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**SHENGJING BANK CO., LTD.\***  
**盛京銀行股份有限公司\***

*(A joint stock company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 02066)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016**

The board of directors (the “**Board**”) of Shengjing Bank Co., Ltd. (the “**Bank**” or “**Shengjing Bank**”) is pleased to announce the unaudited interim results of the Bank for the six months ended 30 June 2016. The interim financial information for the six months ended 30 June 2016 prepared by the Bank has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410. The Board and the Audit Committee of the Board have also reviewed and approved the interim results of the Bank. This interim results announcement is published on the websites of the Bank ([www.shengjingbank.com.cn](http://www.shengjingbank.com.cn)) and The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)). The interim report of the Bank for the six months ended 30 June 2016 will be despatched to shareholders and be available at the abovementioned websites in due course.

By order of the Board  
**Shengjing Bank Co., Ltd.**  
**ZHANG Yukun**  
*Chairperson*

Shenyang, Liaoning, China  
26 August 2016

*As at the date of this announcement, the executive directors of the Bank are ZHANG Yukun, WANG Chunsheng, WANG Yigong, WU Gang and SUN Yongsheng; the non-executive directors of the Bank are LI Yuguo, LI Jianwei, ZHAO Weiqing, YANG Yuhua and LIU Xinfa; and the independent non-executive directors of the Bank are YU Yongshun, LAU Chi Pang, BA Junyu, SUN Hang and DING Jiming.*

\* *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.*



SHENGJING BANK  
盛京銀行

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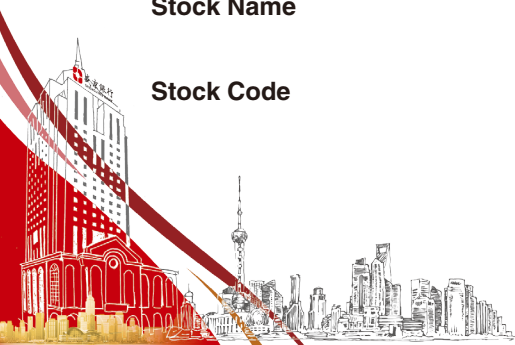
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## COMPANY INFORMATION

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



## COMPANY INFORMATION (Continued)

<b>H Share Registrar and its Business Address</b>	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
<b>Legal Advisor as to PRC Laws and its Business Address</b>	Tian Yuan Law Firm 10/F, China Pacific Insurance Plaza 28 Fengsheng Hutong Xicheng District Beijing, the PRC
<b>Legal Advisor as to Hong Kong Law and its Business Address</b>	Freshfields Bruckhaus Deringer 11th Floor, Two Exchange Square Central Hong Kong
<b>Auditor and its Business Address</b>	KPMG 8th Floor Prince’s Building 10 Chater Road Hong Kong

## FINANCIAL HIGHLIGHTS

(Expressed in thousands of Renminbi, unless otherwise stated)	January–June 2016	January–June 2015	Rate of Change (%)
<b>Operating Results</b>			
Interest income	17,413,268	15,037,787	15.8
Interest expense	(10,927,801)	(9,411,356)	16.1
Net interest income	6,485,467	5,626,431	15.3
Net fee and commission income	858,301	620,130	38.4
Net trading gains/(losses), net gains/(losses) arising from investments, net foreign exchange gains/(losses), and other operating income	444,252	743,103	(40.2)
Operating income	7,788,020	6,989,664	11.4
Operating expenses	(1,958,022)	(1,927,376)	1.6
Impairment losses on assets	(1,137,444)	(891,233)	27.6
Profit before taxation	4,692,554	4,171,055	12.5
Income tax expense	(1,070,849)	(970,495)	10.3
Net profit	3,621,705	3,200,560	13.2
Net profit attributable to equity shareholders of the Bank	<u>3,616,388</u>	<u>3,193,906</u>	<u>13.2</u>
<b>Calculated on a per share basis (RMB)</b>			Change
Basic and diluted earnings per share	<u>0.62</u>	<u>0.55</u>	<u>0.07</u>



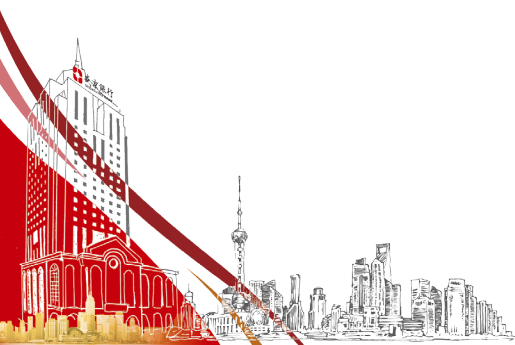
## FINANCIAL HIGHLIGHTS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June 2016	31 December 2015	Rate of Change (%)
<b>Major indicators of assets/liabilities</b>			
Total assets	806,155,635	701,628,500	14.9
Of which: net loans and advances to customers	221,556,913	191,531,735	15.7
Total liabilities	762,757,905	659,913,547	15.6
Of which: deposits from customers	445,194,020	402,379,086	10.6
Share capital	5,796,680	5,796,680	–
Equity attributable to equity shareholders of the Bank	42,825,988	41,268,528	3.8
<b>Total equity</b>	<b>43,397,730</b>	<b>41,714,953</b>	<b>4.0</b>
	January–June 2016	January–June 2015	Change
<b>Profitability Indicators (%)</b>			
Return on average total assets <sup>(1)</sup>	0.96	1.17	(0.21)
Return on average equity <sup>(2)</sup>	17.02	17.21	(0.19)
Net interest spread <sup>(3)</sup>	1.85	2.02	(0.17)
Net interest margin <sup>(4)</sup>	1.97	2.17	(0.20)
Net fee and commission income to operating income	11.02	8.87	2.15
Cost-to-income ratio <sup>(5)</sup>	18.53	17.61	0.92
	30 June 2016	31 December 2015	Change
<b>Asset quality indicators (%)</b>			
Non-performing loan ratio <sup>(6)</sup>	0.53	0.42	0.11
Allowance to non-performing loans <sup>(7)</sup>	387.49	482.38	(94.89)
Allowance to total loans <sup>(8)</sup>	2.07	2.01	0.06

## FINANCIAL HIGHLIGHTS (Continued)

	30 June 2016	31 December 2015	Change
<b>Capital adequacy ratio indicators (%)</b>			
Core tier-one capital adequacy ratio <sup>(9)</sup>	9.00	9.42	(0.42)
Tier-one capital adequacy ratio <sup>(9)</sup>	9.00	9.42	(0.42)
Capital adequacy ratio <sup>(9)</sup>	12.37	13.03	(0.66)
Total equity to total assets ratio	5.38	5.95	(0.57)
<b>Other indicators (%)</b>			
Loan-to-deposit ratio <sup>(10)</sup>	50.82	48.58	2.24

- (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, core capital adequacy ratio and 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

In the first six months of 2016, having faced the continued slowdown in economic growth rate and decrease in assets quality in certain fields, Shengjing Bank insisted on conducting a forward-looking market analysis and a strategy of prudent risk control. The Bank also deepened its efforts to upgrade its development by creative means and comprehensive operation strategy. In addition, the Bank continued to enrich the offerings of its products and expand its license and authorisation scope. The Bank also enhanced its pricing management and operation costs control mechanisms. As a result, during the economic downturn, the Bank's profitability continued to grow, the quality of its assets remained desirable, and the prospects of its future growth were increasingly promising.

As of 30 June 2016, the total assets of the Bank were RMB806,156 million, representing an increase of 14.9% as compared to that at the beginning of the year; the net loans and advances to customers amounted to RMB221,557 million, representing an increase of 15.7% as compared to that at the beginning of the year; and the non-performing loan ratio was 0.53%. The balance of deposits from customers amounted to RMB445,194 million, representing an increase of 10.6% as compared to that at the beginning of the year; the operating income of the Bank amounted to RMB7,788 million, representing an increase of 11.4% compared to that in the same period last year; and the net profit was RMB3,622 million, representing an increase of 13.2% compared to that in the same period last year.

The Bank deepened the strategic transformation and innovation by accelerating the transformation from a traditional business to the newly-emerged business and from a traditional operating structure to the comprehensive operating structure. The Bank further expanded its loans and credit assets, transaction assets, interbank assets, and investment assets, which formed a layout of diversified development. The Bank also proposed and established the first consumer finance company in the Northeast China, Shengjing Bank Consumer Finance Co., Ltd, and fully utilised the functions of the specialised institutions, such as the asset operation centre, the small enterprises financial service centre, and the credit card centre. The Bank also implemented a strategy of cost and fees management and control mainly focusing on value management. In addition, the Bank further refined the management mechanisms to promote the quality and efficiency of the Bank's operation.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The Bank continued to adhere to the risk control strategy that aims to achieve prudence and stability and to strengthen the study on forward-looking risk control strategy. The Bank also emphasised the risk control function of particular working group lines and local branches and clarified the responsibilities accordingly. The Bank strictly guarded the bottom line of risk control and prevented excessive risk exposures that may eventually lead to loss in assets value. At the same time, the Bank strictly managed and controlled the risk level of both the new business and the existing business. As a result, the Bank operated in steady compliance with the regulatory regimes. As of the end of June 2016, the Bank's non-performing loan ratio was well below the average ratio of the banking industry nationwide.

By virtue of the Bank's healthy performance results, assets of high quality, comprehensive service functions, outstanding brand value, and some of its unique advantages such as fast decision-making process, sound risk control, and control on costs, the Bank was listed among China's Top 500, ranking the 364th. It also ranked the 186th among Top 1000 World Banks in 2016 published by the Banker magazine in UK, representing an improvement of six positions as compared with the ranking in 2015, ranking the 24th among other Chinese banks in the list. In addition, the Bank ranked the 23rd among Top 100 in Chinese banking industry for 2016 published by Chinese Banking Industry. The Bank also received the highest credit rating of AAA granted by China Lianhe Credit Rating Co., Ltd. whereas only nine banks obtained the same credit rating among the 100 banks on municipality level in the country participating in the rating system. Other honours that the Bank received included "The Best Innovation Project Award of China Finance Industry in 2016" for its project on Application of Multi-application Modes in Dual-Live Data Centre.

### 3.2 FINANCIAL REVIEW

As of 30 June 2016, the total assets of the Bank were RMB806,156 million, representing an increase of 14.9% as compared to that at the beginning of the year; the total loans and advances to customers amounted to RMB226,237 million, representing an increase of 15.7% as compared to that at the beginning of the year; and the non-performing loan ratio was 0.53%. The balance of deposits from customers amounted to RMB445,194 million, representing an increase of 10.6% as compared to that at the beginning of the year; the operating income of the Bank amounted to RMB7,788 million, representing an increase of 11.4% compared to that in the same period of last year; and the net profit was RMB3,622 million, representing an increase of 13.2% compared to that in the same period of last year.

As of 30 June 2016, the capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio of the Bank were 12.37%, 9.00% and 9.00%, respectively.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 3.2.1 Analysis of the Income Statement

(Expressed in thousands of Renminbi, unless otherwise stated)	For the period ended 30 June			
	2016	2015	Change in amount	Rate of Change (%)
Interest income	17,413,268	15,037,787	2,375,481	15.8
Interest expense	(10,927,801)	(9,411,356)	(1,516,445)	16.1
<b>Net interest income</b>	<u>6,485,467</u>	<u>5,626,431</u>	<u>859,036</u>	<u>15.3</u>
Net fee and commission income	858,301	620,130	238,171	38.4
Net trading gains/(losses)	17,542	(28,732)	46,274	N/A
Net gains arising from investments	424,544	581,007	(156,463)	(26.9)
Net foreign exchange (losses)/gains	(25,440)	181,693	(207,133)	(114.0)
Other operating income	27,606	9,135	18,471	202.2
Operating income	7,788,020	6,989,664	798,356	11.4
Operating expenses	(1,958,022)	(1,927,376)	(30,646)	1.6
Impairment losses on assets	(1,137,444)	(891,233)	(246,211)	27.6
<b>Profit before taxation</b>	<u>4,692,554</u>	<u>4,171,055</u>	<u>521,499</u>	<u>12.5</u>
Income tax expense	<u>(1,070,849)</u>	<u>(970,495)</u>	<u>(100,354)</u>	<u>10.3</u>
<b>Net profit</b>	<u><u>3,621,705</u></u>	<u><u>3,200,560</u></u>	<u><u>421,145</u></u>	<u><u>13.2</u></u>

In the first half of 2016, the Bank's profit before taxation was RMB4,693 million, representing an increase of 12.5% compared to that in the same period of last year; net profit was RMB3,622 million, representing an increase of 13.2% compared to that in the same period of last year, which was mainly attributable to the steady growth of interest-earning assets, leading to an increase of RMB859 million or 15.3% 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 83.3% and 80.5% of the operating income of the first half of 2016 and the first half of 2015, 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 period ended 30 June			
	2016	2015	Change in amount	Rate of Change (%)
Interest income	17,413,268	15,037,787	2,375,481	15.8
Interest expense	(10,927,801)	(9,411,356)	(1,516,445)	16.1
<b>Net interest income</b>	<b>6,485,467</b>	<b>5,626,431</b>	<b>859,036</b>	<b>15.3</b>



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The following table sets forth the average balances 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 interest-earning assets and interest-bearing liabilities for the first half of 2016 and the first half of 2015 are the average balances derived from the Bank's management accounts which have not been audited:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the period ended 30 June 2016			For the period ended 30 June 2015		
	Average balance	Interest	Average	Average balance	Interest	Average
		income/ expense	yield/cost (%)		income/ expense	yield/cost (%)
<b>Interest-earning assets</b>						
Loans and advances to customers	195,833,950	6,557,397	6.70	172,606,561	6,674,576	7.73
Financial investments	327,704,981	8,781,235	5.36	179,325,399	5,076,301	5.66
Deposits with central bank	57,155,323	419,384	1.47	61,377,322	465,469	1.52
Deposits with banks and other financial institutions	62,994,507	1,413,307	4.49	80,312,167	2,256,411	5.62
Financial assets held under resale agreements	8,213,478	149,749	3.65	20,561,317	481,656	4.69
Placements with banks and other financial institutions	2,659,562	12,985	0.98	528,483	3,737	1.41
Financial assets at fair value through profit or loss	5,071,932	79,211	3.12	3,888,098	79,637	4.10
<b>Total interest-earning assets</b>	<b>659,633,733</b>	<b>17,413,268</b>	<b>5.28</b>	<b>518,599,347</b>	<b>15,037,787</b>	<b>5.80</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)	For the period ended 30 June 2016			For the period ended 30 June 2015		
	Average balance	Interest income/ expense	Average yield/cost (%)	Average balance	Interest income/ expense	Average yield/cost (%)
<b>Interest-bearing liabilities</b>						
Borrowings from central bank	40,189,835	596,259	2.97	–	–	–
Deposits from customers	419,394,372	6,689,935	3.19	350,884,022	5,998,489	3.42
Deposits from banks and other financial institutions	84,018,826	2,084,014	4.96	95,474,199	2,568,554	5.38
Financial assets sold under repurchase agreements	12,690,267	160,509	2.53	41,739,242	692,933	3.32
Placements from banks and other financial institutions	9,395,207	74,607	1.59	6,264,018	54,150	1.73
Debt securities issued	70,788,506	1,322,477	3.74	3,100,000	97,230	6.27
<b>Total interest-bearing liabilities</b>	<b>636,477,013</b>	<b>10,927,801</b>	<b>3.43</b>	<b>497,461,481</b>	<b>9,411,356</b>	<b>3.78</b>
Net interest income		6,485,467			5,626,431	
Net interest spread <sup>(1)</sup>			1.85			2.02
<b>Net interest margin<sup>(2)</sup></b>			<b>1.97</b>			<b>2.17</b>

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)	For the period ended 30 June 2016 compared with 2015		
	Increase/ (decrease) Volume <sup>(1)</sup>	Due to Rate <sup>(2)</sup>	Net increase/ (decrease) <sup>(3)</sup>
<b>Interest-earning assets</b>			
Loans and advances to customers	897,739	(1,014,918)	(117,179)
Financial investments	4,199,142	(494,208)	3,704,934
Deposits with central bank	(32,087)	(13,998)	(46,085)
Deposits with banks and other financial institutions	(486,626)	(356,478)	(843,104)
Financial assets held under resale agreements	(289,557)	(42,350)	(331,907)
Placements with banks and other financial institutions	15,024	(5,776)	9,248
Financial assets at fair value through profit or loss	24,269	(24,695)	(426)
<b>Change in interest income</b>	<u>4,327,904</u>	<u>(1,952,423)</u>	<u>2,375,481</u>
<b>Interest-bearing liabilities</b>			
Borrowings from central bank	596,259	–	596,259
Deposits from customers	1,171,527	(480,081)	691,446
Deposits from banks and other financial institutions	(308,150)	(176,390)	(484,540)
Financial assets sold under repurchase agreements	(482,213)	(50,211)	(532,424)
Placements from banks and other financial institutions	27,085	(6,628)	20,457
Debt securities issued	2,122,035	(896,788)	1,225,247
<b>Change in interest expense</b>	<u>3,126,543</u>	<u>(1,610,098)</u>	<u>1,516,445</u>
<b>Change in net interest income</b>	<u>1,201,361</u>	<u>(342,325)</u>	<u>859,036</u>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Notes:

- (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.

### 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 period ended 30 June			
	2016		2015	
	Amount	% of total	Amount	% of total
Loans and advances to customers				
Corporate loans (including discounted bills)	6,382,785	36.7	6,492,690	43.1
Personal loans	174,612	1.0	181,886	1.2
Sub-total	6,557,397	37.7	6,674,576	44.3
Financial investments	8,781,235	50.4	5,076,301	33.8
Deposits with central bank	419,384	2.4	465,469	3.1
Deposits with banks and other financial institutions	1,413,307	8.1	2,256,411	15.0
Financial assets held under resale agreements	149,749	0.9	481,656	3.2
Placements with banks and other financial institutions	12,985	0.1	3,737	0.1
Financial assets at fair value through profit or loss	79,211	0.4	79,637	0.5
<b>Total</b>	<b>17,413,268</b>	<b>100.0</b>	<b>15,037,787</b>	<b>100.0</b>





## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The Bank's interest income increased by 15.8% from RMB15,038 million for the first half of 2015 to RMB17,413 million for the first half of 2016, primarily due to an increase in the volume of loans and advances to customers and financial investments.

### 1. Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers was the important component of the Bank's interest income, accounting for 37.7% and 44.3% of the interest income for the first half of 2016 and the first half of 2015, 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 period ended 30 June					
	2016			2015		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans (including discounted bills)	188,466,317	6,382,785	6.77	166,620,821	6,492,690	7.79
Personal loans	7,367,633	174,612	4.74	5,985,740	181,886	6.08
<b>Total</b>	<b>195,833,950</b>	<b>6,557,397</b>	<b>6.70</b>	<b>172,606,561</b>	<b>6,674,576</b>	<b>7.73</b>

### 2. Interest Income from Financial Investments

Interest income from financial investments increased by 73.0% from RMB5,076 million for the first half of 2015 to RMB8,781 million for the first half of 2016, mainly due to the increase in the average balance of financial investment resulted by the implementation of asset management plan and the expansion of the scale of bond investments.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 3. *Interest Income from Deposits with Central Bank*

Interest income from deposits with central bank decreased by 9.9% from RMB465 million for the first half of 2015 to RMB419 million for the first half of 2016.

### 4. *Interest Income from Deposits with Banks and Other Financial Institutions*

Interest income from deposits with banks and other financial institutions decreased by 37.4% from RMB2,256 million for the first half of 2015 to RMB1,413 million for the first half of 2016, mainly due to the decrease in the amount of average balance and average yield of the deposits with banks and other financial institutions.

### 5. *Interest Income from Financial Assets Held under Resale Agreements*

Interest income from financial assets held under resale agreements decreased by 68.9% from RMB482 million for the first half of 2015 to RMB150 million for the first half of 2016, mainly because the Bank made adjustment to its business structure and decreased its investment in financial assets held under resale agreements as operational risk existed in the notes market in 2016.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 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 period ended 30 June			
	2016		2015	
	Amount	% of total	Amount	% of total
Borrowings from central bank	596,259	5.5	–	–
Deposits from customers	6,689,935	61.2	5,998,489	63.7
Deposits from banks and other financial institutions	2,084,014	19.1	2,568,554	27.3
Financial assets sold under repurchase agreements	160,509	1.4	692,933	7.4
Placements from banks and other financial institutions	74,607	0.7	54,150	0.6
Debt securities issued	1,322,477	12.1	97,230	1.0
<b>Total</b>	<b>10,927,801</b>	<b>100.0</b>	<b>9,411,356</b>	<b>100.0</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 1. 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 period ended 30 June 2016			For the period ended 30 June 2015		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
<b>Corporate deposits</b>						
Demand	76,794,835	354,226	0.92	68,220,513	343,397	1.01
Time	226,700,331	4,409,972	3.89	185,354,156	3,970,437	4.28
Sub-total	303,495,166	4,764,198	3.14	253,574,669	4,313,834	3.40
<b>Personal deposits</b>						
Demand	12,787,687	27,001	0.42	10,363,064	24,820	0.48
Time	103,111,519	1,898,736	3.68	86,946,289	1,659,835	3.82
Sub-total	115,899,206	1,925,737	3.32	97,309,353	1,684,655	3.46
<b>Total deposits from customers</b>	<b>419,394,372</b>	<b>6,689,935</b>	<b>3.19</b>	<b>350,884,022</b>	<b>5,998,489</b>	<b>3.42</b>

Interest expense on deposits from customers increased by 11.5% from RMB5,998 million for the first half of 2015 to RMB6,690 million for the first half of 2016, primarily due to the growth of the deposit business of the Bank and the increase in the proportion of time deposits.

### 2. Interest Expense on Deposits from Banks and Other Financial Institutions

Interest expense on deposits from banks and other financial institutions decreased by 18.9% from RMB2,569 million for the first half of 2015 to RMB2,084 million for the first half of 2016, primarily due to the decrease in the average balance.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 3. *Interest Expense on Financial Assets Sold under Repurchase Agreements*

Interest expense on financial assets sold under repurchase decreased by 76.8% from RMB693 million for the first half of 2015 to RMB161 million for the first half of 2016, primarily due to the significant decrease in the average balance of financial assets sold under repurchase agreements.

### 4. *Interest Expense on Placements from Banks and Other Financial Institutions*

Interest expense on placements from banks and other financial institutions increased by 37.8% from RMB54.15 million for the first half of 2015 to RMB74.61 million for the first half of 2016, mainly due to the combined impacts of the increase in the average balance of placements from banks and other financial institutions and the decrease in cost rate.

### 5. *Interest Expense on Debt Securities Issued*

During the first half of 2016, the interest expense of the debt securities issued of the Bank amounted to RMB1,322 million, representing a significant increase of RMB1,225 million as compared to that in the same period of last year, which was mainly due to the issuance of subordinated bonds of commercial banks in the aggregate of RMB10 billion in the second half of 2015 and the issuance of interbank deposits in the first half of 2016.

#### 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 2.02% for the first half of 2015 to 1.85% for the first half of 2016, and the net interest margin of the Bank decreased from 2.17% for the first half of 2015 to 1.97% for the first half of 2016, primarily due to the uncertainty of corporate client operation arising from the economic downturn, and to make up the earnings growth, resulting that the Bank enlarged the short-term fund-raising resource, leading to the decrease in the average yield on assets, detailed reasons are: (i) the yield on loans and advances to customers and financial investments which have a higher yield than other interest-earning assets decreased; (ii) the average return rate of deposits with banks and other financial institutions and financial assets held under resale agreements significantly 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.

## 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 period ended 30 June			
	2016	2015	Change in amount	Rate of Change (%)
Fee and commission income				
Agency and custody services fees	857,936	567,179	290,757	51.3
Settlement and clearing services fees	88,233	93,636	(5,403)	(5.8)
Bank card services fees	18,307	13,304	5,003	37.6
Fee and commission expense	(106,175)	(53,989)	(52,186)	96.7
<b>Net fee and commission income</b>	<b>858,301</b>	<b>620,130</b>	<b>238,171</b>	<b>38.4</b>

The Bank's net fee and commission income increased from RMB620 million for the first half of 2015 to RMB858 million for the first half of 2016.

Fee and commission expense 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 expense of the Bank increased by 96.7% from RMB54 million for the first half of 2015 to RMB106 million for the first half of 2016. Fee and commission expenses increased, primarily due to an increase of international interbank settlement business, a significant increase in trading volume of bond investment business and payment of clearing fees to the central bank.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 2. Net Trading Gains/(Losses)

For the first half of 2016, the gains from the financial assets at fair value through profit or loss and derivate financial instruments amounted to RMB17.54 million, mainly due to the change in fair value arising from derivate financial instruments held by the bank at the end of the period.

### 3. Net Gains Arising from Financial Investments

For the first half of 2016, the gains from disposal of available-for-sale debt securities investments amounted to RMB425 million, representing a decrease by 26.9% of approximately RMB156 million, mainly due to the decrease in gains as compared to same period of last year as the debt securities market returned to balance in 2016.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the period ended 30 June			
	2016	2015	Change in amount	Rate of Change (%)
Net gains on disposal of available-for-sale financial assets	424,544	580,567	(156,023)	(26.9)
Dividends from available-for-sale equity investments	–	440	(440)	(100.0)
<b>Total</b>	<b>424,544</b>	<b>581,007</b>	<b>(156,463)</b>	<b>(26.9)</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 3.2.1.6 Operating expenses

For the first half of 2016, the operating expenses of the Bank amounted to RMB1,958 million, representing an increase of RMB31 million or 1.6% compared to that in the same period of last year.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the period ended 30 June			
	2016	2015	Change in amount	Rate of Change (%)
Staff costs	923,182	776,640	146,542	18.9
Business tax and surcharges	515,014	696,677	(181,663)	(26.1)
Depreciation and amortisation	161,933	152,319	9,614	6.3
Rental and property management expenses	90,530	83,185	7,345	8.8
Office expenses	133,450	106,361	27,089	25.5
Other general and administrative expenses	133,913	112,194	21,719	19.4
<b>Total operating expenses</b>	<b>1,958,022</b>	<b>1,927,376</b>	<b>30,646</b>	<b>1.6</b>





## 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 period ended 30 June			
	2016	2015	Change in amount	Rate of Change (%)
– Salaries, bonuses and allowances	660,517	611,905	48,612	7.9
– Pension and annuity	103,366	65,687	37,679	57.4
– Other social insurance	80,228	32,248	47,980	148.8
– Housing allowances	36,480	31,337	5,143	16.4
– Supplementary retirement benefits	2,550	3,533	(983)	(27.8)
– Others	40,041	31,930	8,111	25.4
<b>Total staff costs</b>	<b>923,182</b>	<b>776,640</b>	<b>146,542</b>	<b>18.9</b>

For the first half of 2016, total staff costs of the Bank amounted to RMB923 million, representing an increase of RMB147 million or 18.9% compared to that in the same period of last year, primarily due to an increase in the number of employees as a result of expansion of business size and increase in number of branches.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 2. *Business Tax and Surcharges*

The business tax and surcharges decreased by 26.1% from RMB697 million for the first half of 2015 to RMB515 million for the first half of 2016, mainly due to conversion of business tax to value-added taxes applied to the banking industry from 1 May 2016.

### 3. *Office Expenses, Rental and Property Management Expenses*

Office expenses, rental and property management expenses mainly include office supplies, property rents, maintenance fees for electronic devices, security fees, conference fees and postal, telecom and printing fees. Office expenses, rental and property management expenses for the first half of 2016 and the first half of 2015 were RMB224 million and RMB190 million, respectively.

### 4. *Depreciation and Amortisation*

Depreciation and amortisation increased by 6.3% from RMB152 million for the first half of 2015 to RMB162 million for the first half of 2016. The increase in depreciation and amortisation was primarily due to the increase in the depreciation of fixed assets resulting from the expansion of 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 Expenses*

Other general and administrative expenses increased by 19.4% from RMB112 million for the first half of 2015 to RMB134 million for the first half of 2016.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 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 period ended 30 June			
	2016	2015	Change in amount	Rate of Change (%)
Loans and advances to customers	859,166	832,664	26,502	3.2
Loans and receivables	260,000	60,000	200,000	333.3
Others	18,278	(1,431)	19,709	N/A
<b>Total</b>	<b>1,137,444</b>	<b>891,233</b>	<b>246,211</b>	<b>27.6</b>

### 3.2.1.8 Income tax expense

During the first half of 2016, income tax expenses of the Bank amounted to RMB1,071 million, representing an increase of RMB100 million or 10.3% as compared to the same period of last year. The effective tax rate of the Bank was 22.82%, representing a decrease of 0.45 percentage point as compared to the same period of last year.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 3.2.2 Analysis of the Statement of Financial Position

#### 3.2.2.1 Assets

Total assets of the Bank as at 30 June 2016 and 31 December 2015 were RMB806,156 million and RMB701,629 million, respectively. The principal components of the assets were (i) loans and advances to customers, (ii) financial investments, (iii) deposits with banks and other financial institutions, and (iv) cash and deposits with central bank, which accounted for 27.5%, 48.5%, 12.6% and 8.8%, respectively, of the total assets of the Bank as at 30 June 2016. 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 2016		As at 31 December 2015	
	Amount	% of total	Amount	% of total
<b>Assets</b>				
Gross loans and advances to customers	226,237,435	28.1	195,460,365	27.9
Provision for impairment losses	(4,680,522)	(0.6)	(3,928,630)	(0.6)
Net loans and advances to customers	221,556,913	27.5	191,531,735	27.3
Financial investments <sup>(1)</sup>	390,960,661	48.5	313,629,383	44.7
Deposits with banks and other financial institutions	101,520,730	12.6	84,618,382	12.1
Cash and deposits with central bank	70,900,874	8.8	63,787,726	9.1
Financial assets held under resale agreements	2,603,500	0.3	32,252,183	4.6
Placements with banks and other financial institutions	6,593,088	0.8	1,017,289	0.1
Financial assets at fair value through profit or loss	30,072	0.0	1,462,016	0.2
Derivative financial assets	51,281	0.0	–	–
Other assets <sup>(2)</sup>	11,938,516	1.5	13,329,786	1.9
<b>Total assets</b>	<b>806,155,635</b>	<b>100.0</b>	<b>701,628,500</b>	<b>100.0</b>



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

*Notes:*

- (1) Includes held-to-maturity investments, 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 14.9% from RMB701,629 million as of 31 December 2015 to RMB806,156 million as of 30 June 2016. The growth in total assets of the Bank from 31 December 2015 to 30 June 2016 was largely the result of the vigorous development of business of financial investments and loans and advances to customers.

### 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 2016 amounted to RMB226,237 million with an increase of 15.7% compared with the end of the previous year. The gross loans and advances to customers accounted for 28.1% of the total assets as with an increase of 0.2% compared with the end of the previous year.

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2016		As at 31 December 2015	
	Amount	% of total	Amount	% of total
Corporate loans				
– Corporate loans	217,618,341	96.2	188,488,441	96.5
– Discounted bills	730,494	0.3	74,860	0.0
Personal loans				
– Residential mortgage	4,218,895	1.9	4,024,944	2.1
– Personal consumption loans	2,196,918	1.0	1,255,590	0.6
– Credit cards	650,377	0.3	634,569	0.3
– Personal business loans	727,188	0.3	893,651	0.5
– Others	95,222	0.0	88,310	0.0
<b>Total loans and advances to customers</b>	<b>226,237,435</b>	<b>100.0</b>	<b>195,460,365</b>	<b>100.0</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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 as of 30 June 2016 and 31 December 2015 amounted to RMB217,618 million and RMB188,488 million, and accounted for 96.2% and 96.5%, respectively, of the total loans and advances to customers made by the Bank for the same period.

The corporate loans of the Bank increased by 15.5% from RMB188,488 million as at 31 December 2015 to RMB217,618 million as of 30 June 2016, mainly attributable to the fact that, (i) the Bank continues to increase loans granted to enterprises in key industries, including wholesale and retail and manufacturing industries; (ii) the Bank continues to enhance business cooperation with core high-quality clients from various industries, leading to the continuous increase in balance of relevant loans.

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 RMB7,889 million with an increase of RMB992 million or 14.4% compared with the end of last year, representing 3.5% of total loans and advances to customers, the same as the end of last year. Among personal loans, residential mortgage increased by RMB194 million or 4.8% compared with the end of last year, mainly driven by the market demand for the personal residential mortgages; personal consumption loans increased by RMB941 million or 75.0% compared with the end of last year. The Bank increased its efforts to promote personal consumption loans as both income and spending of residents increased as a result of the national economic development. By increasing the number of the Bank's distribution outlets, the number of customers and the growth of personal consumption loans were also increased.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### (1) Loans by collateral

As of 30 June 2016 and 31 December 2015, loans secured by mortgages, pledges or guarantees, in aggregate, represented 92.5% and 90.9% 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 2016		As at 31 December 2015	
	Amount	% of total	Amount	% of total
Loans secured by mortgages	106,586,642	47.1	95,958,742	49.1
Loans secured by pledges	15,214,807	6.7	15,013,506	7.7
Guaranteed loans	87,504,492	38.7	66,621,901	34.1
Unsecured loans	16,931,494	7.5	17,866,216	9.1
<b>Total loans and advances to customers</b>	<b>226,237,435</b>	<b>100.0</b>	<b>195,460,365</b>	<b>100.0</b>

The structure of collaterals of the Bank's issued loans and receivables was stable and the Bank's capability of mitigating risks was solid. As of 30 June 2016, the balance of loans secured by mortgages, pledges and guaranteed loans amounted to RMB209,306 million, with an increase of RMB31,712 million or 17.9% as compared to the end of last year, representing 92.5% of total loans and advances to customers which increased as compared with that at the end of the previous year; the balance of unsecured loans was RMB16,931 million, with a decrease of RMB935 million from the end of last year, accounting for 7.5% of total loans and advances to customers which decreased as compared with that at the end of the previous year.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### (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 2016				As at 31 December 2015			
	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	3,612,734	29,142	286,754	3,928,630	2,380,044	53,000	264,591	2,697,635
Charge for the period	951,994	23,944	347,271	1,323,209	1,960,475	27,526	351,375	2,339,376
Release for the period	(381,544)	(1,116)	(81,383)	(464,043)	(517,785)	(37,068)	(157,570)	(712,423)
Disposals for the period	-	-	-	-	(210,000)	-	-	(210,000)
Unwinding of discount	-	-	(13,748)	(13,748)	-	-	(26,074)	(26,074)
Write-offs for the period	-	-	(97,297)	(97,297)	-	(14,316)	(151,000)	(165,316)
Recoveries for the period	-	21	3,750	3,771	-	-	5,432	5,432
<b>Balance as at the end of the period</b>	<b>4,183,184</b>	<b>51,991</b>	<b>445,347</b>	<b>4,680,522</b>	<b>3,612,734</b>	<b>29,142</b>	<b>286,754</b>	<b>3,928,630</b>

Provision for impairments on loans and advances to customers increased by 19.1% from RMB3,929 million as of 31 December 2015 to RMB4,681 million as of 30 June 2016, 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.





## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 2. Financial Investments

As of 30 June 2016 and 31 December 2015, 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 RMB390,961 million and RMB313,629 million, representing 48.5% and 44.7% of the total assets of the Bank, respectively.

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2016		As at 31 December 2015	
	Amount	% of total	Amount	% of total
<b>Available-for-sale investments</b>	37,884,474	9.7	27,359,926	8.7
– Bonds issued by policy banks	22,731,911	5.8	20,186,078	6.4
– Government bonds	13,993,601	3.6	5,144,025	1.6
– Bonds issued by other banks and financial institutions	46,959	0.0	550,447	0.2
– Corporate bonds	727,978	0.2	1,203,451	0.4
– Equity investments	384,025	0.1	275,925	0.1
<b>Held-to-maturity investments</b>	76,109,413	19.5	51,761,238	16.5
– Bonds issued by policy banks	40,226,984	10.3	30,504,007	9.7
– Government bonds	28,672,735	7.3	14,188,964	4.5
– Bonds issued by other banks and financial institutions	5,107,834	1.3	3,348,001	1.1
– Corporate bonds	2,101,860	0.6	3,720,266	1.2

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2016		As at 31 December 2015	
	Amount	% of total	Amount	% of total
<b>Investments classified as loans and receivables</b>	276,966,774	70.8	234,508,219	74.8
– Asset management scheme	175,297,160	44.7	157,543,148	50.3
– Investment in trust beneficiary rights	67,502,614	17.3	54,968,071	17.5
– Wealth management products issued by financial institutions	35,060,000	9.0	22,630,000	7.2
Less: provision for investments classified as loans and receivables	(893,000)	(0.2)	(633,000)	(0.2)
<b>Total</b>	<b>390,960,661</b>	<b>100.0</b>	<b>313,629,383</b>	<b>100.0</b>

The total financial investments of the Bank increased by 24.7% from RMB313,629 million as of 31 December 2015 to RMB390,961 million as of 30 June 2016. Available-for-sale investments and held-to-maturity investments increased by RMB10,525 million and RMB24,348 million, respectively, compared to the number recorded at the end of the previous year. This was mainly due to increase in the liquidity reserves of the Bank caused by the increase in the Bank's holding of government bonds and bonds issued by policy banks which are of high liquidity and low risks. Financial investments in relation to loans and receivables rose by RMB42,459 million compared with that at the end of the previous year, mainly attributable to the continuous increase in the Bank's holding of asset management plans and investments in trust beneficiary rights.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

- (1) Loans and receivables analysed by credit risk-bearing party

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2016		As at 31 December 2015	
	Amount	% of total	Amount	% of total
<b>Loans and receivables</b>				
– Other banks and other financial institutions	172,164,913	62.0	166,147,474	70.7
– Corporate	103,704,861	37.3	68,993,745	29.3
– Government	1,990,000	0.7	–	–
<b>Total</b>	<b>277,859,774</b>	<b>100.0</b>	<b>235,141,219</b>	<b>100.0</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

- (2) Changes in the provision for investments classified as loans and receivables

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2016	As at 31 December 2015
Balance at the beginning of the period	(633,000)	(90,000)
Provision for the period	(260,000)	(543,000)
<b>Balance as at the end of the period</b>	<b>(893,000)</b>	<b>(633,000)</b>

### 3.2.2.2 Liabilities

As of 30 June 2016 and 31 December 2015, the total liabilities of the Bank were RMB762,758 million and RMB659,914 million, respectively. The Bank's liabilities mainly consisted of (i) deposits from customers; (ii) deposits from banks and other financial institutions; and (iii) debt securities issued, accounting for 58.3%, 17.3% and 10.6%, respectively, with respect to the Bank's total liabilities as of 30 June 2016.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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 2016		As at 31 December 2015	
	Amount	% of total	Amount	% of total
Borrowings from central bank	60,300,000	7.9	6,800,000	1.0
Deposits from customers	445,194,020	58.3	402,379,086	61.0
Deposits from banks and other financial institutions	131,606,743	17.3	100,617,153	15.2
Derivative financial liabilities	5,004	0.0	–	–
Financial assets sold under repurchase agreements	9,351,400	1.2	47,085,568	7.1
Debt securities issued	80,761,839	10.6	78,485,436	11.9
Placements from banks and other financial institutions	20,470,425	2.7	11,370,469	1.7
Other liabilities <sup>(1)</sup>	15,068,474	2.0	13,175,835	2.1
<b>Total</b>	<b>762,757,905</b>	<b>100.0</b>	<b>659,913,547</b>	<b>100.0</b>

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 2016		As at 31 December 2015	
	Amount	% of total	Amount	% of total
<b>Corporate deposits</b>				
Demand deposits	75,420,483	16.9	72,780,720	18.1
Time deposits	197,894,666	44.5	168,423,885	41.9
<b>Sub-total</b>	<b>273,315,149</b>	<b>61.4</b>	<b>241,204,605</b>	<b>60.0</b>
<b>Personal deposits</b>				
Demand deposits	14,264,724	3.2	11,771,895	2.9
Time deposits	108,244,153	24.3	96,685,647	24.0
<b>Sub-total</b>	<b>122,508,877</b>	<b>27.5</b>	<b>108,457,542</b>	<b>26.9</b>
Other deposit <sup>(1)</sup>	49,369,994	11.1	52,716,939	13.1
<b>Total</b>	<b>445,194,020</b>	<b>100.0</b>	<b>402,379,086</b>	<b>100.0</b>

Note:

(1) Mainly including pledged deposits.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

As of 30 June 2016, the Bank's total deposits from customers amounted to RMB445,194 million, with an increase of RMB42,815 million or 10.6% as compared with the number recorded at the end of the previous year. Total deposits from customers accounted for 58.3% with respect to the total liabilities, representing a decrease of 2.7% as compared with the end of the previous year.

In 2016, the Bank's deposits from customers experienced an increase in time deposits, reflecting the change in customers' preference regarding deposits, and 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. The time deposits accounted for 68.8% of the total deposits from customers.

### 2. Debt Securities Issued

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

	As at 30 June 2016 Amount	As at 31 December 2015 Amount
(Expressed in thousands of Renminbi, unless otherwise stated)		
Subordinated fixed rate debts maturing in November 2021	900,000	900,000
Tier 2 capital bond with fixed rate maturing in May 2024	2,200,000	2,200,000
Tier 2 capital bond with fixed rate maturing in December 2025	10,000,000	10,000,000
Interbank certificates of deposit issued	67,661,839	65,385,436
<b>Total</b>	<b>80,761,839</b>	<b>78,485,436</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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.

The Bank issued subordinated bonds of commercial banks in the aggregate of RMB10 billion in the national inter-bank bond market on 4 December 2015. 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 4.57%. Interest on such bonds shall be paid once per year. Upon approved by the CBRC, Shengjing 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.

In the first half year of 2016, the Bank in total issued the interbank certificates of deposit of RMB70,870 million with the coupon rate between 2.55% to 3.05%. The method of interest payment is to pay in a lump sum, and all the maturities shall be within one year. As of 30 June 2016, the balance of interbank certificates of deposit issued by the Bank was RMB67,662 million.





## 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 2016		As at 31 December 2015	
	Amount	% of total	Amount	% of total
Share capital	5,796,680	13.4	5,796,680	13.9
Capital reserve	11,855,505	27.3	11,855,505	28.4
Surplus reserve	4,514,462	10.4	3,893,846	9.3
General reserve	9,267,100	21.4	6,176,638	14.8
Investment revaluation reserve	188,794	0.4	623,163	1.5
Deficit on remeasurement of net defined benefit liabilities	(6,615)	0.0	(5,126)	0.0
Retained earnings	11,210,062	25.8	12,927,822	31.0
Non-controlling interests	571,742	1.3	446,425	1.1
<b>Total equity</b>	<b>43,397,730</b>	<b>100.0</b>	<b>41,714,953</b>	<b>100.0</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

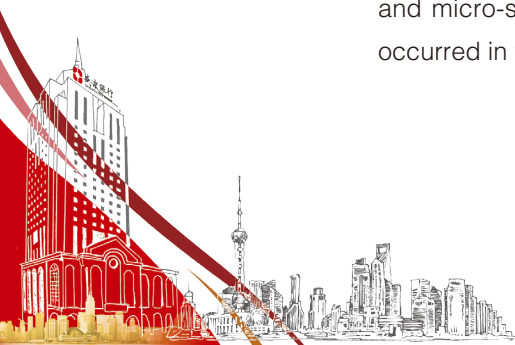
### 3.2.3 Loan quality analysis

#### 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 nonperforming loans are classified into loans and advances to customers of substandard, doubtful and loss. As at 30 June 2016, the non-performing loans recorded by the Bank amounted to RMB1,208 million and the total amount of the Bank's provision for impairment on loans and receivables was RMB4,681 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)	30 June 2016		31 December 2015	
	Amount	% of total	Amount	% of total
Normal	220,991,252	97.7	191,852,436	98.2
Special mention	4,038,283	1.8	2,793,502	1.4
Substandard	990,834	0.4	630,615	0.3
Doubtful	187,553	0.1	159,959	0.1
Loss	29,513	0.0	23,853	0.0
<b>Total loans and advance to customers</b>	<b>226,237,435</b>	<b>100.0</b>	<b>195,460,365</b>	<b>100.0</b>
<b>Non-performing loan</b>	<b>1,207,900</b>	<b>0.53</b>	<b>814,427</b>	<b>0.42</b>

As of 30 June 2016 and 31 December 2015, the non-performing loan ratios of the Bank's total loan portfolio were 0.53% and 0.42%, respectively. The increase of the Bank's non-performing loan ratios during the period was mainly due to the reason that under the influence of the economic downturn, the non-performing loans of mid-size, small-size, and micro-sized enterprises with limited anti-risk capacity had increased, which mainly occurred in the manufacturing and construction industries.



## 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 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)	30 June 2016				31 December 2015			
	Loan amount	% of total	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	% of total	Non-performing loan amount	Non-performing loan ratio (%)
Wholesale and retail	63,757,949	28.2	141,387	0.22	49,379,811	25.4	91,029	0.18
Renting and business activities	38,655,101	17.1	-	-	30,560,093	15.6	-	-
Manufacturing	34,741,587	15.4	490,548	1.41	32,235,242	16.5	415,424	1.29
Real estate	29,964,224	13.2	129,812	0.43	27,733,878	14.2	129,812	0.47
Transportation, storage and postal services	10,001,491	4.4	2,000	0.02	6,961,097	3.6	26,000	0.37
Others	9,061,884	4.0	2,300	0.03	8,588,902	4.4	2,300	0.03
Construction	8,408,718	3.7	308,900	3.67	9,639,581	4.9	12,000	0.12
Personal loans	7,888,600	3.5	55,094	0.70	6,897,064	3.5	30,003	0.44
Accommodation and catering	5,204,679	2.3	43,859	0.84	6,164,209	3.2	43,859	0.71
Production and supply of electric power, heat, gas and water	4,278,530	1.9	-	-	3,371,205	1.7	-	-
Public administration and social organisation	3,075,580	1.4	-	-	3,734,860	1.9	-	-
Culture, sports and entertainment	3,068,905	1.4	-	-	1,936,105	1.0	-	-
Household, repair and other services	3,005,655	1.3	-	-	2,598,400	1.3	30,000	1.15
Mining	2,246,000	1.0	-	-	3,969,500	2.0	-	-
Agriculture, forestry, animal husbandry and fishery	2,148,038	0.9	34,000	1.58	1,615,558	0.8	34,000	2.10
Discounted bills	730,494	0.3	-	-	74,860	0.0	-	-
<b>Total</b>	<b>226,237,435</b>	<b>100.0</b>	<b>1,207,900</b>	<b>0.53</b>	<b>195,460,365</b>	<b>100.0</b>	<b>814,427</b>	<b>0.42</b>

## 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 2016, loans provided to customers of (i) wholesale and retail, (ii) renting and business activities, (iii) manufacturing and (iv) real estate represented the largest components of the Bank's corporate loans. As of 30 June 2016 and 31 December 2015, the balance of loans provided to the corporate customers in the four industries mentioned in the above were RMB167,119 million and RMB139,909 million, respectively, accounting for 76.5% and 74.2%, respectively, with respect to the Bank's total corporate loans. From the perspective of the structure of the increase, the wholesale and retail industry and the renting and business activities industry experienced the largest increment. The increased quantity was RMB14,378 million and RMB8,095 million, respectively, and the increment was 29.1% and 26.5%, respectively. The Bank paid close attention to the relevant industry loan portfolio and gradually optimised the industry structure of loans.

### 2. Concentration of Borrowers

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 2016. As of the same date, all such loans were classified as pass loans.

(Expressed in thousands of Renminbi, unless otherwise stated)			
Customer	30 June 2016		
	Industry involved	Amount	% of total
Customer A	Real estate	3,600,000	1.59
Customer B	Wholesale and retail	3,500,000	1.55
Customer C	Real estate	2,800,000	1.24
Customer D	Renting and business activities	2,775,000	1.23
Customer E	Manufacturing	2,501,500	1.11
Customer F	Transportation, storage and postal services	2,500,000	1.11
Customer G	Wholesale and retail	2,440,000	1.08
Customer H	Transportation, storage and postal services	2,100,000	0.93
Customer I	Manufacturing	2,100,000	0.93
Customer J	Manufacturing	2,100,000	0.93



## 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)	30 June 2016			31 December 2015		
	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans	218,348,835	1,152,806	0.53	188,563,301	784,424	0.42
Short-term loans	91,894,642	1,100,806	1.20	76,623,808	658,825	0.86
Medium and long term loans	125,723,699	52,000	0.04	111,864,633	125,599	0.11
Discounted bills	730,494	-	0.00	74,860	-	0.00
Retail loans	7,888,600	55,094	0.70	6,897,064	30,003	0.44
Residential mortgage	4,218,895	30,680	0.73	4,024,944	15,164	0.38
Personal business loans	727,188	1,961	0.27	893,651	-	0.00
Personal consumption loans	2,196,918	5,400	0.25	1,255,590	-	0.00
Credit card overdrawn	650,377	17,053	2.62	634,569	14,839	2.34
Other	95,222	-	0.00	88,310	-	0.00
<b>Total</b>	<b>226,237,435</b>	<b>1,207,900</b>	<b>0.53</b>	<b>195,460,365</b>	<b>814,427</b>	<b>0.42</b>

The non-performing loan ratio, defined as non-performing loans divided by the Bank's total loans and advances to customers, was 0.53% as of 30 June 2016 and 0.42% as of 31 December 2015.

As of 30 June 2016 and 31 December 2015, the non-performing loan ratio of the Bank's corporate loans (including discounted bills) was 0.53% and 0.42%, respectively.

As of 30 June 2016 and 31 December 2015, the non-performing loan ratio of the Bank's personal loan was 0.70% and 0.44%, 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)	30 June 2016		31 December 2015	
	Amount	% of total	Amount	% of total
Overdue within 3 months	2,146,547	69.6	476,100	45.3
Overdue more than 3 months to 1 year	467,072	15.2	401,284	38.2
Overdue more than 1 year and within 3 years	394,139	12.8	96,619	9.2
Overdue more than 3 years	73,456	2.4	76,915	7.3
<b>Total overdue loans and advances to customers</b>	<b>3,081,214</b>	<b>100.0</b>	<b>1,050,918</b>	<b>100.0</b>

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 2016, 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 9.00%, 0.42% lower than the end of the previous year; the capital adequacy ratio was 12.37%, 0.66% lower than 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)	30 June 2016	31 December 2015
<b>Core capital</b>		
– Share capital	5,796,680	5,796,680
– Qualifying portion of capital reserve	11,855,505	11,855,505
– Surplus reserve	4,514,462	3,893,846
– General reserve	9,267,100	6,176,638
– Investment revaluation reserve	188,794	623,163
– Retained earnings	11,210,062	12,927,822
– Qualifying portions of non-controlling interests	445,809	348,314
– Others	(6,615)	(5,126)
<b>Core Tier-one Capital</b>	43,271,797	41,616,842
Core Tier-one Capital deductions	(75,098)	(61,209)
<b>Net Core Tier-one Capital</b>	43,196,699	41,555,633
Other Tier-one Capital	–	–
<b>Net Tier-one Capital</b>	43,196,699	41,555,633
Tier-two Capital		
– Qualifying portions of Tier-two capital instruments issued	12,740,000	12,830,000
– Surplus provision for loan impairment	3,472,622	3,114,204
<b>Net Tier-two Capital</b>	16,212,622	15,944,204
<b>Net Capital base</b>	59,409,321	57,499,837
Total risk weighted assets	480,213,788	441,206,838
<b>Core Tier-one Capital adequacy ratio</b>	9.00	9.42
<b>Tier-one Capital adequacy ratio</b>	9.00	9.42
<b>Capital adequacy ratio</b>	12.37	13.03

## 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 18 branches in five provinces and municipalities directly under the Central Government. It also established seven subsidiaries in Liaoning Province, Shanghai and Zhejiang Province.

(Expressed in thousands of Renminbi, unless otherwise stated)	Operating revenue				Non-current assets			
	As of 30 June 2016		2015		30 June 2016		31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Northeast China	6,835,500	87.8	5,994,924	85.8	4,377,389	91.9	4,003,911	90.9
North China	665,051	8.5	833,666	11.9	356,897	7.5	369,930	8.4
Others	287,469	3.7	161,074	2.3	27,556	0.6	31,925	0.7
<b>Total</b>	<b>7,788,020</b>	<b>100.0</b>	<b>6,989,664</b>	<b>100.0</b>	<b>4,761,842</b>	<b>100.0</b>	<b>4,405,766</b>	<b>100.0</b>





## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 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 the following reporting segments based on the operating segments:

(Expressed in thousands of Renminbi, unless otherwise stated)	As of 30 June			
	2016		2015	
	Amount	% of total	Amount	% of total
Operating revenue				
Corporate banking	4,915,729	63.1	4,107,378	58.8
Personal banking	466,110	6.0	316,644	4.5
Treasury business	2,399,776	30.8	2,561,700	36.6
Others	6,405	0.1	3,942	0.1
<b>Total</b>	<b>7,788,020</b>	<b>100.0</b>	<b>6,989,664</b>	<b>100.0</b>

## 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. 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)	30 June 2016	31 December 2015
Unused credit card commitments	2,069,523	2,037,361
Guarantees, acceptances and letters of credit	148,939,683	144,883,187
Operating lease commitments	571,672	645,323
Capital commitments	1,446,608	1,900,897
Pledged assets	74,692,590	56,782,506
<b>Total</b>	<b>227,720,076</b>	<b>206,249,274</b>

## 3.3 RISK MANAGEMENT

Major risks to which the Bank is exposed include credit risk, operational risk, market risk and liquidity risk. In the first half year, the domestic and overseas situations remained complicated and changing. Under the impact of economic downturn which continuously imposed pressure to the quality of bank assets, the Bank insisted on implementing the prudent and stable risk management strategy based on the core concepts of guarding the bottom line, consolidating management and stabilizing development to continuously strengthen the construction of a comprehensive risk management system. Meanwhile the Bank attached great importance to reasonable distribution of capital, gains and risks. Through effective prevention of various risks, the Bank realized healthy development for each business.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 3.3.1 Credit Risk

Credit risk refers to the risk which occurs when customers or counterparties are unable or unwilling to perform their obligations to the Bank. The Bank's credit risk mainly exists in the corporate loan business, personal loan business and treasury business.

Having faced the severe pressure of the risk management during the economic downturn, the Bank insists on a prudent and stable risk management strategy and safeguards the bottom line of the risk level that may eventually cause asset loss. The Bank continued to strengthen the function of a three-level risk management structure, further improved the coordination among the three lines of defense, and upgraded the overall risk management mechanism by including all businesses (in-sheet and off-sheet business, loans, and non-loans) of clients into the scope of review of a unified credit granting evaluation system. In this way, the Bank further strengthened the forward-looking strategic delivery management. In addition, the assets structure is further optimised by means of prudent regional study, industry analysis, customer segmentation and project selection standards. The Bank also deepened and broadened the application of a risk assessment system comprised of experts' review to improve the Bank's ability to test and evaluate risk in the whole business process. The Bank's capability to preserve its assets business at risk is further enhanced through the integral use of mortgage, pledge and guarantee. In addition, the Bank continued to enhance warning system for existing business in order to identify and manage risk events timely and accurately. The Bank also prepared in advance the risk plan "one policy for one client" targeting those clients in key over-capacitated industries. With all the measures to improve the assets recovery management, the Bank further strengthened the quality of its reserved assets. By implementing a multi-dimensional and all-rounded mechanism to inspect risks, the Bank was able to identify the risk red flags timely and cover broader areas for risk screening through the integrated measures of assets supplementation, reinforced guarantee and active compression. As a result, the Bank's non-performing loan ratio remained lower than the industry average during the economic downturn in the first half of 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 3.3.2 Operational Risk

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

The Bank paid special attention to the operational risk control, closely followed the changes in regulatory regime and review focus, and comprehensively assessed its business operation, in order to continuously improve the coverage of the rules and regulations on operational risk management applicable to all lines, the entire process, all positions and all products. The Bank also optimised the operational risk management system, which refined its operational risk management ability. Meanwhile, the Bank kept strengthening the risk consciousness and responsibility of the entire staff body and made greater effort to train staff on the operational risk management skills on job by studying actual cases. In particular, in the key areas and on the key links of operation which are prone to trigger operational risk incident, such as the bills and counter, the Bank strengthened the standardised business operation and further improved its capability of operational risk control. The Bank conducted the periodical risk inspection and examination, monitored the key operational risk indicators for warning and reporting, and prevented the potentially significant operational risk in the key fields. During the Reporting Period, the Bank did not experience any operational risk incident.

### 3.3.3 Market Risk

Market risk refers to the risk of losses that may be sustained by the Bank's 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.



## 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. Confronting with the challenges of liberalisation of interest rates and fierce competition in the industry, the Bank highly emphasised optimisation of the maturity portfolio of the Bank's assets and liabilities. Within the framework of quota management, the Bank took advantages of the analysis tools such as gap and sensitivity analysis to enhance, continuously monitor and evaluate the risk of interest rate. Meanwhile, by comparing the information obtained from applying the analysis tools with the results of the stress testing under the simulated interest rate scenarios, the Bank formulated a series of relevant emergency plans, timely adjusted internal fund pricing by reasonable application of the internal capital transfer pricing system, and guided the branches to strengthen the management of due deposits and loans. At headquarters, the Bank also improved the optimal allocation of the differences in due terms of business in the industry, so as to further improve the proactive risk management level of interest rate and continue improving risk management capabilities of interest rate.

#### 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 keeps updating and improving its prediction of the macro situation going forward and its analysis of interest rate trend. In the first half of 2016, affected by the international environment, the currency rate fluctuated frequently. The Bank carried out a combination of proactive measures of risk control, including closing out market positions, regularly reevaluating the market value of the Bank's own foreign currency capital and timely adjusting the foreign exchange exposures, to conduct sensitivity analysis on foreign exchange exposures on a regular basis. The Bank also took other measures of risk control including derivative instruments and stress testing, thus effectively preventing the currency risk and protecting the Bank's foreign currency assets.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 3.3.3.2 Market risk of trading accounts

The market risk of trading accounts of the Bank arises primarily from the changes in value of financial product assets in trading accounts, which are in turn affected by market interest rates and exchange rates. The Bank reevaluated the market value of the Bank's positions in Renminbi trading accounts on a daily basis and applied the risk level indicators to assess the risks limits of the Bank's trading accounts, including the trading exposure limit, the stop-loss limit and risk amount limit. The Bank also measured the market risk of its foreign currency trading accounts regularly through the sensitivity analysis, stress testing and other measures.

### 3.3.4 Liquidity Risk Management

Liquidity risk refers to the risk of failure to obtain adequate funds to repay debts fall due in time and at reasonable cost, perform other payment obligations, or satisfy the capital need to operate business in the ordinary course.

The Bank has included the liquidity risk management into the scope of management strategy, continued the prudent and forward-looking research and prediction of the trend of the macro policy and the capital market, and actively adjusted the liquidity management strategy pursuant to the development and liquidity status of the assets and liabilities business of the Bank. Accordingly the Bank made liquidity arrangement in advance, reasonably allocated asset structure, and rationally coordinated liquidity reserves, making efficient response to the periodical and seasonal factors that may influence the Bank's liquidity. The Bank also improved liquidity of assets by various means, enhanced stability by diversifying the sources of liabilities, and further strengthened the ability to manage both assets and liabilities. The Bank continued to reinforce regular measurement of liquidity risks, including conducting daily review, weekly prediction, monthly analysis and quarterly pressure test. It also monitored the construction of the management system, actively corrected the weak point of liquidity risk management, and made responses in advance. Meanwhile, the Bank formulated an emergency plan for liquidity incident, clarified emergencies solutions, improved efficiency at the occurrence of emergencies, further improving the level of management and control of liquidity risks.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 3.3.4.1 *Liquidity risk analysis*

In face of the changes in macroscopic environment, currency policy and regulatory policy, the Bank insisted on its prudent strategy of liquidity risk management and continuously enhanced the efficiency of liquidity risk management. The Bank managed the liquidity risk by monitoring the maturity terms of its assets and liabilities. Meanwhile, the Bank also monitored several liquidity indicators and estimated the liquidity of capital of all local branches on a weekly basis, conducted an liquidity analysis on a monthly basis, and ran a stress test for liquidity risk on a quarterly basis. Those measures assured that the Bank had sufficient liquidity and was not subject to the liquidity risk.

### 3.3.5 Market Risk Management

In the first half of 2016, facing the complicated and changing external environment, the Bank continued to strengthen its forward-looking strategy by proactively predicting the macro trend and market changes, comprehensively utilizing the sensitivity analysis, risk exposure and other risk management instruments to fully identify, accurately measure, continuously monitor market risks of various kinds of business. In this way, the Bank kept its exposure to the market risk under control.

#### 3.3.5.1 *Interest rate risk*

The purposes of managing interest rate risk are mainly to reduce the potential adverse impact of the fluctuation of interest rates on the net interest income and market value.

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 a most important and common form of interest rate risk, which originated from the differences in the maturity of the Bank's assets, liabilities and off-balance sheet business (which applied a fixed interest rate) or the differences in the maturity of re-pricing (which applied a floating interest rate). The re-pricing asymmetry would cause a bank's revenue or market value to vary upon the changes in the interest rate.

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

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 3.3.6 Information Technology Risk Management

Information technology risk refers to the risk that may occur to the Bank's operation, reputation or legal compliance in the process of applying information technology of the Bank due to factors such as nature, artificial elements, limits on technology or management inadequacy.

During the Reporting Period, the Bank enhanced its overall information technology risk management mechanisms. Firstly, it applied the concepts derived from the ISO20000 system and ISO27001 safety structure and system to the operation management on a daily basis. Meanwhile, the Bank continuously upgraded its capability to provide high-quality information technology services, optimised its management procedure and strengthened the management of information technology safety. Secondly, it promoted the comprehensive application of safety code developed in China and completed the application and redevelopment of domestic safety code to online banking, online payment platforms and end users of online banking. The Bank also applied and transformed the domestic safety code to cards with certain financial purposes to enhance the protection of code application. Thirdly, it proactively implemented the application of safe information technology and completed the upgrading and reconstruction of network devices for the external linkage area, download linkage area and network administration area of production data center, which efficiently improved the safety and management level of network. Fourthly, the Bank improved the construction of "two locations and three centers" and optimised the remote disaster recovery plan applicable to online banking system based on the disaster recovery system comprised of "two locations and three centers", namely a core system and a subset of system for remote business. Further, the Bank conducted various emergency rehearsals in information technology system, network system and infrastructure of the entire bank, which in turn improved the Bank's efficiency in managing information technology system on a continuous basis and enhanced the Bank's ability to respond to information technology emergency.

### 3.3.7 Reputational Risk Management

Reputational risk refers to the risk that may cause negative comments on the Bank made by the relevant parties due to the operation, management and other acts, or other external events.

The Bank attached great importance to reputational risk management and continued to perfect the related management systems during the Reporting Period by providing guidelines to all departments on reputation risk management and response measures. This effort has achieved a satisfactory outcome. First, the Bank established a sound reputational risk management system. It established and continued to optimise the related management systems to standardise the





## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

reputation risk management of the Bank and other entities consolidated to its financial sheets. Meanwhile, it set up special management roles dedicated to strengthening the interaction and coordination among entities and preventing various kinds of reputational risk issues by resources allocation and timely warning. Second, the Bank achieved a comprehensive monitoring system to follow the public media. It established a working platform to view the new development in public media and report the “error-free” monitoring results on the daily basis. This method largely enhanced the timeliness and accuracy of public media awareness. Further, the Bank proactively communicated with the public media entities to timely research and analyse media highlights. This way, the Bank was able to more efficiently monitor and understand the public media trends and prevent public media crisis well in advance. Third, the Bank continued to increase its capability in reputation risk management. It regularly examined and screened the reputational risk and, once an issue was discovered, the Bank would immediately carry out remedial measures and continue to strengthen the staff assessment based on reputation risk management performance. Moreover, the Bank requested the Bank and other consolidated entities to timely report and track potential red flags in reputational risk control with an aim to manage and prevent potential reputational risk event before it spreads over the entire entity. Fourth, the Bank strengthened the awareness for reputational risk through training at all levels and provided clear guidelines on prevention of reputational risk to all departments of the Bank and other consolidated entities to prevent the occurrence of reputational risk event.

### 3.3.8 Compliance Risk Management

Compliance risk refers to the risk that may cause legal sanction, regulatory penalty, significant financial loss or reputation loss due to the failure of the commercial banks to comply with the applicable laws, rules or relevant codes of the industry.

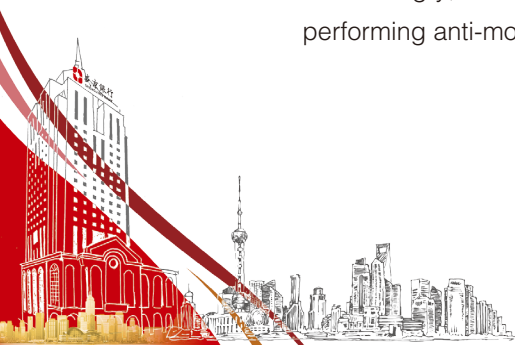
During the Reporting Period, the Bank shifted its core function from “mission-orientation” to “procedure-orientation” and executed a compliance risk management system covering all aspects of the Bank’s operation. Firstly, it continued to improve the system and commenced to re-evaluate and re-assess the operation with the benefits of hindsight in accordance to the regulatory requirements and business development of the Bank. The Bank also encouraged comments and recommendations on optimization of the system and strengthened the overall function of a practical system in compliance with the law. This way, the internal control of the Bank was enhanced. Secondly, the Bank reinforced the identification of compliance risks, kept aware of the industrial updates and the most recent regulatory policies, and improved the entire

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Bank's risk monitoring efficiency by giving advance risk warning based on thorough research and analysis and an enhanced platform for compliance information exchange. All led to the increased capability of the Bank to monitor compliance risk. Thirdly, the Bank made great efforts to review the compliance risk, particularly the advance screening for risk associated with the new business and new products. The measures would provide practical insights to improve the overall compliance system and promote the compliance review of the innovative businesses. Fourthly, the Bank further upgraded its advance warning and rectification mechanisms, including collecting comments and recommendations on improving compliance management in various aspects, such as business and product compliance and workflow standardization. The Bank also implemented a tracking and monitoring system, which had a practical effect to improve the supervision effect. Fifthly, the Bank refined the assessment and accountability mechanisms, further improved the level of the management and assessment of compliance risks, quantified the assessment standards and conducted assessment on a quarterly basis. The results of the assessment were included in the overall performance evaluation of the Bank. Any non-compliance was subject to the strict application of internal punishment. All these factors laid a solid foundation for the Bank's stable operation.

### 3.3.9 Anti-Money Laundering Management

The Bank strictly complied with applicable anti-money laundering laws and regulations and attached great importance to the anti-money laundering tasks. During the Reporting Period, the Bank actively implemented the "risk-oriented" anti-money laundering regulation principals and prudently fulfilled its social responsibilities and statutory obligations concerning anti-money laundering. Firstly, the Bank improved its organisational structure and structure under which the anti-money laundering tasks are carried out and optimised the monitoring system accordingly. The Bank further implemented a traceable system to manage due diligence on high-risk clients and provided full strong support to The People's Bank of China and public security departments in their efforts to crack down on illegal money laundering activities. Secondly, the Bank actively carried out internal audit programs targeting anti-money laundering compliance and adopted remedial measures as soon as potential problems and deficiencies were found to improve the efficiency of anti-money laundering risk management. Thirdly, the Bank actively conducted a series of anti-money laundering training and public education sessions, enhanced the consideration of anti-money laundering performance in group and individual evaluation. Accordingly, the Bank was able to motivate the incentive and efficiency of employees in performing anti-money laundering work and fulfilled its social responsibilities.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 3.4 FUTURE PROSPECTS

Currently, the global economy recovers at a slow rate. Meanwhile, the domestic economy is in a key stage to accomplish structure adjustment, dynamics transformation and industry upgrade. In the process, the economic growth slows down and the risk management in the bank industry becomes increasingly challenging. On the other hand, the process of finance marketisation is on acceleration and there is an increasing trend to apply Internet to financial industry, which brings about severe challenges and tests to commercial banks in their efforts to expand business, increase profits, and improve product quality. However, with the deeper implementation of the structural reform of the supply side, especially along with the implementation of national strategies “One Belt and One Road”, “Beijing–Tianjin Synergy Development”, “Revitalisation of Yangtze River Economic Zone” and the “New Round of Revitalisation of the Northeast China”, Shenyang – Dalian High-Tech Developmental Zone was upgraded to one of the national independent innovative demonstration zones, and the fast developing Internet technology brought about more options of technologies and models. All these factors have provided new options in market, business and client base which would enable the banking industry to explore new profit growth and operation development opportunities. The Bank will seize the opportunities by further implementing the strategy of innovation-driven development, focusing on quality improvement and business services function upgrade, prioritising the development of risk management and control and talents, further strengthening the client relationship management and operation quality, and continuing to expand business products and function license. Those measures will therefore provide new potential for the Bank to further deepen its strategy transformation and comprehensive operating innovation.

## CHANGE IN SHARE CAPITAL AND SHAREHOLDERS

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 2015		Changes during the Reporting Period			30 June 2016	
	Number	Percentage (%)	Issue of new shares	Others	Sub-total	Number	Percentage (%)
1. Shareholding of Domestic Shares							
legal persons	4,134,189,139	71.32	nil	nil	nil	4,134,189,139	71.32
Of which:							
1.1 Shareholding of state-owned							
legal persons	715,743,100	12.35	nil	nil	nil	715,743,100	12.35
1.2 Shareholding of private legal							
persons	3,418,446,039	58.97	nil	nil	nil	3,418,446,039	58.97
2. Shareholding of Domestic Shares							
natural persons	121,748,561	2.10	nil	nil	nil	121,748,561	2.10
3. H Shares	1,540,742,500	26.58	nil	nil	nil	1,540,742,500	26.58
<b>Total</b>	<b>5,796,680,200</b>	<b>100.00</b>	<b>nil</b>	<b>nil</b>	<b>nil</b>	<b>5,796,680,200</b>	<b>100.00</b>



## 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 2016, the top ten 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	Shanghai Changxin Group Co., Ltd. (上海昌鑫(集團)有限公司)	Private	200,000,000	3.45	0
7	Luenmei Group Co., Ltd (聯美集團有限公司)	Private	200,000,000	3.45	0
8	Jilin Huahai Energy Group Co., Ltd. (吉林華海能源集團有限公司)	Private	200,000,000	3.45	0
9	Shenyang Zhongyou Tianbao (Group) Materials and Equipment Co., Ltd. ("Zhongyou Tianbao")	Private	190,000,000	3.28	0
10	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	0
11	Shenyang Tonglian Group Co., Ltd. (瀋陽同聯集團有限公司)	Private	150,000,000	2.59	0
<b>Total</b>			<b>2,869,836,334</b>	<b>49.53</b>	<b>0</b>

*Note:* Evergrande Real Estate Group Ltd. ("Evergrande") (a Hong Kong listed company registered in the Cayman Islands; Stock Code: 3333) published an announcement on 28 April 2016 in relation to the acquisition through market transactions of 1,001,680,000 Domestic Shares of five domestic shareholders of the Bank through a wholly-owned subsidiary, representing 17.28% of the total share capital of the Bank. The qualification of shareholder in relation to this acquisition is subject to approval by the CBRC and its local branch.

## CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (Continued)

### 4.2 INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 30 June 2016, to the knowledge of the Bank, 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 (%)	Percentage of the total share capital of the Bank (%)
Alto Trust Limited <sup>(1)</sup>	Interest of a controlled corporation	577,180,500 (Long position)	37.46	9.96
Lau Luen Hung <sup>(1)</sup>	Interest of a trustee Interest of a child under 18 or spouse Founder of a discretionary trust	577,180,500 (Long position)	37.46	9.96
Solar Bright Ltd. <sup>(1)</sup>	Beneficiary of a trust Interest of a controlled corporation	577,180,500 (Long position)	37.46	9.96
Global King (PTC) Ltd. <sup>(1)</sup>	Beneficiary of a trust Interest of a controlled corporation	577,180,500 (Long position)	37.46	9.96
Joseph Lau Luen Hung Investments Limited <sup>(1)</sup>	Interest of a trustee Other	577,180,500 (Long position)	37.46	9.96
Chinese Estates Holdings Limited ("Chinese Estates Holdings") <sup>(1)</sup>	Interest of a controlled corporation	577,180,500 (Long position)	37.46	9.96
Global High Growth Industries Fund Series SPC	Interest of a trustee	203,106,500 (Long position)	13.18	3.50
Cheung Chung Kiu <sup>(2)</sup>	Interest of a controlled corporation	150,153,000 (Long position)	9.75	2.59
Shanghai International Trust Corp., Ltd.	Interest of a trustee	103,000,000 (Long position)	6.69	1.78
Bondic International Holdings Limited	Beneficial owner	100,153,000 (Long position)	6.50	1.73
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



## CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (Continued)

*Notes:*

- (1) Great Captain Limited held 577,180,500 H Shares of the Bank. Great Captain Limited was wholly owned by China Entertainment and Land Investment Company Limited, which was in turn wholly owned by Chinese Estates Holdings (listed on the Hong Kong Stock Exchange; Stock Code: 127); Chinese Estates Holdings was owned as to 12.10% by Joseph Lau Luen Hung Investments Limited and as to 62.89% by Global King (PTC) Ltd.; Joseph Lau Luen Hung Investments Limited was wholly owned by Solar Bright Ltd.; Global King (PTC) Ltd. was wholly owned by Solar Bright Ltd.; and Solar Bright Ltd. was wholly owned by Alto Trust Limited. By virtue of the SFO, China Entertainment and Land Investment Company, Limited, Chinese Estates Holdings, Joseph Lau Luen Hung Investments Limited, Global King (PTC) Ltd., Solar Bright Ltd., Alto Trust Limited and Mr. Lau Luen Hung are deemed to be interested in the Shares held by Great Captain Limited.
- (2) Bondic International Holdings Limited held 100,153,000 H Shares of the Bank. Bondic International Holdings Limited was wholly owned by Cheung Chung Kiu. Gold Faith Investments Limited, Worthwell Investments Limited and Bookman Properties Limited held 15,000,000 H Shares, 25,000,000 H Shares and 10,000,000 H Shares of the Bank, respectively. Each of Gold Faith Investments Limited, Worthwell Investments Limited and Bookman Properties Limited was indirectly controlled 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, Gold Faith Investments Limited, Worthwell Investments Limited and Bookman Properties Limited.

## CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (Continued)

As at 30 June 2016, to the knowledge of the Bank, the interests of substantial shareholders (as defined under the SFO), other than the 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 (%)	Percentage of the total share capital of the Bank (%)
Evergrande <sup>(1)</sup>	Interest of a controlled corporation	1,001,680,000 (Long position)	23.54	17.28
Shenyang Hengxin	Beneficial owner	479,836,334 <sup>(2)</sup> (Long position)	11.27	8.28
Shenyang Industrial Investment Development Group Co., Ltd. <sup>(3)</sup>	Interest of a controlled corporation	479,836,334 <sup>(2)</sup> (Long position)	11.27	8.28
Huibao International	Beneficial owner	400,000,000 (Long position)	9.40	6.90
Beijing Jiutai Group Co., Ltd. <sup>(4)</sup>	Interest of a controlled corporation	400,000,000 (Long position)	9.40	6.90
Li Yuguo <sup>(4)</sup>	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. <sup>(5)</sup>	Interest of a controlled corporation	300,000,000 (Long position)	7.05	5.18
Huang Wei <sup>(5)</sup>	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. <sup>(6)</sup>	Interest of a controlled corporation	300,000,000 (Long position)	7.05	5.18
Peking University Asset Management Company Limited <sup>(6)</sup>	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. <sup>(7)</sup>	Interest of a controlled corporation	300,000,000 (Long position)	7.05	5.18
Mu Qiru <sup>(7)</sup>	Interest of a controlled corporation	300,000,000 (Long position)	7.05	5.18





## CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (Continued)

*Notes:*

- (1) Evergrande Real Estate Group Ltd. ("Evergrande") (a Hong Kong listed company registered in the Cayman Islands; Stock Code: 3333) published an announcement on 28 April 2016 in relation to the acquisition through market transactions of 1,001,680,000 Domestic Shares of five domestic shareholders of the Bank through a wholly-owned subsidiary, representing 17.28% of the total share capital of the Bank. The qualification of shareholder in relation to this acquisition is subject to approval by the CBRC and its local branch.
- (2) According to the register of shareholders of the Bank as at 30 June 2016, Shenyang Hengxin held 479,836,334 Domestic Shares, representing approximately 11.27% of the total number of Domestic Shares and 8.28% of the total share capital of the Bank, respectively.
- (3) 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.
- (4) 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, Beijing Jiutai Group Co., Ltd. and Li Yuguo are deemed to be interested in the Shares held by Huibao International.
- (5) Based on the information provided by Xinhua Zhongbao, Xinhua Zhongbao was owned as to 45.11% 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. (浙江新湖集團股份有限公司) and Huang Wei (黃偉) is deemed to be interested in the Shares held by Xinhua Zhongbao.
- (6) Based on the information provided by Founder Securities, Founder Securities was owned as to 29.29% 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).
- (7) Based on the information provided by Beijing Zhaotai, Beijing Zhaotai was owned as to 42.20% and 38.50% by Mu Qiru (穆麒麟) 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 (穆麒麟). By virtue of the SFO, Beijing Zhaotai Holding Co., Ltd. and Mu Qiru are deemed to be interested in the Shares held by Beijing Zhaotai.

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 2016 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, Great Captain Limited, Shenyang Hengxin, Huibao International, Xinhua Zhongbao, Founder Securities and Beijing Zhaotai held 577,180,500 H Shares, 479,836,334 Domestic Shares, 400,000,000 Domestic Shares, 300,000,000 Domestic Shares, 300,000,000 Domestic Shares and 300,000,000 Domestic Shares of the Bank, respectively, representing 9.96%, 8.28%, 6.90%, 5.18%, 5.18% and 5.18% of the Bank's total share capital, respectively. The Shares held by Great Captain Limited are counted as part of the Bank's public float.

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 AND LISTING OF SECURITIES

The Board has resolved and the Shareholders have approved at the 2015 first extraordinary general meeting of the Bank that, the Bank will implement the A Share Offering in order to further expand fund-raising resources, optimise the corporate governance structure of the Bank and enhance the Bank's core competitiveness. Reference is made to the announcement dated 27 November 2015 of the Bank. China Securities Regulatory Commission has accepted the application materials for the A Share Offering. A copy of the A Share prospectus has been made available on the official website of CSRC ([www.csrc.gov.cn](http://www.csrc.gov.cn)) for preliminary publication.

The number of A Shares planned to be issued will be not more than 600,000,000 Shares, representing approximately 14.10% and 10.35% of the Domestic Shares in issue and total issued share capital of the Bank as at the end of the Reporting Period, respectively.

The actual total offering size will be determined based on capital requirements of the Bank, communications with the regulatory authorities and the prevailing market conditions at the time of the offering by the Board with the Shareholders' authorisation after negotiation with the sponsor(s) (the lead underwriter(s)).



## CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (Continued)

### 4.5 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%. Such Tier 2 capital bonds will be due on 30 May 2024.

The Board has resolved, and the Shareholders have approved at the 2015 first extraordinary general meeting of the Bank that, subject to obtaining necessary approvals from the CBRC and other relevant regulatory authorities, the Bank will issue tier 2 capital bonds in the 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 and a redemption right from the end of the fifth year. The bonds will have a fixed interest rate to be determined through a public tender process payable on an annual basis. The proceeds from the issuance of the Bonds will be used to replenish the Bank's tier two capital and enhance capital adequacy ratio. In December 2015, the Bank issued ten-year Tier 2 capital bonds, with an aggregate principal amount of RMB10 billion and an annual interest rate of 4.57%. Such Tier 2 capital bonds will be due on 8 December 2025.

#### 2. Proposed Issuance of Debt Securities

The Board has resolved, and the Shareholders have approved at the 2014 annual general meeting of the Bank held on 26 May 2015 that, subject to obtaining necessary governmental and regulatory authorities, the Bank will issue the following debt securities:

- (i) financial bonds in an aggregate principal amount of up to RMB7 billion to the members of the inter-bank bond market in China, 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;

## CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (Continued)

- (ii) financial bonds in an aggregate principal amount of up to RMB10 billion to the members of the inter-bank bond market in China, 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; and
- (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.

The Board has resolved, and the Shareholders have approved at the 2015 annual general meeting of the Bank held on 13 June 2016 that, subject to obtaining necessary governmental and regulatory authorities, the Bank will issue tier 2 capital bonds in the aggregate principal amount of up to RMB6 billion to members of the interbank bond market in China. The bonds will have a term of maturity of not more than 15 years with a redemption right from the end of the fifth year. The bonds will have a fixed interest rate payable on an annual basis to be determined through a public tender process. The proceeds from the issuance of the bonds will be used to replenish the Bank's tier two capital and enhance capital adequacy ratio.

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



## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

### 5.1 BASIC INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at 30 June 2016, the Directors, Supervisors and senior management of the Bank comprised:

Name	Age	Position
Ms. ZHANG Yukun (張玉坤)	60	Executive Director, Chairperson of the Board
Mr. WANG Chunsheng (王春生)	54	Executive Director, President
Mr. WANG Yigong (王亦工)	50	Executive Director, Vice President and chief risk officer
Mr. WU Gang (吳剛)	46	Executive Director, Vice President
Mr. SUN Yongsheng (孫永生)	56	Executive Director, Vice President
Mr. LI Jianwei (李建偉)	56	Non-executive Director
Mr. LI Yuguo (李玉國)	62	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)	57	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)	61	Independent Non-executive Director
Mr. SUN Hang (孫航)	50	Independent Non-executive Director
Mr. DING Jiming (丁繼明)	52	Independent Non-executive Director
Mr. YANG Lin (楊林)	55	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

**DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)**

Name	Age	Position
Mr. SHI Yang (石陽)	51	Employee Representative Supervisor
Mr. CHEN Zhaogui (陳招貴)	58	Shareholder Representative Supervisor
Mr. PAN Wenge (潘文戈)	50	Shareholder Representative Supervisor
Ms. SUN Yi (孫奕)	62	Shareholder Representative Supervisor
Mr. HUANG Lianguai (黃良快)	73	External Supervisor
Mr. ZHOU Zheren (周喆人)	39	External Supervisor
Mr. WEN Zhaoye (溫兆曄)	41	External Supervisor
Mr. HU Guang (胡光)	56	Chief internal auditor
Mr. ZHANG Yi (張翼)	45	Chief information officer
Mr. LIU Zhiyan (劉志巖)	56	Chief financial officer
Mr. ZHOU Zhi (周峙)	47	Secretary of the Board



## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

As at 30 June 2016, the interests or short positions of the Directors, the Supervisors and the chief executives 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
LI Yuguo (李玉國)	Non-executive Director, Vice Chairman of the Board	Interest of a controlled corporation	400,000,000 <sup>(1)</sup>	6.9005
LIU Xinfu (劉新發)	Non-executive Director	Interest of a controlled corporation	190,000,000 <sup>(2)</sup>	3.2777
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	107,684	0.0019
WU Gang (吳剛)	Executive Director, Vice President	Interest of spouse Beneficial owner	5,722 146,149	0.0001 0.0025
CHEN Zhaogui (陳招貴)	Shareholder Representative Supervisor	Interest of a controlled corporation	200,000,000	3.4503

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

*Notes:*

- (1) Please refer to “Change in Share Capital and Shareholders – Interests and Short Positions of Substantial Shareholders and Other Persons” in the interim results report for details.
- (2) Zhongyou Tianbao held 190,000,000 shares of Domestic Shares of the Bank. Zhongyou Tianbao was owned as to 80% by Liu Xinfu (劉新發). By virtue of the SFO, Liu Xinfu (劉新發) is deemed to be interested in the Shares held by Zhongyou Tianbao.

Save as disclosed above, none of the Directors, the Supervisors, or the chief executives held any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations as at 30 June 2016.

### 5.2 CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, there is no change in Directors, Supervisors and senior management the information of which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### 5.3 SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Bank adopted the Rules for Securities Transactions by Directors, Supervisors and Key Employees of Shengjing Bank Co., Ltd. (the “Rules for Securities Transactions”) regarding securities transactions by Directors, Supervisors and certain key employees on terms not less exacting than the required standard 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, each of the Directors and Supervisors has confirmed that they complied with the Rules for Securities Transactions during the Reporting Period.





## **DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)**

### **5.4 EMPLOYEES, EMPLOYEES' COMPENSATION POLICIES AND TRAINING SCHEMES**

As at 30 June 2016, the Bank had 4,655 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 overall development strategies and training plans, the Bank developed and implemented the annual training plan to support the development of our Bank and enhance professional skills of our staff. During the Reporting Period, the Bank enhanced the skills training in the head office, branches and sub-branches and arranged various business innovation training programmes including trainings for comprehensive operation and specialised development, trainings for new business and new system, trainings for middle- to senior-level management, and general trainings for specialists and staff and trainings for new joiners. The Bank also strengthened the construction of training system and construction of internal talents 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 2016 and the Bank's financial position as at the same date are set out in the section headed "Interim Financial Statements".

A final dividend of RMB2.8 for every ten Shares (tax inclusive) for the year 2015 (2014: RMB2.75 for every ten Shares (tax inclusive)), or in an aggregate amount of RMB1,623.07 million, has been distributed by the Bank upon consideration and approval at the Bank's 2015 annual general meeting held on 13 June 2016. The final dividend for the year 2015 was distributed to holders of Domestic Shares and H Shares on 28 July 2016.

The Bank will not distribute any interim dividend for the first six months of 2016 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

On 1 April 2015, the Bank and Huaxin Huiton Group Limited (“Huaxin Huiton Group”) entered into a sale and purchase agreement (the “Sale and Purchase Agreement”), pursuant to which the Bank agreed to acquire, and Huaxin Huiton Group agreed to sell, 20% of the entire issued and paid-up share capital of Huaxin Trust Co., Ltd. (the “Acquisition”). The consideration payable for the Acquisition is RMB3,168 million (equivalent to approximately HK\$3,960 million), which was decided and negotiated on an arm’s length basis between the Bank and Huaxin Huiton Group.

Upon mutual agreement of both parties, the Bank and Huaxin Huiton Group entered into a termination agreement on 5 January 2016 to terminate the Sale and Purchase Agreement. Huaxin Huiton Group has refunded the deposit as set out in the Sale and Purchase Agreement to the Bank in accordance with the terms of the Sale and Purchase Agreement. Each party to the Sale and Purchase Agreement has released and discharged the other party from all claims under or in connection with the Sale and Purchase Agreement.

### 6.7 ESTABLISHMENT OF CONSUMER FINANCE COMPANY

The operation approval for Shengjing Bank Consumer Finance Co., Ltd has been granted by the CBRC Liaoning Bureau. The CBRC Liaoning Bureau issued the Approval for the Commencement of Operation of Shengjing Bank Consumer Finance Co., Ltd (《關於盛銀消費金融有限公司開業的批覆》) and the financial permit on 24 February 2016.

## **SIGNIFICANT EVENTS (Continued)**

### **6.8 REVIEW OF THE INTERIM RESULTS REPORT**

Financial statements disclosed herein have not been audited. The interim financial statements for the six months ended 30 June 2016 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 results of the Bank.

### **6.9 PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT**

This interim results announcement 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 76 to 150 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 2016 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 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

### KPMG

*Certified Public Accountants*

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

26 August 2016

## UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

	Note	Six months ended 30 June	
		2016	2015
Interest income		17,413,268	15,037,787
Interest expense		(10,927,801)	(9,411,356)
<b>Net interest income</b>	5	6,485,467	5,626,431
Fee and commission income		964,476	674,119
Fee and commission expense		(106,175)	(53,989)
<b>Net fee and commission income</b>	6	858,301	620,130
Net trading gains/(losses)	7	17,542	(28,732)
Net gains arising from investments	8	424,544	581,007
Net foreign exchange (losses)/gains		(25,440)	181,693
Other operating income	9	27,606	9,135
<b>Operating income</b>		7,788,020	6,989,664
Operating expenses	10	(1,958,022)	(1,927,376)
Impairment losses on assets	11	(1,137,444)	(891,233)
<b>Profit before taxation</b>		4,692,554	4,171,055
Income tax expense	12	(1,070,849)	(970,495)
<b>Profit for the period</b>		3,621,705	3,200,560
<b>Net profit attributable to:</b>			
Equity shareholders of the Bank		3,616,388	3,193,906
Non-controlling interests		5,317	6,654
		3,621,705	3,200,560

The notes on pages 85 to 150 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 2016  
(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

	Note	Six months ended 30 June	
		2016	2015
<b>Net profit</b>		3,621,705	3,200,560
<b>Other comprehensive income:</b>			
Items that will not be reclassified to profit or loss			
– Remeasurement of net defined benefit liability		(1,489)	4
Items that may be reclassified subsequently to profit or loss			
– Available-for-sale financial assets: net movement in the investment revaluation reserve		(434,369)	(372,120)
<b>Other comprehensive income net of tax</b>		(435,858)	(372,116)
<b>Total comprehensive income</b>		3,185,847	2,828,444
<b>Total comprehensive income attributable to:</b>			
Equity shareholders of the Bank		3,180,530	2,821,790
Non-controlling interests		5,317	6,654
		3,185,847	2,828,444
Basic and diluted earnings per share (in RMB)	13	0.62	0.55

The notes on pages 85 to 150 form part of this interim financial report.

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

(Expressed in thousands of RMB, unless otherwise stated)

	Note	30 June 2016	31 December 2015
<b>Assets</b>			
Cash and deposits with central bank	14	70,900,874	63,787,726
Deposits with banks and other financial institutions	15	101,520,730	84,618,382
Placements with banks and other financial institutions	16	6,593,088	1,017,289
Financial assets at fair value through profit or loss	17	30,072	1,462,016
Derivative financial assets	18	51,281	–
Financial assets held under resale agreements	19	2,603,500	32,252,183
Loans and advances to customers	20	221,556,913	191,531,735
Financial investments:			
Available-for-sale financial assets	21(1)	37,884,474	27,359,926
Held-to-maturity investments	21(2)	76,109,413	51,761,238
Loans and receivables	21(3)	276,966,774	234,508,219
Property and equipment	22	4,613,141	4,268,534
Deferred tax assets	23	780,074	464,889
Other assets	24	6,545,301	8,596,363
<b>Total assets</b>		<b>806,155,635</b>	<b>701,628,500</b>
<b>Liabilities</b>			
Borrowings from central bank	25	60,300,000	6,800,000
Deposits from banks and other financial institutions	26	131,606,743	100,617,153
Placements from banks and other financial institutions	27	20,470,425	11,370,469
Derivative financial liabilities	18	5,004	–
Financial assets sold under repurchase agreements	28	9,351,400	47,085,568
Deposits from customers	29	445,194,020	402,379,086
Income tax payable		637,608	778,165
Debt securities issued	30	80,761,839	78,485,436
Other liabilities	31	14,430,866	12,397,670
<b>Total liabilities</b>		<b>762,757,905</b>	<b>659,913,547</b>

The notes on pages 85 to 150 form part of this interim financial report.



## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2016  
(Expressed in thousands of RMB, unless otherwise stated)

	Note	30 June 2016	31 December 2015
<b>Equity</b>			
Share capital	32	5,796,680	5,796,680
Capital reserve	33	11,855,505	11,855,505
Surplus reserve	33	4,514,462	3,893,846
General reserve	33	9,267,100	6,176,638
Investment revaluation reserve		188,794	623,163
Deficit on remeasurement of net defined benefit liability		(6,615)	(5,126)
Retained earnings		11,210,062	12,927,822
<b>Total equity attributable to equity shareholders of the Bank</b>		42,825,988	41,268,528
<b>Non-controlling interests</b>		571,742	446,425
<b>Total equity</b>		43,397,730	41,714,953
<b>Total liabilities and equity</b>		806,155,635	701,628,500

Approved and authorised for issue by the board of directors on 26 August 2016.

**Zhang Yukun**

Chairman of Board of Directors

**Wang Yigong**

Executive Director/Vice President/Chief Risk Officer

**Liu Zhiyan**

Chief Financial Officer

**Company chop**

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

(Expressed in thousands of RMB, 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	32	150,675	748,588	-	-	-	-	-	899,263	-	899,263
Appropriation of profit:											
- Appropriation to surplus reserve	34	-	-	539,832	-	-	-	(539,832)	-	-	-
- Appropriation to general reserve	34	-	-	-	2,630,704	-	-	(2,630,704)	-	-	-
- Cash dividends	34	-	-	-	-	-	-	(1,594,087)	(1,594,087)	-	(1,594,087)
Subtotal		-	-	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 85 to 150 form part of this interim financial report.

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2015  
(Expressed in thousands of RMB, unless otherwise stated)

Unaudited consolidated statement of changes in equity										
						Deficit on				
Note	Share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	remeasurement of net defined benefit liability	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 July 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
Profit for the period	-	-	-	-	-	-	3,017,428	3,017,428	5,839	3,023,267
Other comprehensive income	-	-	-	-	427,402	(2,821)	-	424,581	-	424,581
Total comprehensive income	-	-	-	-	427,402	(2,821)	3,017,428	3,442,009	5,839	3,447,848
Appropriation of profit:										
- Appropriation to surplus reserve	34	-	620,617	-	-	-	(620,617)	-	-	-
- Appropriation to general reserve (Note (i))	34	-	-	201	-	-	(201)	-	-	-
Subtotal		-	620,617	201	-	-	(620,818)	-	-	-
Balance at 31 December 2015	5,796,680	11,855,505	3,893,846	6,176,638	623,163	(5,126)	12,927,822	41,268,528	446,425	41,714,953

Note:

- (i) The appropriation to general reserve included the appropriation made by subsidiaries with a total amount of RMB201 thousand.

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2015

For the six months ended 30 June 2016

(Expressed in thousands of RMB, unless otherwise stated) (Expressed in thousands of RMB, 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 2016		5,796,680	11,855,505	3,893,846	6,176,638	623,163	(5,126)	12,927,822	41,268,528	446,425	41,714,953
Profit for the period		-	-	-	-	-	-	3,616,388	3,616,388	5,317	3,621,705
Other comprehensive income		-	-	-	-	(434,369)	(1,489)	-	(435,858)	-	(435,858)
Total comprehensive income		-	-	-	-	(434,369)	(1,489)	3,616,388	3,180,530	5,317	3,185,847
Changes in share capital											
- Non-controlling interests of a new subsidiary		-	-	-	-	-	-	-	-	120,000	120,000
Appropriation of profit:											
- Appropriation to surplus reserve	34	-	-	620,616	-	-	-	(620,616)	-	-	-
- Appropriation to general reserve (Note (i))	34	-	-	-	3,090,462	-	-	(3,090,462)	-	-	-
- Cash dividends	34	-	-	-	-	-	-	(1,623,070)	(1,623,070)	-	(1,623,070)
Subtotal		-	-	620,616	3,090,462	-	-	(5,334,148)	(1,623,070)	-	(1,623,070)
Balance at 30 June 2016		5,796,680	11,855,505	4,514,462	9,267,100	188,794	(6,615)	11,210,062	42,825,988	571,742	43,397,730

Note:

- (i) The appropriation to general reserve included the appropriation made by subsidiaries with a total amount of RMB99 thousand.

# UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2016  
(Expressed in thousands of RMB, unless otherwise stated)

	Note	Six months ended 30 June	
		2016	2015
<b>Cash flows from operating activities</b>			
Profit before taxation		4,692,554	4,171,055
<i>Adjustments for:</i>			
Impairment losses on assets		1,137,444	891,233
Depreciation and amortisation		161,933	152,319
Unwinding of discount		(13,748)	(13,050)
Unrealised foreign exchange (gains)/losses		(16,058)	105
Dividend income		–	(440)
Net trading (gains)/losses		(17,542)	28,732
Net gains arising from investments		(424,544)	(580,567)
Interest expense on debt securities issued		1,322,477	97,230
Interest income on financial investments and financial assets at fair value through profit or loss		(8,860,446)	(5,155,938)
		(2,017,930)	(409,321)
<i>Changes in operating assets</i>			
Net (increase)/decrease in deposits with central bank		(3,100,275)	7,888,268
Net decrease in deposits and placements with banks and other financial institutions		970,734	6,093,207
Net increase in loans and advances to customers		(30,874,367)	(33,306,237)
Net decrease in financial assets held under resale agreements		4,897,158	7,838,599
Net decrease/(increase) in other operating assets		1,754,300	(1,131,246)
		(26,352,450)	(12,617,409)
<i>Changes in operating liabilities</i>			
Net increase in borrowings from central bank		53,500,000	–
Net increase in deposits and placements from banks and other financial institutions		40,089,546	25,999,469
Net (decrease)/increase in financial assets sold under repurchase agreements		(37,734,168)	15,739,405
Net increase in deposits from customers		42,814,934	38,956,410
Income tax paid		(1,381,304)	(1,048,435)
Net increase in other operating liabilities		188,180	513,038
		97,477,188	80,159,887
<b>Net cash flows generated from operating activities</b>		69,106,808	67,133,157

The notes on pages 85 to 150 form part of this interim financial report.

## UNAUDITED CONSOLIDATED CASH FLOW STATEMENT (Continued)

For the six months ended 30 June 2016

(Expressed in thousands of RMB, unless otherwise stated)

	Note	Six months ended 30 June	
		2016	2015
<b>Cash flows from investing activities</b>			
Proceeds from disposal and redemption of investments		283,859,482	111,769,410
Payments on acquisition of investments		(351,047,996)	(190,429,790)
Payments on acquisition of property and equipment, intangible assets and other assets		(518,009)	(589,628)
<b>Net cash flows used in investing activities</b>		(67,706,523)	(79,250,008)
<b>Cash flows from financing activities</b>			
Capital injection from non-controlling interests of a new subsidiary		120,000	–
Proceeds from capital injection		–	899,263
Net proceeds from new debt securities issued		70,360,235	–
Repayment of debt securities issued		(68,083,832)	–
Interest paid on debt securities issued		(1,132,524)	(135,960)
Dividends paid		(21)	(512)
<b>Net cash flows generated from financing activities</b>		1,263,858	762,791
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>		46,086	(2,411)
<b>Net increase/(decrease) in cash and cash equivalents</b>		2,710,229	(11,356,471)
<b>Cash and cash equivalents as at 1 January</b>		66,587,276	38,758,501
<b>Cash and cash equivalents as at 30 June</b>	35	69,297,505	27,402,030
<b>Net cash flows generated from operating activities include:</b>			
Interest received		9,755,034	9,540,422
Interest paid (excluding interest expense on debt securities issued)		(8,674,111)	(8,390,131)

The notes on pages 85 to 150 form part of this interim financial report.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of RMB, 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 2016 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 2016, 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
Shengjing Bank Consumer Finance Co., Ltd. ("Shengjing Consumer")	25/02/2016	Liaoning, China	300,000	60%	Consumer finance

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, 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 26 August 2016.

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

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of 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 notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements. The consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

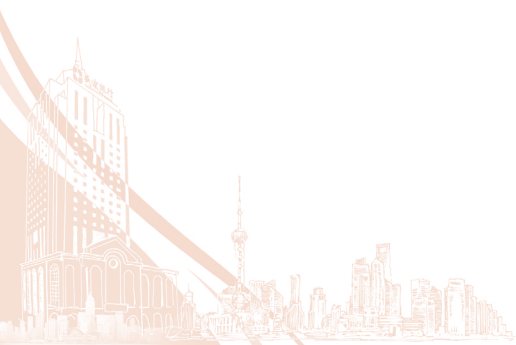
The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the Board of Directors is included on page 75.

### 3 CHANGES IN ACCOUNTING POLICIES

The International Accounting Standards Board (the "IASB") has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

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

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 RMB, 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, wealth management services, remittance and settlement services, and collection and payment agency services.

##### *Treasury business*

This segment covers the Group's treasury business 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".

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

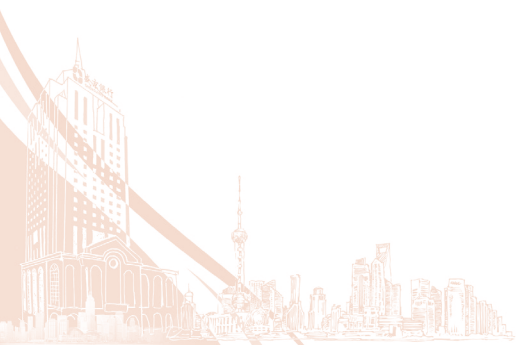
(Expressed in thousands of RMB, unless otherwise stated)

### 4 SEGMENT REPORTING (Continued)

#### (1) Business Segment (Continued)

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis, 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.

	Six months ended 30 June 2016				Total
	Corporate banking	Retail banking	Treasury business	Others	
Operating income					
External net interest income/(expense)	2,565,271	(1,751,126)	5,671,322	–	6,485,467
Internal net interest income/(expense)	1,619,928	2,074,648	(3,694,576)	–	–
Net interest income	4,185,199	323,522	1,976,746	–	6,485,467
Net fee and commission income	710,084	141,833	6,384	–	858,301
Net trading gains	–	–	17,542	–	17,542
Net gains arising from investments	–	–	424,544	–	424,544
Net foreign exchange losses	–	–	(25,440)	–	(25,440)
Other operating income	20,446	755	–	6,405	27,606
Operating income	4,915,729	466,110	2,399,776	6,405	7,788,020
Operating expenses	(1,276,969)	(318,495)	(361,119)	(1,439)	(1,958,022)
Impairment losses on assets	(860,917)	(16,527)	(260,000)	–	(1,137,444)
Profit before taxation	2,777,843	131,088	1,778,657	4,966	4,692,554
Other segment information					
– Depreciation and amortisation	121,135	34,899	5,899	–	161,933
– Capital expenditure	387,498	111,640	18,871	–	518,009



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 4 SEGMENT REPORTING (Continued)

#### (1) Business Segment (Continued)

	30 June 2016				Total
	Corporate banking	Retail banking	Treasury business	Others	
Segment assets	259,738,051	18,220,165	527,033,320	384,025	805,375,561
Deferred tax assets					780,074
Total assets					<u>806,155,635</u>
Segment liabilities/Total liabilities	<u>328,709,621</u>	<u>127,579,633</u>	<u>304,740,852</u>	<u>1,727,799</u>	<u>762,757,905</u>
Credit commitments	<u>148,939,683</u>	<u>2,069,523</u>	<u>–</u>	<u>–</u>	<u>151,009,206</u>

	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)	<u>1,324,416</u>	<u>1,793,796</u>	<u>(3,118,212)</u>	<u>–</u>	<u>–</u>
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 investments	–	–	580,567	440	581,007
Net foreign exchange gains	–	–	181,693	–	181,693
Other operating income	<u>4,313</u>	<u>1,320</u>	<u>–</u>	<u>3,502</u>	<u>9,135</u>
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	<u>(822,519)</u>	<u>(8,714)</u>	<u>(60,000)</u>	<u>–</u>	<u>(891,233)</u>
Profit before taxation	2,062,710	42,547	2,063,616	2,182	4,171,055
Other segment information					
– Depreciation and amortisation	<u>112,163</u>	<u>31,866</u>	<u>8,290</u>	<u>–</u>	<u>152,319</u>
– Capital expenditure	<u>432,168</u>	<u>122,780</u>	<u>31,944</u>	<u>–</u>	<u>586,892</u>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 4 SEGMENT REPORTING (Continued)

#### (1) Business Segment (Continued)

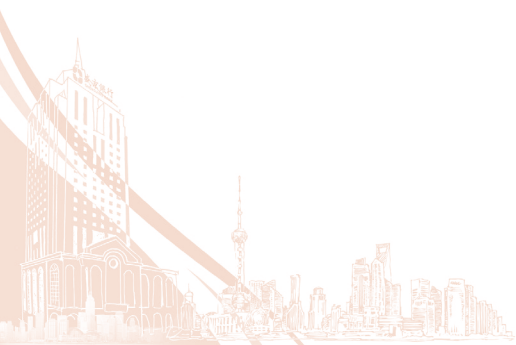
	31 December 2015				Total
	Corporate banking	Retail banking	Treasury business	Others	
Segment assets	228,513,606	16,556,167	455,817,913	275,925	701,163,611
Deferred tax assets					<u>464,889</u>
Total assets					<u>701,628,500</u>
Segment liabilities/Total liabilities	<u>299,438,476</u>	<u>112,837,587</u>	<u>247,532,863</u>	<u>104,621</u>	<u>659,913,547</u>
Credit commitments	<u>144,883,187</u>	<u>2,037,361</u>	<u>-</u>	<u>-</u>	<u>146,920,548</u>

#### (2) Geographical information

The Group operates principally in mainland China with eighteen branches located in five provinces and municipalities directly under the central government, and seven 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, Liaoyang, Tieling, Shenyang Xinmin, Shenyang Shenbei, Shenyang Faku, Shenyang Liaozhong, and Shengjing Consumer;
- "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.



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 4 SEGMENT REPORTING (Continued)

#### (2) Geographical information (Continued)

	Operating income	
	Six months ended 30 June	
	2016	2015
Northeast China	6,835,500	5,994,924
North China	665,051	833,666
Others	287,469	161,074
Total	7,788,020	6,989,664

	Non-current assets (Note i)	
	30 June 2016	31 December 2015
Northeast China	4,377,389	4,003,911
North China	356,897	369,930
Others	27,556	31,925
Total	4,761,842	4,405,766

Note:

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

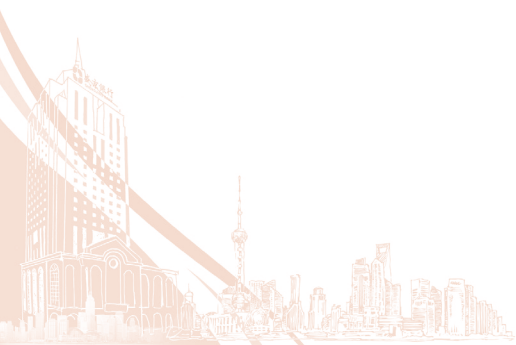
### 5 NET INTEREST INCOME

	Six months ended 30 June	
	2016	2015
<b>Interest income arising from</b>		
Deposits with central bank	419,384	465,469
Deposits and placements with banks and other financial institutions	1,426,292	2,260,148
Financial assets at fair value through profit or loss	79,211	79,637
Loans and advances to customers		
– Corporate loans and advances	6,275,600	5,866,349
– Personal loans and advances	174,612	181,886
– Discounted bills	107,185	626,341
Financial assets held under resale agreements	149,749	481,656
Financial investments	8,781,235	5,076,301
Subtotal	17,413,268	15,037,787
<b>Interest expense arising from</b>		
Borrowings from central bank	(596,259)	(311)
Deposits and placements from banks and other financial institutions	(2,158,621)	(2,622,704)
Deposits from customers	(6,689,935)	(5,998,489)
Financial assets sold under repurchase agreements	(160,509)	(692,622)
Debt securities issued	(1,322,477)	(97,230)
Subtotal	(10,927,801)	(9,411,356)
<b>Net interest income</b>	<b>6,485,467</b>	<b>5,626,431</b>
Of which:		
Interest income arising from impaired financial assets identified	13,748	13,050

Notes:

- (1) Interest expense on financial liabilities with maturity over five years mainly included the interest expense on deposits from customers and debt securities issued.
- (2) Total interest income arising from financial assets that are not at fair value through profit or loss for the six months ended 30 June 2016 amounted to RMB17,334 million (the six months ended 30 June 2015: RMB14,958 million).

Total interest expense arising from financial liabilities that are not at fair value through profit or loss for the six months ended 30 June 2016 amounted to RMB10,928 million (the six months ended 30 June 2015: RMB9,411 million).



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 6 NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2016	2015
<b>Fee and commission income</b>		
Agency and custody services fees	857,936	567,179
Settlement and clearing services fees	88,233	93,636
Bank card services fees	18,307	13,304
Subtotal	964,476	674,119
<b>Fee and commission expense</b>	(106,175)	(53,989)
<b>Net fee and commission income</b>	<u>858,301</u>	<u>620,130</u>

### 7 NET TRADING GAINS/(LOSSES)

Net trading gains/(losses) include gains/(losses) arising from the buying and selling of, and changes in the fair value of debt securities held for trading purpose and derivative financial instruments.

### 8 NET GAINS ARISING FROM INVESTMENTS

	Six months ended 30 June	
	2016	2015
Net gains on disposal of available-for-sale financial assets	424,544	580,567
Dividends from available-for-sale equity investments	–	440
Total	<u>424,544</u>	<u>581,007</u>

### 9 OTHER OPERATING INCOME

	Six months ended 30 June	
	2016	2015
Asset-backed securities service fees	8,859	–
Government grants	4,866	3,476
Handling charge income	755	1,320
Others	13,126	4,339
Total	<u>27,606</u>	<u>9,135</u>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 10 OPERATING EXPENSES

	Six months ended 30 June	
	2016	2015
Staff costs		
– Salaries, bonuses and allowances	660,517	611,905
– Pension and annuity	103,366	65,687
– Other social insurance	80,228	32,248
– Housing allowances	36,480	31,337
– Supplementary retirement benefits	2,550	3,533
– Others	40,041	31,930
Subtotal	923,182	776,640
Depreciation and amortisation	161,933	152,319
Office expenses	133,450	106,361
Rental and property management expenses	90,530	83,185
Business tax and surcharges	515,014	696,677
Other general and administrative expenses	133,913	112,194
Total	1,958,022	1,927,376

### 11 IMPAIRMENT LOSSES ON ASSETS

	Six months ended 30 June	
	2016	2015
Loans and advances to customers	859,166	832,664
Financial investments – loans and receivables	260,000	60,000
Others	18,278	(1,431)
Total	1,137,444	891,233





## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 12 INCOME TAX EXPENSE

(1) Income tax for the period:

	Six months ended 30 June	
	2016	2015
Current tax	1,240,747	1,073,545
Deferred tax	(169,898)	(103,050)
Total	<u>1,070,849</u>	<u>970,495</u>

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

	Six months ended 30 June	
	2016	2015
Profit before taxation	<u>4,692,554</u>	<u>4,171,055</u>
Statutory tax rate	25%	25%
Income tax calculated at statutory tax rate	<u>1,173,139</u>	<u>1,042,764</u>
Non-deductible expenses		
– Entertainment expenses	1,951	1,418
– Others	1,880	515
	<u>3,831</u>	<u>1,933</u>
Non-taxable income	<u>(106,121)</u>	<u>(71,241)</u>
Subtotal	1,070,849	973,456
Adjustment for prior years	–	(2,961)
Income tax	<u>1,070,849</u>	<u>970,495</u>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 13 BASIC AND DILUTED EARNINGS PER SHARE

	Six months ended 30 June	
	2016	2015
Net profit attributable to equity shareholders of the Bank	3,616,388	3,193,906
Weighted average number of ordinary shares (in thousands)	5,796,680	5,780,031
Basic and diluted earnings per share attributable to equity shareholders of the Bank (in RMB)	0.62	0.55

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

### 14 CASH AND DEPOSITS WITH CENTRAL BANK

	Note	30 June 2016	31 December 2015
Cash on hand		652,862	619,243
Deposits with central bank			
– Statutory deposit reserves	14(1)	47,660,597	44,626,988
– Surplus deposit reserves	14(2)	22,131,380	18,152,126
– Fiscal deposits		456,035	389,369
Subtotal		70,248,012	63,168,483
Total		70,900,874	63,787,726

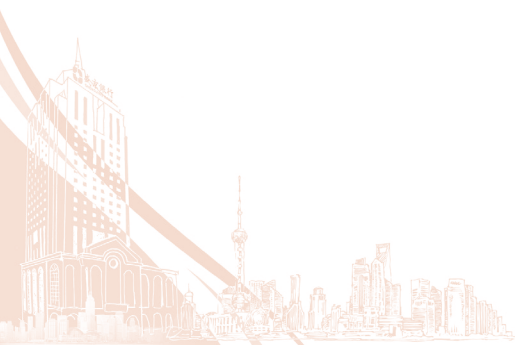
- (1) The Bank places statutory deposit reserves with the People's Bank of China ("PBOC") in accordance with relevant regulations. As at the end of the reporting period, the statutory deposit reserve ratios applicable to the Bank were as follows:

	30 June 2016	31 December 2015
Reserve ratio for RMB deposits	13.5%	14%
Reserve ratio for foreign currency deposits	5%	5%

The six rural banking subsidiaries of the Bank are required to place statutory RMB deposits reserve 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 RMB, unless otherwise stated)

### 15 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	30 June 2016	31 December 2015
Deposits in mainland China		
– Banks	99,723,977	83,924,836
– Other financial institutions	3,849	1,849
Deposits outside mainland China		
– Banks	1,792,904	691,697
Total	101,520,730	84,618,382

### 16 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	30 June 2016	31 December 2015
Placements in mainland China		
– Banks	2,293,088	117,289
– Other financial institutions	4,300,000	900,000
Total	6,593,088	1,017,289

### 17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2016	31 December 2015
Held for trading purpose		
Debt securities at fair value listed outside Hong Kong		
– Policy banks	30,072	1,462,016

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 18 DERIVATIVE FINANCIAL INSTRUMENTS

A derivative is a financial instrument, the value of which changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other similar variables. The Group uses derivative financial instruments mainly including foreign exchange swap.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in any orderly transaction between market participants at measured date.

#### (1) Analysed by nature of contract

	30 June 2016		
	Notional amount	Fair value	
		Assets	Liabilities
Foreign exchange swap	9,389,779	51,281	(5,004)

#### (2) Analysed by credit risk-weighted amount

	30 June 2016	31 December 2015
Foreign exchange swap	23,474	–

The credit risk-weighted amount represents the counterparty credit risk associated with derivative transactions and is calculated with reference to the guidelines issued by the CBRC.

### 19 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

#### (1) Analysed by type and location of counterparty

	30 June 2016	31 December 2015
In mainland China – Banks	2,603,500	32,252,183



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 19 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (Continued)

#### (2) Analysed by type of security held

	30 June 2016	31 December 2015
Debt securities held under resale agreements	2,603,500	25,313,599
Bills held under resale agreements	–	6,938,584
Total	2,603,500	32,252,183

### 20 LOANS AND ADVANCES TO CUSTOMERS

#### (1) Analysed by nature

	30 June 2016	31 December 2015
Corporate loans and advances	217,618,341	188,488,441
Personal loans and advances		
– Residential mortgage	4,218,895	4,024,944
– Personal consumption loans	2,196,918	1,255,590
– Personal business loans	727,188	893,651
– Credit cards	650,377	634,569
– Others	95,222	88,310
Subtotal	7,888,600	6,897,064
Discounted bills	730,494	74,860
Gross loans and advances to customers	226,237,435	195,460,365
Less: Provision for impairment losses		
– Individually assessed	(445,347)	(286,754)
– Collectively assessed	(4,235,175)	(3,641,876)
Total provision for impairment losses	(4,680,522)	(3,928,630)
Net loans and advances to customers	221,556,913	191,531,735

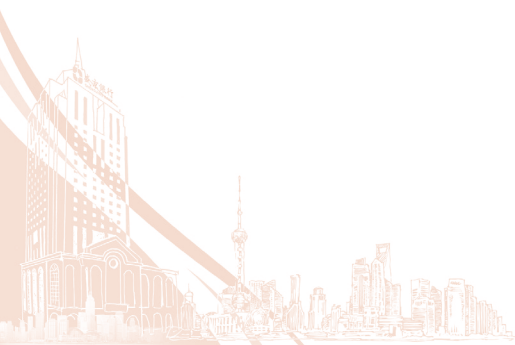
## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 20 LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### (2) Analysed by economic sector

	30 June 2016		Loans and advances secured by collaterals
	Amount	Percentage	
Wholesale and retail trade	63,757,949	29%	32,070,106
Renting and business activities	38,655,101	17%	22,656,076
Manufacturing	34,741,587	16%	8,843,469
Real estate	29,964,224	13%	28,597,124
Transportation, storage and postal services	10,001,491	4%	1,820,009
Construction	8,408,718	4%	6,144,838
Accommodation and catering	5,204,679	2%	4,508,170
Production and supply of electric power, gas and water	4,278,530	2%	1,605,530
Public administration and social organisations	3,075,580	1%	2,774,500
Culture, sports and entertainment	3,068,905	1%	768,000
Household and other services	3,005,655	1%	1,123,380
Mining	2,246,000	1%	407,000
Agriculture, forestry, animal husbandry and fishery	2,148,038	1%	490,038
Others	9,061,884	4%	2,995,410
Subtotal of corporate loans and advances	217,618,341	96%	114,803,650
Personal loans and advances	7,888,600	4%	6,267,305
Discounted bills	730,494	0%	730,494
Gross loans and advances to customers	226,237,435	100%	121,801,449



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 20 LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### (2) Analysed by economic sector (Continued)

	31 December 2015		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail trade	49,379,811	25%	23,751,257
Manufacturing	32,235,242	16%	9,508,783
Renting and business activities	30,560,093	16%	20,160,951
Real estate	27,733,878	14%	26,605,278
Construction	9,639,581	5%	7,110,901
Transportation, storage and postal services	6,961,097	4%	2,709,255
Accommodation and catering	6,164,209	3%	5,477,550
Mining	3,969,500	2%	418,500
Public administration and social organisations	3,734,860	2%	3,430,000
Production and supply of electric power, gas and water	3,371,205	2%	1,256,205
Household and other services	2,598,400	1%	1,014,400
Culture, sports and entertainment	1,936,105	1%	686,446
Agriculture, forestry, animal husbandry and fishery	1,615,558	1%	441,558
Others	8,588,902	4%	3,062,919
Subtotal of corporate loans and advances	188,488,441	96%	105,634,003
Personal loans and advances	6,897,064	4%	5,263,385
Discounted bills	74,860	0%	74,860
Gross loans and advances to customers	195,460,365	100%	110,972,248

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

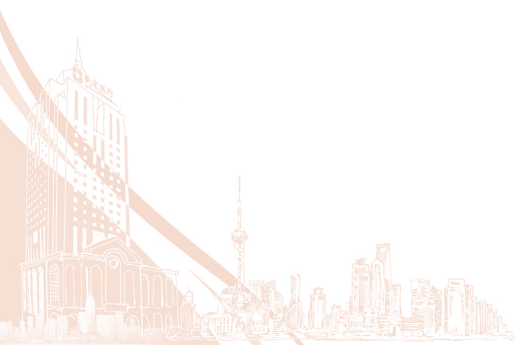
### 20 LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### (3) Analysed by type of collateral

	30 June 2016	31 December 2015
Unsecured loans	16,931,494	17,866,216
Guaranteed loans	87,504,492	66,621,901
Loans secured by tangible assets other than monetary assets	106,586,642	95,958,742
Loans secured by intangible assets or monetary assets	15,214,807	15,013,506
Gross loans and advances to customers	226,237,435	195,460,365
Less: Provision for impairment losses		
– Individually assessed	(445,347)	(286,754)
– Collectively assessed	(4,235,175)	(3,641,876)
Total provision for impairment losses	(4,680,522)	(3,928,630)
Net loans and advances to customers	221,556,913	191,531,735

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

	30 June 2016				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	18,586	9,217	7,453	384	35,640
Guaranteed loans	840,594	372,630	44,380	15,334	1,272,938
Loans secured by tangible assets other than monetary assets	1,287,367	83,825	272,306	57,738	1,701,236
Loans secured by intangible assets or monetary assets	–	1,400	70,000	–	71,400
Total	2,146,547	467,072	394,139	73,456	3,081,214
As a percentage of gross loans and advances to customers	0.95%	0.21%	0.17%	0.03%	1.36%





## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 20 LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	31 December 2015				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	5,101	13,188	1,196	453	19,938
Guaranteed loans	179,000	37,380	12,380	18,724	247,484
Loans secured by tangible assets other than monetary assets	276,999	349,316	13,043	57,738	697,096
Loans secured by intangible assets or monetary assets	15,000	1,400	70,000	–	86,400
<b>Total</b>	<b>476,100</b>	<b>401,284</b>	<b>96,619</b>	<b>76,915</b>	<b>1,050,918</b>
As a percentage of gross loans and advances to customers	0.24%	0.21%	0.05%	0.04%	0.54%

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

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

	30 June 2016			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 for which provision are collectively assessed (Note (ii))	Impaired loans and advances for which provision are individually assessed (Note (ii))		
Gross loans and advances to customers	225,029,535	55,094	1,152,806	226,237,435	0.53%
Less: Provision for impairment losses	(4,183,184)	(51,991)	(445,347)	(4,680,522)	
<b>Net loans and advances to customers</b>	<b>220,846,351</b>	<b>3,103</b>	<b>707,459</b>	<b>221,556,913</b>	

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

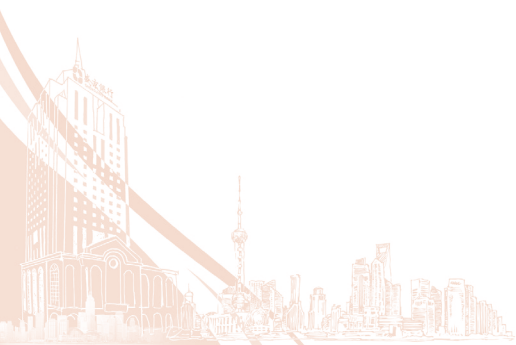
### 20 LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	31 December 2015			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 for which provision are collectively assessed (Note (ii))	Impaired loans and advances for which provision are individually assessed		
Gross loans and advances to customers	194,645,938	30,003	784,424	195,460,365	0.42%
Less: Provision for impairment losses	(3,612,734)	(29,142)	(286,754)	(3,928,630)	
Net loans and advances to customers	<u>191,033,204</u>	<u>861</u>	<u>497,670</u>	<u>191,531,735</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 with individual insignificant amount (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 37(1).



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 20 LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### (6) Movements of provision for impairment losses

	Six months ended 30 June 2016			Total
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances		
		which are collectively assessed	which are individually assessed	
As at 1 January	3,612,734	29,142	286,754	3,928,630
Charge for the period	951,994	23,944	347,271	1,323,209
Release for the period	(381,544)	(1,116)	(81,383)	(464,043)
Unwinding of discount	–	–	(13,748)	(13,748)
Write-offs	–	–	(97,297)	(97,297)
Recoveries	–	21	3,750	3,771
As at 30 June	<u>4,183,184</u>	<u>51,991</u>	<u>445,347</u>	<u>4,680,522</u>

	Year ended 31 December 2015			Total
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances		
		which are collectively assessed	which are individually assessed	
As at 1 January	2,380,044	53,000	264,591	2,697,635
Charge for the year	1,960,475	27,526	351,375	2,339,376
Release for the year	(517,785)	(37,068)	(157,570)	(712,423)
Disposal for the year	(210,000)	–	–	(210,000)
Unwinding of discount	–	–	(26,074)	(26,074)
Write-offs	–	(14,316)	(151,000)	(165,316)
Recoveries	–	–	5,432	5,432
As at 31 December	<u>3,612,734</u>	<u>29,142</u>	<u>286,754</u>	<u>3,928,630</u>

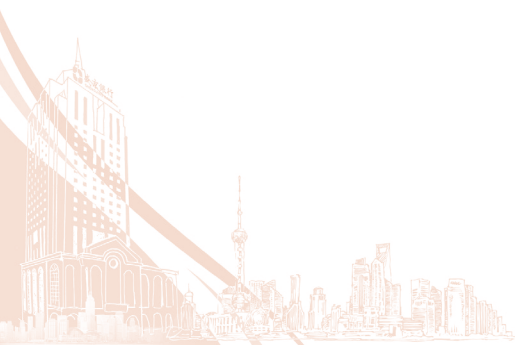
## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 20 LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### (7) Analysed by credit quality

	30 June 2016	31 December 2015
Gross balance of loans and advances to customers		
– Neither overdue nor impaired	223,082,532	194,312,200
– Overdue but not impaired	1,947,003	333,738
– Impaired	1,207,900	814,427
	<u>226,237,435</u>	<u>195,460,365</u>
Less: allowance for impairment losses		
– Neither overdue nor impaired	(4,053,170)	(3,587,614)
– Overdue but not impaired	(130,014)	(25,120)
– Impaired	(497,338)	(315,896)
	<u>(4,680,522)</u>	<u>(3,928,630)</u>
Net balance		
– Neither overdue nor impaired	219,029,362	190,724,586
– Overdue but not impaired	1,816,989	308,618
– Impaired	710,562	498,531
	<u>221,556,913</u>	<u>191,531,735</u>



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 21 FINANCIAL INVESTMENTS

	<i>Note</i>	30 June 2016	31 December 2015
Available-for-sale financial assets	21(1)	37,884,474	27,359,926
Held-to-maturity investments	21(2)	76,109,413	51,761,238
Loans and receivables	21(3)	276,966,774	234,508,219
Total		<u>390,960,661</u>	<u>313,629,383</u>

#### (1) Available-for-sale financial assets

	<i>Note</i>	30 June 2016	31 December 2015
Debt securities at fair value listed outside Hong Kong			
– Government		13,993,601	5,144,025
– Policy banks		22,731,911	20,186,078
– Banks and other financial institutions		46,959	550,447
– Corporate		727,978	1,203,451
Subtotal		<u>37,500,449</u>	<u>27,084,001</u>
Equity investments			
– Unlisted	21(1)(i)	384,025	275,925
Total		<u>37,884,474</u>	<u>27,359,926</u>

The Group did not reclassify any other financial investments in and out from available-for-sale category for the six months ended 30 June 2016 and for the year ended 31 December 2015.

*Note:*

- (i) There is no active market for certain available-for-sale unlisted equity 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 RMB, unless otherwise stated)

### 21 FINANCIAL INVESTMENTS (Continued)

#### (2) Held-to-maturity investments

	30 June 2016	31 December 2015
Listed outside Hong Kong		
– Government	28,672,735	14,188,964
– Policy banks	40,226,984	30,504,007
– Banks and other financial institutions	5,107,834	3,348,001
– Corporate	2,101,860	3,720,266
Total	<u>76,109,413</u>	<u>51,761,238</u>
Fair value of listed securities	<u>77,149,085</u>	<u>53,157,521</u>

#### (3) Loans and receivables

	Note	30 June 2016	31 December 2015
Investment management products managed by securities companies		175,297,160	157,543,148
Investment management products under trust scheme		67,502,614	54,968,071
Wealth management products issued by financial institutions		<u>35,060,000</u>	<u>22,630,000</u>
Subtotal	21(3)(i)	277,859,774	235,141,219
Less: Provisions for loans and receivables		<u>(893,000)</u>	<u>(633,000)</u>
Total		<u>276,966,774</u>	<u>234,508,219</u>

#### (i) Analysed by credit risk-bearing party

	30 June 2016	31 December 2015
Loans and receivables		
– Banks and other financial institutions	172,164,913	166,147,474
– Corporate	103,704,861	68,993,745
– Government	1,990,000	–
Total	<u>277,859,774</u>	<u>235,141,219</u>



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 22 PROPERTY AND EQUIPMENT

	Premises	Leasehold improvement	CIP	Office equipment	Others	Total
<b>Cost</b>						
As at 1 January 2015	2,780,771	456,268	1,274,501	419,462	89,519	5,020,521
Additions	39,234	10,233	767,997	129,372	10,757	957,593
CIP transfers	126,868	64,358	(191,226)	–	–	–
Disposals	–	–	–	(101)	(2,878)	(2,979)
As at 31 December 2015	2,946,873	530,859	1,851,272	548,733	97,398	5,975,135
Additions	71,208	23,718	351,643	51,233	1,123	498,925
CIP transfers	7,172	–	(7,172)	–	–	–
As at 30 June 2016	3,025,253	554,577	2,195,743	599,966	98,521	6,474,060
<b>Accumulated depreciation</b>						
As at 1 January 2015	(827,839)	(267,212)	–	(259,867)	(67,425)	(1,422,343)
Additions	(146,142)	(52,529)	–	(77,536)	(10,955)	(287,162)
Disposals	–	–	–	97	2,807	2,904
As at 31 December 2015	(973,981)	(319,741)	–	(337,306)	(75,573)	(1,706,601)
Additions	(72,133)	(29,701)	–	(47,238)	(5,246)	(154,318)
As at 30 June 2016	(1,046,114)	(349,442)	–	(384,544)	(80,819)	(1,860,919)
<b>Net book value</b>						
As at 31 December 2015	1,972,892	211,118	1,851,272	211,427	21,825	4,268,534
As at 30 June 2016	1,979,139	205,135	2,195,743	215,422	17,702	4,613,141

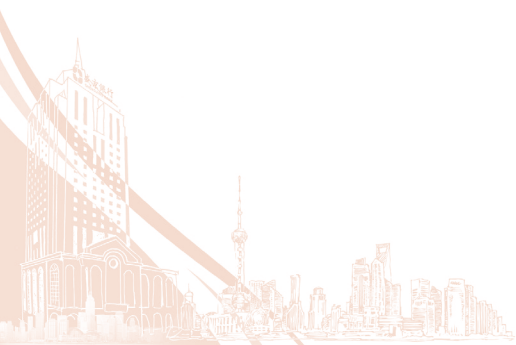
## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 23 DEFERRED INCOME TAX ASSETS AND LIABILITIES

#### (1) Analysed by nature

	30 June 2016		31 December 2015	
	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	3,296,020	824,004	2,565,508	641,377
Supplementary retirement benefits	122,215	30,554	126,107	31,527
Change in fair value of financial assets at fair value through profit or loss	62	16	–	–
	<u>3,418,297</u>	<u>854,574</u>	<u>2,691,615</u>	<u>672,904</u>
Deferred income tax liabilities:				
Change in fair value of available-for-sale financial assets	(251,725)	(62,931)	(830,884)	(207,721)
Change in fair value of derivative financial instruments	(46,277)	(11,569)	–	–
Change in fair value of financial assets at fair value through profit or loss	–	–	(1,176)	(294)
	<u>(298,002)</u>	<u>(74,500)</u>	<u>(832,060)</u>	<u>(208,015)</u>
Net deferred income tax	<u>3,120,295</u>	<u>780,074</u>	<u>1,859,555</u>	<u>464,889</u>





## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 23 DEFERRED INCOME TAX ASSETS AND LIABILITIES (Continued)

#### (2) Analysed by movement

	At 1 January 2016	Recognised in profit or loss	Recognised in other comprehensive income	At 30 June 2016
Deferred income tax assets:				
Allowance for impairment losses	641,377	182,627	–	824,004
Supplementary retirement benefits	31,527	(1,470)	497	30,554
Change in fair value of financial assets at fair value through profit or loss	–	16	–	16
Subtotal	672,904	181,173	497	854,574
Deferred income tax liabilities:				
Change in fair value of available-for-sale financial assets	(207,721)	–	144,790	(62,931)
Change in fair value of derivative financial instruments	–	(11,569)	–	(11,569)
Change in fair value of financial assets at fair value through profit or loss	(294)	294	–	–
Subtotal	(208,015)	(11,275)	144,790	(74,500)
Net deferred income tax	464,889	169,898	145,287	780,074

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 23 DEFERRED INCOME TAX ASSETS AND LIABILITIES (Continued)

#### (2) Analysed by movement (Continued)

	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	342,763	–	641,377
Supplementary retirement benefits	31,766	(1,179)	940	31,527
Subtotal	330,380	341,584	940	672,904
Deferred income tax liabilities:				
Change in fair value of available-for-sale financial assets	(189,293)	–	(18,428)	(207,721)
Change in fair value of financial assets at fair value through profit or loss	–	(294)	–	(294)
Subtotal	(189,293)	(294)	(18,428)	(208,015)
Net deferred income tax	141,087	341,290	(17,488)	464,889



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 24 OTHER ASSETS

	<i>Note</i>	30 June 2016	31 December 2015
Interest receivable	24(1)	5,345,885	6,855,568
Repossessed assets	24(2)	136,733	136,733
Settlement and clearing accounts		112,096	48,017
Intangible assets	24(3)	75,098	61,209
Land use rights		64,659	65,727
Prepayments		54,699	667,472
Long-term deferred expenses		8,944	10,296
Others	24(4)	747,187	751,341
<b>Total</b>		<b>6,545,301</b>	<b>8,596,363</b>

#### (1) Interest receivable

	30 June 2016	31 December 2015
Interest receivable arising from:		
– Investments	3,706,067	3,999,790
– Deposits with banks and other financial institutions	1,121,043	2,368,302
– Loans and advances to customers	514,672	483,967
– Others	4,103	3,509
<b>Total</b>	<b>5,345,885</b>	<b>6,855,568</b>

#### (2) Repossessed assets

	30 June 2016	31 December 2015
Land use rights and buildings	136,733	136,733
Less: Impairment allowance	–	–
	<b>136,733</b>	<b>136,733</b>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 24 OTHER ASSETS (Continued)

#### (3) Intangible assets

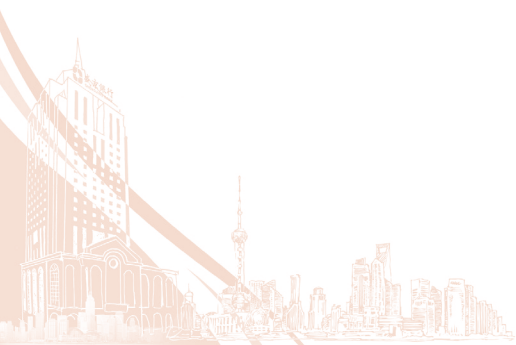
	30 June 2016	31 December 2015
<b>Cost</b>		
As at 1 January	122,764	97,558
Additions	19,084	25,206
As at 30 June/31 December	141,848	122,764
<b>Accumulated amortisation</b>		
As at 1 January	(61,555)	(53,776)
Additions	(5,195)	(7,779)
As at 30 June/31 December	(66,750)	(61,555)
<b>Net value</b>		
As at 1 January	61,209	43,782
As at 30 June/31 December	75,098	61,209

#### (4) Others

	30 June 2016	31 December 2015
Receivable due from disposal of non-performing assets ( <i>Note (i)</i> )	726,124	726,124
Others	109,729	95,605
Subtotal	835,853	821,729
Less: Impairment allowance	(88,666)	(70,388)
	747,187	751,341

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 RMB, unless otherwise stated)

### 25 BORROWINGS FROM CENTRAL BANK

	30 June 2016	31 December 2015
Borrowings (Note (1))	60,300,000	6,800,000

Note:

(1) Borrowings from central bank mainly include Medium-term Lending Facility and open market operations.

### 26 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	30 June 2016	31 December 2015
Deposits in mainland China		
– Banks	22,764,985	51,352,434
– Other financial institutions	108,841,758	49,264,719
Total	131,606,743	100,617,153

### 27 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	30 June 2016	31 December 2015
Placements in mainland China		
– Banks	20,470,425	11,240,597
– Other financial institutions	–	129,872
Total	20,470,425	11,370,469

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 28 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

#### (1) Analysed by type and location of counterparty

	30 June 2016	31 December 2015
In mainland China		
– Banks	9,351,400	47,085,568

#### (2) Analysed by type of security held

	30 June 2016	31 December 2015
Debt securities sold under repurchase agreements	9,351,400	47,045,830
Bills sold under repurchase agreements	–	39,738
Total	9,351,400	47,085,568

### 29 DEPOSITS FROM CUSTOMERS

	30 June 2016	31 December 2015
Demand deposits		
– Corporate deposits	75,420,483	72,780,720
– Personal deposits	14,264,724	11,771,895
Subtotal	89,685,207	84,552,615
Time deposits		
– Corporate deposits	197,894,666	168,423,885
– Personal deposits	108,244,153	96,685,647
Subtotal	306,138,819	265,109,532
Pledged deposits		
– Acceptances	48,217,073	50,969,515
– Letters of credit	508,306	447,065
– Letters of guarantees	193,326	877,277
– Others	290,690	277,404
Subtotal	49,209,395	52,571,261
Inward and outward remittances	160,599	145,678
Total deposits from customers at amortised cost	445,194,020	402,379,086



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 30 DEBT SECURITIES ISSUED

	Note	30 June 2016	31 December 2015
Subordinated fixed rate debts maturing in November 2021	30(1)	900,000	900,000
Tier two capital fixed rate debts maturing in May 2024	30(2)	2,200,000	2,200,000
Tier two capital fixed rate debts maturing in December 2025	30(3)	10,000,000	10,000,000
Certificates of interbank deposit	30(4)	67,661,839	65,385,436
Total		80,761,839	78,485,436

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 the nominal amount. If the debts are not redeemed by the Group, the coupon rate will stay the same for the next 5 years.
- (2) Tier two capital fixed rate debts of RMB2.2 billion with a term of ten years were issued on 28 May 2014. The coupon rate is 6.18%. The Group has an option to redeem the debts at the 5th year at the nominal amount. If the debts are not redeemed by the Group, the coupon rate will stay the same for the next 5 years.
- (3) Tier two capital fixed rate debts of RMB10.0 billion with a term of ten years were issued on 4 December 2015. The coupon rate is 4.57%. The Group has an option to redeem the debts at the 5th year at the nominal amount. If the debts are not redeemed by the Group, the coupon rate will stay the same for the next 5 years.
- (4) As at 30 June 2016, the interbank negotiable certificates of deposit were measured at amortised cost. The fair value of the interbank deposits issued mentioned above approximates to RMB66,819 million (31 December 2015: RMB65,167 million).

### 31 OTHER LIABILITIES

	Note	30 June 2016	31 December 2015
Interest payable	31(1)	10,937,782	9,816,616
Dividend payable		1,727,124	104,075
Payment and collection clearance accounts		747,849	1,228,072
Accrued staff cost	31(2)	378,910	436,809
Taxes payable	31(3)	333,351	402,733
Dormant accounts		32,840	35,994
Deferred income		31,533	33,060
Others		241,477	340,311
Total		14,430,866	12,397,670

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 31 OTHER LIABILITIES (Continued)

#### (1) Interest payable

	30 June 2016	31 December 2015
Interest payable arising from:		
– Deposits from customers	9,198,938	7,129,549
– Deposits from banks and other financial institutions	1,038,027	2,528,295
– Borrowings from central bank	379,775	8,477
– Debt securities issued	310,665	120,712
– Placements from banks and other financial institutions	9,861	19,951
– Financial assets sold under repurchase agreements	516	9,632
Total	10,937,782	9,816,616

#### (2) Accrued staff cost

	Note	30 June 2016	31 December 2015
Salary, bonuses and allowances payable		159,098	182,035
Pension and annuity payable	31(2)(i)	33,008	60,673
Supplementary retirement benefits payable	31(2)(ii)	122,215	126,107
Housing allowances payable		30,187	29,989
Other social insurance payable		31,749	31,294
Others		2,653	6,711
Total		378,910	436,809

##### (i) 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 stipulated by the relevant government authorities.

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

##### (ii) 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 RMB, unless otherwise stated)

### 31 OTHER LIABILITIES (Continued)

#### (3) Taxes payable

	30 June 2016	31 December 2015
Value-added tax and surcharges payable	310,061	–
Business tax and surcharges payable	17,888	402,733
Others	5,402	–
Total	333,351	402,733

### 32 SHARE CAPITAL

#### Issued share capital

	30 June 2016	31 December 2015
Number of shares, issued and fully paid at par value (in thousands)	5,796,680	5,796,680

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.

### 33 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 requirements of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance ("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 its 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 RMB, unless otherwise stated)

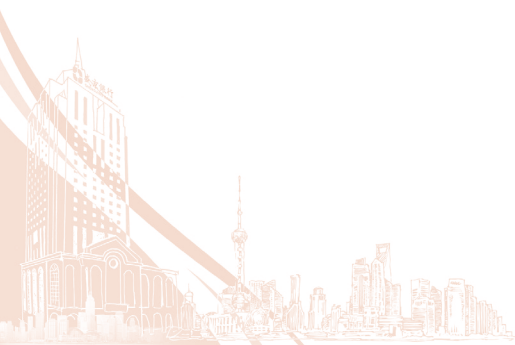
### 34 PROFIT DISTRIBUTION

- (1) In accordance with the resolution of the Bank's 2015 Annual General Meeting held on 13 June 2016, the shareholders approved the following profit distribution plan for the year ended 31 December 2015 is as follows:
- Appropriated 10% of the profit after tax to the statutory surplus reserve fund;
  - Appropriated RMB620.62 million to the discretionary surplus reserve fund;
  - Appropriated RMB3,090.36 million to the general reserve;
  - Declared cash dividends of RMB2.80 per ten shares before tax and in aggregation of RMB1,623.07 million to all shareholders.
- (2) 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.

### 35 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Cash and cash equivalents comprise:

	30 June 2016	30 June 2015
Cash on hand	652,862	679,864
Deposits with central bank other than restricted deposits	22,131,380	21,527,960
Deposits with banks and other financial institutions with original maturity of three months or less	38,380,331	4,353,439
Placements with banks and other financial institutions with original maturity of three months or less	5,529,432	322,272
Financial assets held under resale agreements with original maturity of three months or less	2,603,500	518,495
Total	69,297,505	27,402,030



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 36 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 2016	31 December 2015
Great Captain Limited	9.96%	–
Shenyang Hengxin State-owned Asset Management Group Co., Ltd.	8.28%	8.28%
Liaoning Huibao International Investment Group Co., Ltd.	6.90%	6.90%
Xinhu Zhongbao Co., Ltd.	5.18%	5.18%
Founder Securities Co., Ltd.	5.18%	5.18%
Beijing Zhaotai Group Co., Ltd.	5.18%	5.18%
Shenyang Zhongyou Tipo (Group) Machinery & Equipment manufacturing Co., Ltd.	3.28%	3.97%

#### (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) *Between the Bank and major shareholders*

	30 June 2016	31 December 2015
Balances at the end of the period/year:		
Deposits from customers	371,902	31,588
Guarantees received	1,979,000	1,783,720

	Six months ended 30 June 2016	2015
Transactions during the period:		
Interest income	–	45,250
Interest expense	335	3,047
Fee and commission income	–	100

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

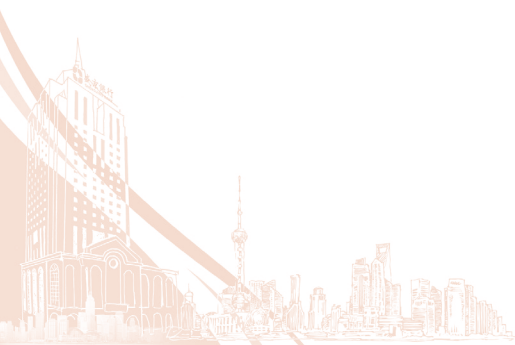
#### (2) Related party transactions and balances (Continued)

##### (b) Between the Bank and subsidiaries

	30 June 2016	31 December 2015
Balances at the end of the period/year:		
Deposits from banks and other financial institutions	265,961	96,025
Transactions during the period:		
Interest expense	3,344	1,320
Interest income	35	–

##### (c) Between the Bank and other related parties

	30 June 2016	31 December 2015
Balances at the end of the period/year:		
Loans and advances to customers	897,464	1,540,275
Deposits from customers	560,445	673,485
Bank acceptances	261,480	320,000
Guarantees received	3,350,430	2,578,950
Transactions during the period:		
Interest income	50,814	150,064
Interest expense	7,810	11,784
Fee and commission income	131	50



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### (3) Key management personnel

##### (a) Key management personnel remuneration

	Six months ended 30 June	
	2016	2015
Salaries and other emoluments	8,491	10,481
Discretionary bonuses	13,420	15,841
Contributions to pension schemes	869	707
Total	22,780	27,029

##### (b) Loans and advances to directors, supervisors and officers

At 30 June 2016 and 31 December 2015, there is no loans and advances to directors, supervisors and officers of the Group pursuant to section 383(1) of Hong Kong Companies Ordinance.

##### (c) Between the Bank and key management personnel

	30 June 2016	31 December 2015
Balances at the end of the period/year:		
Deposits from customers	27,826	21,654

	Six months ended 30 June	
	2016	2015
Transactions during the period:		
Interest expense	357	283

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 37 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 position and risk management strategies, 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 and the International Business Department 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 RMB, unless otherwise stated)

### 37 RISK MANAGEMENT (Continued)

#### (1) Credit risk (Continued)

##### *Credit business (Continued)*

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

Normal:	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
Special mention:	Borrowers are currently able to service their loans and interest, although repayment may be adversely affected by specific factors.
Substandard:	Borrowers' ability to service their loans is in question and they cannot rely entirely on normal business revenues to repay principal and interest. Losses may ensue even when 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 39(1).

#### (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 20.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 37 RISK MANAGEMENT (Continued)

#### (1) Credit risk (Continued)

##### (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 2016	31 December 2015
<b>Carrying amount</b>		
<i>Neither overdue nor impaired</i>		
– grade A to AAA	92,288,730	92,816,038
– grade B to BBB	16,867,922	24,160,854
– grade C to CCC	1,028,270	–
– unrated	532,396	910,962
Total	110,717,318	117,887,854

##### (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 2016	31 December 2015
<b>Carrying amount</b>		
<i>Neither overdue nor impaired</i>		
– Government	42,436,336	19,332,989
– Policy banks	62,988,967	52,152,101
– Banks and other financial institutions	177,319,707	170,045,921
– Corporate	107,861,698	73,284,463
Total	390,606,708	314,815,474





## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 37 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 RMB, unless otherwise stated)

### 37 RISK MANAGEMENT (Continued)

#### (2) Market risk (Continued)

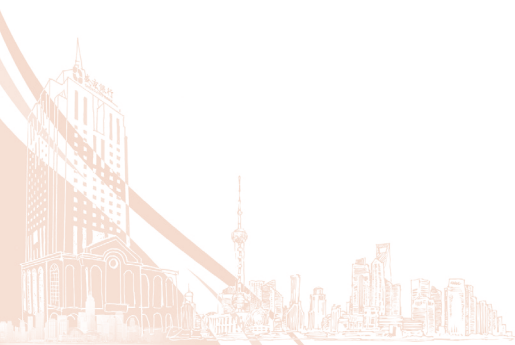
##### (a) Interest rate risk

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 RMB, unless otherwise stated)

### 37 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 2016					
	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
<b>Assets</b>						
Cash and deposits with central bank	70,900,874	652,862	70,248,012	-	-	-
Deposits with banks and other financial institutions	101,520,730	-	64,738,830	36,781,900	-	-
Placements with banks and other financial institutions	6,593,088	-	5,529,432	1,063,656	-	-
Financial assets at fair value through profit or loss	30,072	-	-	-	-	30,072
Financial assets held under resale agreements	2,603,500	-	2,603,500	-	-	-
Loans and advances to customers (Note (i))	221,556,913	-	190,499,902	20,884,031	7,405,786	2,767,194
Financial investments (Note (ii))	390,960,661	384,025	76,962,423	193,779,648	94,910,473	24,924,092
Others	11,989,797	11,938,516	51,281	-	-	-
<b>Total assets</b>	<b>806,155,635</b>	<b>12,975,403</b>	<b>410,633,380</b>	<b>252,509,235</b>	<b>102,316,259</b>	<b>27,721,358</b>
<b>Liabilities</b>						
Borrowings from central bank	(60,300,000)	-	(24,500,000)	(35,800,000)	-	-
Deposits from banks and other financial institutions	(131,606,743)	-	(63,171,754)	(59,921,989)	(8,513,000)	-
Placements from banks and other financial institutions	(20,470,425)	-	(20,175,842)	(294,583)	-	-
Financial assets sold under repurchase agreements	(9,351,400)	-	(9,351,400)	-	-	-
Deposits from customers	(445,194,020)	-	(213,729,387)	(72,525,203)	(156,439,406)	(2,500,024)
Debt securities issued	(80,761,839)	-	(35,419,441)	(32,242,398)	-	(13,100,000)
Others	(15,073,478)	(15,068,474)	(5,004)	-	-	-
<b>Total liabilities</b>	<b>(762,757,905)</b>	<b>(15,068,474)</b>	<b>(366,352,828)</b>	<b>(200,784,173)</b>	<b>(164,952,406)</b>	<b>(15,600,024)</b>
<b>Asset-liability gap</b>	<b>43,397,730</b>	<b>(2,093,071)</b>	<b>44,280,552</b>	<b>51,725,062</b>	<b>(62,636,147)</b>	<b>12,121,334</b>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 37 RISK MANAGEMENT (Continued)

#### (2) Market risk (Continued)

##### (a) Interest rate risk (Continued)

##### (i) Repricing risk (Continued)

	31 December 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
<b>Assets</b>						
Cash and deposits with central bank	63,787,726	619,243	63,168,483	-	-	-
Deposits with banks and other financial institutions	84,618,382	-	42,855,882	39,887,500	1,875,000	-
Placements with banks and other financial institutions	1,017,289	-	1,017,289	-	-	-
Financial assets at fair value through profit or loss	1,462,016	-	948,426	-	513,590	-
Financial assets held under resale agreements	32,252,183	-	32,252,183	-	-	-
Loans and advances to customers (Note (i))	191,531,735	-	164,736,543	18,198,096	5,765,804	2,831,292
Financial investments (Note (ii))	313,629,383	275,925	63,287,093	133,730,094	90,507,725	25,828,546
Others	13,329,786	13,329,786	-	-	-	-
<b>Total assets</b>	<b>701,628,500</b>	<b>14,224,954</b>	<b>368,265,899</b>	<b>191,815,690</b>	<b>98,662,119</b>	<b>28,659,838</b>
<b>Liabilities</b>						
Borrowings from central bank	(6,800,000)	-	-	(6,800,000)	-	-
Deposits from banks and other financial institutions	(100,617,153)	-	(37,388,497)	(53,715,656)	(9,513,000)	-
Placements from banks and other financial institutions	(11,370,469)	-	(10,415,910)	(954,559)	-	-
Financial assets sold under repurchase agreements	(47,085,568)	-	(47,045,830)	(39,738)	-	-
Deposits from customers	(402,379,086)	-	(126,966,112)	(71,249,168)	(196,156,825)	(8,006,981)
Debt securities issued	(78,485,436)	-	(32,816,315)	(32,569,121)	-	(13,100,000)
Others	(13,175,835)	(13,175,835)	-	-	-	-
<b>Total liabilities</b>	<b>(659,913,547)</b>	<b>(13,175,835)</b>	<b>(254,632,664)</b>	<b>(165,328,242)</b>	<b>(205,669,825)</b>	<b>(21,106,981)</b>
<b>Asset-liability gap</b>	<b>41,714,953</b>	<b>1,049,119</b>	<b>113,633,235</b>	<b>26,487,448</b>	<b>(107,007,706)</b>	<b>7,552,857</b>

Notes:

- (i) For the Group's loans and advances to customers, the category "Less than three months" as at 30 June 2016 included overdue amounts (net of provision for impairment losses) of RMB1,944 million (31 December 2015: RMB745 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 RMB, unless otherwise stated)

### 37 RISK MANAGEMENT (Continued)

#### (2) Market risk (Continued)

##### (a) Interest rate risk (Continued)

##### (ii) Interest rate sensitivity analysis

Change in profit after taxation	30 June 2016 Increase/(decrease)	31 December 2015 Increase/(decrease)
Up 100 bps parallel shift in yield curves	363,233	796,844
Down 100 bps parallel shift in yield curves	(363,233)	(796,844)

Change in equity	30 June 2016 (Decrease)/increase	31 December 2015 Increase/(decrease)
Up 100 bps parallel shift in yield curves	(66,306)	161,122
Down 100 bps parallel shift in yield curves	91,697	(117,919)

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 RMB, unless otherwise stated)

### 37 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 2016			
	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
<b>Assets</b>				
Cash and deposits with central bank	70,823,148	56,913	20,813	70,900,874
Deposits with banks and other financial institutions	99,576,995	1,360,341	583,394	101,520,730
Placements with banks and other financial institutions	4,800,000	1,790,424	2,664	6,593,088
Financial assets at fair value through profit or loss	30,072	–	–	30,072
Financial assets held under resale agreements	2,603,500	–	–	2,603,500
Loans and advances to customers	216,660,545	4,215,175	681,193	221,556,913
Financial investments (Note (i))	389,103,460	1,857,201	–	390,960,661
Others	7,699,596	4,277,861	12,340	11,989,797
<b>Total assets</b>	<b>791,297,316</b>	<b>13,557,915</b>	<b>1,300,404</b>	<b>806,155,635</b>
<b>Liabilities</b>				
Borrowings from central bank	(60,300,000)	–	–	(60,300,000)
Deposits from banks and other financial institutions	(127,550,934)	(3,468,842)	(586,967)	(131,606,743)
Placements from banks and other financial institutions	(10,050,000)	(10,357,934)	(62,491)	(20,470,425)
Financial assets sold under repurchase agreements	(9,351,400)	–	–	(9,351,400)
Deposits from customers	(443,897,364)	(1,072,028)	(224,628)	(445,194,020)
Debt securities issued	(80,761,839)	–	–	(80,761,839)
Others	(14,592,975)	(81,384)	(399,119)	(15,073,478)
<b>Total liabilities</b>	<b>(746,504,512)</b>	<b>(14,980,188)</b>	<b>(1,273,205)</b>	<b>(762,757,905)</b>
<b>Net position</b>	<b>44,792,804</b>	<b>(1,422,273)</b>	<b>27,199</b>	<b>43,397,730</b>
Off-balance sheet credit commitments	149,031,929	1,236,936	740,341	151,009,206

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 37 RISK MANAGEMENT (Continued)

#### (2) Market risk (Continued)

##### (b) Currency risk (Continued)

	31 December 2015			
	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
<b>Assets</b>				
Cash and deposits with central bank	63,715,659	53,153	18,914	63,787,726
Deposits with banks and other financial institutions	83,846,713	667,684	103,985	84,618,382
Placements with banks and other financial institutions	900,000	–	117,289	1,017,289
Financial assets at fair value through profit or loss	1,462,016	–	–	1,462,016
Financial assets held under resale agreements	32,252,183	–	–	32,252,183
Loans and advances to customers	186,746,339	4,136,938	648,458	191,531,735
Financial investments (Note (i))	311,811,164	1,818,219	–	313,629,383
Others	13,301,774	13,929	14,083	13,329,786
<b>Total assets</b>	<b>694,035,848</b>	<b>6,689,923</b>	<b>902,729</b>	<b>701,628,500</b>
<b>Liabilities</b>				
Borrowings from central bank	(6,800,000)	–	–	(6,800,000)
Deposits from banks and other financial institutions	(100,048,828)	(709)	(567,616)	(100,617,153)
Placements from banks and other financial institutions	(5,990,000)	(5,363,714)	(16,755)	(11,370,469)
Financial assets sold under repurchase agreements	(47,085,568)	–	–	(47,085,568)
Deposits from customers	(401,621,147)	(471,939)	(286,000)	(402,379,086)
Debt securities issued	(78,485,436)	–	–	(78,485,436)
Others	(13,048,762)	(117,217)	(9,856)	(13,175,835)
<b>Total liabilities</b>	<b>(653,079,741)</b>	<b>(5,953,579)</b>	<b>(880,227)</b>	<b>(659,913,547)</b>
<b>Net position</b>	<b>40,956,107</b>	<b>736,344</b>	<b>22,502</b>	<b>41,714,953</b>
Off-balance sheet credit commitments	144,636,605	1,858,787	425,156	146,920,548

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 RMB, unless otherwise stated)

### 37 RISK MANAGEMENT (Continued)

#### (2) Market risk (Continued)

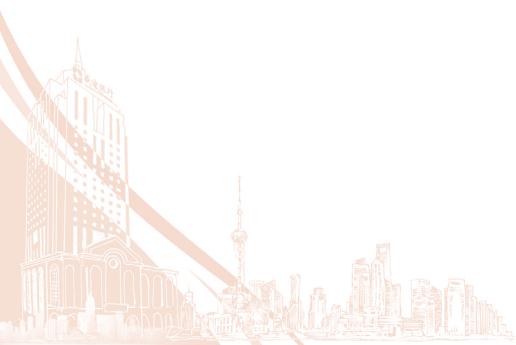
##### (b) Currency risk (Continued)

Change in profit after taxation and equity	30 June 2016 (Decrease)/increase	31 December 2015 Increase/(decrease)
Up 100 bps change of foreign exchange rate	(1,578)	876
Down 100 bps change of foreign exchange rate	1,578	(876)

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 RMB, unless otherwise stated)

### 37 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 RMB, unless otherwise stated)

### 37 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 2016							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	
<b>Assets</b>								
Cash and deposits with central bank	48,116,632	22,784,242	-	-	-	-	-	70,900,874
Deposit with banks and other financial institutions	-	4,056,108	16,213,000	44,469,722	36,781,900	-	-	101,520,730
Placement with banks and other financial institutions	-	-	5,029,432	500,000	1,063,656	-	-	6,593,088
Financial assets at fair value through profit or loss	-	-	-	-	-	-	30,072	30,072
Financial assets held under resale agreements	-	-	2,603,500	-	-	-	-	2,603,500
Loans and advances to customers	1,848,116	679,436	6,302,113	19,042,696	95,593,687	86,964,562	11,126,303	221,556,913
Financial investments (Note (i))	384,025	-	25,639,136	43,788,106	191,946,712	103,074,354	26,128,328	390,960,661
Others	5,736,935	113,561	1,342,985	1,772,945	3,004,118	19,253	-	11,989,797
<b>Total assets</b>	<b>56,085,708</b>	<b>27,633,347</b>	<b>57,130,166</b>	<b>109,573,469</b>	<b>328,390,073</b>	<b>190,058,169</b>	<b>37,284,703</b>	<b>806,155,635</b>
<b>Liabilities</b>								
Borrowings from the central bank	-	-	(23,500,000)	(1,000,000)	(35,800,000)	-	-	(60,300,000)
Deposits from banks and other financial institutions	-	(8,493,578)	(40,073,670)	(14,604,506)	(59,921,989)	(8,513,000)	-	(131,606,743)
Placements from banks and other financial institutions	-	-	(19,512,722)	(663,120)	(294,583)	-	-	(20,470,425)
Financial assets sold under repurchase agreements	-	-	(9,351,400)	-	-	-	-	(9,351,400)
Deposits from customers	-	(183,923,295)	(6,938,545)	(22,867,547)	(72,525,203)	(156,439,406)	(2,500,024)	(445,194,020)
Debt securities issued	-	-	(17,983,328)	(17,436,113)	(32,242,398)	-	(13,100,000)	(80,761,839)
Others	-	(5,095,331)	(1,367,151)	(867,673)	(4,267,674)	(3,301,733)	(173,916)	(15,073,478)
<b>Total liabilities</b>	<b>-</b>	<b>(197,512,204)</b>	<b>(118,726,816)</b>	<b>(57,438,959)</b>	<b>(205,051,847)</b>	<b>(168,254,139)</b>	<b>(15,773,940)</b>	<b>(762,757,905)</b>
<b>Long/short position</b>	<b>56,085,708</b>	<b>(169,878,857)</b>	<b>(61,596,650)</b>	<b>52,134,510</b>	<b>123,338,226</b>	<b>21,804,030</b>	<b>21,510,763</b>	<b>43,397,730</b>
Notional amount of derivatives	-	-	5,232,017	928,368	3,229,394	-	-	9,389,779

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 37 RISK MANAGEMENT (Continued)

#### (3) Liquidity risk (Continued)

##### (a) Maturity analysis (Continued)

	31 December 2015							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	
<b>Assets</b>								
Cash and deposits with central bank	45,016,357	18,771,369	-	-	-	-	-	63,787,726
Deposit with banks and other financial institutions	-	1,594,882	21,545,000	19,716,000	39,887,500	1,875,000	-	84,618,382
Placement with banks and other financial institutions	-	-	900,000	117,289	-	-	-	1,017,289
Financial assets at fair value through profit or loss	-	-	-	502,082	-	959,934	-	1,462,016
Financial assets held under resale agreements	-	-	29,315,413	2,936,770	-	-	-	32,252,183
Loans and advances to customers	743,262	63,886	7,161,179	13,778,430	88,875,722	71,472,554	9,436,702	191,531,735
Financial investments (Note (i))	275,925	-	14,994,615	47,347,549	124,962,440	98,997,390	27,051,464	313,629,383
Others	5,679,032	98,968	1,333,940	1,673,148	3,827,129	717,569	-	13,329,786
<b>Total assets</b>	<b>51,714,576</b>	<b>20,529,105</b>	<b>75,250,147</b>	<b>86,071,268</b>	<b>257,552,791</b>	<b>174,022,447</b>	<b>36,488,166</b>	<b>701,628,500</b>
<b>Liabilities</b>								
Borrowings from the central bank	-	-	-	-	(6,800,000)	-	-	(6,800,000)
Deposits from banks and other financial institutions	-	(2,860,697)	(18,649,530)	(15,878,270)	(53,715,656)	(9,513,000)	-	(100,617,153)
Placements from banks and other financial institutions	-	-	(7,178,329)	(3,237,581)	(954,559)	-	-	(11,370,469)
Financial assets sold under repurchase agreements	-	-	(47,045,830)	-	(39,738)	-	-	(47,085,568)
Deposits from customers	-	(90,244,062)	(13,430,241)	(23,291,809)	(71,249,168)	(196,156,825)	(8,006,981)	(402,379,086)
Debt securities issued	-	-	(9,505,085)	(23,311,230)	(32,569,121)	-	(13,100,000)	(78,485,436)
Others	-	(3,287,023)	(1,840,023)	(1,114,200)	(2,633,494)	(4,017,776)	(283,319)	(13,175,835)
<b>Total liabilities</b>	<b>-</b>	<b>(96,391,782)</b>	<b>(97,649,038)</b>	<b>(66,833,090)</b>	<b>(167,961,736)</b>	<b>(209,687,601)</b>	<b>(21,390,300)</b>	<b>(659,913,547)</b>
<b>Long/(short) position</b>	<b>51,714,576</b>	<b>(75,862,677)</b>	<b>(22,398,891)</b>	<b>19,238,178</b>	<b>89,591,055</b>	<b>(35,665,154)</b>	<b>15,097,866</b>	<b>41,714,953</b>

#### 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 RMB, unless otherwise stated)

### 37 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 2016					
	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
Borrowings from central bank	(61,264,597)	(23,657,781)	(1,014,289)	(36,592,527)	-	-
Deposits from banks and other financial institutions	(134,956,962)	(48,838,727)	(15,142,288)	(62,066,733)	(8,909,214)	-
Placements from banks and other financial institutions	(20,486,590)	(19,519,318)	(669,259)	(298,013)	-	-
Financial assets sold under repurchase agreements	(9,351,916)	(9,351,916)	-	-	-	-
Deposits from customers	(474,940,198)	(191,322,344)	(23,494,710)	(74,152,589)	(183,470,257)	(2,500,298)
Debt securities issued	(87,398,680)	(18,000,000)	(17,520,000)	(33,421,460)	(2,605,840)	(15,851,380)
Other financial liabilities	(2,780,823)	(780,689)	(273,010)	(1,727,124)	-	-
<b>Total non-derivative financial liabilities</b>	<b>(791,179,766)</b>	<b>(311,470,775)</b>	<b>(58,113,556)</b>	<b>(208,258,446)</b>	<b>(194,985,311)</b>	<b>(18,351,678)</b>

	31 December 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
Borrowings from central bank	(6,909,098)	-	-	(6,909,098)	-	-
Deposits from banks and other financial institutions	(103,999,190)	(21,675,996)	(16,564,918)	(55,946,686)	(9,811,590)	-
Placements from banks and other financial institutions	(11,406,022)	(7,194,076)	(3,246,752)	(965,194)	-	-
Financial assets sold under repurchase agreements	(47,106,012)	(47,065,867)	-	(40,145)	-	-
Deposits from customers	(422,389,064)	(104,128,415)	(23,954,553)	(73,959,791)	(211,855,597)	(8,490,708)
Debt securities issued	(81,174,640)	(9,520,000)	(23,470,000)	(33,704,460)	(777,840)	(13,702,340)
Other financial liabilities	(1,741,512)	(1,264,066)	(373,371)	(104,075)	-	-
<b>Total non-derivative financial liabilities</b>	<b>(674,725,538)</b>	<b>(190,848,420)</b>	<b>(67,609,594)</b>	<b>(171,629,449)</b>	<b>(222,445,027)</b>	<b>(22,193,048)</b>

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 RMB, unless otherwise stated)

### 37 RISK MANAGEMENT (Continued)

#### (3) Liquidity risk (Continued)

##### (c) Analysis on contractual undiscounted cash flows of derivatives

Derivatives settled on a gross basis

The Group's derivatives that will be settled on a gross basis include:

- Foreign exchange swap.

The following tables analyse the Group's contractual undiscounted cash flows of derivative financial instruments to be settled on a gross basis as at the end of the reporting period.

	30 June 2016					
	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
Foreign exchange swap						
– cash outflow	(9,356,440)	(5,203,232)	(924,860)	(3,228,348)	–	–
– cash inflow	9,407,154	5,232,017	928,368	3,246,769	–	–

#### (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.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 37 RISK MANAGEMENT (Continued)

#### (4) Operational risk (Continued)

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.

#### (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 RMB, unless otherwise stated)

### 37 RISK MANAGEMENT (Continued)

#### (5) Capital management (Continued)

The Group calculates the capital adequacy ratios as at 30 June 2016 and 31 December 2015 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:

	<i>Note</i>	30 June 2016	31 December 2015
Total core tier-one capital			
– Share capital		5,796,680	5,796,680
– Qualifying portion of capital reserve		11,855,505	11,855,505
– Surplus reserve		4,514,462	3,893,846
– General reserve		9,267,100	6,176,638
– Investment revaluation reserve		188,794	623,163
– Retained earnings		11,210,062	12,927,822
– Qualifying portions of non-controlling interests		445,809	348,314
– Others		(6,615)	(5,126)
		<hr/>	<hr/>
Core tier-one capital		43,271,797	41,616,842
Core tier-one capital deductions		(75,098)	(61,209)
		<hr/>	<hr/>
Net core tier-one capital		43,196,699	41,555,633
Other tier-one capital		–	–
		<hr/>	<hr/>
Net tier-one capital		43,196,699	41,555,633
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Tier two capital			
– Qualifying portions of tier-two capital instruments issued		12,740,000	12,830,000
– Surplus provision for loan impairment		3,472,622	3,114,204
		<hr/>	<hr/>
Net tier-two capital		16,212,622	15,944,204
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net capital base		59,409,321	57,499,837
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Total risk weighted assets	37(5)(a)	480,213,788	441,206,838
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Core tier-one capital adequacy ratio		9.00%	9.42%
Tier-one capital adequacy ratio		9.00%	9.42%
Capital adequacy ratio		12.37%	13.03%

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 9.3%, 7.3% and 6.3%, respectively, at 30 June 2016.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 38 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:

##### (i) *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.

##### (ii) *Receivables and other non-derivative financial assets*

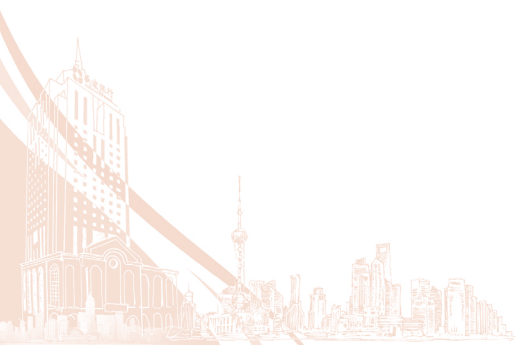
Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the reporting period.

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

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

##### (iv) *Derivative financial instruments*

Fair values of foreign exchange swap are measured by discounted cash flows using the applicable yield curve for the duration of the instrument. The yield curve is based on the applicable RMB denominated swap yield curve as at the end of the reporting period.





## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 38 FAIR VALUE (Continued)

#### (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 2016			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Financial assets at fair value through profit or loss				
– debt instruments	–	30,072	–	30,072
Derivative financial assets				
– foreign exchange swap	–	51,281	–	51,281
Available-for-sale financial assets				
– debt instruments	–	37,500,449	–	37,500,449
Total	–	37,581,802	–	37,581,802
<b>Liabilities</b>				
Derivative financial liabilities				
– foreign exchange swap	–	(5,004)	–	(5,004)
Total	–	(5,004)	–	(5,004)

During the period ended 30 June 2016, there were no significant transfers between instruments in Level 1 and Level 2.

	31 December 2015			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Financial assets at fair value through profit or loss				
– debt instruments	–	1,462,016	–	1,462,016
Available-for-sale financial assets				
– debt instruments	–	27,084,001	–	27,084,001
Total	–	28,546,017	–	28,546,017

During the year ended 31 December 2015, 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 RMB, unless otherwise stated)

### 38 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, borrowings from central bank, 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*

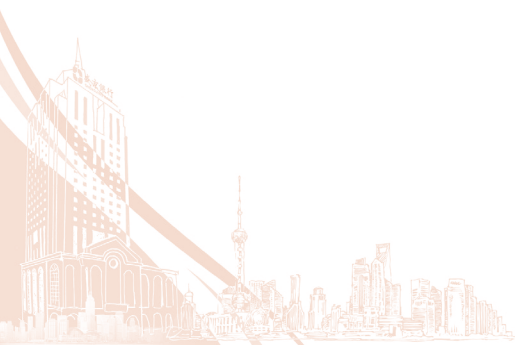
The fair value for held-to-maturity investments is based on “bid” market prices or brokers'/dealers' price quotations. If relevant market information is not available, the fair value is based on quote price of security products with similar characteristics such as credit risk, maturities and yield.

(iv) *Available-for-sale equity investments*

Available-for-sale equity investments are unlisted shares. 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 RMB, unless otherwise stated)

### 38 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 debt securities issued:

	Carrying amount	30 June 2016			
		Fair value	Level 1	Level 2	Level 3
<u>Financial assets</u>					
Held-to-maturity investments	76,109,413	77,149,085	–	77,149,085	–
Total	<u>76,109,413</u>	<u>77,149,085</u>	<u>–</u>	<u>77,149,085</u>	<u>–</u>
<u>Financial liabilities</u>					
Debt securities issued					
– subordinated bonds	13,100,000	13,356,182	–	13,356,182	–
– certificates of interbank deposit	67,661,839	66,819,218	–	66,819,218	–
Total	<u>80,761,839</u>	<u>80,175,400</u>	<u>–</u>	<u>80,175,400</u>	<u>–</u>

	Carrying amount	31 December 2015			
		Fair value	Level 1	Level 2	Level 3
<u>Financial assets</u>					
Held-to-maturity investments	51,761,238	53,157,521	–	53,157,521	–
Total	<u>51,761,238</u>	<u>53,157,521</u>	<u>–</u>	<u>53,157,521</u>	<u>–</u>
<u>Financial liabilities</u>					
Debt securities issued					
– subordinated bonds	13,100,000	13,132,407	–	13,132,407	–
– certificates of interbank deposit	65,385,436	65,166,826	–	65,166,826	–
Total	<u>78,485,436</u>	<u>78,299,233</u>	<u>–</u>	<u>78,299,233</u>	<u>–</u>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 39 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 2016	31 December 2015
Bank acceptances	138,369,528	134,379,232
Letters of guarantees	6,834,327	7,218,785
Letters of credit	3,735,828	3,285,170
Unused credit card commitments	2,069,523	2,037,361
Total	151,009,206	146,920,548

#### (2) Credit risk-weighted amount

	30 June 2016	31 December 2015
Credit risk-weighted amount of contingent liabilities and commitments	73,538,170	99,426,103

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.

#### (3) Operating lease commitments

As at 30 June 2016 and 31 December 2015, the future minimum lease payments under non-cancellable operating leases for properties of the Group are as follows:

	30 June 2016	31 December 2015
Within one year (inclusive)	110,221	118,497
Above one year but within five years (inclusive)	352,913	384,800
Above five years	108,538	142,026
Total	571,672	645,323



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 39 COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

#### (4) Capital commitments

As at 30 June 2016 and 31 December 2015, the authorised capital commitments of the Group are as follows:

	30 June 2016	31 December 2015
Contracted but not paid for	1,388,969	1,843,166
Approved but not contracted for	57,639	57,731
Total	1,446,608	1,900,897

#### (5) Outstanding litigations and disputes

As at 30 June 2016 and 31 December 2015, there are no significant legal proceedings outstanding against the Bank and/or its subsidiaries.

#### (6) Pledged assets

	30 June 2016	31 December 2015
Investment securities	74,692,590	56,742,768
Discounted bills	–	39,738
Total	74,692,590	56,782,506

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

The Group maintains statutory deposit reserves with the PBOC as required (Note 14). These deposits are not available for the Group's daily operations.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 40 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 tables set out an analysis of the carrying amounts of interests held by the Group as at 30 June 2016 and 31 December 2015 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 2016		
	Loans and receivables	Carrying amount	Maximum exposure
Investment management products managed by securities companies	175,297,160	175,297,160	175,297,160
Investment management products under trust scheme	67,502,614	67,502,614	67,502,614
Wealth management products issued by financial institutions	35,060,000	35,060,000	35,060,000
<b>Total</b>	<b>277,859,774</b>	<b>277,859,774</b>	<b>277,859,774</b>

	31 December 2015		
	Loans and receivables	Carrying amount	Maximum exposure
Investment management products managed by securities companies	157,543,148	157,543,148	157,543,148
Investment management products under trust scheme	54,968,071	54,968,071	54,968,071
Wealth management products issued by financial institutions	22,630,000	22,630,000	22,630,000
<b>Total</b>	<b>235,141,219</b>	<b>235,141,219</b>	<b>235,141,219</b>

The maximum exposures to loss in the above investment management products and wealth management products are the carrying amounts 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 RMB, unless otherwise stated)*

### 40 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.

During the six months ended 30 June 2016, the amount of fee and commission income received from the abovementioned structured entities by the Group is RMB133.08 million (the six months ended 30 June 2015: RMB24.73 million).

As at 30 June 2016, the amount of assets held by unconsolidated non-principal-guaranteed wealth management products which are sponsored by the Group is RMB39,882 million (31 December 2015: RMB24,651 million).

During the six months ended 30 June 2016, the aggregated amount of non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2016, but matured before 30 June 2016, is RMB32,347 million (the six months ended 30 June 2015: RMB3,464 million).

In addition, unconsolidated structured entities sponsored by the Bank also include trust schemes. In 2015, the Bank transferred a portfolio of corporate loans with carrying amounts of RMB5,900 million to unconsolidated trust schemes managed by an independent trust company, which issued asset-backed securities to investors. The Bank acquired 5% of the issued asset-backed securities from the structured entities. As at 30 June 2016, the carrying amounts of these asset-backed securities held by the Bank are RMB37 million (31 December 2015: RMB281 million), which are also the amounts that best represent the maximum exposure to loss. Under the servicing arrangements with the trust company, the Bank would collect the cash flows of the corporate loans on behalf of the unconsolidated structured entities. In return, the Bank would receive a fee that is expected to compensate the Bank for servicing the related assets. The Bank transfers substantially all of the risks and rewards of ownership of the financial assets to the unconsolidated structured entities and retains a relatively small interest in the vehicle or the servicing arrangement in respect of the corporate loans, these transferred corporate loans are derecognised in their entirety.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

*(Expressed in thousands of RMB, unless otherwise stated)*

### 41 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 aggregate economic interests of the Group in the structured entities is high. The Group concludes that these structured entities shall be consolidated.

As at 30 June 2016, the principal-guaranteed wealth management products managed and consolidated by the Group amounted to RMB719 million (31 December 2015: RMB4,069 million). These wealth management products mainly invested in deposits with banks and other financial institutions and debt securities. The financial impact of these principal-guaranteed wealth management products on the Group's financial performance is not significant.

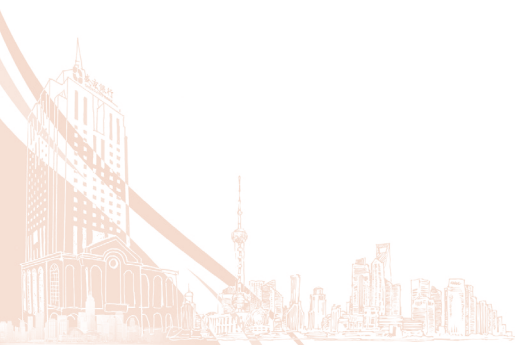
### 42 FIDUCIARY ACTIVITIES

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 2016, the entrusted loans balance of the Group is RMB27,346 million (31 December 2015: RMB16,226 million).

### 43 SUBSEQUENT EVENTS

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





# UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in thousands of RMB, unless otherwise stated)

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

## 1 LIQUIDITY COVERAGE RATIO AND LEVERAGE RATIO

### (1) Liquidity coverage ratio

	As at 30 June 2016	Average for the period ended 30 June 2016	As at 31 December 2015	Average for the year ended 31 December 2015
Liquidity coverage ratio (RMB and foreign currency)	137.13%	146.79%	156.45%	130.36%

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) Leverage ratio

	30 June 2016	31 December 2015
Leverage ratio	4.49%	4.66%

Pursuant to the Leverage Ratio Management of Commercial Banks (Amended) issued by the China Banking Regulatory Commission ("CBRC") and was effective since 1 April 2015, a minimum leverage ratio 4% is required.

The above liquidity coverage ratio and leverage 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").

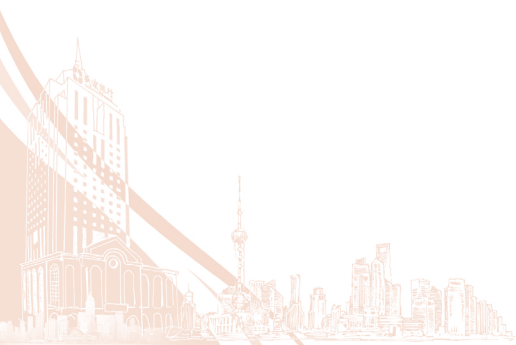
**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (Continued)***(Expressed in thousands of RMB, unless otherwise stated)***2 CURRENCY CONCENTRATIONS**

	30 June 2016			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	13,557,915	620,391	680,013	14,858,319
Spot liabilities	(14,980,188)	(597,213)	(675,992)	(16,253,393)
Net long position	(1,422,273)	23,178	4,021	(1,395,074)

	31 December 2015			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	6,689,923	167,911	734,818	7,592,652
Spot liabilities	(5,953,579)	(145,409)	(734,818)	(6,833,806)
Net long position	736,344	22,502	–	758,846

The Group has no structural position at the reporting periods.



## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (Continued)

(Expressed in thousands of RMB, unless otherwise stated)

### 3 INTERNATIONAL CLAIMS

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

International claims include loans and advances to customers, deposits with central bank, deposits and placements with banks and other financial institutions, and investments in debt securities.

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.

	30 June 2016			
	Official sector	Banks and other financial institutions	Non-bank private sector	Total
– Asia Pacific	77,726	4,356,901	4,896,368	9,330,995
– North and South America	–	1,205,120	–	1,205,120
– Europe	–	32,003	–	32,003
Total	<u>77,726</u>	<u>5,594,024</u>	<u>4,896,368</u>	<u>10,568,118</u>

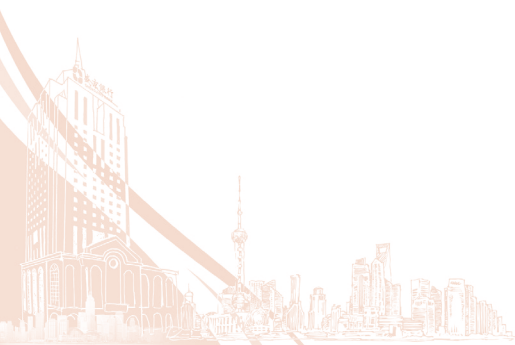
	31 December 2015			
	Official sector	Banks and other financial institutions	Non-bank private sector	Total
– Asia Pacific	54,658	234,711	4,785,396	5,074,765
– North and South America	–	643,826	–	643,826
– Europe	–	9,972	–	9,972
Total	<u>54,658</u>	<u>888,509</u>	<u>4,785,396</u>	<u>5,728,563</u>

**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (Continued)***(Expressed in thousands of RMB, unless otherwise stated)***4 OVERDUE LOANS AND ADVANCES BY GEOGRAPHICAL SEGMENTS**

	30 June 2016	31 December 2015
Northeast China	2,595,947	943,733
North China	462,136	101,185
Others	23,131	6,000
Total	3,081,214	1,050,918

**5 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES FOR MORE THAN 90 DAYS**

	30 June 2016	31 December 2015
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	308,111	49,732
– between 6 months and 1 year (inclusive)	158,961	351,552
– over 1 year	467,595	173,534
Total	934,667	574,818
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.14%	0.03%
– between 6 months and 1 year (inclusive)	0.07%	0.18%
– over 1 year	0.20%	0.09%
Total	0.41%	0.30%



## DEFINITION

In this interim results announcement, 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
“A Share(s)”	ordinary share(s) proposed to be issued by the Bank pursuant to the A Share Offering and subscribed for in Renminbi, which will be listed on the Shenzhen Stock Exchange and traded in Renminbi
“A Share Offering”	the Bank’s proposed initial public offering of not more than 600,000,000 A Shares, which are proposed to be listed on the Shenzhen Stock Exchange
“Audit Committee”	the audit committee of the Board of the Bank
“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 10 September 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, which held approximately 5.18% of the entire issued share capital of the Bank as at the Latest Practicable Date
“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

**DEFINITION (Continued)**

“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
“Latest Practicable Date”	22 August 2016, being the latest practicable date prior to the publication of this interim results announcement for the purpose of ascertaining certain information contained herein
“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”	the People’s Bank of China
“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, Macau and Taiwan
“Reporting Period”	the six months ended 30 June 2016
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as 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, which held approximately 8.28% of the entire issued share capital of the Bank as at the Latest Practicable Date
“State Council”	the State Council of the PRC
“Supervisor(s)”	the supervisor(s) of the Bank

