Bank, with full process, and coordinates the balance between the Bank's risk and earnings.

3.3.1 Credit Risk

Credit risk refers to the risk that customers or counterparties are unable or unwilling to perform their obligations to the Bank. The Bank's credit risk mainly comes from the corporate loan business, personal loan business and treasury business.

The Bank relies on the "Three Lines of Defense for Risk Management", which consists of the business departments, the Risk Control Centre at the headquarters and the independent Audit Department, to implement a risk accountability system for an employee during the term of employment so as to manage and control risks throughout the entire credit business and treasury operation segment. Business departments, as the first line of defense, shall screen and rate customers carefully and ensure successful implementation of the risk management measures under the principle of preventing ultimate loss of assets. The Risk Control Centre, being the Bank's second line of defense, which is independent from the business departments, is responsible for establishing the risk identification, monitoring, measurement, early warning and reporting processes and standards, and consolidating the Bank's risk management measures pursuant to actual needs. The Audit Department, as the third line of defense, shall oversee the effectiveness and adequacy of the risk management measures.

The Risk Control Centre in the head office has, in cooperation with the business departments, developed a set of regular procedures and standards for credit business, and has been regularly reviewing and revising the credit policies and regulations in consideration of the business development objectives and capital management needs. In addition, the Bank adopted differentiated credit risk management strategies for different borrowers through a differentiated authorisation system, based on the differences in region, industry, customer and product type, so as to cope with the evolving business environment.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

3.3.2 Operational Risk

Operational risk refers to the risk of loss that may be incurred due to inadequate or problematic internal procedures, personnel and information technology systems, and external events, including internal and external frauds, business interruption and failure of information technology system.

The Bank established “Three Lines of Defense for Risk Management” on the basis of the main prevention and control organisations consisting of each business department, the Risk Control Centre, compliance department and internal audit departments and also set up operational risk reporting mechanism between risk control centre and business units, the head office and branches.

The Bank has formulated operational risk management policies and procedures, aiming to effectively identify, assess, monitor, control and mitigate the Bank’s operational risk, and reduce losses associated with the operational risk.

3.3.3 Market Risk

Market risk refers to the risk of losses that may be suffered by the Bank in its on/off-balance sheet business as a result of unfavourable changes in market prices, including interest rates, exchange rates, stock prices and commodity prices. It mainly includes interest rate risk and currency risk. The senior management of the Bank is principally responsible for formulating, periodically reviewing and monitoring the implementation of the market risk management policies. The Financial Market Operation Centre and the International Business Department of the Bank are responsible for identifying, measuring, monitoring and reporting the market risk of the Bank’s various business lines. The Planning and Accounting Management Department provides various data on market risks and other technical support to the International Business Department and the Financial Market Operation Centre. The Bank’s Risk Control Centre is responsible for the overall market risk management.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

3.3.3.1 *Market Risk of Trading Accounts*

1. *Interest Rate Risk*

The interest rate risk of the banking book arises primarily from the mismatch of the maturity and repricing dates of the Bank's interest rate-sensitive assets and liabilities. The Bank manages the interest rate risk of the trading book primarily through optimising the maturity portfolio of the Bank's assets and liabilities. The Bank also applies interest rate exposure analysis, duration analysis and other analysis tools to enhance quota management, continuously monitors market risk, conducts stress testing under the simulated interest rate scenarios and formulates appropriate emergency plans so as to improve market risk management capabilities.

2. *Currency Risk*

Currency risk refers to the risk arising from mismatches of the currency denominations of assets and liabilities. The Bank's exposure to the currency risk arises from the Bank's loans and deposits denominated in currencies other than Renminbi.

The Bank carries out risk control mainly by closing out market positions, regularly reevaluating the market value of the Bank's own foreign exchange capital, timely adjusting the profit and loss from foreign exchange exposures, and conducting sensitivity analysis on foreign exchange exposures and stress testing on currency risk on a regular basis, thus effectively prevents the currency risk and protects the Bank's foreign exchange assets.

3.3.3.2 *Market risk of trading accounts*

The market risk of transaction accounts of the Bank arises primarily from change of asset value of financial products in transaction accounts, which are affected by market interest rates and exchange rates. The Bank sets the market risk limit indicators for the Bank's trading accounts, including the sensitivity limit and the stop-loss limit for exchange rates and interest rates, reevaluate the market value of positions in the Bank's Renminbi trading accounts on a daily basis, and measure the market risk of foreign currency trading accounts regularly through the sensitivity analysis, stress testing and other measures.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

3.3.4 Liquidity Risk Management

Liquidity risk refers to the risk of failure to obtain adequate funds to repay debts in time or at reasonable cost. Such risk exists even in banks with high solvency.

The Bank has implemented the centralised management of the bank-wide liquidity risk by the Bank's head office, and established the liquidity risk management framework which mainly comprises the Assets and Liabilities Management Committee, the Risk Control Centre and the Planning and Accounting Management Department at the head office. Responsibilities of these departments are as follows:

- The Assets and Liabilities Management Committee is the decision-making body for liquidity risk management and is responsible for formulating the guidelines and policies for liquidity risk management;
- The Risk Control Centre is the liquidity risk management department and is responsible for formulating, implementing and evaluating relevant systems, setting the bank-wide risk warning limits and guiding various business departments to manage liquidity risk on a daily basis; and
- The Planning and Accounting Management Department is the implementation department for liquidity risk management and is responsible for implementing relevant liquidity risk management policies, monitoring various liquidity risk indicators, regularly carrying out risk analysis and reporting to the Risk Control Centre and the Assets and Liabilities Management Committee.

The Bank formulated a liquidity risk contingency plan to ensure sufficient liquidity under various market conditions.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

3.3.4.1 Liquidity Risk Analysis

Facing the changes in macroscopic environment, currency policy and regulatory policy, the Bank consistently insists on its prudent strategy of liquidity risk management and continuously enhances the level of liquidity risk management. By managing the liquidity risk through monitoring the maturity of assets and liabilities, the Bank is simultaneously monitoring several liquidity indicators. The Bank also makes an estimate of the capital liquidity for all branches and conducts an analysis on the liquidity situation on a monthly basis. The Bank develops stress tests for liquidity risk on a quarterly basis. In such regard, it can ensure that the Bank has sufficient liquidity. The Bank met all the requirements set out by the regulator in terms of primary regulatory liquidity indicators, and was not exposed to liquidity risk.

3.3.5 Market Risk Management

The Bank's market risk management aims at maximising the revenue upon realising risk adjustment. The market risk to which the Bank is exposed mainly comes from the assets and liabilities in the balance sheet, as well as the off-balance sheet commitment and guarantee. The Bank strives to have the potential losses arising from market risk under the Bank's control by taking market risk management measures including authorisation, credit facility, risk exposure limits and the monitoring and reporting mechanism.

3.3.5.1 Interest Rate Risk

Management of interest rate risk mainly aims at reducing the potential adverse impact on the net interest income and market value due to the change in the interest rate.

The Bank's interest rate risk mainly includes the re-pricing risk and risk of capital trading position in commercial banking business. Re-pricing risk is also called the risk of maturity mismatching and is also the most important and the most common form of interest rate risk, originating from the difference in the maturity (as for fixed interest rate) of bank's assets, liabilities and off-balance sheet business or maturity of re-pricing (as for floating interest rate). The asymmetry of re-pricing facilitates leads to the change of a bank's revenue or market value, following the change in the interest rate.

The Bank regularly conducts sensitivity analysis on asset-liability gap and interest rate, timely adjusts the price of internal capital transfer and ensures that the Bank's revenue and market value will continue to rise.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

3.4 FUTURE PROSPECTS

Currently, the economic and financial environment remains complex and dynamic in both international and domestic markets. The global economic recovery is encountering difficulties and intricacies, where major economic systems are developing in different directions. There is a clear sign of downturn in the domestic economy. A deceleration in the economic growth has been seen while the adjustment of economic structure and the optimization and upgrading of industries have accelerated. Along with factors influencing the progress of interest rate liberalisation and the acceleration of financial disintermediation, rapid development of internet finance, prompt emergence of new models of financial industry including private banks and online lending companies, commercial banks are facing unprecedented pressure and challenges with respect to market forecast, strategy selection and capabilities of risk control, while strategic transformation and profit modeling are of great urgency.

However, under the “new norm” of the PRC economy, the government thoroughly implemented some key strategies including “One Belt and One Road” of the country, Beijing-Tianjin Synergy Development, revitalisation of Yangtze River Economic Zone and the Northeast China. These key strategies and continuous increase of financial demand in the economic transformation period and cross-industrial financial cooperation bring about new development opportunities for the innovation and transformation development of the business of commercial banks. The Bank will take advantage of favorable opportunities of the continuous deepening of financial reform to further optimise corporate governance structure, re-establish management system and incentive mechanism, speed up the progress of integrated operation. The Bank will improve intensive operating capability and profit sustainability in order to carry out transformation to develop and create a new advantageous position for future market competition.

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS

Reference is made to the announcement published by the Bank on 16 January 2015 in respect of partial exercise of the over-allotment option. The over-allotment option was partially exercised in respect of an aggregate of 165,742,500 H Shares.

At the end of the Reporting Period, the Bank had a total of 5,796,680,200 Shares, comprising 4,255,937,700 Domestic Shares and 1,540,742,500 H Shares.

	31 December 2014		Changes during the Reporting Period			30 June 2015	
	Number of shares	Percentage (%)	Issue of new shares	Others	Sub-total	Number of shares	Percentage (%)
1. Shareholding of Domestic Shares							
legal persons	4,149,256,639	73.49	-	(15,067,500)	(15,067,500)	4,134,189,139	71.32
Of which:							
1.1 Shareholding of state-owned							
legal persons	730,810,600	12.94	-	(15,067,500) ⁽¹⁾	(15,067,500)	715,743,100	12.35
1.2 Shareholding of private							
legal persons	3,418,446,039	60.55	-	-	-	3,418,446,039	58.97
2. Shareholding of Domestic Shares							
natural persons	121,748,561	2.16	-	-	-	121,748,561	2.10
3. H Shares	<u>1,375,000,000</u>	<u>24.35</u>	<u>150,675,000</u>	<u>15,067,500</u>	<u>165,742,500</u>	<u>1,540,742,500</u>	<u>26.58</u>
Total	<u><u>5,646,005,200</u></u>	<u><u>100.00</u></u>	<u><u>150,675,000</u></u>	<u><u>-</u></u>	<u><u>150,675,000</u></u>	<u><u>5,796,680,200</u></u>	<u><u>100.00</u></u>

Note:

- (1) In accordance with the relevant PRC rules regarding disposal of state-owned shares, 37 state-owned Shareholders, including Shenyang Hengxin, Shenyang Wuai Industry Company Limited (瀋陽五愛實業有限公司) and Shenyang Hengxin Investment Management Company Limited (瀋陽恒信投資管理有限公司), transferred 15,067,500 Shares to the National Council for Social Security Fund of the PRC in connection with the partial exercise of the over-allotment option.

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (Continued)

4.1 PARTICULARS OF SHAREHOLDINGS OF THE TOP TEN SHAREHOLDERS OF DOMESTIC SHARES OF THE BANK

As at 30 June 2015, the top Shareholders of the Domestic Shares of the Bank are as follows:

No.	Name of shareholder	Nature of shareholder	Total number of shares held	Shareholding percentage (%)	Number of shares pledged
1	Shenyang Hengxin State-owned Assets Management Group Co., Ltd. ("Shenyang Hengxin")	State-owned	479,836,334	8.28	0
2	Liaoning Huibao International Investment Group Co., Ltd. ("Huibao International")	Private	400,000,000	6.90	0
3	Xinhu Zhongbao Co., Ltd. ("Xinhu Zhongbao")	Private	300,000,000	5.18	0
4	Founder Securities Co., Ltd. ("Founder Securities")	Private	300,000,000	5.18	0
5	Beijing Zhaotai Group Co., Ltd. ("Beijing Zhaotai")	Private	300,000,000	5.18	0
6	Shenyang Zhongyou Tianbao (Group) Materials and Equipment Co., Ltd. ("Zhongyou Tianbao")	Private	230,000,000	3.97	0
7	Shanghai Changxin Group Co., Ltd. (上海昌鑫(集團)有限公司)	Private	200,000,000	3.45	0
8	Luenmei Group Co., Ltd. (聯美集團有限公司)	Private	200,000,000	3.45	0
9	Jilin Huahai Energy Group Co., Ltd. (吉林華海能源集團有限公司)	Private	200,000,000	3.45	200,000,000
10	Shenyang Tonglian Group Co., Ltd. (瀋陽同聯集團有限公司)	Private	150,000,000	2.59	150,000,000
11	Beijing Aojitong Investment (Group) Co., Ltd. (北京奧吉通投資(集團)有限公司)	Private	150,000,000	2.59	150,000,000

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (Continued)

4.2 INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 30 June 2015, the interests of substantial shareholders (as defined under the SFO), other than the Directors, Supervisors or chief executive, in the H Shares and underlying Shares of the Bank as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of shareholder	Nature of interests	Number of H Shares held	Percentage of the total number of H shares of the Bank (%)	Percentage of the total share capital of the Bank (%)
Bondic International Holdings Limited	Beneficial owner	235,153,000 (long position)	15.26	4.06
Cheung Chung Kiu ⁽¹⁾	Interest of a controlled corporation	235,153,000 (long position)	15.26	4.06
Global High Growth Industries Fund Series SPC	Interest of a trustee	203,106,500 (long position)	13.18	3.50
Shanghai International Trust Corp., Ltd.	Interest of a trustee	103,000,000 (long position)	6.69	1.78
Chow Tai Fook Nominee Limited	Beneficial owner	102,576,500 (long position)	6.66	1.77
Cheng Yu Tung ⁽²⁾	Interest of a controlled corporation	102,576,500 (long position)	6.66	1.77
Zhang Xingmei	Beneficial owner	101,550,000 (long position)	6.59	1.75
Shunyi International Trade Co., Ltd.	Beneficial owner	92,785,000 (long position)	6.02	1.60
Hwabao Trust Co., Ltd.	Interest of a trustee	90,000,000 (long position)	5.84	1.55
HNA Group (International) Company Limited	Beneficial owner	81,240,000 (long position)	5.27	1.40
Suen Cho Hung, Paul	Beneficial owner	81,196,000 (long position)	5.27	1.40

Notes:

- (1) Bondic International Holdings Limited held 253,153,000 H Shares of the Bank. Bondic International Holdings Limited was wholly owned by Cheung Chung Kiu. By virtue of the SFO, Cheung Chung Kiu is deemed to be interested in the Shares held by Bondic International Holdings Limited.
- (2) Chow Tai Fook Nominee Limited held 102,576,500 H Shares of the Bank. Chow Tai Fook Nominee Limited was wholly owned by Cheng Yu Tung. By virtue of the SFO, Cheng Yu Tung is deemed to be interested in the Shares held by Chow Tai Fook Nominee Limited.

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (Continued)

As at 30 June 2015, the interests of substantial shareholders (as defined under the SFO), other than Directors, Supervisors or chief executive, in the Domestic Shares and underlying Shares of the Bank as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of shareholder	Nature of interests	Number of Domestic Shares held	Percentage of the total number of Domestic Shares of the Bank (%)	Percentage of the total share capital of the Bank (%)
Shenyang Hengxin	Beneficial owner	479,853,940 ⁽¹⁾ (long position)	11.27	8.28
Shenyang Industrial Investment Development Group Co., Ltd. ⁽²⁾	Interest of a controlled corporation	479,853,940 ⁽¹⁾ (long position)	11.27	8.28
Huibao International	Beneficial owner	400,000,000 (long position)	9.40	6.90
Beijing Jiutai Group Co., Ltd. ⁽³⁾	Interest of a controlled corporation	400,000,000 (long position)	9.40	6.90
Li Yuguo ⁽³⁾	Interest of a controlled corporation	400,000,000 (long position)	9.40	6.90
Xinhu Zhongbao	Beneficial owner	300,000,000 (long position)	7.05	5.18
Zhejiang Xinhu Group Co., Ltd. ⁽⁴⁾	Interest of a controlled corporation	300,000,000 (long position)	7.05	5.18
Huang Wei ⁽⁴⁾	Interest of a controlled corporation	300,000,000 (long position)	7.05	5.18
Founder Securities	Beneficial owner	300,000,000 (long position)	7.05	5.18
Peking University Founder Group Co., Ltd. ⁽⁵⁾	Interest of a controlled corporation	300,000,000 (long position)	7.05	5.18
Peking University Asset Management Company Limited ⁽⁵⁾	Interest of a controlled corporation	300,000,000 (long position)	7.05	5.18
Beijing Zhaotai	Beneficial owner	300,000,000 (long position)	7.05	5.18
Beijing Zhaotai Holding Co., Ltd. ⁽⁶⁾	Interest of a controlled corporation	300,000,000 (long position)	7.05	5.18
Mu Qiru ⁽⁶⁾	Interest of a controlled corporation	300,000,000 (long position)	7.05	5.18
Zhongyou Tianbao	Beneficial owner	230,000,000 (long position)	5.40	3.97
Liu Xinfu ⁽⁷⁾	Interest of a controlled corporation	230,000,000 (long position)	5.40	3.97

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (Continued)

Notes:

- (1) According to the register of shareholders of the Bank as of 30 June 2015, Shenyang Hengxin held 479,836,334 Domestic Shares, accounting for approximately 11.27% and 8.28% of the total number of Domestic Shares and the total share capital of the Bank, respectively.
- (2) Shenyang Hengxin was wholly owned by Shenyang Industrial Investment Development Group Co., Ltd. (瀋陽產業投資發展集團有限公司). By virtue of the SFO, Shenyang Industrial Investment Development Group Co., Ltd. is deemed to be interested in the Shares held by Shenyang Hengxin.
- (3) Huibao International was wholly owned by Beijing Jiutai Group Co., Ltd. (北京九台集團有限公司), which was in turn owned as to 70% by Li Yuguo (李玉國). By virtue of the SFO, each of Beijing Jiutai Group Co., Ltd. and Li Yuguo is deemed to be interested in the Shares held by Huibao International.
- (4) Xinhua Zhongbao was owned as to 55.76% by Zhejiang Xinhua Group Co., Ltd. (浙江新湖集團股份有限公司) which was in turn owned as to 67.22% by Huang Wei (黃偉). By virtue of the SFO, each of Zhejiang Xinhua Group Co., Ltd. and Huang Wei is deemed to be interested in the Shares held by Xinhua Zhongbao.
- (5) Founder Securities was owned as to 30.55% by Peking University Founder Group Co., Ltd. (北大方正集團有限公司), which was in turn owned as to 70% by Peking University Asset Management Company Limited (北大資產經營有限公司). By virtue of the SFO, each of Peking University Founder Group Co., Ltd. and Peking University Asset Management Company Limited is deemed to be interested in the Shares held by Founder Securities.
- (6) Beijing Zhaotai was owned as to 41.60% and 38.50% by Mu Qiru (穆麒茹) and Beijing Zhaotai Holding Co., Ltd. (北京兆泰控股有限公司), which was in turn owned as to 70% by Mu Qiru (穆麒茹). By virtue of the SFO, each of Beijing Zhaotai Holding Co., Ltd. and Mu Qiru is deemed to be interested in the Shares held by Beijing Zhaotai.
- (7) Zhongyou Tianbao was owned as to 80% by Liu Xinfa (劉新發). By virtue of the SFO, Liu Xinfa is deemed to be interested in the Shares held by Zhongyou Tianbao.

Save as disclosed above, the Bank is not aware of any other person (other than the Directors, Supervisors and the chief executive (as defined under the Listing Rules) of the Bank) having any interests or short positions in the shares or underlying shares of the Bank as at 30 June 2015 as recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO.

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (Continued)

4.3 SHAREHOLDERS HOLDING 5% OR MORE OF THE TOTAL SHARE CAPITAL

As at the end of the Reporting Period, Shenyang Hengxin, Huibao International, Xinhua Zhongbao, Founder Securities and Beijing Zhaotai held 479,836,334 Shares, 400,000,000 Shares, 300,000,000 Shares, 300,000,000 Shares, and 300,000,000 Shares of the Bank, respectively, representing 8.28%, 6.90%, 5.18%, 5.18% and 5.18% of the Bank's total share capital, respectively.

As at the end of the Reporting Period, there was no substantial shareholder (as defined under the Listing Rules) holding 10% or more of the total share capital of the Bank.

4.4 ISSUANCE, PURCHASE, SALE AND REDEMPTION OF THE LISTED SECURITIES OF THE BANK

Issuance and Listing of Securities

The Bank's H Shares have been listed and traded on the Main Board of the Hong Kong Stock Exchange since 29 December 2014 (the "Listing Date"). The Bank issued and the Shareholders of state-owned shares of the Bank sold an aggregate of 1,540,742,500 H Shares (including 165,742,500 H Shares issued and sold pursuant to the over-allotment option exercised on 16 January 2015) in the initial public offering of the Bank at an offer price of HK\$7.56 per Share.

The Bank raised approximately HK\$11,648.01 million from the initial public offering, which, after deduction of the net proceeds from the sale of Shares by the Shareholders of state-owned shares of the Bank and the fees and expenses relating to the offering, has been used to replenish its capital base. Immediately following the completion of the initial public offering and the partial exercise of the over-allotment option, the share capital of the Bank was 5,796,680,200 Shares, comprising 4,255,937,700 Domestic Shares and 1,540,742,500 H Shares, and the paid-in capital of the Bank amounted to RMB5,796,680,200.

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (Continued)

Issuance of Debt Securities

1) *Debt Securities Issued*

The Bank issued ten-year subordinated bonds in 2011 with an aggregate principal amount of RMB900 million and an interest rate of 6.50% per annum. Such subordinated bonds will be due on 4 November 2021.

In 2014, the Bank issued ten-year Tier 2 capital bonds, with an aggregate principal amount of RMB2.2 billion and an annual interest rate of 6.18%. The Tier 2 capital bonds will be due on 30 May 2024.

2) *Proposed Issuance of Debt Securities*

Pursuant to the relevant resolutions passed at the 2014 annual general meeting of the Bank and subject to obtaining necessary approvals from the relevant governmental authorities, the Bank will issue the following debt securities:

- (i) to members of the inter-bank bond market in China, financial bonds in an aggregate principal amount of up to RMB7 billion, with a term of maturity of less than five years (inclusive) and a fixed interest rate to be determined through a public tender process. The proceeds from the issuance of such bonds will be used for loans to small and miniature enterprises. Announcements regarding such proposed issuance of financial bonds have been published by the Bank on 24 January 2015 and 26 May 2015;
- (ii) to members of the inter-bank bond market in China, financial bonds in an aggregate principal amount of up to RMB10 billion, with a term of maturity of less than five years (inclusive) and an interest rate to be determined by the senior management of the Bank, subject to the authorisation by the Board and based on the investors' demand, the market environment and the operation of the Bank at the time of issuance of such bonds. The proceeds from the issuance of such bonds will be used to replenish the Bank's medium- and long-term liquidity. Announcements regarding such proposed issuance of financial bonds have been published by the Bank on 25 March 2015 and 26 May 2015; and

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (Continued)

- (iii) Renminbi-denominated bonds in an aggregate principal amount of up to RMB1.5 billion to overseas investors, with a term of maturity of less than five years (inclusive) and an interest rate to be determined by the senior management of the Bank, subject to the authorisation by the Board and based on the investors' demand, the market environment and the operation of the Bank at the time of issuance of such bonds. The proceeds from the issuance of such bonds will be used to replenish the Bank's medium-and long-term liquidity. Announcements regarding such proposed issuance of Renminbi-denominated bonds have been published by the Bank on 25 March 2015 and 26 May 2015.

Pursuant to the resolution passed at the 2015 first extraordinary general meeting of the Bank and subject to obtaining necessary approvals from the CBRC and other regulatory authorities, the Bank will issue tier 2 capital bonds in an aggregate principal amount of up to RMB10 billion to members of the inter-bank bond market in China, with a term of maturity of not more than 15 years (inclusive) with a redemption right from the end of the fifth year and a fixed interest rate to be determined through a public tender process. Interests of such bonds are payable on an annual basis. The proceeds from the issuance of such bonds will be used to replenish the Bank's tier two capital and enhance capital adequacy ratio. Announcements regarding such proposed issuance of tier 2 capital bonds have been published by the Bank on 5 July 2015 and 27 August 2015.

The debt securities as mentioned above will not be listed on the Hong Kong Stock Exchange.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

5.1 BASIC INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AS AT THE LATEST PRACTICABLE DATE

Name	Age	Position
Ms. ZHANG Yukun(張玉坤)	59	Executive Director, Chairperson of the Board
Mr. WANG Chunsheng (王春生)	54	Executive Director, President
Mr. WANG Yigong (王亦工)	49	Executive Director, Vice President and chief risk officer
Mr. WU Gang (吳剛)	45	Executive Director, Vice President
Mr. LI Jianwei (李建偉)	55	Non-executive Director
Mr. LI Yuguo (李玉國)	61	Non-executive Director, Vice Chairman of the Board
Mr. ZHAO Weiqing (趙偉卿)	56	Non-executive Director
Ms. YANG Yuhua (楊玉華)	52	Non-executive Director
Mr. LIU Xinfa (劉新發)	56	Non-executive Director
Mr. YU Yongshun (于永順)	65	Independent Non-executive Director
Mr. LAU Chi Pang (劉智鵬)	55	Independent Non-executive Director
Mr. BA Junyu (巴俊宇)	60	Independent Non-executive Director
Mr. SUN Hang (孫航)	49	Independent Non-executive Director
Mr. DING Jiming (丁繼明)	51	Independent Non-executive Director
Mr. YANG Lin (楊林)	54	Employee Representative Supervisor, Chairman of the Board of Supervisors
Mr. HAN Xuefeng (韓學豐)	45	Employee Representative Supervisor, Vice Chairman of the Board of Supervisors
Mr. SHI Yang (石陽)	50	Employee Representative Supervisor
Mr. CHEN Zhaogui (陳招貴)	58	Shareholder Representative Supervisor
Mr. PAN Wenge (潘文戈)	49	Shareholder Representative Supervisor
Ms. SUN Yi (孫奕)	61	Shareholder Representative Supervisor
Mr. HUANG Lianguai (黃良快)	73	External Supervisor
Mr. ZHOU Zheren (周喆人)	38	External Supervisor
Mr. WEN Zhaoye (溫兆擘)	41	External Supervisor
Mr. HU Guang (胡光)	56	Chief internal auditor
Mr. SUN Yongsheng (孫永生)	55	Vice President
Mr. ZHANG Yi (張翼)	45	Chief information officer
Mr. LIU Zhiyan (劉志岩)	55	Chief financial officer
Mr. ZHOU Zhi (周峙)	47	Secretary of the Board

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

As at 30 June 2015, the interests or short positions of the Directors, the Supervisors, and the chief executive in the shares, underlying shares and 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 Companies in Appendix 10 to the Listing Rules were set out as follows:

Domestic Shares

Name	Positions held at the Bank	Nature of interests	Number of Domestic Shares held (share)	Representing percentage with respect to the total share capital of the Bank (%)
WANG Chunsheng (王春生)	Executive Director, President	Beneficial owner	6,500	0.0001
ZHAO Guangwei (趙光偉)	Executive Director, Vice President	Beneficial owner	84,423	0.0015
LI Yuguo (李玉國)	Non-executive Director, Vice Chairman of the Board	Interest of a controlled corporation	400,000,000 ⁽¹⁾	6.9005
LIU Xinfra (劉新發)	Non-executive Director	Interest of a controlled corporation	230,000,000 ⁽²⁾	3.9678
YANG Lin (楊林)	Employee Representative Supervisor, Chairman of the Board of Supervisors	Beneficial owner	36,274	0.0006
HAN Xuefeng (韓學豐)	Employee Representative Supervisor, Vice Chairman of the Board of Supervisors	Beneficial owner	15,681	0.0003
SHI Yang (石陽)	Employee Representative Supervisor	Beneficial owner Interest of spouse	107,684 5,722	0.0019 0.0001
WU Gang (吳剛)	Executive Director, Vice President	Beneficial owner	146,149	0.0025
CHEN Zhaogui (陳招貴)	Shareholder Representative Supervisor	Interest of a controlled corporation	200,000,000	3.4503

Notes:

- (1) Please refer to “Change in Share Capital and Shareholders – Interests and Short Positions of Substantial Shareholders and Other Persons” in this interim report for details.
- (2) Please refer to “Change in Share Capital and Shareholders – Interests and Short Positions of Substantial Shareholders and Other Persons” in this interim report for details.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Save as disclosed above, none of the Directors, the chief executive, or the Supervisors held any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations as at 30 June 2015.

5.2 CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Reference is made to the announcement of the Bank on the resignation of an executive Director dated 2 July 2015. Mr. ZHAO Guangwei tendered his resignation as an executive Director, a vice president of the Bank and a member of the risk control committee of the Board with effect when his resignation letter being received by the Board.

In order to fill in the vacancy, Mr. SUN Yongsheng, a vice president of the Bank, was nominated by the nomination and remuneration committee of the Board as a candidate for executive Director. The election of Mr. Sun has been approved by the Shareholders at the 2015 first extraordinary general meeting of the Bank, subject to the ratification of his eligibility by the relevant regulatory authorities, including the CBRC. The term of office for Mr. Sun will commence upon the ratification of his eligibility by the CBRC and end upon the termination of the current session of the Board.

Announcements regarding the election of Mr. Sun as an executive Director have been published on 5 July 2015 and 27 August 2015.

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

5.3 SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Bank has adopted, in respect of securities transactions by the Directors, Supervisors and senior management of the Bank, 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 of the Bank, all Directors and Supervisors of the Bank have confirmed that they have complied with such code of conduct during the Reporting Period.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

5.4 EMPLOYEES, EMPLOYEES' COMPENSATION POLICIES AND TRAINING SCHEMES

As of 30 June 2015, the Bank had 4,147 employees in total.

The Bank has established a performance-based compensation system whereby an employee's compensation is determined based on position and performance review. The Bank contributes to its employees' social insurance and provides housing funds and certain other employee benefits in accordance with the applicable PRC laws, rules and regulations.

According to our development strategies and training plans, the Bank developed and implemented the annual training plan to support our training and enhance staff professionalism. During the Reporting Period, the Bank integrated the training resources of the head office, branches and sub-branches, arranged various special training programmes such as centralised trainings for new business, new system and new products, trainings for middle- to senior-level management, trainings for specialists, trainings for foundation-level staff and trainings for new joiners. The Bank also strengthened knowledge management and construction of internal lecturer team.

SIGNIFICANT EVENTS

6.1 CORPORATE GOVERNANCE CODE

The Bank strives to improve the transparency and accountability of corporate governance and ensure high standards of corporate governance to safeguard shareholders' interests and enhance its enterprise value and commitment.

During the Reporting Period, the Bank complied with the code provisions in the Corporate Governance Code (the "Code") set out in Appendix 14 to the Listing Rules and the Listing Rules governing disclosure of insider information.

6.2 EARNINGS AND DIVIDENDS

The Bank's revenue for the six months ended 30 June 2015 and the Bank's financial position as at the same date are set out in the section headed "Interim Financial Statements" of this interim report.

A final dividend of RMB2.75 for every ten Shares (tax inclusive) for the year 2014 (2013: RMB1.00 for every ten Shares (tax inclusive)), or in an aggregate amount of RMB1,594.09 million, has been distributed by the Bank upon consideration and approval at the Bank's 2014 annual general meeting held on 26 May 2015. The final dividend for year 2014 was distributed to holders of Domestic Shares and H Shares on 15 July 2015.

The Bank will not distribute any interim dividend for the first six months of 2015 or convert any capital reserve into share capital.

6.3 RELATED PARTY TRANSACTIONS

No material related party transaction that has adverse impact on the Bank's business results and financial position occurred during the Reporting Period.

6.4 MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Bank was not involved in any litigation or arbitration that would materially affect its business operations.

SIGNIFICANT EVENTS (Continued)

6.5 PUNISHMENT ON THE BANK AND ITS DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, none of the Bank, the Directors, the Supervisors or the senior management of the Bank was subject to any investigation, administrative penalty or public criticism by the China Securities Regulatory Commission (the “CSRC”) or the CBRC, or any public censure by any securities exchange, or any punishment by any other regulatory authorities which would have a material impact on the Bank’s operations.

6.6 ACQUISITION AND DISPOSAL OF ASSETS AND BUSINESS MERGER

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

6.7 REVIEW OF THE INTERIM REPORT

Financial statements disclosed in this interim report have not been audited. The interim financial statements for the six months ended 30 June 2015 prepared by the Bank in accordance with the International Financial Reporting Standards promulgated by the International Accounting Standards Board have been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410.

The Board and the Audit Committee of the Board have reviewed and approved the interim report of the Bank.

6.8 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.

REVIEW REPORT OF THE INDEPENDENT AUDITORS

REVIEW REPORT TO THE SHAREHOLDERS OF SHENGJING BANK CO., LTD.

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

INTRODUCTION

We have reviewed the interim financial report set out on pages 66 to 143 which comprises the consolidated statement of financial position of Shengjing Bank Co., Ltd. (the "Bank") and its subsidiaries (collectively the "Group") as of 30 June 2015 and the related consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months 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*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

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

17 August 2015

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2015	2014
Interest income		15,037,787	11,876,123
Interest expense		(9,411,356)	(7,256,467)
Net interest income	5	<u>5,626,431</u>	<u>4,619,656</u>
Fee and commission income		674,119	746,227
Fee and commission expense		(53,989)	(39,826)
Net fee and commission income	6	<u>620,130</u>	<u>706,401</u>
Net trading losses	7	(28,732)	–
Net gains/(losses) arising from investments	8	581,007	(111,570)
Net foreign exchange gains		181,693	5,610
Other operating income	9	9,135	19,415
Operating income		<u>6,989,664</u>	<u>5,239,512</u>
Operating expenses	10	(1,927,376)	(1,590,634)
Impairment losses on assets	11	(891,233)	(369,092)
Operating profit		<u>4,171,055</u>	<u>3,279,786</u>
Share of profits of associate		–	2,338
Profit before taxation		<u>4,171,055</u>	<u>3,282,124</u>
Income tax expense	12	(970,495)	(776,500)
Profit for the period		<u>3,200,560</u>	<u>2,505,624</u>
Net profit attributable to:			
Equity shareholders of the Bank		3,193,906	2,493,564
Non-controlling interests		6,654	12,060
		<u>3,200,560</u>	<u>2,505,624</u>

The notes on pages 75 to 143 form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

For the six months ended 30 June 2015
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2015	2014
Net profit		3,200,560	2,505,624
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
– Remeasurement of net defined benefit liability	4		(1,837)
Items that may be reclassified subsequently to profit or loss			
– Available-for-sale financial assets:			
Net movement in the investment revaluation reserve		(372,120)	387,339
Other comprehensive income, net of tax		(372,116)	385,502
Total comprehensive income		<u>2,828,444</u>	<u>2,891,126</u>
Total comprehensive income attributable to:			
Equity shareholders of the Bank		2,821,790	2,879,066
Non-controlling interests		6,654	12,060
		<u>2,828,444</u>	<u>2,891,126</u>
Basic and diluted earnings per share (in RMB)	13	<u>0.55</u>	<u>0.59</u>

The notes on pages 75 to 143 form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	30 June 2015	31 December 2014
Assets			
Cash and deposits with central bank	14	67,159,464	72,079,244
Deposits with banks and other financial institutions	15	73,784,031	85,560,982
Placements with banks and other financial institutions	16	1,095,215	1,513,868
Financial assets at fair value through profit or loss	17	5,922,670	–
Financial assets held under resale agreements	18	9,880,428	25,941,589
Loans and advances to customers	19	188,428,055	155,946,864
Financial investments:			
Available-for-sale financial assets	20(1)	23,491,409	25,437,142
Held-to-maturity investments	20(2)	47,685,647	40,627,467
Loans and receivables	20(3)	158,738,450	86,122,195
Property and equipment	21	4,030,078	3,598,178
Deferred tax assets	22	368,175	141,087
Other assets	23	7,706,474	6,401,898
Total assets		588,290,096	503,370,514
Liabilities			
Deposits from banks and other financial institutions	24	116,709,929	92,072,923
Placements from banks and other financial institutions	25	5,030,178	3,667,715
Financial assets sold under repurchase agreements	26	57,829,378	42,089,973
Deposits from customers	27	354,900,199	315,943,789
Income tax payable		703,914	678,804
Debt securities issued	28	3,100,000	3,100,000
Other liabilities	29	11,749,393	9,683,825
Total liabilities		550,022,991	467,237,029

The notes on pages 75 to 143 form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	30 June 2015	31 December 2014
Equity			
Share capital	30	5,796,680	5,646,005
Capital reserve	31	11,855,505	11,106,917
Surplus reserve	31	3,273,229	2,733,397
General reserve	31	6,176,437	3,545,733
Investment revaluation reserve		195,761	567,881
Deficit on remeasurement of net defined benefit liability		(2,305)	(2,309)
Retained earnings		10,531,212	12,101,929
		<hr/>	<hr/>
Total equity attributable to equity shareholders of the Bank		37,826,519	35,699,553
Non-controlling interests		440,586	433,932
		<hr/>	<hr/>
Total equity		38,267,105	36,133,485
		<hr/>	<hr/>
Total liabilities and equity		588,290,096	503,370,514
		<hr/>	<hr/>

Approved and authorised for issue by the board of directors on 17 August 2015.

Zhang Yukun

Chairman of Board of Directors

Wang Yigong

*Executive Director/Vice President/
Chief Risk Officer*

Liu Zhiyan

Chief Financial Officer

Company chop

The notes on pages 75 to 143 form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Bank										
	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Deficit on remeasurement of net defined benefit liability	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2015		5,646,005	11,106,917	2,733,397	3,545,733	567,881	(2,309)	12,101,929	35,699,553	433,932	36,133,485
Profit for the period		-	-	-	-	-	-	3,193,906	3,193,906	6,654	3,200,560
Other comprehensive income		-	-	-	-	(372,120)	4	-	(372,116)	-	(372,116)
Total comprehensive income		-	-	-	-	(372,120)	4	3,193,906	2,821,790	6,654	2,828,444
Changes in share capital											
- Issue of H-shares	30	150,675	748,588	-	-	-	-	-	899,263	-	899,263
Appropriation of profit:											
- Appropriation to surplus reserve	32	-	-	539,832	-	-	-	(539,832)	-	-	-
- Appropriation to general reserve	32	-	-	-	2,630,704	-	-	(2,630,704)	-	-	-
- Cash dividends	32	-	-	-	-	-	-	(1,594,087)	(1,594,087)	-	(1,594,087)
Sub-total		-	-	539,832	2,630,704	-	-	(4,764,623)	(1,594,087)	-	(1,594,087)
Balance at 30 June 2015		5,796,680	11,855,505	3,273,229	6,176,437	195,761	(2,305)	10,531,212	37,826,519	440,586	38,267,105

The notes on pages 75 to 143 form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2015
(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Bank										
	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Deficit on remeasurement of net defined benefit liability	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2014		4,096,005	3,822,383	1,709,163	3,317,751	(251,534)	2,830	8,358,813	21,055,411	415,027	21,470,438
Profit for the period		-	-	-	-	-	-	2,493,564	2,493,564	12,060	2,505,624
Other comprehensive income		-	-	-	-	387,339	(1,837)	-	385,502	-	385,502
Total comprehensive income		-	-	-	-	387,339	(1,837)	2,493,564	2,879,066	12,060	2,891,126
Changes in share capital											
– Capital contributed by owners	30	300,000	1,350,000	-	-	-	-	-	1,650,000	-	1,650,000
Appropriation of profit:											
– Appropriation to surplus reserve	32	-	-	484,402	-	-	-	(484,402)	-	-	-
– Appropriation to general reserve (Note i)	32	-	-	-	227,898	-	-	(227,898)	-	-	-
– Cash dividends	32	-	-	-	-	-	-	(409,601)	(409,601)	-	(409,601)
Sub-total		-	-	484,402	227,898	-	-	(1,121,901)	(409,601)	-	(409,601)
Balance at 30 June 2014		4,396,005	5,172,383	2,193,565	3,545,649	135,805	993	9,730,476	25,174,876	427,087	25,601,963

Note:

- (i) The appropriation to general reserve included the appropriation made by subsidiaries with a total amount of RMB2.72 million.

The notes on pages 75 to 143 form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Bank										
	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Surplus/ (deficit) on remeasurement benefit liability	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 July 2014		4,396,005	5,172,383	2,193,565	3,545,649	135,805	993	9,730,476	25,174,876	427,087	25,601,963
Profit for the period		-	-	-	-	-	-	2,911,369	2,911,369	6,845	2,918,214
Other comprehensive income		-	-	-	-	432,076	(3,302)	-	428,774	-	428,774
Total comprehensive income		-	-	-	-	432,076	(3,302)	2,911,369	3,340,143	6,845	3,346,988
Changes in share capital											
- Issue of H-shares	30	1,250,000	5,934,534	-	-	-	-	-	7,184,534	-	7,184,534
Appropriation of profit:											
- Appropriation to surplus reserve	32	-	-	539,832	-	-	-	(539,832)	-	-	-
- Appropriation to general reserve (Note i)	32	-	-	-	84	-	-	(84)	-	-	-
Sub-total		-	-	539,832	84	-	-	(539,916)	-	-	-
Balance at 31 December 2014		5,646,005	11,106,917	2,733,397	3,545,733	567,881	(2,309)	12,101,929	35,699,553	433,932	36,133,485

Note:

- (i) The appropriation to general reserve included the appropriation made by subsidiaries with a total amount of RMB0.09 million.

The notes on pages 75 to 143 form part of this interim financial report.

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2015
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June 2015	2014
Cash flows from operating activities			
Profit before tax		4,171,055	3,282,124
<i>Adjustments for:</i>			
Impairment losses on assets		891,233	369,092
Depreciation and amortisation		152,319	142,021
Unwinding of discount		(13,050)	(11,538)
Unrealised foreign exchange losses/(gains)		105	(447)
Dividend income		(440)	–
Net trading losses of financial assets at fair value through profit or loss		28,732	–
Net (gains)/losses arising from investments		(580,567)	111,570
Share of profits of associates		–	(2,338)
Issuing cost of debt securities		–	6,600
Interest expense on debt securities issued		97,230	42,091
Interest income on financial investments and financial assets at fair value through profit or loss		(5,155,938)	(2,354,683)
		(409,321)	1,584,492
<i>Changes in operating assets</i>			
Net decrease/(increase) in deposits with central bank		7,888,268	(4,252,825)
Net decrease/(increase) in deposits and placements with banks and other financial institutions		6,093,207	(34,324,516)
Net increase in loans and advances to customers		(33,306,237)	(14,339,840)
Net decrease/(increase) in financial assets held under resale agreements		7,838,599	(7,371,735)
Net increase in other operating assets		(1,131,246)	(1,057,252)
		(12,617,409)	(61,346,168)
<i>Changes in operating liabilities</i>			
Net increase in deposits and placements from banks and other financial institutions		25,999,469	28,014,892
Net increase in financial assets sold under repurchase agreements		15,739,405	24,471,852
Net increase in deposits from customers		38,956,410	33,020,897
Income tax paid		(1,048,435)	(873,753)
Net increase in other operating liabilities		513,038	1,446,203
		80,159,887	86,080,091

The notes on pages 75 to 143 form part of this interim financial report.

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT (Continued)

For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2015	2014
Net cash flows generated from operating activities		67,133,157	26,318,415
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		111,769,410	14,892,497
Payments on acquisition of investments		(190,429,790)	(55,108,605)
Payments on acquisition of property and equipment, intangible assets and other assets		(589,628)	(430,863)
Net cash flows used in investing activities		(79,250,008)	(40,646,971)
Cash flows from financing activities			
Proceeds from capital injection		899,263	1,650,000
Net proceeds from new debt securities issued		–	2,193,400
Interest paid on debt securities issued		(135,960)	–
Dividends paid		(512)	–
Net cash flows generated from financing activities		762,791	3,843,400
Effect of foreign exchange rate changes on cash and cash equivalents		(2,411)	3,810
Net decrease in cash and cash equivalents		(11,356,471)	(10,481,346)
Cash and cash equivalents as at 1 January		38,758,501	40,026,768
Cash and cash equivalents as at 30 June	33	27,402,030	29,545,422
Net cash flows generated from/(used in) operating activities include:			
Interest received		9,540,422	8,077,562
Interest paid (excluding interest expense on debt securities issued)		(8,390,131)	(5,625,426)

The notes on pages 75 to 143 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

1 REPORTING ENTITY

Shengjing Bank Co., Ltd. (the “Bank”) is a bank domiciled in the People’s Republic of China (the “PRC”). These consolidated interim financial statements (the “interim financial report”) as at and for the six months ended 30 June 2015 comprise the Bank and its subsidiaries (together referred to as the “Group”). The principal activities of the Group are the provision of corporate and personal deposits, loans and advances, settlement, treasury business and other banking services as approved by the China Banking Regulatory Commission (the “CBRC”). The Bank mainly operated in mainland China, which, for the purpose of this interim financial report, excludes the Hong Kong Special Administration Region of the PRC (“Hong Kong”), the Macau Special Administration Region of the PRC (“Macau”) and Taiwan.

As at 30 June 2015, details of the subsidiaries are as follows:

	Date of incorporation	Place of incorporation, registration and operations	Registered capital	Percentage owned by the Bank	Business sector
Shenyang Shenbei Fumin Village Bank Co., Ltd. (“Shenyang Shenbei”)	09/02/2009	Liaoning, China	150,000	20%	Banking
Shenyang Xinmin Fumin Village Bank Co., Ltd. (“Shenyang Xinmin”)	25/06/2010	Liaoning, China	30,000	20%	Banking
Shenyang Faku Fumin Village Bank Co., Ltd. (“Shenyang Faku”)	26/10/2010	Liaoning, China	30,000	20%	Banking
Shenyang Liaozhong Fumin Village Bank Co., Ltd. (“Shenyang Liaozhong”)	26/11/2010	Liaoning, China	30,000	20%	Banking
Ningbo Jiangbei Fumin Village Bank Co., Ltd. (“Ningbo Jiangbei”)	17/08/2011	Zhejiang, China	100,000	30%	Banking
Shanghai Baoshan Fumin Village Bank Co., Ltd. (“Shanghai Baoshan”)	09/09/2011	Shanghai, China	150,000	40%	Banking

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (IAS) 34, *Interim financial reporting*, issued by the International Accounting Standards Board. It was authorised for issue on 17 August 2015.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of any changes in accounting policies are set out in note 3.

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

This interim financial report contains consolidated financial statements and selected explanatory notes. The selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2014 annual financial statements. The consolidated interim financial statements and notes thereon do not include all the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

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

The financial information relating to the financial year ended 31 December 2014 that is included in the interim financial report as comparative information does not constitute the Group’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

3 CHANGES IN ACCOUNTING POLICIES

The following amendments to IFRSs that are first effective for the current accounting period of the Group and the Bank.

- Annual Improvements to IFRSs 2010–2012 Cycle
- Annual Improvements to IFRSs 2011–2013 Cycle

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

4 SEGMENT REPORTING

(1) Business Segment

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

Corporate banking

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

Retail banking

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

Treasury business

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

Others

Others represent equity investment and related income and any other business which cannot form a single reportable segment.

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

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

4 SEGMENT REPORTING (Continued)

(1) Business Segment (Continued)

	Six months ended 30 June 2015				Total
	Corporate banking	Retail banking	Treasury business	Others	
Operating income					
External net interest income/(expense)	2,178,545	(1,502,769)	4,950,655	–	5,626,431
Internal net interest income/(expense)	1,324,416	1,793,796	(3,118,212)	–	–
Net interest income	3,502,961	291,027	1,832,443	–	5,626,431
Net fee and commission income/(expense)	600,104	24,297	(4,271)	–	620,130
Net trading losses	–	–	(28,732)	–	(28,732)
Net gains arising from financial investments	–	–	580,567	440	581,007
Net foreign exchange gains	–	–	181,693	–	181,693
Other operating income	4,313	1,320	–	3,502	9,135
Operating income	4,107,378	316,644	2,561,700	3,942	6,989,664
Operating expenses	(1,222,149)	(265,383)	(438,084)	(1,760)	(1,927,376)
Impairment losses on assets	(822,519)	(8,714)	(60,000)	–	(891,233)
Operating profit	2,062,710	42,547	2,063,616	2,182	4,171,055
Share of profits of associate	–	–	–	–	–
Profit before taxation	2,062,710	42,547	2,063,616	2,182	4,171,055
Other segment information					
– Depreciation and amortisation	112,163	31,866	8,290	–	152,319
– Capital expenditure	432,168	122,780	31,944	–	586,892

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

4 SEGMENT REPORTING (Continued)

(1) Business Segment (Continued)

	30 June 2015				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	223,900,914	16,324,359	347,420,723	275,925	587,921,921
Deferred tax assets					368,175
Total assets					<u>588,290,096</u>
Segment liabilities/Total liabilities	<u>259,098,268</u>	<u>104,193,154</u>	<u>185,072,462</u>	<u>1,659,107</u>	<u>550,022,991</u>
Credit commitments	<u>124,460,494</u>	<u>1,890,856</u>	<u>–</u>	<u>–</u>	<u>126,351,350</u>

	Six months ended 30 June 2014				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income/(expense)	2,476,220	(1,211,255)	3,354,691	–	4,619,656
Internal net interest income/(expense)	<u>695,448</u>	<u>1,449,655</u>	<u>(2,145,103)</u>	<u>–</u>	<u>–</u>
Net interest income	3,171,668	238,400	1,209,588	–	4,619,656
Net fee and commission income/(expense)	708,098	1,660	(3,357)	–	706,401
Net gains/(losses) arising					
from financial investments	–	–	2,061	(113,631)	(111,570)
Net foreign exchange gains	–	–	5,610	–	5,610
Other operating income	<u>5,763</u>	<u>3,153</u>	<u>–</u>	<u>10,499</u>	<u>19,415</u>
Operating income/(losses)	3,885,529	243,213	1,213,902	(103,132)	5,239,512
Operating expenses	(1,054,494)	(214,872)	(315,637)	(5,631)	(1,590,634)
Impairment losses on assets	<u>(347,051)</u>	<u>(22,041)</u>	<u>–</u>	<u>–</u>	<u>(369,092)</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

4 SEGMENT REPORTING (Continued)

(1) Business Segment (Continued)

	Six months ended 30 June 2014				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating profit/(losses)	2,483,984	6,300	898,265	(108,763)	3,279,786
Share of profits of associate	–	–	–	2,338	2,338
Profit/(losses) before taxation	<u>2,483,984</u>	<u>6,300</u>	<u>898,265</u>	<u>(106,425)</u>	<u>3,282,124</u>
Other segment information					
– Depreciation and amortisation	<u>104,762</u>	<u>27,087</u>	<u>10,172</u>	<u>–</u>	<u>142,021</u>
– Capital expenditure	<u>463,834</u>	<u>119,927</u>	<u>45,037</u>	<u>–</u>	<u>628,798</u>

	31 December 2014				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	195,816,879	18,561,091	288,575,532	275,925	503,229,427
Deferred tax assets					<u>141,087</u>
Total assets					<u>503,370,514</u>
Segment liabilities/Total liabilities	<u>233,986,039</u>	<u>90,106,019</u>	<u>143,088,713</u>	<u>56,258</u>	<u>467,237,029</u>
Credit commitments	<u>93,408,152</u>	<u>1,975,783</u>	<u>–</u>	<u>–</u>	<u>95,383,935</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

4 SEGMENT REPORTING (Continued)

(2) Geographical information

The Group operates principally in mainland China with sixteen branches located in five provinces and municipalities directly under the central government, and six subsidiaries located in Liaoning Province, Shanghai and Ningbo of Zhejiang Province respectively.

In presenting of geographical information, non-current assets are allocated based on the geographical location of the underlying assets. Operating income is allocated based on the location of the Group's entities which generate income. Geographical areas, as defined for management reporting purposes, are as follows:

- “Northeast China” refers to headquarter and the following areas serviced by subsidiaries and branches of the Bank: Shenyang, Changchun, Dalian, Anshan, Benxi, Jinzhou, Yingkou, Huludao, Panjin, Chaoyang, Fushun, Fuxin, Dandong, Shenyang Xinmin, Shenyang Shenbei, Shenyang Faku, and Shenyang Liaozhong;
- “North China” refers to the following areas serviced by branches of the Bank: Beijing and Tianjin;
- “Others” refers to the following areas serviced by subsidiaries and branches of the Bank: Shanghai, Shanghai Baoshan, and Ningbo Jiangbei.

	Operating income	
	Six months ended 30 June	
	2015	2014
Northeast China	5,994,924	4,454,206
North China	833,666	675,136
Others	161,074	110,170
Total	6,989,664	5,239,512

	Non-current assets (Note i)	
	30 June 2015	31 December 2014
Northeast China	3,753,996	3,305,505
North China	378,059	390,082
Others	26,419	28,314
Total	4,158,474	3,723,901

Note:

- (i) Non-current assets include property and equipment, intangible assets, long-term deferred expenses and land use rights.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

5 NET INTEREST INCOME

	Six months ended 30 June	
	2015	2014
Interest income arising from		
Deposits with central bank	465,469	417,989
Deposits and placements with banks and other financial institutions	2,260,148	3,070,471
Financial assets at fair value through profit or loss	79,637	–
Loans and advances to customers		
– Corporate loans and advances	5,866,349	5,110,048
– Personal loans and advances	181,886	121,811
– Discounted bills	626,341	439,330
Financial assets held under resale agreements	481,656	361,791
Financial investments	5,076,301	2,354,683
Sub-total	15,037,787	11,876,123
Interest expense arising from		
Borrowings from central bank	(311)	(24)
Deposits and placements from banks and other financial institutions	(2,622,704)	(2,115,667)
Deposits from customers	(5,998,489)	(4,406,201)
Financial assets sold under repurchase agreements	(692,622)	(692,484)
Debt securities issued	(97,230)	(42,091)
Sub-total	(9,411,356)	(7,256,467)
Net interest income	5,626,431	4,619,656
Of which:		
Interest income arising from impaired financial assets identified	13,050	11,538

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

6 NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2015	2014
Fee and commission income		
Agency and custodian services fees	567,179	677,283
Settlement and clearing services fees	93,636	50,030
Bank card services fees	13,304	18,914
Sub-total	674,119	746,227
Fee and commission expense	(53,989)	(39,826)
Net fee and commission income	620,130	706,401

7 NET TRADING LOSSES

Net trading losses included losses arising from the buying and selling of, and changes in the fair value of debt securities held for trading purpose.

8 NET GAINS/(LOSSES) ARISING FROM INVESTMENTS

	Six months ended 30 June	
	2015	2014
Dividends from available-for-sale equity investments	440	–
Net gains on disposal of available-for-sale financial assets	580,567	15,418
Losses from cessation of significant influence over investment in an associate	–	(126,988)
Total	581,007	(111,570)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

9 OTHER OPERATING INCOME

	Six months ended 30 June	
	2015	2014
Government grants	3,476	1,627
Handling charge income	1,320	3,153
Net gains on sale of repossessed assets	–	8,680
Others	4,339	5,955
Total	9,135	19,415

10 OPERATING EXPENSES

	Six months ended 30 June	
	2015	2014
Staff costs		
– Salaries, bonuses and allowances	611,905	460,052
– Pension and annuity	65,687	69,483
– Other social insurance	32,248	44,712
– Housing allowances	31,337	25,280
– Supplementary retirement benefits	3,533	9,291
– Others	31,930	25,603
Sub-total	776,640	634,421
Business tax and surcharges	696,677	481,271
Depreciation and amortisation	152,319	142,021
Office expenses	106,361	121,370
Rental and property management expenses	83,185	93,251
Other general and administrative expenses	112,194	118,300
Total	1,927,376	1,590,634

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

11 IMPAIRMENT LOSSES ON ASSETS

	Six months ended 30 June	
	2015	2014
Loans and advances to customers	832,664	385,624
Financial investments – loans and receivables	60,000	–
Others	(1,431)	(16,532)
Total	<u>891,233</u>	<u>369,092</u>

12 INCOME TAX EXPENSE

(1) Income tax for the period:

	Six months ended 30 June	
	2015	2014
Income tax for the period		
Current tax	1,073,545	826,172
Deferred tax	(103,050)	(49,672)
Total	<u>970,495</u>	<u>776,500</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

12 INCOME TAX EXPENSE (Continued)

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

	Six months ended 30 June	
	2015	2014
Profit before taxation	4,171,055	3,282,124
Statutory tax rate	25%	25%
Income tax calculated at statutory tax rate	1,042,764	820,531
Non-deductible expenses		
– Entertainment expenses	1,418	1,106
– Non-deductible losses from write-offs of loan receivable	–	2,611
– Losses from cessation of significant influence over investment in an associate	–	31,747
– Others	515	3,446
	1,933	38,910
Non-taxable income	(71,241)	(82,941)
Sub-total	973,456	776,500
Adjustment for prior years	(2,961)	–
Income tax	970,495	776,500

13 BASIC AND DILUTED EARNINGS PER SHARE

	Six months ended 30 June	
	2015	2014
Net profit attributable to equity shareholders of the Bank	3,193,906	2,493,564
Weighted average number of ordinary shares (in thousands)	5,780,031	4,200,425
Basic and diluted earnings per share attributable to equity shareholders of the Bank (in RMB)	0.55	0.59

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

14 CASH AND DEPOSITS WITH CENTRAL BANK

	30 June 2015	31 December 2014
Cash on hand	679,864	621,745
Deposits with central bank		
– Statutory deposit reserves	44,717,429	52,595,169
– Surplus deposit reserves	21,527,960	18,617,591
– Fiscal deposits	234,211	244,739
Sub-total	66,479,600	71,457,499
Total	67,159,464	72,079,244

- (1) The Bank places statutory deposit reserves with the PBOC in accordance with relevant regulations. As at the end of the reporting period, the statutory deposit reserve ratios applicable to the Bank were as follows:

	30 June 2015	31 December 2014
Reserve ratio for RMB deposits	15.5%	18%
Reserve ratio for foreign currency deposits	5%	5%

The six rural banking subsidiaries of the Bank are required to place statutory RMB deposit reserves at rates determined by the PBOC.

The statutory deposit reserves are not available for the Group's daily business.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

15 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	30 June 2015	31 December 2014
Deposits in mainland China		
– Banks	73,455,143	76,793,928
– Other financial institutions	3,849	3,849
Deposits outside mainland China		
– Banks	325,039	8,763,205
Total	73,784,031	85,560,982

16 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	30 June 2015	31 December 2014
Placements in mainland China		
– Banks	895,215	363,868
– Other financial institutions	200,000	1,150,000
Total	1,095,215	1,513,868

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2015	31 December 2014
Held for trading purpose		
Debt securities at fair value listed outside Hong Kong		
– Policy banks	5,922,670	–
Total	5,922,670	–

The financial statements classified debt securities traded on China Domestic Interbank Bond Market as listed bonds.

18 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(1) Analysed by type and location of counterparty

	30 June 2015	31 December 2014
In mainland China		
– Banks	9,880,428	25,941,589
Total	9,880,428	25,941,589

(2) Analysed by type of security held

	30 June 2015	31 December 2014
Bills held under resale agreements	9,880,428	17,711,589
Debt securities held under resale agreements	–	8,230,000
Total	9,880,428	25,941,589

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS

(1) Analysed by nature

	30 June 2015	31 December 2014
Corporate loans and advances	178,013,812	152,782,561
Personal loans and advances		
– Residential mortgage	3,787,176	3,478,119
– Personal consumption loans	1,118,793	695,358
– Credit cards	684,525	586,871
– Personal business loans	920,652	449,424
– Others	75,170	65,870
Sub-total	6,586,316	5,275,642
Discounted bills	7,253,653	586,296
Gross loans and advances to customers	191,853,781	158,644,499
Less: Provision for impairment losses		
– Individually assessed	(271,793)	(264,591)
– Collectively assessed	(3,153,933)	(2,433,044)
Total provision for impairment losses	(3,425,726)	(2,697,635)
Net loans and advances to customers	188,428,055	155,946,864

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(2) Analysed by economic sector

	30 June 2015		Loans and advances secured by collaterals
	Amount	Percentage	
Wholesale and retail trade	46,789,633	24%	19,538,183
Manufacturing	32,608,020	17%	9,012,789
Real estate	29,597,231	16%	28,825,231
Renting and business activities	20,484,890	11%	13,673,095
Construction	10,704,561	6%	7,704,881
Transportation, storage and postal services	8,101,926	4%	3,472,002
Accommodation and catering	4,594,700	2%	3,867,400
Public administration and social organisations	4,418,986	2%	4,110,336
Production and supply of electric power, gas and water	4,392,000	2%	1,266,000
Mining	3,585,000	2%	408,000
Culture, sports and entertainment	2,266,900	1%	482,900
Agriculture, forestry, animal husbandry and fishery	2,063,390	1%	368,190
Household and other services	689,935	1%	473,735
Others	7,716,640	4%	2,957,885
Sub-total of corporate loans and advances	178,013,812	93%	96,160,627
Personal loans and advances	6,586,316	3%	4,940,682
Discounted bills	7,253,653	4%	7,253,653
Gross loans and advances to customers	191,853,781	100%	108,354,962

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(2) Analysed by economic sector (Continued)

	31 December 2014		Loans and advances secured by collaterals
	Amount	Percentage	
Wholesale and retail trade	34,341,961	22%	15,841,123
Manufacturing	30,069,918	19%	7,708,635
Real estate	27,654,699	17%	26,946,699
Renting and business activities	19,311,391	12%	14,556,981
Construction	10,093,958	6%	7,421,778
Transportation, storage and postal services	4,847,454	3%	1,728,954
Production and supply of electric power, gas and water	4,461,550	3%	1,432,550
Public administration and social organisations	4,198,260	3%	3,885,830
Mining	3,539,000	2%	416,000
Culture, sports and entertainment	3,155,900	2%	449,900
Accommodation and catering	2,360,380	2%	2,169,110
Agriculture, forestry, animal husbandry and fishery	1,493,140	1%	119,200
Household and other services	883,350	1%	663,150
Others	6,371,600	4%	2,818,550
Sub-total of corporate loans and advances	152,782,561	97%	86,158,460
Personal loans and advances	5,275,642	3%	4,218,853
Discounted bills	586,296	0%	586,296
Gross loans and advances to customers	158,644,499	100%	90,963,609

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(3) Analysed by type of collateral

	30 June 2015	31 December 2014
Unsecured loans	18,122,896	17,222,645
Guaranteed loans	65,375,923	50,458,245
Loans secured by tangible assets other than monetary assets	88,892,473	79,391,566
Loans secured by intangible assets or monetary assets	19,462,489	11,572,043
Gross loans and advances to customers	191,853,781	158,644,499
Less: Provision for impairment losses		
– Individually assessed	(271,793)	(264,591)
– Collectively assessed	(3,153,933)	(2,433,044)
Total provision for impairment losses	(3,425,726)	(2,697,635)
Net loans and advances to customers	188,428,055	155,946,864

(4) Overdue loans analysed by overdue period

	30 June 2015				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	16,668	6,459	3,196	8,133	34,456
Guaranteed loans	361,430	28,930	13,080	14,634	418,074
Loans secured by tangible assets other than monetary assets	183,649	272,062	101,544	57,738	614,993
Loans secured by intangible assets or monetary assets	800	–	70,000	–	70,800
Total	562,547	307,451	187,820	80,505	1,138,323
As a percentage of gross loans and advances to customers	0.29%	0.16%	0.10%	0.04%	0.59%

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(4) Overdue loans analysed by overdue period (Continued)

	31 December 2014				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	9,212	3,079	2,743	22,622	37,656
Guaranteed loans	5,810	28,380	4,700	18,174	57,064
Loans secured by tangible assets other than monetary assets	11,876	149,298	88,650	79,391	329,215
Loans secured by intangible assets or monetary assets	–	70,000	–	–	70,000
Total	26,898	250,757	96,093	120,187	493,935
As a percentage of gross loans and advances to customers	0.01%	0.16%	0.06%	0.08%	0.31%

(5) Loans and advances and provision for impairment losses

	Loans and advances for which provision are collectively assessed (Note (i))	30 June 2015		Gross impaired loans and advances as a percentage of gross loans and advances
		Impaired loans and advances for which provision are collectively assessed (Note (ii))	Impaired loans and advances for which provision are individually assessed	
Gross loans and advances to customers	191,076,839	36,282	740,660	0.40%
Less: Provision for impairment losses	(3,119,365)	(34,568)	(271,793)	(3,425,726)
Net loans and advances to customers	187,957,474	1,714	468,867	188,428,055

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(5) Loans and advances and provision for impairment losses (Continued)

	31 December 2014			Total	Gross impaired loans and advances as a percentage of gross loans and advances
	Loans and advances for which provision are collectively assessed (Note (i))	Impaired loans and advances (Note (ii))			
		for which provision are collectively assessed	for which provision are individually assessed		
Gross loans and advances to customers	157,948,193	53,239	643,067	158,644,499	0.44%
Less: Provision for impairment losses	(2,380,044)	(53,000)	(264,591)	(2,697,635)	
Net loans and advances to customers	<u>155,568,149</u>	<u>239</u>	<u>378,476</u>	<u>155,946,864</u>	

Notes:

- (i) Loans and advances collectively assessed for impairment bear relatively insignificant risk of impairment. These loans and advances include those which are graded normal or special-mention.
- (ii) Impaired loans and advances include those for which objective evidence of impairment has been identified and assessed using the following methods:
 - Individually (including corporate loans and advances which are graded substandard, doubtful or loss); or
 - Collectively, representing portfolios of homogeneous loans (including personal loans and advances which are graded substandard, doubtful or loss).
- (iii) The definitions of the loan classifications, stated in Notes (i) and (ii) above, are set out in Note 35(1).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(6) Movements of provision for impairment losses

	Six months ended 30 June 2015			
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances which are collectively assessed	Provision for impaired loans and advances which are individually assessed	Total
As at 1 January	2,380,044	53,000	264,591	2,697,635
Charge for the period	959,091	7,967	190,903	1,157,961
Release for the period	(219,770)	(26,399)	(79,128)	(325,297)
Unwinding of discount	–	–	(13,050)	(13,050)
Write-offs	–	–	(96,955)	(96,955)
Recoveries	–	–	5,432	5,432
As at 30 June	<u>3,119,365</u>	<u>34,568</u>	<u>271,793</u>	<u>3,425,726</u>

	Year ended 31 December 2014			
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances which are collectively assessed	Provision for impaired loans and advances which are individually assessed	Total
As at 1 January	1,614,987	35,435	228,496	1,878,918
Charge for the year	777,661	17,565	79,040	874,266
Release for the year	(12,604)	–	(720)	(13,324)
Unwinding of discount	–	–	(12,402)	(12,402)
Write-offs	–	–	(31,389)	(31,389)
Recoveries	–	–	1,566	1,566
As at 31 December	<u>2,380,044</u>	<u>53,000</u>	<u>264,591</u>	<u>2,697,635</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(7) Analysed by credit quality

	30 June 2015	31 December 2014
Gross balance of loans and advances to customers		
– Neither overdue nor impaired	190,613,377	157,926,184
– Overdue but not impaired	463,462	22,009
– Impaired	776,942	696,306
	<u>191,853,781</u>	<u>158,644,499</u>
Less: Provision for impairment losses		
– Neither overdue nor impaired	(3,085,926)	(2,377,815)
– Overdue but not impaired	(33,439)	(2,229)
– Impaired	(306,361)	(317,591)
	<u>(3,425,726)</u>	<u>(2,697,635)</u>
Net balance		
– Neither overdue nor impaired	187,527,451	155,548,369
– Overdue but not impaired	430,023	19,780
– Impaired	470,581	378,715
	<u>188,428,055</u>	<u>155,946,864</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

20 FINANCIAL INVESTMENTS

	Note	30 June 2015	31 December 2014
Available-for-sale financial assets	20(1)	23,491,409	25,437,142
Held-to-maturity investments	20(2)	47,685,647	40,627,467
Loans and receivables	20(3)	158,738,450	86,122,195
Total		229,915,506	152,186,804

(1) Available-for-sale financial assets

	30 June 2015	31 December 2014
Debt securities at fair value listed outside Hong Kong		
– Government	2,940,516	5,290,437
– Policy banks	18,939,990	17,400,409
– Banks and other financial institutions	1,026,603	2,165,870
– Corporate	308,375	304,501
Sub-total	23,215,484	25,161,217
Equity investment at cost (Note (i))		
– Unlisted	275,925	275,925
Total	23,491,409	25,437,142

Note:

- (i) Certain available-for-sale unlisted equity investments which do not have any quoted market prices and whose fair values cannot be measured reliably are stated at cost less 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

20 FINANCIAL INVESTMENTS (Continued)

(2) Held-to-maturity investments

	30 June 2015	31 December 2014
Listed outside Hong Kong		
– Government	12,136,028	12,812,548
– Policy banks	31,198,052	25,867,731
– Banks and other financial institutions	3,191,362	1,027,218
– Corporate	1,160,205	919,970
	<u>47,685,647</u>	<u>40,627,467</u>
Total	<u>47,685,647</u>	<u>40,627,467</u>
Fair value of listed securities	<u>47,842,756</u>	<u>40,564,474</u>

(3) Loans and receivables

	30 June 2015	31 December 2014
Investment management products managed by securities companies	115,320,928	60,179,090
Investment management products under trust scheme	42,637,522	24,603,105
Debt securities	600,000	600,000
Wealth management products issued by financial institutions	330,000	830,000
	<u>158,888,450</u>	<u>86,212,195</u>
Sub-total	<u>158,888,450</u>	<u>86,212,195</u>
Less: Provision for loans and receivables	<u>(150,000)</u>	<u>(90,000)</u>
Total	<u>158,738,450</u>	<u>86,122,195</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

21 PROPERTY AND EQUIPMENT

	Premises	Leasehold improvement	CIP	Office equipment	Others	Total
Cost						
As at 1 January 2014	2,459,706	413,879	439,760	339,052	86,526	3,738,923
Additions	262,790	36,180	956,408	82,392	2,993	1,340,763
CIP transfers	115,458	6,209	(121,667)	–	–	–
Disposals	(57,183)	–	–	(1,982)	–	(59,165)
As at 31 December 2014	2,780,771	456,268	1,274,501	419,462	89,519	5,020,521
Additions	41,138	6,788	435,884	84,835	2,328	570,973
CIP transfers	119,498	3,553	(123,051)	–	–	–
As at 30 June 2015	2,941,407	466,609	1,587,334	504,297	91,847	5,591,494
Accumulated depreciation						
As at 1 January 2014	(736,186)	(217,857)	–	(207,677)	(54,742)	(1,216,462)
Additions	(122,909)	(49,355)	–	(54,103)	(12,683)	(239,050)
Disposals	31,256	–	–	1,913	–	33,169
As at 31 December 2014	(827,839)	(267,212)	–	(259,867)	(67,425)	(1,422,343)
Additions	(70,301)	(25,708)	–	(37,566)	(5,498)	(139,073)
As at 30 June 2015	(898,140)	(292,920)	–	(297,433)	(72,923)	(1,561,416)
Net book value						
As at 31 December 2014	1,952,932	189,056	1,274,501	159,595	22,094	3,598,178
As at 30 June 2015	2,043,267	173,689	1,587,334	206,864	18,924	4,030,078

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

22 DEFERRED INCOME TAX ASSETS AND LIABILITIES

(1) Analysed by nature

	30 June 2015		31 December 2014	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets:				
Allowance for impairment losses	1,620,820	405,205	1,194,456	298,614
Supplementary retirement benefits	121,499	30,375	127,066	31,766
	<u>1,742,319</u>	<u>435,580</u>	<u>1,321,522</u>	<u>330,380</u>
Deferred income tax liabilities:				
Change in fair value of available-for-sale financial assets	(261,014)	(65,253)	(757,174)	(189,293)
Change in fair value of financial assets at fair value through profit or loss	<u>(8,609)</u>	<u>(2,152)</u>	<u>—</u>	<u>—</u>
	<u>(269,623)</u>	<u>(67,405)</u>	<u>(757,174)</u>	<u>(189,293)</u>
Net deferred income tax	<u>1,472,696</u>	<u>368,175</u>	<u>564,348</u>	<u>141,087</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

22 DEFERRED INCOME TAX ASSETS AND LIABILITIES (Continued)

(2) Analysed by movement

	At 1 January 2015	Recognised in profit or loss	Recognised in other comprehensive income	At 30 June 2015
Deferred income tax assets:				
Allowance for impairment losses	298,614	106,591	–	405,205
Supplementary retirement benefits	31,766	(1,389)	(2)	30,375
Sub-total	330,380	105,202	(2)	435,580
Deferred income tax liabilities:				
Change in fair value of available-for-sale financial assets	(189,293)	–	124,040	(65,253)
Change in fair value of financial assets at fair value through profit or loss	–	(2,152)	–	(2,152)
Sub-total	(189,293)	(2,152)	124,040	(67,405)
Net deferred income tax	141,087	103,050	124,038	368,175

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

22 DEFERRED INCOME TAX ASSETS AND LIABILITIES (Continued)

(2) Analysed by movement (Continued)

	At 1 January 2014	Recognised in profit or loss	Recognised in other comprehensive income	At 31 December 2014
Deferred income tax assets:				
Allowance for impairment losses	122,279	176,335	–	298,614
Change in fair value of available-for-sale financial assets	83,844	–	(83,844)	–
Supplementary retirement benefits	32,091	(2,037)	1,712	31,766
Sub-total	238,214	174,298	(82,132)	330,380
Deferred income tax liabilities:				
Change in fair value of available-for-sale financial assets	–	–	(189,293)	(189,293)
Sub-total	–	–	(189,293)	(189,293)
Net deferred income tax	238,214	174,298	(271,425)	141,087

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

23 OTHER ASSETS

	Note	30 June 2015	31 December 2014
Interest receivable	23(1)	5,869,030	5,379,593
Prepayments		640,593	142,134
Settlement and clearing accounts		316,728	2,674
Land use rights		68,448	69,321
Intangible assets	23(2)	48,605	43,782
Repossessed assets	23(3)	14,440	14,440
Long-term deferred expenses		11,343	12,620
Others	23(4)	737,287	737,334
Total		7,706,474	6,401,898

(1) Interest receivable

	30 June 2015	31 December 2014
Interest receivable arising from:		
– Deposits with banks and other financial institutions	3,031,086	2,851,517
– Investments	2,375,465	2,092,537
– Loans and advances to customers	460,828	432,472
– Others	1,651	3,067
Total	5,869,030	5,379,593

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

23 OTHER ASSETS (Continued)

(2) Intangible assets

	30 June 2015	31 December 2014
Cost		
As at 1 January	97,558	85,225
Additions	8,434	12,333
As at 30 June/31 December	105,992	97,558
Accumulated amortisation		
As at 1 January	(53,776)	(46,494)
Additions	(3,611)	(7,282)
As at 30 June/31 December	(57,387)	(53,776)
Net value		
As at 1 January	43,782	38,731
As at 30 June/31 December	48,605	43,782

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

23 OTHER ASSETS (Continued)

(3) Repossessed assets

	30 June 2015	31 December 2014
Land use rights and buildings	14,440	14,440
Others	—	—
Sub-total	14,440	14,440
Less: Impairment allowance	—	—
	<u>14,440</u>	<u>14,440</u>

(4) Others

	30 June 2015	31 December 2014
Receivable due from disposal of non-performing assets (Note (i))	756,124	756,124
Others	54,696	56,174
Sub-total	810,820	812,298
Less: Impairment allowance	(73,533)	(74,964)
	<u>737,287</u>	<u>737,334</u>

Note:

- (i) It represents a receivable from Shenyang City Infrastructure Construction Investment Development Co., Ltd. and the receivable is guaranteed by one of the Bank's shareholder, Shenyang Hengxin State-owned Asset Management Group Co., Ltd.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

24 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	30 June 2015	31 December 2014
Deposits in mainland China		
– Banks	90,799,972	86,246,532
– Other financial institutions	25,909,957	5,826,391
Total	116,709,929	92,072,923

25 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	30 June 2015	31 December 2014
Placements in mainland China		
– Banks	3,257,234	1,893,205
– Other financial institutions	1,772,944	1,774,510
Total	5,030,178	3,667,715

26 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(1) Analysed by type and location of counterparty

	30 June 2015	31 December 2014
In mainland China		
– Banks	56,879,378	41,939,973
– Other financial institutions	950,000	150,000
Total	57,829,378	42,089,973

(2) Analysed by type of security held

	30 June 2015	31 December 2014
Debt securities sold under repurchase agreements	52,426,520	42,062,620
Bills sold under repurchase agreements	5,402,858	27,353
Total	57,829,378	42,089,973

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

27 DEPOSITS FROM CUSTOMERS

	30 June 2015	31 December 2014
Demand deposits		
– Corporate deposits	61,157,616	73,249,527
– Personal deposits	10,630,552	11,499,217
Sub-total	71,788,168	84,748,744
Time deposits		
– Corporate deposits	141,609,018	117,297,799
– Personal deposits	89,801,329	75,193,690
Sub-total	231,410,347	192,491,489
Pledged deposits		
– Acceptances	49,303,554	36,510,059
– Letters of credit	394,713	670,179
– Letters of guarantees	984,127	505,736
– Others	862,142	819,160
Sub-total	51,544,536	38,505,134
Inward and outward remittances	157,148	198,422
Total deposits from customers at amortised cost	354,900,199	315,943,789

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

28 DEBT SECURITIES ISSUED

	Note	30 June 2015	31 December 2014
Subordinated fixed rate debts maturing in November 2021	28(1)	900,000	900,000
Fixed rate tier-two capital bonds maturing in May 2024	28(2)	2,200,000	2,200,000
Total		3,100,000	3,100,000

Notes:

- (1) Subordinated fixed rate debts of RMB0.9 billion with a term of ten years were issued on 3 November 2011. The coupon rate is 6.5%. The Group has an option to redeem the debts at the 5th year at nominal amount. If the debts are not redeemed by the Group, the coupon rate will stay the same for the next 5 years.
- (2) Fixed rate tier-two capital bonds of RMB2.2 billion with a term of ten years were issued on 30 May 2014. The coupon rate is 6.18%. The Group has an option to redeem the bonds at the 5th year at nominal amount. If the bonds are not redeemed by the Group, the coupon rate will stay the same for the next 5 years.

29 OTHER LIABILITIES

	Note	30 June 2015	31 December 2014
Interest payable	29(1)	8,224,955	7,339,691
Dividend payable		1,658,739	65,164
Payment and collection clearance accounts		760,557	474,706
Taxes payable	29(2)	440,808	286,355
Accrued staff cost	29(3)	372,469	419,325
Deferred income		146,858	195,313
Dormant accounts		31,510	34,592
Amount due to National Council for Social Security Fund of the PRC		–	745,179
Others		113,497	123,500
Total		11,749,393	9,683,825

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

29 OTHER LIABILITIES (Continued)

(1) Interest payable

	30 June 2015	31 December 2014
Interest payable arising from:		
– Deposits from customers	6,705,912	5,498,078
– Deposits from banks and other financial institutions	1,342,325	1,513,707
– Financial assets sold under repurchase agreements	106,152	228,554
– Debt securities issued	51,516	90,246
– Placements from banks and other financial institutions	19,050	9,106
	<u>8,224,955</u>	<u>7,339,691</u>
Total	8,224,955	7,339,691

(2) Taxes payable

	30 June 2015	31 December 2014
Business tax and surcharges payable	433,983	278,119
Others	6,825	8,236
	<u>440,808</u>	<u>286,355</u>
Total	440,808	286,355

(3) Accrued staff cost

	Note	30 June 2015	31 December 2014
Salaries, bonuses and allowances payable		186,823	203,685
Pension and annuity payable	29(3)(a)	21,908	44,307
Supplementary retirement benefits payable	29(3)(b)	121,499	127,066
Housing allowances payable		29,323	29,534
Other social insurance payable		10,667	11,357
Others		2,249	3,376
		<u>372,469</u>	<u>419,325</u>
Total		372,469	419,325

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

29 OTHER LIABILITIES (Continued)

(3) Accrued staff cost (Continued)

(a) Pension and annuity

Pursuant to the relevant laws and regulations in the PRC, the Group has participated in the social pension schemes for employees arranged by local government labor and social security authorities. The Group makes contributions to the retirement scheme at the applicable rates based on the amounts stimulated by the relevant government authorities.

The Group also provides an annuity plan to the eligible employees. The Group makes annuity contributions in proportion to its employees' total salaries and bonuses, which are charged to profit or loss when the contributions are made.

(b) Supplementary retirement benefits

Early retirement plan

The Group provides early retirement benefit payments to employees who voluntarily agreed to retire before the retirement age during the period from the date of early retirement to the statutory retirement date.

Supplementary retirement plan

The Group provides a supplementary retirement plan to its eligible employees, which is mainly heating compensation.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

30 SHARE CAPITAL

Issued share capital

	30 June 2015	31 December 2014
Number of shares authorised, issued and fully paid at par value (in thousands)	5,796,680	5,646,005

In January 2015, the Bank partially exercised the over-allotment option and issued 150,675,000 H-shares with a par value of RMB1 at an offering price of HKD7.56 per share. The premium arising from the offering amounting to RMB749 million was recorded in capital reserve.

In December 2014, the Bank issued 1,250 million H-shares with a par value of RMB1 at an offering price of HKD7.56 per share (the "H-share offering"). The premium arising from the H-share offering amounting to RMB5,935 million was recorded in capital reserve.

In April 2014, the Bank issued 300 million ordinary shares with a par value of RMB1 at RMB5.5 per share. The premium arising from the issuance of new shares amounting to RMB1,350 million was recorded in capital reserve.

31 RESERVES

(1) Capital reserve

Capital reserve mainly included share premium arising from the issuance of new shares at prices in excess of par value.

(2) Surplus reserve

The surplus reserve at the end of the reporting period represented statutory surplus reserve fund and discretionary surplus reserve fund.

Pursuant to the Company Law of the PRC and the Article of Association, the Bank is required to appropriate 10% of its net profit according to the requirement of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance (the "MOF") after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

The Bank also appropriates discretionary surplus reserve fund in accordance with the resolution of the shareholders.

(3) General reserve

From 1 July 2012, pursuant to the "Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No. 20)" issued by the MOF on 20 March 2012, the Group is required to set aside a general reserve through profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets by 30 June 2017.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

32 PROFIT DISTRIBUTION

- (1) In accordance with the resolution of the Bank's 2014 Annual General Meeting held on 26 May 2015, the shareholders approved the following profit distribution plan for the year ended 31 December 2014:
- Appropriated 10% of the profit after tax to the statutory surplus reserve fund;
 - Appropriated RMB539.83 million to the discretionary surplus reserve fund;
 - Appropriated RMB2,630.70 million to the general reserve;
 - Declared cash dividends of RMB2.75 per ten shares before tax and in aggregation of RMB1,594.09 million to all shareholders.
- (2) In accordance with the resolution of the Bank's 2013 Annual General Meeting held on 30 May 2014, the shareholders approved the following profit distribution plan for the year ended 31 December 2013:
- Appropriated 10% of the profit after tax to the statutory surplus reserve fund;
 - Appropriated RMB484.40 million to the discretionary surplus reserve fund;
 - Appropriated RMB225.18 million to the general reserve;
 - Declared cash dividends of RMB1.00 per ten shares before tax and in aggregation of RMB409.60 million to all shareholders.

33 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Cash and cash equivalents comprise:

	30 June 2015	31 December 2014
Cash on hand	679,864	647,885
Deposits with central bank	21,527,960	17,469,780
Deposits with banks and other financial institutions	4,353,439	8,772,496
Placements with banks and other financial institutions	322,272	246,112
Financial assets held under resale agreements	518,495	2,409,149
Total	27,402,030	29,545,422

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

34 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Relationship of significant related parties

Major shareholders

Major shareholders include shareholders of the Bank with 5% or above ownership, or assigning a director in the Bank.

Share percentage in the Bank:

	30 June 2015	31 December 2014
Shenyang Hengxin State-owned Asset Management Group Co., Ltd.	8.28%	8.50%
Liaoning Huibao International Investment Group Co., Ltd.	6.90%	7.08%
Xinhu Zhongbao Co., Ltd.	5.18%	5.31%
Founder Securities Co., Ltd.	5.18%	5.31%
Beijing Zhaotai Group Co., Ltd.	5.18%	5.31%
Shenyang Zhongyou Tipo (Group) Machinery & Equipment Manufacturing Co., Ltd.	3.97%	4.07%

(2) Related party transactions and balances

Related party transactions of the Group mainly refer to loans and deposits, which are entered into in the normal course and terms of business, with consistent pricing policies as in transactions with independent third parties.

(a) Transactions between the Bank and major shareholders

	30 June 2015	31 December 2014
Balances at the end of the period/year:		
Loans and receivables	977,000	–
Deposits from customers	212,040	233,060
Bank acceptances	200,000	200,000
Guarantees received	2,518,000	4,562,000

	Six months ended 30 June	
	2015	2014
Transactions during the period:		
Interest income	45,250	6,043
Interest expense	3,047	70
Fees and commission income	100	–

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

34 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(2) Related party transactions and balances (Continued)

(b) Transactions between the Bank and subsidiaries

	30 June 2015	31 December 2014
Balances at the end of the period/year:		
Deposits from banks and other financial institutions	110,172	138,204
	Six months ended 30 June	
	2015	2014
Transactions during the period:		
Interest expense	1,320	1,427

(c) Transactions between the Bank and other related parties

	30 June 2015	31 December 2014
Balances at the end of the period/year:		
Loans and advances to customers	3,827,702	3,640,796
Loans and receivables	3,334,731	977,250
Deposits from customers	547,420	990,183
Bank acceptances	100,000	724,280
Guarantees received	4,160,000	200,000
	Six months ended 30 June	
	2015	2014
Transactions during the period:		
Interest income	150,064	201,426
Interest expense	11,784	17,422
Fees and commission income	50	60,705

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

34 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(3) Key management personnel

(a) Transactions between the Bank and key management personnel

	30 June 2015	31 December 2014
Balances at the end of the period/year:		
Deposits from customers	15,582	24,807
	Six months ended 30 June	
	2015	2014
Transactions during the period:		
Interest expense	283	257

(b) Key management personnel remuneration

	Six months ended 30 June	
	2015	2014
Salaries and other emoluments	10,481	7,353
Discretionary bonuses	15,841	690
Contributions to pension schemes	707	648
Total	27,029	8,691

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

Loans and advances to directors, supervisors and officers of the Group disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

	30 June 2015	31 December 2014
Aggregate amount of relevant loans outstanding as at the period/year end	–	–
Maximum aggregate amount of relevant loans outstanding during the period/year	–	–

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

35 RISK MANAGEMENT

The Group is primarily exposed to credit, interest rate, currency and liquidity risks from its use of financial instruments in the normal course of the Group's operations. This note mainly presents information about the Group's exposure to each of the above risks and their sources, the Group's objectives, policies and processes for measuring and managing risks.

The Group aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and minimise potential adverse effects.

The Board of Directors (the "Board") is the highest decision-making authority within the Bank in terms of risk management and oversees the Group's risk management functions through the Risk Control Committee. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Senior management is the highest execution level in the risk management structure and reports directly to the Risk Control Committee of the Board. Based on the risk management strategies determined by the Board, senior management is responsible for formulating and implementing risk management policies and systems, as well as supervising, identifying and controlling the risks that various businesses are exposed to.

(1) Credit risk

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

Credit business

The Board is responsible for setting the Group's risk management strategy and the overall risk tolerance level. The Board also monitors the Group's risk management process and regularly assesses the Group's risk management strategies and risk position, ensures that all kinds of credit risk in various businesses are properly identified, assessed, calculated and monitored. The Risk Control Centre is responsible for credit risk management. Front-office departments such as the Corporate Banking Department, the Retail Banking Department, the Investment Banking Department and the Financial Market Operation Centre carry out credit businesses according to the Group's risk management policies and procedures.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

35 RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

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

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

Treasury Business

The Group's treasury business are exposed to the credit risk associated with the investment business and inter-bank business. The Group manages the credit risk exposures by setting credit limits to the internal credit ratings of its treasury business. Credit risk exposure is closely monitored on a systematic, real-time basis, and credit risk limits are reviewed and updated regularly.

(a) **Maximum credit risk exposure**

The maximum exposure to credit risk is represented by the carrying amount of each type of financial assets as at the end of the reporting period. The maximum exposure to credit risk in respect of those off-balance sheet items as at the end of the reporting period is disclosed in Note 37(1).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

35 RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

(b) Loans and advances to customers

The credit risk in respect of loans and advances to customers as at the end of the reporting period is disclosed in Note 19.

(c) Amounts due from banks and other financial institutions

The Group adopts an internal credit rating approach in managing the credit risk of amounts due from banks and other financial institutions. The distribution according to the credit rating of amounts due from banks and non-bank financial institutions (including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements for which counterparties are banks and non-bank financial institutions) is as follows:

	30 June 2015	31 December 2014
Carrying amount		
<i>Neither overdue nor impaired</i>		
– grade A to AAA	46,070,140	69,609,071
– grade B to BBB	38,466,971	42,253,519
– unrated	222,563	1,153,849
Total	84,759,674	113,016,439

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

35 RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

(d) Debt securities investments

The credit risk of debt securities investments mainly arises from the risk that the issuer might default on a payment or go into liquidation. Debt securities investments by different types of issuers are generally subject to different degrees of credit risk.

The following tables present an analysis of the Group's total credit risk exposures of debt securities investments by types of issuers:

	30 June 2015	31 December 2014
Carrying amount		
<i>Neither overdue nor impaired</i>		
– Government	15,076,544	18,102,985
– Policy banks	56,060,712	43,268,140
– Banks and other financial institutions	113,925,828	58,109,984
– Corporate	50,499,167	32,429,770
Total	235,562,251	151,910,879

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

35 RISK MANAGEMENT (Continued)

(2) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, exchange rates, commodity prices, stock prices and other prices. The market risk management aims to manage and monitor market risk, control the potential losses associated with market risk within the acceptable limit and maximise the risk-adjusted income.

The Board is responsible for approving the market risk management strategies and policies, determining the acceptable level of market risk and authorising the Risk Control Committee to supervise the market risk management conducted by the senior management. The Financial Market Operation Centre and the International Business Department of the Bank are responsible for identifying, measuring, monitoring and reporting the market risk of the various business lines. The Planning and Accounting Management Department provides various data on market risks and other technical support to the Financial Market Operation Centre and the International Business Department. The Risk Control Centre is responsible for overall market risk management.

The Group employed sensitivity analysis, interest repricing gap analysis, foreign currency gap analysis, stress testing and effective duration analysis to measure and monitor the market risk.

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

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

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

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

35 RISK MANAGEMENT (Continued)

(2) Market risk (Continued)

(a) Interest rate risk

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

(i) Repricing risk

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

35 RISK MANAGEMENT (Continued)

(2) Market risk (Continued)

(a) Interest rate risk (Continued)

(i) Repricing risk (Continued)

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

	30 June 2015					
	Total	Non-interest bearing	Less than three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Assets						
Cash and deposits with central bank	67,159,464	679,864	66,479,600	-	-	-
Deposits with banks and other financial institutions	73,784,031	-	24,780,031	33,929,000	15,075,000	-
Placements with banks and other financial institutions	1,095,215	-	-	984,810	110,405	-
Financial assets at fair value through profit or loss	5,922,670	-	-	453,405	5,469,265	-
Financial assets held under resale agreements	9,880,428	-	518,495	9,361,933	-	-
Loans and advances to customers (Note (j))	188,428,055	-	152,351,622	26,027,576	7,417,329	2,631,528
Financial investments (Note (ii))	229,915,506	275,925	35,560,409	85,484,759	86,340,212	22,254,201
Others	12,104,727	12,104,727	-	-	-	-
Total assets	588,290,096	13,060,516	279,690,157	156,241,483	114,412,211	24,885,729
Liabilities						
Deposits from banks and other financial institutions	(116,709,929)	-	(41,708,929)	(65,488,000)	(8,513,000)	(1,000,000)
Placements from banks and other financial institutions	(5,030,178)	-	(4,663,362)	(366,816)	-	-
Financial assets sold under repurchase agreements	(57,829,378)	-	(57,826,378)	(3,000)	-	-
Deposits from customers	(354,900,199)	-	(155,444,387)	(105,255,954)	(93,299,858)	(900,000)
Debt securities issued	(3,100,000)	-	-	-	-	(3,100,000)
Others	(12,453,307)	(12,453,307)	-	-	-	-
Total liabilities	(550,022,991)	(12,453,307)	(259,643,056)	(171,113,770)	(101,812,858)	(5,000,000)
Asset-liability gap	38,267,105	607,209	20,047,101	(14,872,287)	12,599,353	19,885,729

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

35 RISK MANAGEMENT (Continued)

(2) Market risk (Continued)

(a) Interest rate risk (Continued)

(i) Repricing risk (Continued)

	31 December 2014					
	Total	Non-interest bearing	Less than three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Assets						
Cash and deposits with central bank	72,079,244	621,745	71,457,499	-	-	-
Deposits with banks and other financial institutions	85,560,982	-	35,744,642	28,809,340	21,007,000	-
Placements with banks and other financial institutions	1,513,868	-	1,513,868	-	-	-
Financial assets held under resale agreements	25,941,589	-	14,311,458	11,630,131	-	-
Loans and advances to customers (Note (i))	155,946,864	-	127,135,178	16,756,478	9,753,750	2,301,458
Financial investments (Note (ii))	152,186,804	275,925	36,471,474	44,005,022	49,113,360	22,321,023
Others	10,141,163	10,141,163	-	-	-	-
Total assets	503,370,514	11,038,833	286,634,119	101,200,971	79,874,110	24,622,481
Liabilities						
Deposits from banks and other financial institutions	(92,072,923)	-	(38,182,923)	(46,939,000)	(6,951,000)	-
Placements from banks and other financial institutions	(3,667,715)	-	(1,311,900)	(2,355,815)	-	-
Financial assets sold under repurchase agreements	(42,089,973)	-	(35,021,873)	(7,068,100)	-	-
Deposits from customers	(315,943,789)	-	(143,674,371)	(90,275,538)	(80,509,822)	(1,484,058)
Debt securities issued	(3,100,000)	-	-	-	-	(3,100,000)
Others	(10,362,629)	(10,362,629)	-	-	-	-
Total liabilities	(467,237,029)	(10,362,629)	(218,191,067)	(146,638,453)	(87,460,822)	(4,584,058)
Asset-liability gap	36,133,485	676,204	68,443,052	(45,437,482)	(7,586,712)	20,038,423

Notes:

- (i) For the Group's loans and advances to customers, the category "Less than three months" as at 30 June 2015 included overdue amounts (net of provision for impairment losses) of RMB805 million (31 December 2014: RMB269 million).
- (ii) Financial investments included available-for-sale financial assets, held-to-maturity investments and loans and receivables.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

35 RISK MANAGEMENT (Continued)

(2) Market risk (Continued)

(a) Interest rate risk (Continued)

(ii) Interest rate sensitivity analysis

	30 June 2015	31 December 2014
Change in profit after taxation	Increase/(decrease)	Increase/(decrease)
Up 100 bps parallel shift in yield curves	68,299	295,372
Down 100 bps parallel shift in yield curves	(68,299)	(295,372)

	30 June 2015	31 December 2014
Change in equity	Increase/(decrease)	Increase/(decrease)
Up 100 bps parallel shift in yield curves	(439,854)	(315,622)
Down 100 bps parallel shift in yield curves	476,146	358,558

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

- Interest rate movements apply to all financial instruments of the Group;
- An interest rate movement of one hundred basis points is based on the assumption of interest rates movement over the next 12 months;
- All assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature in the mid of the respective periods;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

35 RISK MANAGEMENT (Continued)

(2) Market risk (Continued)

(b) Currency risk

The Group's currency risk mainly arises from foreign currency loans and deposits from customers. The Group manages currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies.

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

	30 June 2015			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with central bank	67,045,975	95,044	18,445	67,159,464
Deposits with banks and other financial institutions	73,368,132	250,212	165,687	73,784,031
Placements with banks and other financial institutions	200,000	764,200	131,015	1,095,215
Financial assets at fair value through profit or loss	5,922,670	–	–	5,922,670
Financial assets held under resale agreements	9,880,428	–	–	9,880,428
Loans and advances to customers	181,501,889	6,922,012	4,154	188,428,055
Financial investments (Note (i))	229,915,506	–	–	229,915,506
Others	11,809,996	206,493	88,238	12,104,727
Total assets	579,644,596	8,237,961	407,539	588,290,096
Liabilities				
Deposits from banks and other financial institutions	(116,708,971)	(958)	–	(116,709,929)
Placements from banks and other financial institutions	(500,000)	(4,530,178)	–	(5,030,178)
Financial assets sold under repurchase agreements	(57,829,378)	–	–	(57,829,378)
Deposits from customers	(353,308,082)	(1,286,073)	(306,044)	(354,900,199)
Debt securities issued	(3,100,000)	–	–	(3,100,000)
Others	(10,546,936)	(1,826,448)	(79,923)	(12,453,307)
Total liabilities	(541,993,367)	(7,643,657)	(385,967)	(550,022,991)
Net position	37,651,229	594,304	21,572	38,267,105
Off-balance sheet credit commitments	124,595,462	1,740,078	15,810	126,351,350

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

35 RISK MANAGEMENT (Continued)

(2) Market risk (Continued)

(b) Currency risk (Continued)

	31 December 2014			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with central bank	71,976,667	83,603	18,974	72,079,244
Deposits with banks and other financial institutions	76,630,754	923,749	8,006,479	85,560,982
Placements with banks and other financial institutions	1,150,000	122,380	241,488	1,513,868
Financial assets held under resale agreements	25,941,589	–	–	25,941,589
Loans and advances to customers	151,133,157	4,812,061	1,646	155,946,864
Financial investments (Note (i))	152,186,804	–	–	152,186,804
Others	10,118,505	11,596	11,062	10,141,163
Total assets	489,137,476	5,953,389	8,279,649	503,370,514
Liabilities				
Deposits from banks and other financial institutions	(92,071,963)	(960)	–	(92,072,923)
Placements from banks and other financial institutions	(700,000)	(2,967,715)	–	(3,667,715)
Financial assets sold under repurchase agreements	(42,089,973)	–	–	(42,089,973)
Deposits from customers	(313,701,897)	(1,932,211)	(309,681)	(315,943,789)
Debt securities issued	(3,100,000)	–	–	(3,100,000)
Others	(8,678,003)	(934,066)	(750,560)	(10,362,629)
Total liabilities	(460,341,836)	(5,834,952)	(1,060,241)	(467,237,029)
Net position	28,795,640	118,437	7,219,408	36,133,485
Off-balance sheet credit commitments	93,881,239	1,490,081	12,615	95,383,935

Note:

- (i) Financial investments include available-for-sale financial assets, held-to-maturity investments, and loans and receivables.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

35 RISK MANAGEMENT (Continued)

(2) Market risk (Continued)

(b) Currency risk (Continued)

Change in profit after taxation and equity	30 June 2015 Increase/(decrease)	31 December 2014 Increase/(decrease)
Up 100 bps change of foreign exchange rate	756	8,994
Down 100 bps change of foreign exchange rate	(756)	(8,994)

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

- The foreign exchange sensitivity is the gain and loss recognised as a result of one hundred basis points fluctuation in the foreign currency exchange rates against RMB;
- The fluctuation of exchange rates by one hundred basis points is based on the assumption of exchange rates movement over the next 12 months;
- The exchange rates against RMB for the US dollars and other foreign currencies change in the same direction simultaneously, and thus other foreign currencies are converted into US dollars through sensitivity analysis;
- Other variables (including interest rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the Group.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

35 RISK MANAGEMENT (Continued)

(3) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to meet repayment obligations or sustain its asset business. This risk exists even if a bank's solvency remains strong.

The Group has implemented the centralised management of the bank-wide liquidity risk by the head office, and established the liquidity risk management framework which mainly comprises the Assets and Liabilities Management Committee, the Risk Control Centre and the Planning and Accounting Management Department at the head office. The responsibilities of them are as following:

- the Assets and Liabilities Management Committee is the decision-making body for liquidity risk management and is responsible for formulating the guidelines and policies for liquidity risk management;
- the Risk Control Centre is the liquidity risk management department and is responsible for formulating, implementing and evaluating relevant systems, setting the bank-wide risk warning limits and guiding various business departments to manage liquidity risk on a daily basis; and
- the Planning and Accounting Management Department is the implementation department for liquidity risk management and is responsible for implementing relevant liquidity risk management policies, monitoring various liquidity risk indicators, regularly carrying out risk analysis and reporting to the Risk Control Centre and the Assets and Liabilities Management Committee.

The Group manages liquidity risk by monitoring the maturities of the assets and liabilities, while actively monitoring multiple liquidity indicators, including loan to deposit ratio, liquidity ratio, reserve ratio, inter-bank loan to saving ratio, loan quality ratio and liquidity gap ratio. Meanwhile, the Group forecasts the liquidity of each branch on a periodic basis. The Group conducts liquidity analysis on a monthly basis, performs stress testing on liquidity risk on a quarterly basis.

The Group also formulates liquidity risk emergency plan to ensure sufficient liquidity under various market conditions.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

35 RISK MANAGEMENT (Continued)

(3) Liquidity risk (Continued)

(a) Maturity analysis

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

	30 June 2015							Total
	Indefinite (Note (ii))	Repayable on demand (Note (ii))	Within one month	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
Assets								
Cash and deposits with central bank	44,951,640	22,207,824	-	-	-	-	-	67,159,464
Deposit with banks and other financial institutions	-	1,345,391	3,825,000	18,383,640	35,155,000	15,075,000	-	73,784,031
Placement with banks and other financial institutions	-	-	-	-	984,810	110,405	-	1,095,215
Financial assets at fair value through profit or loss	-	-	-	-	453,405	5,469,265	-	5,922,670
Financial assets held under resale agreements	-	-	57,029	461,466	9,361,933	-	-	9,880,428
Loans and advances to customers	769,268	94,566	6,441,909	19,226,619	82,264,312	71,809,166	7,822,215	188,428,055
Financial investments (Note (i))	275,925	-	7,519,224	28,041,184	85,484,759	86,340,213	22,254,201	229,915,506
Others	4,542,795	693,808	565,399	1,107,158	2,485,582	2,472,471	237,514	12,104,727
Total assets	50,539,628	24,341,589	18,408,561	67,220,067	216,189,801	181,276,520	30,313,930	588,290,096
Liabilities								
Deposits from banks and other financial institutions	-	(593,269)	(21,428,000)	(19,087,660)	(64,988,000)	(8,513,000)	(2,100,000)	(116,709,929)
Placements from banks and other financial institutions	-	-	(1,478,176)	(3,185,186)	(366,816)	-	-	(5,030,178)
Financial assets sold under repurchase agreements	-	-	(46,885,658)	(10,940,720)	(3,000)	-	-	(57,829,378)
Deposits from customers	-	(74,855,998)	(46,104,773)	(34,483,616)	(105,255,954)	(93,299,858)	(900,000)	(354,900,199)
Debt securities issued	-	-	-	-	-	-	(3,100,000)	(3,100,000)
Others	-	(2,622,076)	(2,200,898)	(1,121,033)	(4,606,860)	(1,763,862)	(138,578)	(12,453,307)
Total liabilities	-	(78,071,343)	(118,097,505)	(68,818,215)	(175,220,630)	(103,576,720)	(6,238,578)	(550,022,991)
Long(short) position	50,539,628	(53,729,754)	(99,688,944)	(1,598,148)	40,969,171	77,699,800	24,075,352	38,267,105

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

35 RISK MANAGEMENT (Continued)

(3) Liquidity risk (Continued)

(a) Maturity analysis (Continued)

	31 December 2014							Total
	Indefinite (Note (i))	Repayable on demand (Note (ii))	Within one month	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
Assets								
Cash and deposits with central bank	52,839,908	19,239,336	-	-	-	-	-	72,079,244
Deposit with banks and other financial institutions	-	9,471,742	3,800,000	2,360,260	41,921,980	28,007,000	-	85,560,982
Placement with banks and other financial institutions	-	-	-	1,513,868	-	-	-	1,513,868
Financial assets held under resale agreements	-	-	10,294,168	4,017,290	11,630,131	-	-	25,941,589
Loans and advances to customers	386,355	12,140	6,431,454	13,728,819	71,258,279	56,312,075	7,817,742	155,946,864
Financial investments (Note (i))	275,925	-	7,902,831	23,908,393	41,084,584	54,056,821	24,958,250	152,186,804
Others	3,879,424	251,614	1,211,143	649,764	2,276,976	1,872,242	-	10,141,163
Total assets	57,381,612	28,974,832	29,639,596	46,178,394	168,171,950	140,248,138	32,775,992	503,370,514
Liabilities								
Deposits from banks and other financial institutions	-	(3,264,273)	(8,850,000)	(21,068,650)	(48,939,000)	(9,951,000)	-	(92,072,923)
Placements from banks and other financial institutions	-	-	(1,067,140)	(244,760)	(2,355,815)	-	-	(3,667,715)
Financial assets sold under repurchase agreements	-	-	(30,768,720)	(4,253,153)	(7,068,100)	-	-	(42,089,973)
Deposits from customers	-	(89,438,680)	(31,191,913)	(23,043,778)	(90,275,538)	(80,509,822)	(1,484,058)	(315,943,789)
Debt securities issued	-	-	-	-	-	-	(3,100,000)	(3,100,000)
Others	-	(2,866,678)	(2,484,441)	(1,380,451)	(2,076,004)	(1,402,140)	(152,915)	(10,362,629)
Total liabilities	-	(95,569,631)	(74,362,214)	(49,990,792)	(150,714,457)	(91,862,962)	(4,736,973)	(467,237,029)
Long/(short) position	57,381,612	(66,594,799)	(44,722,618)	(3,812,398)	17,457,493	48,385,176	28,039,019	36,133,485

Notes:

- (i) Financial investments include available-for-sale financial assets, held-to-maturity investments, and loans and receivables.
- (ii) For cash and deposits with central bank, the indefinite period amount represents statutory deposit reserves and fiscal deposits maintained with the PBOC. Equity investments are reported under indefinite period. For loans and advances to customers, the "indefinite" period amount represents the balance being impaired or overdue for more than one month, and the balance not impaired but overdue within one month is included in "repayable on demand".

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

35 RISK MANAGEMENT (Continued)

(3) Liquidity risk (Continued)

(b) Analysis on contractual undiscounted cash flows of financial liabilities

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

	30 June 2015					
	Contractual undiscounted cash flow	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years and indefinite
Deposits from banks and other financial institutions	(122,207,206)	(22,353,310)	(19,828,837)	(68,096,461)	(9,597,109)	(2,331,489)
Placements from banks and other financial institutions	(5,102,262)	(1,482,231)	(3,244,411)	(375,620)	-	-
Financial assets sold under repurchase agreements	(58,045,553)	(47,018,412)	(11,024,109)	(3,032)	-	-
Deposits from customers	(378,734,420)	(122,146,655)	(35,666,662)	(110,849,679)	(108,988,268)	(1,083,156)
Debt securities issued	(4,733,140)	-	-	(194,460)	(777,840)	(3,760,840)
Other financial liabilities	(2,711,161)	(792,067)	(113,497)	(1,805,597)	-	-
Total non-derivative financial liabilities	(571,533,742)	(193,792,675)	(69,877,516)	(181,324,849)	(119,363,217)	(7,175,485)

	31 December 2014					
	Contractual undiscounted cash flow	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years and indefinite
Deposits from banks and other financial institutions	(98,369,225)	(12,298,446)	(21,661,336)	(51,955,926)	(12,453,517)	-
Placements from banks and other financial institutions	(3,676,821)	(1,068,854)	(244,827)	(2,363,140)	-	-
Financial assets sold under repurchase agreements	(42,476,508)	(30,893,720)	(4,351,748)	(7,231,040)	-	-
Deposits from customers	(336,508,157)	(121,091,130)	(24,064,940)	(94,840,974)	(94,904,961)	(1,606,152)
Debt securities issued	(4,869,100)	-	-	(194,460)	(777,840)	(3,896,800)
Other financial liabilities	(1,638,455)	(509,298)	(868,680)	(260,477)	-	-
Total non-derivative financial liabilities	(487,538,266)	(165,861,448)	(51,191,531)	(156,846,017)	(108,136,318)	(5,502,952)

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

35 RISK MANAGEMENT (Continued)

(4) Operational risk

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

The Group established “Three Lines of Defense for Risk Management” on the basis of the main prevention and control organisations consisting of each business department, the Risk Control Centre, the Compliance Department and the Internal Audit Department and also set up operational risk reporting mechanism between the Risk Control Centre and business units, the head office and branches.

The Group has formulated operational risk management policies and procedures, aiming to identify, assess, monitor, control and mitigate the operational risk, and reduce losses associated with the operational risk.

The Group’s measures to manage the operational risk mainly include:

- establishing and improving the risk management system, strictly separating responsibilities of the front, middle and back office, and optimising business procedures and risk management procedures;
- making use of risk alert system and paying attention to risk position and early risk alert on each aspect of business; updating operational risk guidelines from time to time; carrying out centralised risk management on major business areas so as to reduce business operational risk;
- establishing a supervision system combining “on-site and off-site”, “regular and special”, “self and external” examinations, identifying, monitoring, collecting risk factors and risk signals in the course of business operations, using centralised operational risk management tools, supervising and evaluating the sufficiency and effectiveness of operational risk management;
- establishing an expertise grade appraisal system for all employees, and selecting qualified employees through strict qualification examination and professional evaluation in accordance with the expertise and skills required by the various positions; and
- establishing a mechanism for emergency management and business continuity.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

35 RISK MANAGEMENT (Continued)

(5) Capital management

The Group manages capital mainly through capital adequacy ratio and return on equity ratio. Capital adequacy ratio is at the core of the Group's capital management, reflecting capacity of the Group for prudent operation and risk prevention. Return on equity ratio reflects the profitability of equity. The main objective of capital management is to maintain a balanced reasonable capital amount and structure in line with the business development and expected return on equity.

The Group follows the principles below with regard to capital management:

- monitor levels of asset quality based on the Group's business strategy and maintain adequate capital to support the implementation of the Group's strategic development plan and meet the regulatory requirements; and
- effectively identify, quantify, monitor, mitigate and control the major risks to which the Group is exposed, and maintain the appropriate level of capital after considering the Group's risk exposure and risk management needs.

The Group monitors the capital adequacy ratio periodically and adjusts the capital management plan when necessary to ensure the capital adequacy ratio meets both the regulatory requirements and business development demand.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

35 RISK MANAGEMENT (Continued)

(5) Capital management (Continued)

The Group calculates the capital adequacy ratios as at 30 June 2015 and 31 December 2014 in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)) issued by the CBRC in 2012 and relevant requirements promulgated by the CBRC as follows:

	Note	30 June 2015	31 December 2014
Total core tier-one capital			
– Share capital		5,796,680	5,646,005
– Qualifying portion of capital reserve		11,855,505	11,106,917
– Surplus reserve		3,273,229	2,733,397
– General reserve		6,176,437	3,545,733
– Investment revaluation reserve		195,761	567,881
– Retained earnings		10,531,212	12,101,929
– Qualifying portions of non-controlling interests		340,130	351,811
– Others		(2,305)	(2,309)
Core tier-one capital		38,166,649	36,051,364
Core tier-one capital deductions		(48,605)	(55,966)
Net core tier-one capital		38,118,044	35,995,398
Other tier-one capital		–	–
Net tier-one capital		38,118,044	35,995,398
Tier two capital			
– Qualifying portions of tier-two capital instruments issued		2,830,000	2,920,000
– Surplus provision for loan impairment		2,955,145	2,318,931
– Core tier-two capital deductions		–	–
Net tier-two capital		5,785,145	5,238,931
Net capital base		43,903,189	41,234,329
Total risk weighted assets	35(5)(a)	381,729,079	325,922,846
Core tier-one capital adequacy ratio		9.99%	11.04%
Tier-one capital adequacy ratio		9.99%	11.04%
Capital adequacy ratio		11.50%	12.65%

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

35 RISK MANAGEMENT (Continued)

(5) Capital management (Continued)

Notes:

- (a) Both the on-balance and off-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty as well as any eligible collateral or guarantees.
- (b) Pursuant to the Regulation Governing Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), the CBRC requires that the capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio for commercial banks shall not fall below 8.9%, 6.9% and 5.9%, respectively, at 31 December 2014.

36 FAIR VALUE

(1) Methods and assumptions for measurement of fair value

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group has established policies and internal controls with respect to the measurement of fair values, which specified the framework of fair value measurement of financial instruments, fair value measurement methodologies and procedures.

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

(a) Debt securities investments

The fair values of debt securities that are traded in an active market are based on their quoted market prices in an active market at the end of the reporting period.

(b) Receivables and other non-derivative financial assets

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

36 FAIR VALUE (Continued)

(1) Methods and assumptions for measurement of fair value (Continued)

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

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

(2) Financial instruments recorded at fair value

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	30 June 2015			Total
	Level 1	Level 2	Level 3	
Assets				
Financial assets at fair value through profit or loss				
– debt instruments	–	5,922,670	–	5,922,670
Available-for-sale financial assets				
– debt instruments	–	23,215,484	–	23,215,484
Total	–	29,138,154	–	29,138,154

During the six months ended 30 June 2015, there were no significant transfers between instruments in Level 1 and Level 2.

	31 December 2014			Total
	Level 1	Level 2	Level 3	
Assets				
Available-for-sale financial assets				
– debt instruments	–	25,161,217	–	25,161,217
Total	–	25,161,217	–	25,161,217

During the year ended 31 December 2014, there were no significant transfers between instruments in Level 1 and Level 2.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

36 FAIR VALUE (Continued)

(3) Level 2 fair value measurement

A majority of the available-for-sale financial assets and financial assets at fair value through profit or loss classified as level 2 are RMB bonds. The fair value of these bonds are determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data.

(4) Fair value of financial assets and liabilities not carried at fair value

(i) Cash and deposits with central bank, deposits and placements with/from banks and other financial institutions, financial assets held under resale agreements and sold under repurchase agreements, and financial investments – loans and receivables

Given that these financial assets and financial liabilities mainly mature within one year or adopt floating interest rates, their carrying amounts approximate their fair value.

(ii) Loans and advances to customers

The fair value of loans and advances to customers is estimated based on future cash flows expected to be received which is discounted at current market rates. Majority of the loans and advances to customers are repriced at least annually to the market rate. Accordingly, their carrying values approximate their fair values.

(iii) Held-to-maturity investments

The fair value for held-to-maturity investments is based on “bid” market prices or brokers’/dealers’ price quotations. If relevant market information is not available, the fair value is based on quote price of security products with similar characteristics such as credit risk, maturities and yield.

(iv) Available-for-sale equity investment

Available-for-sale equity investment is unlisted shares measured at cost, which do not have any quoted market prices and whose fair values cannot be measured reliably. There is no active market for these investments and it is the Group’s intention to dispose of them as opportunities arise.

(v) Deposits from customers

The fair value of checking, savings and short-term money market accounts is the amount payable on demand at the end of the reporting period. The fair value of fixed interest-bearing deposits without quoted market prices is estimated based on discounted cash flows using interest rates for new deposits with similar remaining maturities.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

36 FAIR VALUE (Continued)

(4) Fair value of financial assets and liabilities not carried at fair value (Continued)

(vi) Debt securities issued

Fair values of debt securities issued are based on quoted market prices. For debt securities where quoted market prices are not available, a discounted cash flow model is used to calculate their fair value using current market rates appropriate for debt securities with similar remaining maturities.

The following tables summarise the carrying amounts, the fair value and the analysis by level of the fair value hierarchy of held-to-maturity investments and subordinated bonds:

	Carrying amount	Fair value	30 June 2015		
			Level 1	Level 2	Level 3
<u>Financial assets</u>					
Held-to-maturity investments	47,685,647	47,842,756	–	47,842,756	–
Total	47,685,647	47,842,756	–	47,842,756	–
<u>Financial liabilities</u>					
Debt securities issued					
– Subordinated bonds	3,100,000	3,218,948	–	3,218,948	–
Total	3,100,000	3,218,948	–	3,218,948	–

	Carrying amount	Fair value	31 December 2014		
			Level 1	Level 2	Level 3
<u>Financial assets</u>					
Held-to-maturity investments	40,627,467	40,564,474	–	40,564,474	–
Total	40,627,467	40,564,474	–	40,564,474	–
<u>Financial liabilities</u>					
Debt securities issued					
– Subordinated bonds	3,100,000	3,177,739	–	3,177,739	–
Total	3,100,000	3,177,739	–	3,177,739	–

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

37 COMMITMENTS AND CONTINGENT LIABILITIES

(1) Credit commitments

The Group's credit commitments take the form of bank acceptances, credit card limits, letters of credit and letters of guarantees.

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

	30 June 2015	31 December 2014
Bank acceptances	115,370,065	86,660,026
Letters of guarantees	6,535,714	4,676,494
Letters of credit	2,554,715	2,071,632
Unused credit card commitments	1,890,856	1,975,783
Total	<u>126,351,350</u>	<u>95,383,935</u>

(2) Credit risk-weighted amount

	30 June 2015	31 December 2014
Credit risk-weighted amount of contingent liabilities and commitments	<u>92,574,959</u>	<u>84,586,763</u>

The credit risk weighted amount represents the amount calculated with reference to the guidelines issued by the CBRC. The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors. The risk weights range from 0% to 150% for credit commitments.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

37 COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

(3) Operating lease commitments

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

	30 June 2015	31 December 2014
Within one year (inclusive)	106,774	106,806
After one year but within five years (inclusive)	321,306	320,172
After five years	145,066	140,100
Total	<u>573,146</u>	<u>567,078</u>

(4) Capital commitments

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

	30 June 2015	31 December 2014
Contracted but not pay for	1,893,009	2,231,248
Approved but not contracted for	78,227	65,457
Total	<u>1,971,236</u>	<u>2,296,705</u>

(5) Outstanding litigations and disputes

As at the end of the reporting period, there are no significant legal proceedings outstanding against the Bank and/or its subsidiaries.

(6) Pledged assets

	30 June 2015	31 December 2014
Investment securities	63,853,141	54,112,275
Discounted bills	5,402,858	27,353
Total	<u>69,255,999</u>	<u>54,139,628</u>

Some of the Group's assets are pledged as collateral under repurchase agreements and deposits from customers.

The Group maintains statutory deposit reserves with the PBOC as required. These deposits are not available for the Group's daily operations.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

38 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

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

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the notes issued by these structured entities. Such structured entities include investment management products under trust scheme, investment management products managed by securities companies and wealth management products issued by financial institutions. The Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and financed through the issue of notes to investors.

The following table sets out an analysis of the carrying amounts of interests held by the Group as at 30 June 2015 and 31 December 2014 in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised:

	30 June 2015		
	Loans and receivables	Carrying amount	Maximum exposure
Investment management products managed by securities companies	115,320,928	115,320,928	115,320,928
Investment management products under trust scheme	42,637,522	42,637,522	42,637,522
Wealth management products issued by financial institutions	330,000	330,000	330,000
	<u>158,288,450</u>	<u>158,288,450</u>	<u>158,288,450</u>

	31 December 2014		
	Loans and receivables	Carrying amount	Maximum exposure
Investment management products managed by securities companies	60,179,090	60,179,090	60,179,090
Investment management products under trust scheme	24,603,105	24,603,105	24,603,105
Wealth management products issued by financial institutions	830,000	830,000	830,000
	<u>85,612,195</u>	<u>85,612,195</u>	<u>85,612,195</u>

The maximum exposures to loss in the above investment management products and wealth management products are the amortised cost or the fair value (which is higher) of the assets held by the Group at the end of the reporting period in accordance with the line items of these assets recognised in the statement of financial position.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

38 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (Continued)

(2) Structured entities sponsored by the Group in which the Group does not consolidate but holds an interest

The types of unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes fees charged by providing management services.

As at 30 June 2015, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products which are sponsored by the Group is RMB6,964 million (31 December 2014: RMB4,668 million).

During the six months ended 30 June 2015, the amount of fee and commission income received from the abovementioned structured entities by the Group is RMB24.73 million (the six months ended 30 June 2014: RMB1.99 million).

During the six months ended 30 June 2015, the aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2015, but matured before 30 June 2015, is RMB3,464 million (the six months ended 30 June 2014: RMB5,029 million).

39 CONSOLIDATED STRUCTURED ENTITIES

The Group has consolidated certain structured entities which are principal-guaranteed wealth management products. When assessing whether to consolidate structured entities, the Group reviews all facts and circumstances to determine whether the Group, as manager, is acting as agent or principal. These factors considered include scope of the manager's decision-making authority, rights held by other parties. The Group does not hold any shares of the principal-guaranteed wealth management products, however, the Group has the authority to exercise the right of making investment decisions as a main administrator, and the proportion of the Group's total revenue in total investment income is high. The Group concludes that these structured entities shall be consolidated.

As at 30 June 2015, the principal-guaranteed wealth management products managed and consolidated by the Group amounted to RMB1,597 million (31 December 2014: nil), which mainly invested in deposits with banks and other financial institutions. The financial impact of these principal-guaranteed wealth management product on the Group's financial performance is not significant.

40 FIDUCIARY ACTIVITIES

The Group commonly acts as a trustee, or in other fiduciary capacities, that result in its holding or managing assets on behalf of individuals, trusts and other institutions. These assets and any gains or losses arising thereon are not included in these financial statements as they are not the Group's assets.

As at 30 June 2015, the entrusted loans balance of the Group is RMB2,311 million (31 December 2014: RMB3,352 million).

41 SUBSEQUENT EVENTS

The Group has no material events for disclosure subsequent to 30 June 2015 and up to the date of this report.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in thousands of Renminbi, unless otherwise stated)

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

1 LIQUIDITY COVERAGE RATIO

	As at 30 June 2015	Average for the period ended 30 June 2015	As at 31 December 2014	Average for the year ended 31 December 2014
Liquidity coverage ratio (RMB and foreign currency)	104.28%	107.20%	110.12%	110.64%

The above liquidity coverage ratio is calculated in accordance with the formula promulgated by the CBRC and based on the financial information prepared in accordance with the requirements of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance (“MOF”).

Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks (Provisional), the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018. During the transitional period, such ratio shall reach 60%, 70%, 80% and 90% by the end of 2014, 2015, 2016 and 2017, respectively.

The Hong Kong Banking (Disclosure) Rules (the “Rules”) took effect on 1 January 2007. It requires the disclosure of an average liquidity coverage ratio, which is the arithmetic mean of the liquidity coverage ratio for each calendar quarter. The Group prepares the liquidity coverage ratio on a semi-annual basis and the disclosed average liquidity coverage ratio is the arithmetic mean of two consecutive liquidity coverage ratio as at 30 June and 31 December.

2 CURRENCY CONCENTRATIONS

	30 June 2015			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	8,237,961	174,810	232,729	8,645,500
Spot liabilities	(7,643,657)	(153,099)	(232,868)	(8,029,624)
Net long position	594,304	21,711	(139)	615,876

	31 December 2014			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	5,953,389	8,120,086	159,563	14,233,038
Spot liabilities	(5,834,952)	(900,678)	(159,563)	(6,895,193)
Net long position	118,437	7,219,408	–	7,337,845

The Group has no structural position at the reporting periods.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

3 INTERNATIONAL CLAIMS

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

International claims include loans and advances to customers, deposits with central bank, and deposits and placements with 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 2015			Total
	Official sector	Banks and other financial institutions	Non-bank private sector	
– Asia Pacific	113,489	1,101,296	6,926,166	8,140,951
– North and South America	–	134,456	–	134,456
– Europe	–	75,362	–	75,362
Total	113,489	1,311,114	6,926,166	8,350,769

	As at 31 December 2014			Total
	Official sector	Banks and other financial institutions	Non-bank private sector	
– Asia Pacific	102,577	8,866,065	4,813,707	13,782,349
– North and South America	–	420,059	–	420,059
– Europe	–	7,972	–	7,972
Total	102,577	9,294,096	4,813,707	14,210,380

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

4 OVERDUE LOANS AND ADVANCES BY GEOGRAPHICAL SEGMENTS

	30 June 2015	31 December 2014
Northeast China	1,039,791	489,225
North China	17,480	710
Others	81,052	4,000
Total	1,138,323	493,935

5 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES

	30 June 2015	31 December 2014
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	141,822	156,821
– between 6 months and 1 year (inclusive)	165,629	93,936
– over 1 year	268,325	216,280
Total	575,776	467,037
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.07%	0.10%
– between 6 months and 1 year (inclusive)	0.09%	0.06%
– over 1 year	0.14%	0.14%
Total	0.30%	0.30%

DEFINITIONS

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

“Articles of Association”	the articles of association of the Bank, as amended from time to time
“Bank”, “Shengjing Bank”, or “We”	Shengjing Bank Co., Ltd. (盛京銀行股份有限公司), a joint stock limited company incorporated in the PRC on September 10, 1997 in accordance with PRC laws, and, if the context requires, includes its predecessors, subsidiaries, branches and sub-branches
“Beijing Zhaotai”	Beijing Zhaotai Group Co., Ltd. (北京兆泰集團股份有限公司), a company incorporated in the PRC on 16 November 1992
“Board” or “Board of Directors”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“CBRC”	China Banking Regulatory Commission
“CBRC Liaoning Bureau”	China Banking Regulatory Commission Liaoning Bureau
“Director(s)”	the director(s) of the Bank
“Domestic Shares”	ordinary shares issued by the Bank, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in full in Renminbi
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“H Shares”	overseas-listed shares in the share capital of our Bank, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange
“HK\$”	Hong Kong 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

DEFINITIONS (Continued)

“Latest Practicable Date”	15 September 2015, being the latest practicable date prior to the printing of this interim report for the purpose of ascertaining certain information contained in this interim report
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Macau”	the Macau Special Administrative Region of the PRC
“PBOC” or “Central Bank”	People’s Bank of China
“PRC”	the People’s Republic of China, and for the purpose of this interim report only, excluding Hong Kong, Macau and Taiwan
“Reporting Period”	the six months ended 30 June 2015
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Shareholder(s)”	the shareholder(s) of the Bank
“Shares”	the Domestic Shares and the H Shares
“Shenyang Hengxin”	Shenyang Hengxin State-owned Assets Management Group Co., Ltd. (瀋陽恒信國有資產經營集團有限公司, formerly known as 瀋陽恒信國有資產經營有限公司), a company incorporated in the PRC on 10 April 2002
“Supervisor(s)”	the supervisor(s) of the Bank



盛京銀行
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