



郑州银行

BANK OF ZHENGZHOU

中期報告
Interim Report **2016**

鄭州銀行股份有限公司
BANK OF ZHENGZHOU CO., LTD.

(於中華人民共和國註冊成立的股份有限公司)

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

股份代號 STOCK CODE: 6196

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* This interim report was prepared in both Chinese and English versions. Where there is discrepancy between the Chinese and English versions, the Chinese version shall prevail.

CHAPTER I CORPORATE INFORMATION

1 BASIC INFORMATION

Legal name in Chinese:	鄭州銀行股份有限公司 ¹ (Abbreviation: 鄭州銀行)
Legal name in English:	Bank of Zhengzhou Co., Ltd. ¹ (Abbreviation: ZHENGZHOU BANK)
Legal representative:	Mr. WANG Tianyu
Authorised representatives:	Mr. WANG Tianyu, Mr. FU Chunqiao
Board secretary:	Mr. FU Chunqiao
Joint company secretaries:	Mr. FU Chunqiao, Ms. LEUNG Wing Han Sharon
Stock exchange on which H Shares are listed:	The Stock Exchange of Hong Kong Limited
Stock abbreviation and stock code:	Stock abbreviation: ZHENGZHOU BANK Stock code: 6196
Unified social credit code:	914100001699995779
Financial licence number:	B1036H241010001
Registered address and office address:	22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou Henan Province, China
Principal place of business in Hong Kong:	18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
Contact address:	22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou Henan Province, China
Tel:	+86-0371-67009199
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E-mail:	ir@zzbank.cn
Website:	www.zzbank.cn
Auditor:	KPMG
PRC legal advisor:	King & Wood Mallesons (Beijing)
Hong Kong legal advisor:	King & Wood Mallesons
Compliance advisor:	BOCOM International (Asia) Limited
H Share Registrar:	Computershare Hong Kong Investor Services Limited
Trustee agency for Domestic Shares:	China Securities Depository and Clearing Corporation Limited

¹ The Bank 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 relevant banking/deposit-taking business in Hong Kong.

2 COMPANY PROFILE

The Bank of Zhengzhou is a regional joint stock commercial bank incorporated in November 1996 upon the approval by the People's Bank of China, based on 48 city credit cooperatives in Zhengzhou City. The Bank was renamed as Zhengzhou Commercial Bank Co., Ltd. in February 2000 and Bank of Zhengzhou Co., Ltd. in 2009.

The Bank holds a financial licence (number B1036H241010001) approved by China Banking Regulatory Commission and was authorised by the Administration for Industry and Commerce of Henan Province to obtain a corporate legal person business licence with creditability code 914100001699995779.

As at June 30, 2016, Bank of Zhengzhou had total assets of RMB315.845 billion and established 8 branches and 126 front offices (including the operation division of the headquarters, operation divisions of the 8 branches and 117 sub-branches). It promoted the establishment of 4 county banks including Zhongmu Zhengyin County Bank Co., Ltd., Xinmi Zhengyin County Bank Co., Ltd., Yanling Zhengyin Country Bank Co., Ltd. and Fugou Zhengyin County Bank Co., Ltd as well as Henan Jiuding Financial Leasing Co., Ltd. Bank of Zhengzhou has long been focusing on the area of small and micro enterprises, serving the real economy and adhering to the development path with uniqueness and differentiation. Its operating and management ability continues to improve, its business develops steadily and soundly and its overall strength enhances steadily, receiving wide recognition from various sectors of the community. In the ranking of top 1,000 world banks by the UK magazine The Banker, the Bank ranked the 338th on Tier-1 capital, 102 places up year-on-year. The asset sacale ranked 327, 49 places up year-on-year. The Bank has been listed on top 500 world banks for the continuous three years.

3 MAJOR AWARDS IN THE FIRST HALF OF 2016

In January 2016, the Bank was awarded "Excellent Proprietary Institution Prize" by China Securities Depository and Clearing Co., Ltd in the listing of the China Bond Market.

In April 2016, the Bank won the "Best City Commercial Bank Award" and "Most Influential Marketing Award" at the Local Currency Interbank Conference organized by National Interbank Funding Centre.

In May 2016, the Bank received "the Best Financial Innovation Award" in an election "Financial Innovation Award in China" organized by the Chinese Banker magazine, Central Television and the Financial Research Institute of the Chinese Academy of Social Sciences in which our "Loans guaranteed by insurance", "Golden Parasol" and "Ding Rong Yi" received "Top Ten Financial Product Innovation" award, "Top Ten Wealth Management Innovations" owned and "Top Ten Internet Finance Innovation" award respectively.

CHAPTER II HIGHLIGHTS OF ACCOUNTING DATA AND MAJOR FINANCIAL INDICATORS

The financial information of the Bank set forth in this interim report is prepared on a combined basis in accordance with International Financial Reporting Standards (“IFRS”). Unless otherwise stated, such information is the data of the Bank and its subsidiaries (collectively the “Group”) denominated in RMB.

In respect of the financial statements of the Bank prepared under the PRC GAAP (China Accounting Standards) and those under IFRS, there is no difference between the net profit attributable to shareholders for the Reporting Period ended June 30, 2016 and net profit attributable to shareholders as at the end of the Reporting Period.

	For the six months ended June 30,		
	2016	2015	2016 vs. 2015
	(Expressed in millions of Renminbi, unless otherwise stated)		
Operating Results			Rate of Change (%)
Net interest income	3,940	3,285	19.94
Net fee and commission income	592	332	78.31
Operating income	4,702	3,852	22.07
Operating expenses	(1,104)	(920)	20.00
Impairment losses on assets	(839)	(672)	24.85
Profit before taxation	2,780	2,284	21.72
Net profit	2,131	1,751	21.70
Net profit attributable to equity shareholders of the Bank	2,122	1,751	21.19
Calculated on a per share basis (RMB)			Rate of Change (%)
Net assets per share attributable to equity shareholders of the Bank	3.65	3.46	5.49
Earnings per share	0.40	0.44	(9.09)
Profitability Indicators (%)			Change
Return on average total assets ⁽¹⁾	1.47	1.63	(0.16)
Return on average equity ⁽²⁾	22.84	29.36	(6.52)
Net interest spread ⁽³⁾	2.59	2.95	(0.36)
Net interest margin ⁽⁴⁾	2.77	3.17	(0.40)
Net fee and commission income to operating income	12.59	8.63	3.96
Cost-to-income ratio ⁽⁵⁾	19.75	18.43	1.32

	As at June 30, 2016	As at December 31, 2015	End of first half of 2016 vs. end of 2015
(Expressed in millions of Renminbi, unless otherwise stated)			
Capital adequacy ratio indicators⁽⁶⁾ (%)			Change
Calculated based on Capital Administrative Measures			
Core Tier-one capital adequacy ratio	9.68	10.09	(0.41)
Tier-one capital adequacy ratio	9.69	10.09	(0.40)
Capital adequacy ratio	11.45	12.20	(0.75)
Total equity to total assets	6.31	6.71	(0.40)
Asset quality indicators (%)			Change
Non-performing loan ratio ⁽⁷⁾	1.30	1.10	0.20
Allowance to non-performing loans ⁽⁸⁾	209.89	258.55	(48.66)
Allowance to total loans ⁽⁹⁾	2.73	2.85	(0.12)
Other indicator (%)			
Loan-to-deposit ratio	53.31	55.73	(2.42)
Scale indicators			Rate of Change (%)
Total assets	315,845	265,623	18.91
Of which: Net loans and advances to customers	101,148	91,604	10.42
Total liabilities	295,913	247,799	19.42
Of which: deposits from customers	195,062	169,195	15.29
Share capital	5,322	5,142	3.50
Equity attributable to equity shareholders of the Bank	19,403	17,795	9.04
Non-controlling interests	529	29	1,724.14
Total equity	19,932	17,824	11.83

Notes:

- (1) Calculated by dividing net profit for the period by average balance of total assets at the beginning and the end of the period.
- (2) Calculated by dividing net profit attributable to equity shareholders of the Bank for the period by average balance of total equity attributable to equity shareholders of the Bank at the beginning and the end of the period.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities. Calculated based on daily average of the interest-earning assets and the interest-bearing liabilities.
- (4) Calculated by dividing net interest income by the daily average balance of total interest-earning assets.
- (5) Calculated by dividing total operating expenses (excluding business tax and surcharges) by operating income.
- (6) The China Banking Regulatory Commission published the Capital Administrative Measures on June 7, 2012, which became effective on January 1, 2013 and replaced the Capital Adequacy Measures.
- (7) Calculated by dividing total non-performing loans by gross loans and advances to customers.
- (8) Calculated by dividing allowance for impairment losses on loans to customers by total non-performing loans.
- (9) Calculated by dividing allowance for impairment losses on loans to customers by gross loans and advances to customers.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

1 PAST ECONOMY AND ENVIRONMENT AND FUTURE PROSPECTS

In the first half of 2016, faced with complicated challenges from home and abroad and mounting pressure from the economic downturn, the PRC government moderately expanded the overall demand and accelerated the progress of structural reforms on the supply side, to promote the business startups and creativity for the public, and maintain a general stable national economy while making progress. In the first half of 2016, the gross domestic product (GDP) reached RMB34,063.7 billion, up by 6.7% year on year, and consumer price index (CPI) increased by 2.1% as compared with that of the previous year. At the end of June 2016, the balance of broad money (M2) amounted to RMB149.05 trillion with a year-on-year growth of 11.8%, the balance of narrow money (M1) amounted to RMB44.36 trillion with a year-on-year growth of 24.6% and the balance of cash in circulation (M0) amounted to RMB6.28 trillion with a year-on-year growth of 7.2%. At the end of June 2016, total assets of the domestic banking industry reached RMB212.31 trillion with a year-on-year growth of 15.6%; various balances of deposits reached RMB150.59 trillion with a year-on-year growth of 10.7%; and various balances of loans reached RMB106.69 trillion with a year-on-year growth of 13.0%. The non-performing loan ratio of commercial banks was 1.81%; and the loan loss allowance for financial institutions in banking industry amounted to RMB3.47 trillion with a year-on-year growth of 16.1%; and the allowance to non-performing loans maintained a relative high level of 161.3%.

In the first half of 2016, Henan Province continued to reinforce the structural reforms on the supply side and focused on steady growth, structure adjustment, reform motivation and public welfare, to maintain an overall stable economic development and continuous progress of structural adjustment and transition of drivers for the province. According to the preliminary accounts, GDP in the whole province in the first half of the year reached RMB1,795.49 billion with a year-on-year growth of 8.0%, which was 1.3 percentage points higher than the national average level. The value added output of industrial enterprises above designated size of the province increased by 8.0%, which was 2.0 percentage points higher than the national level. Fixed asset investment (excluding farmers) reached RMB1,713.741 billion, with a year-on-year nominal growth of 12.6% and 3.6 percentage points higher than the national growth rate. The general level of consumer prices in the province recorded a year-on-year increase of 2.0%. At the end of June 2016, the deposits balances of the banking industry in the province amounted to RMB5.49 trillion, representing an increase of RMB664.0 billion or 13.75% as compared with the beginning of the year, ranking the first place in the six provinces in Central China in terms of balance of deposits, increment and growth rate. The balance of loans amounted to RMB3.46 trillion, representing an increase of RMB280.2 billion or 8.8% as compared with the beginning of the year, ranking the first, the first and the second places in the six provinces in Central China in terms of balance of deposits, increment and growth rate respectively. The revenue maintained stable and cumulative profits amounted to RMB39.891 billion. The value added output of financial industry accounted for nearly 5% of GDP, and the taxation of financial industry accounted for 10.93% of the tertiary industries.

In the second half of 2016, the global economy will still be in a stage of deep adjustment, domestic economic will form a new momentum and the quality of economy will improve gradually with the steady progress of structural reforms on the supply side, transformation and upgrading. The domestic economy is expected to maintain a general tone of making progress with stable growth. However, the economy will face many difficulties and challenges. The economic growth is stable but on a shaky foundation. Meanwhile, in face with accelerating market-oriented financial reform, interest rate liberalization, and intensifying financial disintermediation, the banking sector will face ever fiercer competition. In the second half of 2016, the Bank will focus on reinforcing its foundation, tightening management, building a strong head office, and pushing forward transformation in development, to accelerate the strategies of “providing financial services for commercial sector, small and micro enterprises and citizens”, and continue to consolidate and expand market share. The Bank will adhere to comprehensive business operations and accelerate the implementation of new businesses, while applying for more business licenses for various kinds of business. It will also lay emphasis on non-performing loan control and prevention by tightening up risk management, making a firm development baseline and strengthening audit checks to prevent all kinds of risk.

2 OVERALL OPERATION OVERVIEW

In the first half of 2016, faced with complicated and changing economic and financial environments, as well as, an intensifying interbank competition, the Bank tightened up its management, overcame various headwinds, and achieved stable growth in various businesses and continuous improvement in its operation and management.

The major operation benchmarks breaking another record. As at the end of June 2016, the Bank’s asset scale increased by RMB50.222 billion or 18.91% to RMB315.845 billion from the beginning of the year, deposit balance increased by RMB25.867 billion or 15.29% to RMB195.062 billion from the beginning of the year; loan balance rose by RMB9.689 billion or 10.28% to RMB103.983 billion from the beginning of the year; net profits increased by RMB380 million or 21.70% to RMB2.131 billion year-on-year. The capital adequacy ratio was 11.45%, the NPL ratio was 1.30% and the provision coverage ratio was 209.89%. Major regulatory indicators met regulatory requirements.

The strategic task showing new highlights. The comprehensive business operations made tangible progress. Our non-bank non wholly-owned subsidiaries, Henan Jiuding Financial Leasing Co., Ltd., commenced operation. New business qualifications made another success. The Bank obtained the business qualifications such as class B lead underwriter for debt financing instruments of non-financial institutions, credit asset securitization and trade finance asset-backed securitization in the first half of 2016.

Transformation in development entering into an uncharted territory. In the first half of 2016, the Bank actively promoted the “three featured positions”. In terms of **financial services for commercial sector**, the balance of trading and financing business increased by RMB14.0 billion or 67% to RMB34.8 billion from the beginning of the year and the balance of foreign exchange deposits increased by RMB3.4 billion or 45% to RMB10.9 billion from the beginning of the year. As for the innovative management mechanism of the **financial services for small and micro enterprises**, the logistic cash-flow loans and the consumer financial services of “education loans” were implemented. The Bank met the indicators of “Three Maximum Thresholds” for small and micro loans and “One Maximum Threshold” for rural loans. In respect of the **financial services for citizens**, the Bank had established the philosophy of construction which provided living and financial services focused on the “basic necessities of living”. The balance of deposits increased by RMB8.697 billion or 18.47% to RMB55.779 billion from the beginning of the year. The Bank actively developed **corporate business** and the balance of corporate deposits increased by RMB17.170 billion or 14.06% to RMB139.283 billion from the beginning of the year. **Financial market business** recorded a rapid growth. Investment banking business made a new non-standard direct investment of RMB11.47 billion, and registered and issued debt financing amounted to RMB7.52 billion. The balance of bills accepting and discounting activities under the bill business amounted to 20.8 billion, with a year on year growth of RMB3.3 billion or 19%. In the first half of the year, the trading volume of bond business reached RMB3.3 trillion, with a year on year growth of RMB0.9 trillion or 37%. The Bank participated in 101 business operations in the open market, contributing funds of RMB128.9 billion. The development of internet finance accelerated. The Bank launched mobile banking services, such as Cloud Pay and Smart Bank, and offered Alipay, JD.com Express Payment and other functions. The replacement ratio of electronic banking reached 83.38%.

3 ANALYSIS OF INCOME STATEMENT

	For the six months ended June 30,			
	2016	2015	Change	Rate of change (%)
	(Expressed in millions of Renminbi, unless otherwise stated)			
Interest income	7,139	6,107	1,032	16.90
Interest expense	(3,199)	(2,822)	(377)	13.36
Net interest income	3,940	3,285	655	19.94
Fee and commission income	611	344	267	77.62
Fee and commission expense	(19)	(12)	(7)	58.33
Net fee and commission income	592	332	260	78.31
Net trading (losses)/gains	(61)	161	(222)	(137.89)
Net gains arising from investments	156	25	131	524.00
Other operating income	75	49	26	53.06
Operating income	4,702	3,852	850	22.07
Operating expenses	(1,104)	(920)	(184)	20.00
Impairment losses on assets	(839)	(672)	(167)	24.85
Operating profit	2,759	2,260	499	22.08
Share of profits of associates	21	24	(3)	(12.50)
Profit before taxation	2,780	2,284	496	21.72
Income tax expense	(649)	(533)	(116)	21.76
Net profit	2,131	1,751	380	21.70
Net profit attributable to:				
Equity shareholders of the Bank	2,122	1,751	371	21.19
Non-controlling interests	9	—	9	N/A

In the first half of 2016, the Bank recorded profit before taxation and net profit of RMB2,780 million and RMB2,131 million, representing an increase of 21.72% and 21.70% as compared to the same period last year, respectively.

3.1 Net interest income, net interest spread and net interest margin

In the first half of 2016, the Bank recorded net interest income of RMB3,940 million, representing an increase of RMB655 million or 19.94% as compared to the same period last year. Among this, a net interest income growth of RMB1,112 million as compared to the first half of 2015 was attributable to the expansion of the Bank's business scale and a decline in net interest income of RMB457 million was attributable to the changes in yield or cost rate.

The following tables set forth, for the periods indicated, the average balance of the Bank's interest-earning assets and interest-bearing liabilities, interest income and expense from these assets and liabilities, and the average yield of these interest-earning assets and the average cost of these interest-bearing liabilities.

	For the six months ended June 30,					
	Average balance ⁽⁶⁾	2016 Interest income	Average yield (%)	Average balance ⁽⁶⁾	2015 Interest income	Average yield (%)
	(Expressed in millions of Renminbi, unless otherwise stated)					
Interest-earning assets						
Loans and advances to customers	98,681	3,121	6.33	85,094	2,964	6.97
Investment securities and other financial assets ⁽¹⁾	137,964	3,563	5.17	89,548	2,800	6.25
Deposits with central bank	25,978	199	1.53	24,943	196	1.57
Amounts due from bank and other financial institutions ⁽²⁾	21,632	242	2.24	7,626	147	3.86
Finance lease receivables	439	14	6.38	—	—	N/A
Total interest-earning assets	284,694	7,139	5.02	207,211	6,107	5.89

For the six months ended June 30,

	Average balance ⁽⁶⁾	2016 Interest expense	Average cost (%)	Average balance ⁽⁶⁾	2015 Interest expense	Average cost (%)
(Expressed in millions of Renminbi, unless otherwise stated)						
Interest-bearing liabilities						
Deposits from customers	176,565	1,696	1.92	135,399	1,520	2.24
Amounts due to banks and other financial institutions ⁽³⁾	52,181	870	3.33	45,779	1,056	4.61
Debt securities issued	34,318	633	3.69	10,521	246	4.68
Total interest-bearing liabilities	263,064	3,199	2.43	191,699	2,822	2.94
Net interest income		3,940			3,285	
Net interest spread ⁽⁴⁾			2.59			2.95
Net interest margin ⁽⁵⁾			2.77			3.17

Notes:

- (1) Consisting of our financial assets at fair value through profit or loss for the current period, available-for-sale financial assets, held-to-maturity investments, and financial investments classified as loans and receivables.
- (2) Consisting of deposits and placements with banks and other financial institutions and financial assets held under resale agreements.
- (3) Consisting of amounts due to the central bank, deposits and placements from banks and other financial institutions and financial asset sold under repurchase agreements.
- (4) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities, calculated based on the daily average of the interest-earning assets and interest-bearing liabilities.
- (5) Calculated by dividing net interest income by the average balance of total interest-earning assets, calculated based on the daily average of the interest-earning assets.
- (6) Calculated as the average of the daily balances.

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

	For the six months ended June 30, 2016 vs. 2015		
	Increase/(decrease) due to Volume ⁽¹⁾	Increase/(decrease) due to Rate ⁽²⁾	Net increase/ (decrease) ⁽³⁾
	(Expressed in millions of RMB)		
Interest-earning assets			
Loans and advances to customers	473	(316)	157
Investment securities and other financial assets	1,514	(751)	763
Deposits with central bank	8	(5)	3
Amounts due from banks and other financial institutions	270	(175)	95
Finance lease receivables	14	—	14
Changes in interest income	2,279	(1,247)	1,032
Interest-bearing liabilities			
Deposits from customers	462	(286)	176
Amounts due to banks and other financial institutions	148	(334)	(186)
Debt securities issued	557	(170)	387
Changes in interest expense	1,167	(790)	377

Notes:

- (1) Representing the daily average balance for the Reporting Period minus the daily average balance for the same period in previous year, multiplied by the average yield/cost for the same period in previous year.
- (2) Representing the average yield/(cost) for the Reporting Period minus the average yield/(cost) for the same period in previous year, multiplied by the daily average balance for the Reporting Period.
- (3) Representing interest income/(expense) for the Reporting Period minus interest income/(expense) for the same period in previous year.

3.2 Interest income

In the first half of 2016, the Bank's interest income increased by RMB1,032 million or 16.90% to RMB7,139 million as compared to the same period last year, which was primarily attributable to (i) the increase in the volume for loans and advances to customers, (ii) the increase in the volume of investment securities and other financial assets.

3.2.1 Interest income from loans and advances to customers

In the first half of 2016, interest income from loans and advances to customers of the Bank increased by RMB157 million or 5.30% to RMB3,121 million as compared to the same period last year, primarily as a result of the Bank's focus on three featured positions of providing financial services for "commercial sector", "small and micro enterprises" and "citizens" and stronger support on loan marketing. The overall growth of loan business was promoted against the backdrop of economic downturn and decline in effective demand. The decline in the average yield was mainly attributable to the decline in market interest rate resulting from the Peoples Bank of China's continuous interest rate cut and the further promotion of interest rate liberalization in the second half of 2015.

The following table sets out, for the periods indicated, the average balance, interest income and average yield for each component of the Bank's loans and advances to customers.

	For the six months ended June 30,					
	2016			2015		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
	(Expressed in millions of Renminbi, unless otherwise stated)					
Corporate loans	70,851	2,302	6.50	57,834	2,014	6.96
Personal loans	22,719	718	6.32	22,527	816	7.24
Discounted bills	5,111	101	3.95	4,733	134	5.66
Total loans and advances to customers	98,681	3,121	6.33	85,094	2,964	6.97

3.2.2 Interest income from investment securities and other financial assets

In the first half of 2016, interest income from investment in securities and other financial assets of the Bank increased by RMB763 million or 27.25% to RMB3,563 million as compared to the same period last year, principally attributable to the increase in average balance of investment in securities and other financial assets. The increase in the average balance of investment in securities and other financial assets was primarily attributable to the increase in investment of debt securities, investment products under trust schemes, investment products managed by securities companies and factoring beneficiary rights. The decline in average yield was attributable to the decrease in market interest rate resulting from the Peoples Bank of China's continuous interest rate cut and the further promotion of interest rate liberalization in the second half of 2015.

3.2.3 Interest income from balances with central bank

In the first half of 2016, interest income from balances with central bank of the Bank increased by RMB3 million or 1.53% to RMB199 million as compared with the same period last year, primarily attributable to the increase in the average balance of cash and balances with central bank, and among which, primarily the increase in statutory deposit reserve along with the growth of deposits from customers.

3.2.4 Interest income from amounts due from banks and other financial institutions

In the first half of 2016, interest income from amounts due from banks and other financial institutions of the Bank increased by RMB95 million or 64.63% to RMB242 million as compared with the same period last year, primarily attributable to the increase in the average balance of the amounts due from banks and other financial institutions, whereas the decrease in average yield was primarily attributable to the decline in market interest rate resulting from the interest rate liberalization.

3.2.5 Interest income from finance lease receivables

Interest income from finance lease receivables increased by RMB14 million or 100.00% to RMB14 million as compared with the same period last year, primarily attributable to the establishment of a subsidiary, Henan Jiuding Financial Leasing Co., Ltd., by the Bank on 23 March 2016.

3.3 Interest expense

In the first half of 2016, the Bank's interest expense increased by RMB377 million or 13.36% to RMB3,199 million as compared to the same period last year, primarily attributable to (i) the increase in the volume of deposits from customers, (ii) the increase in the volume of debt securities issued.

3.3.1 Interest expense on Deposits from Customers

In the first half of 2016, the Bank's interest expense on deposits from customers increased by RMB176 million or 11.58% to RMB1,696 million as compared to the same period last year, primarily attributable to continuous growth of the Bank's deposit business resulting from the Bank's constant efforts in the expansion of customers and branch network, while the decline in the average cost of deposits from customers was primarily attributable to the decrease in market interest rate resulting from the Peoples Bank of China's continuous interest rate cut and the further promotion of interest rate liberalization in the second half of 2015.

	For the six months ended June 30,					
	2016			2015		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
(Expressed in millions of Renminbi, unless otherwise stated)						
Corporate deposits						
Demand	59,741	146	0.49	49,046	143	0.58
Time	40,697	655	3.22	24,297	529	4.36
Subtotal	100,438	801	1.60	73,343	672	1.84
Personal deposits						
Demand	12,850	27	0.42	10,252	23	0.44
Time	37,962	569	3.00	29,939	579	3.86
Subtotal	50,812	596	2.35	40,191	602	3.00
Others	25,316	299	2.36	21,865	246	2.26
Total Deposits from customers	176,566	1,696	1.92	135,399	1,520	2.24

3.3.2 Interest expense on amounts due to banks and other financial institutions

In the first half of 2016, the Bank's interest expense on amounts due to banks and other financial institutions decreased by RMB186 million or 17.61% to RMB870 million as compared with the same period last year, primarily attributable to the decline in the average cost resulting from the Peoples Bank of China's continuous interest rate cut and the further promotion of interest rate liberalization in the second half of 2015, while the increase in the average balance of the amounts due to banks and other financial institutions was primarily attributable to the Bank's comprehensive consideration of the need to match assets and liabilities by increasing liabilities from banks via various channels.

3.3.3 Interest expense on debt securities issued

In the first half of 2016, the Bank's interest expense on debt securities issued increased by RMB387 million or 157.32% to RMB633 million as compared with the same period last year, which was primarily attributable to the increase in average balance of debt securities issued resulting from the issuance of interbank certificates of deposit for 2016. The decline in the average cost was primarily attributable to the increase in liquidity and the decline in market interest rate resulting from the Peoples Bank of China's continuous interest rate cut and the further promotion of interest rate liberalization in the second half of 2015.

3.3.4 Net interest spread and net interest margin

The Bank's net interest spread decreased from 2.95% for the same period of last year to 2.59% for the current year, while the Bank's net interest margin decreased from 3.17% for the same period of last year to 2.77% for the current year. The declines in net interest spread and net interest margin were primarily attributable to (i) the decline in the average yield of loans and advances to customers, investment in securities, other financial assets and other major interest-earning assets resulting from the interest rate liberalization and the increase in fund liquidity; (ii) the decline of average cost of deposits from customers less than the decline of average yield of major interest-earning assets resulting from the increase in the proportion of time deposits.

3.4 Non-interest income

3.4.1 Net fee and commission income

In the first half of 2016, the Bank's net fee and commission income increased by RMB260 million or 78.31% to RMB592 million as compared with the same period last year, primarily attributable to the increase in fee and commission income, which in turn reflected the overall growth of the Bank's fee and commission businesses.

	For the six months ended June 30,			
	2016	2015	Change	Rate of change (%)
	(Expressed in millions of Renminbi, unless otherwise stated)			
Fee and commission income				
Agency and custody services fees	368	151	217	143.71
Underwriting and advisory fees	139	100	39	39.00
Acceptance and guarantee services fees	78	70	8	11.43
Bank card services fees	20	15	5	33.33
Others	6	8	(2)	(25.00)
Fee and commission expense	(19)	(12)	(7)	58.33
Net fee and commission income	592	332	260	78.31

In the first half of 2016, the Bank realized agency and custody services fees income of RMB368 million, up by RMB217 million or 143.71% as compared with the same period last year, primarily attributable to the Bank's continuous development of agency and custodian business with increase in the scale of agency and custodian services offered.

In the first half of 2016, the Bank realized securities underwriting and advisory fees income of RMB139 million, up by RMB39 million or 39% as compared with the same period last year, primarily as a result of the increase in the number of bonds underwritten.

In the first half of 2016, the Bank realized acceptance and guarantee services fees income of RMB78 million, up by RMB8 million or 11.43% as compared with the same period last year, primarily as a result of the increase in the amount of acceptance business.

The Bank's Bank card services fees income was RMB20 million for the first half of 2016, up RMB5 million or 33.33% as compared with the same period last year, primarily attributable to the increase in the number of bank cards issued and the growth in transaction amount using the Bank's bank cards.

3.4.2 Net trading (losses)/gains

In the first half of 2016, the Bank's net trading gain decreased by RMB222 million to RMB-61 million as compared with the same period last year, primarily attributable to the decline in the market price of bonds invested by the Bank.

3.4.3 Net gains arising from investments

In the first half of 2016, the Bank's net gains arising from investments increased by RMB131 million or 524% to RMB156 million as compared with the same period last year, primarily attributable to the active development of investment channels of accounts receivable, the optimisation of investment portfolio and the increase in the scale of bonds trading.

3.5 Operating expenses

In the first half of 2016, the Bank's operating expenses increased by RMB184 million or 20.00% to RMB1,104 million as compared with the same period last year primarily attributable to growth in staff costs, depreciation and amortisation and other general and administrative expenses.

	For the six months ended June 30,			
	2016	2015	Change	Rate of change (%)
	(Expressed in millions of Renminbi, unless otherwise stated)			
Staff costs	504	382	122	31.94
Depreciation and amortisation	102	72	30	41.67
Rental and property management expenses	70	59	11	18.64
Office expenses	30	28	2	7.14
Business tax and surcharges	175	210	(35)	(16.67)
Other general and administrative expenses	223	169	54	31.95
Total operating expenses	1,104	920	184	20.00

The following table shows the major components of staff costs for the periods indicated.

	For the six months ended June 30,			
	2016	2015	Change	Rate of change (%)
	(Expressed in millions of Renminbi, unless otherwise stated)			
Staff costs				
Salaries, bonuses and allowances	360	271	89	32.84
Social insurance and annuity	71	54	17	31.48
Staff welfare	40	30	10	33.33
Housing allowances	21	16	5	31.25
Supplementary retirement benefits	3	3	—	—
Others	9	8	1	12.5
Total staff costs	504	382	122	31.94

In the first half of 2016, the staff costs of the Bank were RMB504 million, up RMB122 million or 31.94% as compared with the same period last year, primarily attributable to the increase in salary, bonus and staff allowance. Staff costs represented the largest component of the Bank's operating expenses, and accounted for 45.65% and 41.52% of the total operating expenses in the first half of 2016 and the first half of 2015.

In the first half of 2016, depreciation and amortisation expenses were RMB102 million, up RMB30 million or 41.67% as compared with the same period last year, primarily as a result of the increase in the provision for depreciation and amortisation of fixed assets and intangible assets given the expansion of branch network and upgrading of information technology.

In the first half of 2016, rental and property management expenses were RMB70 million, up RMB11 million or 18.64%, primarily attributable to the expansion of branch network.

In the first half of 2016, the Bank's business tax and surcharges were RMB175 million, down RMB35 million or 16.67% as compared with the same period last year, primarily because the Bank was subject to value added taxes instead of business tax given the nationwide comprehensive implementation of the pilot work for transition from business tax to VAT since May 1, 2016 according to the requirements of the document Cai Shui [2016] No. 36.

In the first half of 2016, other general and administrative expenses were RMB223 million, up RMB54 million or 31.95% as compared with the same period last year. Other general and administrative expenses primarily included marketing expenses, advertising expenses and certain other office expenses.

3.6 Impairment losses

In the first half of 2016, the Bank's impairment losses increased by RMB167 million or 24.85% to RMB839 million as compared with the same period last year, primarily attributable to the increase in the impairment losses of loans and advances to customers and financial investments classified as receivables.

For the six months ended June 30,				
	2016	2015	Change	Rate of change (%)
(Expressed in millions of Renminbi, unless otherwise stated)				
Loans and advances to customers	728	603	125	20.73
Financial investments classified as receivables	95	41	54	131.71
Finance lease receivables	14	—	14	N/A
Others	2	28	(26)	(92.86)
Total provision for assets impairment losses	839	672	167	24.85

3.7 Income tax expense

In the first half of 2016, the Bank's income tax increased by RMB116 million or 21.76% to RMB649 million, which was primarily attributable to the increase in the Bank's profit before taxation.

For the six months ended June 30,				
	2016	2015	Change	Rate of change (%)
(Expressed in millions of Renminbi, unless otherwise stated)				
Current income tax	813	655	158	24.12
Deferred income tax	(168)	(120)	(48)	40.00
Adjustments for prior years	4	(2)	6	(300.00)
Total income tax expenses	649	533	116	21.76

4 ANALYSIS OF KEY ITEMS OF FINANCIAL POSITION

4.1 Assets

As at June 30, 2016, the Bank's total assets increased by RMB50,222 million or 18.91% to RMB315,845 million from the end of last year. The principal components of the Bank's assets consist of (i) loans and advances to customers (net) and (ii) investment securities and other financial assets, up by RMB9,544 million and RMB32,519 million respectively compared with the end of last year.

The following table sets forth, as at the dates indicated, the components of the Bank's total assets.

	As at June 30, 2016		As at December 31, 2015	
	Amount	% of total	Amount	% of total
(Expressed in millions of Renminbi, unless otherwise stated)				
Gross loans and advances to customers	103,983		94,294	
Allowance for impairment losses	(2,835)		(2,690)	
Loans and advances to customers, net	101,148	32.02	91,604	34.49
Investment securities and other financial assets	145,734	46.14	113,215	42.62
Cash and deposits with central bank	36,717	11.63	33,008	12.43
Deposits with banks and other financial institutions	3,020	0.96	7,679	2.89
Placements with banks and other financial institutions	10,046	3.18	5,520	2.08
Financial assets held under resale agreements	12,122	3.84	9,716	3.66
Finance lease receivables	1,364	0.43	—	—
Other assets	5,694	1.80	4,881	1.83
Total assets	315,845	100.00	265,623	100.00

4.1.1 Loans and advances to customers

As at June 30, 2016, the Bank's gross loans and advances to customers increased by RMB9,689 million to RMB103,983 million, representing an increase of 10.28% as compared with the end of last year. Our loans and advances to customers consist primarily of corporate loans, personal loans and discounted bills.

The following table sets forth, as at the dates indicated, a breakdown of the Bank's loans by business line.

	As at June 30, 2016		As at December 31, 2015	
	Amount	% of total	Amount	% of total
(Expressed in millions of Renminbi, unless otherwise stated)				
Corporate loans	75,724	72.83	67,009	71.07
Personal loans	22,723	21.85	22,842	24.22
Discounted bills	5,536	5.32	4,443	4.71
Gross loans and advances to customers	103,983	100.00	94,294	100.00

(1) Corporate loans

The corporate loans are the largest component of the Bank's loan portfolio. As at June 30, 2016, the Bank's corporate loans increased by RMB8,715 million to RMB75,724 million or 72.83% of the Bank's gross loans and advances to customers, representing an increase of 13.01% as compared with the end of last year, mainly due to (i) the Bank's continued commitment to meet the capital requirements of the rapidly-growing wholesale and retail industry and to develop the loan business for small and micro enterprises, (ii) the Bank's efforts to continue to strengthen the business cooperation with core quality clients in various sectors to sustain the growth of the relevant loan balance.

The following table sets forth, as at the dates indicated, a breakdown of the Bank's corporate loans by collateral.

	As at June 30, 2016		As at December 31, 2015	
	Loan amount	% of total	Loan amount	% of total
(Expressed in millions of Renminbi, unless otherwise stated)				
Unsecured loans	3,061	4.04	783	1.17
Guaranteed loans	34,003	44.91	32,212	48.07
Loans secured				
by mortgages	20,862	27.55	18,510	27.62
Loans secured by pledges	17,798	23.50	15,504	23.14
Total corporate loans	75,724	100.00	67,009	100.00

(2) Personal loans

As at June 30, 2016, the Bank's personal loans decreased by RMB119 million to RMB22,723 million, representing a decrease of 0.52% as compared with the end of last year, mainly attributable to the decline in demand for personal business loans and personal residential mortgage loans given the continuing economic slowdown.

As at June 30, 2016, personal consumption loans increased by RMB565 million or 15.23% from the end of last year to RMB4,275 million, mainly attributable to the business growth resulting from the Bank's greater efforts in innovating the consumption loan products.

The following table sets forth, as at the dates indicated, a breakdown of the Bank's personal loans by product type.

	As at June 30, 2016		As at December 31, 2015	
	Amount	% of total	Amount	% of total
(Expressed in millions of Renminbi, unless otherwise stated)				
Personal business loans	11,684	51.42	12,025	52.65
Personal residential mortgage loans	5,425	23.87	5,828	25.51
Personal consumption loans	4,275	18.81	3,710	16.24
Auto loans	592	2.61	772	3.38
Credit card balances	747	3.29	507	2.22
Total personal loans	22,723	100.00	22,842	100.00

(3) Discounted bills

As at June 30, 2016, the Bank's discounted bills increased by RMB1,093 million to RMB5,536 million, representing an increase of 24.60% as compared with the end of last year. In the first half of 2016, the Bank flexibly adjusted the scale of bill financing according to the business development requirements and clients' financing needs.

4.1.2 Investment securities and other financial assets

As at June 30, 2016, the total amount of the Bank's investment securities and other financial assets increased by RMB32,519 million to RMB145,734 million, representing an increase of 28.72% as compared with the end of last year. The increase in such assets of the Bank for the first half of 2016 was mainly due to the increase in our holding of debt securities, investment products under trust schemes, investment products managed by securities companies and factoring beneficiary rights.

The following table sets forth, as at the dates indicated, a breakdown of the Bank's investment securities and other financial assets by investment intentions.

	As at June 30, 2016		As at December 31, 2015	
	Amount	% of total	Amount	% of total
(Expressed in millions of Renminbi, unless otherwise stated)				
Financial investments classified as loans and receivables	88,315	60.61	65,106	57.51
Held-to-maturity investments	35,462	24.33	23,902	21.11
Available-for-sale financial assets	12,958	8.89	11,206	9.90
Financial assets at fair value through profit or loss	8,999	6.17	13,001	11.48
Total investment securities and other financial assets	145,734	100.00	113,215	100.00

Our investment securities and other financial assets are classified into fixed-income securities and equity instruments. During the Reporting Period, substantially all of our investment securities and other financial assets were fixed-income securities. The following table sets forth, as at the dates indicated, the distribution of the Bank's investment securities and other financial assets by fixed-income securities and equity instruments.

	As at June 30, 2016		As at December 31, 2015	
	Amount	% of total	Amount	% of total
	(Expressed in millions of Renminbi, unless otherwise stated)			
Government bonds	11,866	8.12	11,982	10.56
Debt securities issued by policy banks	30,624	20.97	21,228	18.71
Debt securities issued by banks and other financial institutions	2,362	1.62	3,048	2.69
Debt securities issued by corporate issuers	5,877	4.02	7,483	6.60
Subtotal	50,729	34.73	43,741	38.56
Investment products under trust schemes	32,129	22.00	29,146	25.69
Investment products managed by securities companies	41,190	28.20	31,329	27.62
Others	22,008	15.07	9,226	8.13
Total	146,056	100.00	113,442	100.00
Less: allowance for impairment losses	(330)		(235)	
Total fixed-income instruments	145,726		113,207	
Equity instruments	8		8	
Total investment securities and other financial assets	145,734		113,215	

4.1.3 Other components of the Bank's assets

Other components of the Bank's assets primarily consist of (i) cash and deposits with central bank, (ii) deposits and placements with banks and other financial institutions, (iii) financial assets held under resale agreements, and (iv) financial lease receivables.

As at June 30, 2016, the Bank's cash and deposits with central bank increased by RMB3,709 million to RMB36,717 million, representing an increase of 11.24% as compared with the end of last year, mainly due to the increase of deposit reserves maintained with the People's Bank of China so as to maintain a higher liquidity.

As at June 30, 2016, the Bank's deposits and placements with banks and other financial institutions decreased by RMB133 million to RMB13,066 million, representing a decrease of 1.01% as compared with the end of last year, mainly due to the adjustments made by the Bank after taking into comprehensive consideration the need for assets and liabilities matching and the market liquidity.

As at June 30, 2016, the Bank's financial assets held under resale agreements increased by RMB2,406 million to RMB12,122 million, representing an increase of 24.76% as compared with the end of last year, mainly due to the adjustments made by the Bank after taking into comprehensive consideration the need for assets and liabilities matching and the market liquidity.

As at June 30, 2016, the Bank's total finance lease receivables increased by RMB1,364 million to RMB1,364 million as compared with the end of last year. The change in these assets was mainly due to the establishment of a subsidiary, Henan Jiuding Financial Leasing Co., Ltd., by the Bank on March 23, 2016.

4.2 Liabilities

As at June 30, 2016, the Bank's total liabilities increased by RMB48,114 million to RMB295,913 million, representing an increase of 19.42% as compared with the end of last year.

	As at June 30, 2016		As at December 31, 2015	
	Amount	% of total	Amount	% of total
(Expressed in millions of Renminbi, unless otherwise stated)				
Due to the central bank	30	0.01	—	—
Deposits from customers	195,062	65.92	169,195	68.28
Deposits from banks and other financial institutions	29,834	10.08	21,453	8.66
Placements from banks and other financial institutions	9,780	3.31	5,820	2.35
Financial assets sold under repurchase agreements	19,379	6.55	19,603	7.91
Debt securities issued	35,914	12.14	27,039	10.91
Other liabilities ⁽¹⁾	5,914	1.99	4,689	1.89
Total liabilities	295,913	100.00	247,799	100.00

Note:

- (1) Consisting of interest payables, payment and collection clearance accounts, tax payable, accrued staff costs, dormant accounts, dividend payable, provisions, and certain other liabilities.

4.2.1 Deposits from customers

As at June 30, 2016, the Bank's deposits from customers increased by RMB25,867 million to RMB195,062 million, representing an increase of 15.29% as compared with the end of last year. The increase in the Bank's deposits from customers was primarily attributable to the general business growth generated by the Bank's continuous expansion of deposit customers and branch network.

The following table sets forth, as at the dates indicated, the Bank's deposits from customers by product type and maturity profile of deposits.

	As at June 30, 2016		As at December 31, 2015	
	Amount	% of total	Amount	% of total
(Expressed in millions of Renminbi, unless otherwise stated)				
Corporate deposits				
Demand	65,465	33.56	62,771	37.10
Time	48,169	24.69	34,241	20.24
Subtotal	113,634	58.25	97,012	57.34
Personal deposits				
Demand	13,784	7.07	12,976	7.67
Time	41,995	21.53	34,106	20.16
Subtotal	55,779	28.60	47,082	27.83
Other deposits	25,649	13.15	25,101	14.83
Total	195,062	100.00	169,195	100.00

4.2.2 Deposits from banks and other financial institutions

As at June 30, 2016, the balance of deposits from banks and other financial institutions of the Bank increased by RMB8,381 million to RMB29,834 million, representing an increase of 39.07% as compared with the end of last year, which mainly reflected the Bank's continuous expansion of interbank source of funds so as to meet the changes in fund demand.

4.2.3 Placements from banks and other financial institutions

As at June 30, 2016, the balance of placements from banks and other financial institutions of the Bank increased by RMB3,960 million to RMB9,780 million, representing an increase of 68.04% as compared with the end of last year. The changes in the placements from banks and other financial institutions mainly reflected the Bank's continuous expansion of source of funds so as to meet the changes in fund demand.

4.2.4 Financial assets sold under repurchase agreements

As at June 30, 2016, the Bank's financial assets sold under repurchase agreements decreased by RMB224 million to RMB19,379 million, representing a decrease of 1.14% as compared with the end of last year, which mainly reflected adjustments to the proportion of financial assets sold under repurchase agreements to the Bank's liabilities based on market liquidity and the Bank's capital needs after taking into consideration the need for assets and liabilities matching.

4.2.4 Debt securities issued

As at June 30, 2016, the Bank's debt securities issued increased by RMB8,875 million to RMB35,914 million, representing an increase of 32.82% as compared with the end of last year, which mainly reflected the Bank's issuance of interbank certificates of deposit so as to expand interbank source of funds.

4.3 Shareholders' Equity

As at June 30, 2016, the Bank's total equity increased by RMB2,108 million to RMB19,932 million, representing an increase of 11.83% as compared with the end of last year. As at June 30, 2016, equity attributable to shareholders of the parent company increased by RMB1,608 million to RMB19,403 million, representing an increase of 9.04% as compared with the end of last year. The increase in shareholders' equity was mainly due to the increase in the Bank's profits and the exercise of the over-allotment option.

	As at June 30, 2016		As at December 31, 2015	
	Amount	% of total	Amount	% of total
(Expressed in millions of Renminbi, unless otherwise stated)				
Share capital	5,322	26.70	5,142	28.85
Capital reserve	3,054	15.32	2,662	14.93
Surplus reserve	1,238	6.21	1,238	6.95
General reserve	3,163	15.87	3,163	17.75
Investment revaluation reserve	(12)	(0.06)	11	0.06
Deficit on remeasurement of net defined benefit liability	(54)	(0.27)	(55)	(0.31)
Retained earnings	6,692	33.58	5,634	31.61
Total equity attributable to shareholders of the Bank	19,403	97.35	17,795	99.84
Non-controlling interests	529	2.65	29	0.16
Total shareholders' equity	19,932	100.00	17,824	100.00

5 OFF-BALANCE SHEET COMMITMENTS

The following table sets forth, as at the dates indicated, the contractual amounts of the Bank's off-balance sheet credit commitments.

	As at June 30, 2016 (Expressed in millions of Renminbi)	As at December 31, 2015 (Expressed in millions of Renminbi)
Credit commitments:		
Bank acceptances	52,713	41,389
Letters of credit	2,573	2,295
Letters of guarantees	363	1,035
Unused credit card commitments	691	463
Total	56,340	45,182

In addition, as at June 30, 2016, there was no material litigation in which either the Bank or subsidiaries of the Bank is a defendant. As at the date of this report, the Bank had no significant contingent liabilities. Details of off-balance sheet commitments are disclosed in note "Commitments and contingent liabilities" in the financial report of this interim report.

6 ANALYSIS ON LOAN QUALITY

During the Reporting Period, the Bank continued to strengthen credit risk management, improve credit investigation and credit approvals and strengthen post-loan management measures to step up the efforts on collection and disposal of non-performing loans, so that the loan quality was generally kept at a manageable level. However, due to the changes in external operating environment, the slowdown of economic growth, the difficult operating environment for SME and the increase of default on loans, the Bank's non-performing loans was facing upward pressure.

As at June 30, 2016, the balance of non-performing loans of the Bank amounted to RMB1,351 million. The non-performing loan ratio was 1.30%, up 20 bps as compared with the end of last year.

6.1 Distribution of Loans by Five-Category Loan Classification

The following table sets forth, as at the dates indicated, the Bank's loans and advances to customers by the Bank's five-category loan classification.

	As at June 30, 2016		As at December 31, 2015	
	Amount	% of total	Amount	% of total
(Expressed in millions of Renminbi, unless otherwise stated)				
Normal	99,944	96.11	91,079	96.59
Special mention	2,688	2.59	2,175	2.31
Substandard	1,060	1.02	869	0.92
Doubtful	290	0.28	171	0.18
Loss	1	—	—	—
Total loans and advances to customers	103,983	100.00	94,294	100.00
Non-performing loans and non-performing loan ratio⁽¹⁾	1,351	1.30	1,040	1.10

Note:

(1) Calculated by dividing total non-performing loans by gross loans and advances to customers.

According to the five-category loan classification system, the Bank classified its non-performing loans into substandard, doubtful and loss categories.

6.2 Distribution of Loans and Non-Performing Loans by Product Type

The following table sets forth, as at the dates indicated, the Bank's loans and non-performing loans by product types.

	As at June 30, 2016				As at December 31, 2015			
	Loan amount	% of total	NPL Amount	NPL ratio (%)	Loan amount	% of total	NPL Amount	NPL ratio (%)
(Expressed in millions of Renminbi, unless otherwise stated)								
Corporate loans								
Short-term loans	51,263	49.31	973	1.90	48,225	51.15	815	1.69
Medium and long-term loans	24,461	23.52	240	0.98	18,784	19.92	175	0.93
Discounted bills	5,536	5.32	—	—	4,443	4.71	—	—
Subtotal	81,260	78.15	1,213	1.49	71,452	75.78	990	1.39
Personal loans								
Personal business loans	11,684	11.24	115	0.98	12,025	12.75	38	0.32
Residential mortgage	5,425	5.21	2	0.04	5,828	6.18	2	0.03
Personal consumption loans	4,275	4.11	20	0.47	3,710	3.93	9	0.24
Auto loans	592	0.57	—	—	772	0.82	—	—
Credit card	747	0.72	1	0.13	507	0.54	1	0.20
Subtotal	22,723	21.85	138	0.61	22,842	24.22	50	0.22
Total	103,983	100.00	1,351	1.30	94,294	100.00	1,040	1.10

In the first half of 2016, the Bank actively responded to the national policies by strengthening the adjustment of loans structure and continuing to develop microcredit business (corporate loans to small enterprises and personal loans). At the end of the Reporting Period, the NPL ratio of corporate loans and personal loans rose to 1.49% and 0.61% respectively, mainly due to the fact that the economic downturn has adversely affected the operation of enterprises in general as evidenced by overcapacity, relatively high pressure in destocking and decrease in both sales volume and prices, making it difficult for enterprises to continue their operations. However, the loan risks of the Bank are controllable in general.

6.3 Distribution of Loans and Non-Performing Loans by Industry

The following table sets forth, as at the dates indicated, the distribution of the Bank's loans and non-performing loans by industry.

	As at June 30, 2016				As at December 31, 2015			
	Loan amount	% of total	NPL Amount	NPL ratio (%)	Loan amount	% of total	NPL Amount	NPL ratio (%)
(Expressed in millions of Renminbi, unless otherwise stated)								
Wholesale and retail	26,946	25.92	435	1.61	23,618	25.05	365	1.55
Manufacturing	14,645	14.08	612	4.18	14,101	14.95	493	3.50
Construction	9,713	9.34	88	0.91	7,279	7.72	111	1.52
Real estate	8,564	8.24	—	—	7,349	7.79	—	—
Agriculture, forestry, animal husbandry and fishery	3,489	3.36	58	1.66	3,866	4.10	3	0.08
Leasing and commercial services	2,039	1.96	4	0.20	1,412	1.50	3	0.21
Water, environment and public facility management	1,913	1.84	—	—	1,331	1.41	—	—
Production and supply of electric and heating power, gas and water	1,409	1.36	—	—	941	1.00	—	—
Transportation, storage and postal services	1,331	1.28	7	0.53	1,133	1.20	10	0.88
Mining	1,272	1.22	—	—	1,849	1.96	—	—
Accommodation and catering	1,272	1.22	—	—	1,231	1.31	2	0.16
Public administration, public security and social organisations	1,010	0.97	—	—	1,260	1.34	—	—
Culture, sports and entertainment	234	0.23	4	1.71	435	0.46	3	0.69
Others	1,887	1.81	5	0.26	1,204	1.28	—	—
Total corporate loans	75,724	72.83	1,213	1.60	67,009	71.07	990	1.48
Total personal loans	22,723	21.85	138	0.61	22,842	24.22	50	0.22
Discounted bills	5,536	5.32	—	—	4,443	4.71	—	—
Total	103,983	100.00	1,351	1.30	94,294	100.00	1,040	1.10

As at June 30, 2016, the non-performing corporate loans of the Bank concentrated in the manufacturing industry, the wholesale and retail industry and the construction industry, with NPL ratio of 4.18%, 1.61% and 0.91%, respectively.

6.4 Distribution of Loans and Non-Performing Loans by Collateral

The following table sets forth, as at the dates indicated, the distribution of the Bank's loans and non-performing loans by collateral.

	As at June 30, 2016				As at December 31, 2015			
	Loan amount	% of total	NPL Amount	NPL ratio (%)	Loan amount	% of total	NPL Amount	NPL ratio (%)
(Expressed in millions of Renminbi, unless otherwise stated)								
Unsecured loans	3,839	3.69	6	0.16	1,316	1.40	1	0.08
Guaranteed loans	43,767	42.09	1,081	2.47	39,179	41.55	868	2.22
Loans secured by mortgages	32,199	30.97	240	0.75	30,194	32.02	167	0.55
Loans secured by pledges	24,178	23.25	24	0.10	23,605	25.03	4	0.02
Total	103,983	100.00	1,351	1.30	94,294	100.00	1,040	1.10

6.5 Borrowers Concentration

As at June 30, 2016, the Bank was in compliance with the lending limit of 10% of the Bank's net capital to any single borrower.

The following table sets forth, as at June 30, 2016, the Bank's loans (in terms of loan balance) to the ten largest single borrowers (excluding group borrowers), all of which were classified as normal.

	Industry	As at June 30, 2016		
		Balance	% of total loans	% of net capital
(Expressed in millions of Renminbi, unless otherwise stated)				
Borrower A	Real estate	800	0.77	3.52
Borrower B	Construction	794	0.76	3.49
Borrower C	Financial services	700	0.67	3.08
Borrower D	Real estate	632	0.61	2.78
Borrower E	Manufacturing	588	0.57	2.59
Borrower F	Construction	576	0.55	2.53
Borrower G	Real estate	564	0.54	2.48
Borrower H	Public administration, public security and social organisations	550	0.53	2.42
Borrower I	Transportation, storage and postal services	499	0.48	2.19
Borrower J	Wholesale and retail	489	0.47	2.15
Total		6,192	5.95	27.23

6.6 Overdue loans

The following table sets forth, as at the dates indicated, the distribution of the Bank's loans and advances to customers by maturity.

	As at June 30, 2016		As at December 31, 2015	
	Amount	% of total	Amount	% of total
(Expressed in millions of Renminbi, unless otherwise stated)				
Current loans	99,689	95.87	91,401	96.93
Loans past due for ⁽¹⁾ :				
1 to 90 days	2,770	2.66	1,748	1.86
91 to 360 days	1,308	1.26	840	0.89
361 days or more	216	0.21	305	0.32
Subtotal	4,294	4.13	2,893	3.07
Total loans	103,983	100.00	94,294	100.00

As at June 30, 2016, the amount of overdue loans totaled RMB4,294 million, up RMB1,401 million as compared with the end of last year. Overdue loans accounted for 4.13% of the total loans, up 1.07% as compared with the end of last year. The increase in overdue loans was mainly a result of continued economic downturn which has adversely affected the operation of enterprises general as evidenced by serious overcapacity, relatively high pressure in destocking and decrease in both sales volume and prices, making it difficult for enterprises to continue their operations. The shortage of cash flow in turn led to overdue principals or overdue interests. As at June 30, 2016, the proportion of loans past due over 90 days to total loans past due decreased from 39.58% in the end of 2015 to 35.49%. The Bank will continue to strengthen risk alert and monitoring, and accelerate the risk elimination.

Note:

(1) Representing the principal amount of the loans on which principal or interest is overdue.

7 BUSINESS SEGMENT REPORT

The table below sets forth the Bank's operating income by business segments for the periods as indicated:

	As at June 30, 2016		As at June 30, 2015	
	Amount	% of total	Amount	% of total
(Expressed in millions of Renminbi, unless otherwise stated)				
Corporate banking business	1,985	42.21	1,591	41.30
Retail banking business	701	14.91	690	17.90
Treasury business	1,941	41.28	1,522	39.50
Other businesses ⁽¹⁾	75	1.60	49	1.30
Total operating income	4,702	100.00	3,852	100.00

Note:

- (1) Consisting primarily of equity investment and the corresponding income, and expenses that are not directly attributable to any specific segment.

8 ANALYSIS ON CAPITAL ADEQUACY RATIO

The Bank continued to optimise its business structure and strengthen its capital management. As at June 30, 2016, the capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio of the Bank were 11.45%, 9.69% and 9.68%, respectively, and down 119bp, 86bp and 86bp, respectively, as compared with the end of last year, which fulfilled the requirements provided in the Administrative Measures for the Capital of Commercial Banks (Provisional) issued by CBRC for the transition period. The changes in capital adequacy ratio were mainly due to the increase in risk-weighted assets resulting from the increase in size of assets of the Bank.

In accordance with Administrative Measures for the Capital of Commercial Banks (Provisional) (the New Measures) issued by CBRC, the capital adequacy ratio of the Bank was as follows:

	As at June 30, 2016	As at December 31, 2015
(Expressed in millions of Renminbi, unless otherwise stated)		
Core tier-one capital		
Share capital	5,322	5,142
Valid portion of capital reserve	2,988	2,618
Surplus reserve	1,238	1,238
General reserve	3,163	3,163
Retained earnings	6,692	5,634
Valid portion of minority interests	149	23
Total Core tier-one capital	19,552	17,818
Core tier-one capital deductions	(323)	(284)
Net core tier-one capital	19,229	17,534
Other tier-one capital	7	—
Net tier-one capital	19,236	17,534
Tier-two capital		
Qualifying portions of tier-two capital instruments issued	2,000	2,000
Surplus provision for loan impairment	1,498	1,649
Adjustments for tier-two capital	11	—
Net tier-two capital	3,509	3,649
Net capital base	22,745	21,183
Total risk-weighted assets	198,612	173,697
Core tier-one capital adequacy ratio	9.68%	10.09%
Tier-one capital adequacy ratio	9.69%	10.09%
Capital adequacy ratio	11.45%	12.20%

9 BUSINESS OPERATION

9.1 Corporate banking business

9.1.1 Corporate Deposit and Loan Business

Corporate deposits

In the first half of 2016, the Bank proactively responded to the macroeconomic situation and the change in policy environment, and achieved a rapid and steady growth in corporate deposit. The Bank advanced the development of trading and financing business and investment banking business to carry forward the transformation and upgrading of its businesses. It also leveraged on its portfolio of liability products and innovation capability to enhance the efficiency of corporate deposit. Further cooperation with provincial and municipal governments also resulted in comprehensive improvement of the quality of deposit related to financial businesses. As at June 30, 2016, the balance of corporate deposit of the Bank amounted to RMB139,283 million, accounting for 71.40% of the balance of all deposits, representing an increase of RMB17,170 million or 14.06%.

As for the focus on customer marketing strategy, in the first half of 2016, the Bank proactively developed business cooperation with institutions including the Finance Department of Henan Province, the Social Security Bureau of Henan Province and Office of the Expropriation of Properties of relevant regions to further achieve central capital management of financial and corporate customers. It completed the tendering of the Public Resources Transaction Centre of Zhengzhou and is in the process of negotiating the details and systems of relevant business. Meanwhile, the Bank actively followed up the tendering of the Public Resources Transaction Centre of Zhengzhou and became the first bank taking up the housing allowances business in Zhengzhou, which further enhanced the overall contribution of corporate customers.

Corporate loans

As at June 30, 2016, the Bank's corporate loans (exclude discounted bills) amounted to RMB75,724 million, accounting for 72.83% of the gross loans and advances to customers of the Bank, a rise of RMB8,715 million or 13.01% from December 31, 2015, mainly attributable to the Banks' rational control of its total credit, in-depth adjustment of credit structure, and continuous reinforcement of its business cooperation with core high-quality customers of various types of enterprises with reference to the macro-economic situation and regulatory environments, facilitating the continuous growth of the balance of relevant loans.

9.1.2 Customer Management and Team Building

Customer Management

In the first half of 2016, the Bank advanced its customer management works in full-scale and enhanced its integrated servicing capability towards customers. Meanwhile, it strengthened the management of credit and non-credit customers and further initiated marketing efforts targeting customers in a comprehensive, unified, highly efficient, layered and segmented manner by upgrading its customer relationship management (CRM) system and launching new functions, thereby strengthening its systematic management of customers to further consolidate its customer base, as well as effectively enhancing its management efficiency of customer relationship and customer managers.

Taking advantage of its operation layout and network resources in Henan Province, the Bank's number of corporate customers continued its upward trend. As at June 30, 2016, the number of effective corporate customers surpassed 93,000, a year-on-year increase of 4.99%.

Team Building for Sales Teams

By introducing a leveled management system for corporate customer managers, the Bank promoted the accreditation of customer managers to sustainably improve the performance evaluation and target management methodology for customer managers. By integrating stringent evaluation on the performance of customer managers, business standard and moral standard, it initiated dynamic management of customer managers to further enhance the team structure of customer managers and stimulate their work attitude, thereby building a professional customer manager team that is highly energetic and service-oriented with strong professional ethics. By consistently improving the management system of corporate customer managers, the Bank facilitated the sustained and steady development of its businesses.

9.2 Small and micro enterprise loan business

In the first half of 2016, the Bank adhered to the strategic positioning of becoming “a financing specialist for small and medium-sized enterprises” and fully devoted to the area of financial services for small and micro enterprises, to place more efforts on promoting mobile financial services, expanding financing channels, enhancing customers experience and pushing forward the construction of credit workshop, thereby enhancing the capability of identifying risks via its technological expertise in big data and fully demonstrating the Bank's strong execution capability in continuous innovation of small and micro financial services.

During the Reporting Period, the Bank established a specialised operation and management system for small and micro business. It also set up a small business financial service centre at head office level, and “cross-region small business branch centres”, “retail banking sub-branches”, “small and micro enterprise sub-branches” and other specialized sections at secondary branches and sub-branches, which developed a specialized organizational system for small and micro business composed of specialized branches, small and micro enterprise sub-branches and cross-region branch centres. As at the end of June 2016, the Bank had 17,645 small and micro corporate customers, representing an increase of 7.54% as compared with that at the end of the previous year.

The Bank developed products that better aligned with the featured industry, sector and cluster financing services model of the Bank by positioning small and micro enterprise loan and personal consumption loan as the focus point of financial services, and adopting an innovative business model of “one product for one industry” and “one model for one industry”. The direction of developing small and micro products was adjusted from “collateral-oriented” to “weak guarantee”, so as to cater for the diversified financing demands from small and micro enterprises of different industries.

During the Reporting Period, the Bank aggressively carried out innovation campaign. Firstly, the Bank adopted the strategy of moving the target customer levels downward. The strategy targeted at the commercial customer clusters, and further classified small and micro customers into micro corporate customers, so as to push forward the micro enterprise loan business of “Xiao E Bao (小額寶)” to the customers base with financing needs of under RMB1 million. Secondly, the Bank accurately capitalizing on the streamlined trend of industry chain to enhance the cooperation with core enterprises and optimize the cooperation model of “head office-head office” targeting at customer clusters of industry chain. The head office’s coordination, management and promotion of key projects and industrialization approval were strengthened, thereby enhancing the efficiency of bulk expansion of customer base and reducing the business cost.

During the Reporting Period, the Bank introduced an international advanced risk quantification model for small and micro enterprises and specialised data mining techniques, and established a quantitative risk rating model with unique characteristics by accumulating and screening big data with reference to the actual situation of the Bank. We also established a “financial platform of big data for small enterprises”, to strengthen the monitoring of the dynamics of our small corporate customers via the application of big data analysis technology and enhance the standard of identifying risk and post-loan management of target customers.

During the Reporting Period, in recognition of its outstanding financial services to small and micro enterprises, the Bank was honoured as “Excellent Financial Institution” by PBOC Zhengzhou Central Sub-branch. The Bank’s “promotion and application of the model of loans secured by accounts receivable” was publicly praised by PBOC Zhengzhou Central Sub-branch. Its “guaranteed and insured loans” was awarded the Top 10 Financial Product Innovations in the 2016 China Financial Innovation Awards jointly organized by The Banker, the Institute of Finance and Banking of the Chinese Academy of Social Sciences and the Internet Economic Research Institute of Central University of Finance and Economics.

9.3 Personal Banking Business

9.3.1 Personal deposits

As a local financial institute in Zhengzhou, the Bank adhered to its unique positioning as a “boutique banking for residents”. Focusing on the main business theme of serving personal customers, the Bank continued to upgrade the quality of its financial services closely related to local residents by launching new products, perfecting the service system, enhancing customer values and establishing outstanding teams, to insist on consolidating cross sales, consumer finance and wealth management. The Bank also strived to enhance the quality of business development and the influence of its quality to constantly motivate the development of its personal deposit business. Meanwhile, the bank also actively responds to the interest rate marketization, constantly optimizes the pricing strategy of deposit interest rate on the basis of market and customer demands, and improves the ability of deposit self-pricing and risk management. As at June 30, 2016, the Bank’s total personal deposit amounted to RMB55,779 billion, representing an increase of RMB8.697 billion or 18.47% from the end of last year. The Bank’s personal deposit business was ranked top among its regional peers in terms of total balance, increment and market share.

9.3.2 Personal loans

During the Reporting Period, the Bank continued to optimise its loan structure and launch innovative personal loan products. It designed branded products and launched an educational cooperation project, “education loans (助學派)”, based on the “Utilities Disbursement (派生活)” of “Easy Disbursement (簡單派)”. The non-performing loan ratio dropped as the asset quality of personal loan products improved and the risks were controllable. As at the end of June 2016, the Bank’s total personal loans amounted to RMB22.723 billion, representing a decrease of RMB119 million from the beginning of the year, of which the balance of personal business loans amounted to RMB11.684 billion, representing a decrease of RMB341 million from the beginning of the year. The non-performing loan ratio reached 0.98%, representing an increase of 0.66 percentage point from the beginning of the year.

9.3.3 Bank Cards

In addition to the basic version of debit cards named “Shangding Card (商鼎卡)”, the Bank also issued special themed cards such as “Luohe Citizen Card (漯河市民卡)”, “Shangding Integrity Card (商鼎誠通卡)”, “Zhejiang Card (浙商通卡)”, “Wuyue Auto Card (五嶽汽車之家卡)”, “Fangyuan Logistics Card (方圓物流卡)” in the first half of 2016, with a steady growth of new cards issued. As at June 30, 2016, the Bank has issued a total of 3,479.9 thousand debit cards, with 619.3 thousand new cards issued as compared with December 31, 2015.

9.4 Treasury business

9.4.1 Money market transactions

During the Reporting Period, China entered into a period of realignment and transformation, and the economic development was in a balanced but low condition. Subject to the interest rate raise from the FED, the transitioning from business tax to value-added tax and other policy factors, as well as, the low liquidity of collateralized repurchase in the secondary market and other market factors, there was a transient working capital insufficiency in April 2016. However, the liquidity maintained reasonable sufficiency as a whole as the central bank implemented prudent monetary policies which were fine-tuned in a timely and appropriate manner. By closely monitoring liquidity conditions and movements in capital cost in the monetary market in the first half of 2016, the Bank aggressively grasped market opportunities and continuously optimise funding tenors to improve profitability while ensuring safe liquidity and saving capital cost to the fullest extent as possible.

As at June 30, 2016, the total balance of the Bank's deposits with banks and other financial institutions, placements with banks and other financial institutions and financial assets held under resale agreements amounted to RMB25,188 million, representing 7.98% of the Bank's total assets; and the total balance of the Bank's deposits and placements from banks and other financial institutions, placements from banks and other financial institutions and financial assets sold under repurchase agreements amounted to RMB58,993 million, representing 19.94% of the Bank's total liabilities.

9.4.2 Investment in securities and other financial assets

During the Reporting Period, the Bank made timely adjustments to its strategy and optimized investment portfolio by closely monitoring changes in economic policies and market environment and proactively studying market conditions, so as to extend its business radius from interbank market to exchange market and from debt securities market to equities market, and actively develop the investment channel of accounts receivables, with an approach of stable investment and timely profit-taking.

As at June 30, 2016, the total securities investments, investment products under trust schemes, investment products managed by securities companies and other securities financial assets of the Bank amounted to RMB146,056 million, representing an increase of RMB32,614 million or 28.75% as compared with that at the end of the previous year. Specifically, the total amount of the Bank's bond investments was RMB50,729 million, representing a year-on-year increase of 15.98%, and the total amount of the Bank's investment products under trust schemes and investment products managed by securities companies was RMB73,319 million, representing a year-on-year increase of 21.24%.

9.4.3 Wealth management business

In the first half of 2016, the Bank had 135 ongoing wealth management products with a size of RMB32,012 million, representing an increase of RMB6,699 million or 26.46% as compared with that at the beginning of the year. In the first half of 2016, the daily average size of ongoing wealth management products amounted to RMB29,368 million, representing an increase of RMB9,468 million or 47.58% as compared with that at the beginning of the year.

During the Reporting Period, the Bank smoothly operated three series of conventional wealth management products, “Dingcheng (鼎誠)”, “Jujin (聚金)” and “Jucai (聚財)”, and three series of tailored wealth management products, “Chang Xiang (暢享)”, “Juxin (聚鑫)” and “Tonghui (同惠)”. In the first half of 2016, the Bank issued a total of 153 wealth management products with accumulated proceeds of RMB36,872 million; averagely, the Bank issued 25.5 wealth management products with accumulated proceeds of RMB6,145 million per month. The number of issued products and the gross proceeds increased by 47.12% and 7.57% respectively as compared with the figures for 2015.

9.5 Distribution Channels

9.5.1 Physical Outlets

During the Reporting Period, the Bank’s head office was established in Zhengzhou, the PRC and it has 8 branches in Nanyang, Xinxiang, Luoyang, Anyang, Xuchang, Shangqiu, Luohe and Xinyang. As at June 30, 2016, a total of 118 sub-branches were established within Henan Province. The Bank operates mainly in Henan Province of the PRC.

As at June 30, 2016, the Bank had a total of 123 intra-branch self-service facilities, including 75 banks in Zhengzhou urban districts, 19 county outlets, 8 branches and 21 sub-branches. The Bank also had a total of over 140 extra-branch self-service facilities in Henan Province, including 75 banks in Zhengzhou urban districts and over 60 branches and county outlets. The Bank’s network of self-service outlets also covered other counties, including Nanyang, Xinxiang, Luoyang, Anyang, Shangqiu, Xuchang, Luohe and Xinyang.

9.5.2 Electronic Banking

Self-service Banking

The Bank’s self-service banking infrastructure covers automatic teller machines, automatic cash withdrawal and deposit machines, smart counters, online banking terminals, easy payment terminals and “Cash Island” units, with an aim to provide customers with a wide range of services ranging from cash withdrawal and deposit, account inquiry, bill payment, PIN change and fund transfer with a higher efficiency. Adhering to our customer-oriented strategy, we have been developing and upgrading our self-service banking facilities with new functions, while the growing smart counter business resulted in better customer flow management and reduced the burden at the frontline. As at June 30, 2016, we had 1,195 sets of self-service banking facilities, including 342 automatic teller machines, 313 automatic cash withdrawal and deposit machines, 182 smart counters, 216 online banking terminals, 140 easy payment terminals and 2 “Cash Island” units. The total number of cash withdrawal and deposit transactions amounted to 5,480,000, representing a year-on-year increase of 8%, while the transaction amount totaled RMB9.3 billion, recording a year-on-year increase of 11%.

Mobile Banking

The Bank's mobile banking service was offered to the market on January 9, 2013. In the first half of 2016, our mobile banking segment registered 107,800 new accounts, representing a year-on-year increase of 136.4%, while the number and amount of transactions amounted to 646,000 and RMB5.718 billion respectively, representing a year-on-year increase of 109.15% and 443.71% respectively. As at June 30, 2016, the total number of mobile banking accounts reached 316,300 while the aggregate number and amount of transactions amounted to 1,811,400 and RMB9.921 billion respectively.

Online Banking

The Bank's online banking service was introduced to the market in October 2010. In the first half of 2016, our mobile banking segment registered 62,900 new accounts, representing a year-on-year increase of 28.5%, among which 59,400 were new personal accounts and 3,500 were new corporate accounts. The number of transfer transactions reached 1,961,800, recording a year-on-year increase of 48.73%, while the transaction amount totaled RMB156.131 billion, representing a year-on-year increase of 28.81%. As at June 30, 2016, the total number of online banking accounts reached 350,600, among which 332,800 were personal accounts and 17,800 were corporate accounts.

Online Payment

The Bank's online payment platform was introduced to the market in July 2012. In the first half of 2016, 86,000 new users registered on our platform, representing a year-on-year increase of 111.22%, while the number and amount of transactions amounted to 2,129,000 and RMB1.126 billion respectively, representing a year-on-year increase of 68.78% and 241.53%, respectively. As at June 30, 2016, the total number of users on our online payment platform reached 299,600 while the aggregate number and amount of transactions amounted to 6,900,200 and RMB2.347 billion respectively.

In the first half of 2016, the Bank achieved the application of Alipay Express Payment, JD.com Online Express Payment, Baifubao Express Payment of Baidu, WeChat Express Payment for our credit cards with diversified channels of Express Payment, so as to satisfy the demand for online payment of the Bank's customers.

Telephone Banking

We offer 7 days x 24 hours telephone banking services to our customers through the nation-wide customer service hotline "+86-4000-967585". Our services include account inquiries, loss reporting, bill payment, loan business, investment and wealth management, PIN services, credit card business, customer service inquiries and outbound calls. The customer service centre continued to enhance user experience and actively expand the business scope based on the customers' needs. As at June 30, 2016, our telephone banking handled a total of 1.0564 million cases.

WeChat Banking

Since the launch of the Bank's WeChat Banking on October 25, 2013, the Bank's WeChat Banking business has recorded a total of 85,195 followers as at June 30, 2016. WeChat Banking can provide account alert and answer customers' inquiries on account balance, transaction details and the Bank's investment updates.

Ding Rong Yi

In 2016, the Bank's internet financial service platform "Ding Rong Yi (鼎融易)" was fast growing. It successfully established diversified application channels with financial services, utilities services and social networking. Centering on internet finance, Ding Rong Yi provided services to cardholders of the Bank and other banks. It consisted of three service segments, namely Ding Rong Yi direct-operated banking, Ding Rong Yi payment network and Ding Rong Yi financial e-commerce, operating four internet services of PC and mobile investment and wealth management, e-financing, utilities payment and e-commerce services. As at June 30, 2016, the total number of Ding Rong Yi customers reached 200,000, with an aggregate number of transactions of 253,300 and total transaction amount of RMB4.5 billion for the first half of 2016.

9.6 Operations of subsidiaries

9.6.1 Operations of subsidiaries

As at the end of the Reporting Period, the Bank held 50.2% equity interest in Fugou Zhengyin County Bank Co., Ltd., a subsidiary of the Bank with a registered capital of RMB60 million. The principal businesses of which include: (I) taking deposits from the public; (II) extending short-term, medium-term and long-term loans; (III) effecting domestic settlements; (IV) accepting and discounting bills; (V) interbank borrowings; (VI) debt-card business; (VII) acting as the issuing agent, cashing agent and the underwriter of government bonds; (VIII) collecting agent; (IX) other businesses approved by the banking regulatory authorities (involving the operations authorised under valid permits or licensed operations).

Fugou Zhengyin County Bank Co., Ltd. is featured by its short decision-making chain, flexible credit policy, and the capability to adapt its operation process to match the financial needs of the agricultural industry. Since its operation of business on December 8, 2015 and up to June 30, 2016, the bank has accumulated total assets of RMB190 million, total loans of RMB111 million and total deposits of RMB103 million and the non-performing loan ratio was zero, while major indicators were in compliance with the regulatory requirements.

At the end of the Reporting Period, the Bank established Henan Jiuding Financial Leasing Co., Ltd. with an initial registered capital of RMB1 billion and its shareholding of 51% was held by the Bank. The establishment of Jiuding Financial Leasing Company was approved by the CBRC on February 5, 2016. The operation approval for the Jiuding Financial Leasing Company was granted by the CBRC Henan Office on March 18, 2016. The Jiuding Financial Leasing Company has officially been in operation since March 23, 2016. For details of the approval for the establishment and official opening of Jiuding Financial Leasing Company, please refer to the announcements of the Bank published on February 17, 2016 and March 23, 2016. The principal businesses of Jiuding Financial Leasing Company include: (1) financial leasing business; (2) outward or inward transfer of financial leasing assets; (3) fixed income securities investment business; (4) acceptance of leasing deposits from lessee; (5) intake of fixed deposits with maturity of 3 months or above from non-bank Shareholders; (6) interbank borrowings; (7) borrowings from financial institutions; (8) offshore borrowings; (9) leasing asset sale and disposal business; (10) economic consultancy and (11) other businesses approved by CBRC. (Items which require approvals under the law shall be subject to the approval from relevant departments before the commencement of business)

Since its operation of business on March 23, 2016, Jiuding Financial Leasing Company has upheld the business philosophy of “innovative, efficient, synergistic and stable operation”, and adhered to the strategic positioning of “intensively developing Zhengzhou, consolidating its position in Henan, penetrating to other regions in the PRC, focusing on specialization and featured businesses”. As at June 30, 2016, the total assets of Jiuding Financial Leasing Company amounted to RMB1.808 billion, leasing investment accumulated to RMB1,380 million and net profit amounted to RMB21.6073 million, respectively.

9.6.2 Operations of Investee Companies

As at the end of the Reporting Period, the Bank held 19.4%, 20.0% and 30.0% equity interests in Zhongmu Zhengyin County Bank Co., Ltd., Xinmi Zhengyin County Bank Co., Ltd. and Yanling Zhengyin County Bank Co., Ltd., respectively. The total asset value of the three county banks reached RMB13.744 billion, total deposits reached RMB12.234 billion and total loans reached RMB7.918 billion.

Since the establishment of Zhongmu Zhengyin County Bank Co., Ltd. in 2009, those county banks have been committed to providing services to the three rural sectors (“San Nong”) with a market position targeting small- and medium-size customers. Led by the gradual expansion of the asset size, a more balanced structure of deposits and loans and stronger support to the agricultural sector, the return on equity improved every year. Therefore, Zhongmu Zhengyin County Bank Co., Ltd. was renowned as one of the leading industry players among all county banks in the country in terms of comprehensive strength.

9.7 Risk Management

During the Reporting Period, the Bank focused on further reinforcing its foundation, tightening management, building a strong head office, pushing forward transformation in development and laying emphasis on innovation, differential operation and risk control and prevention, to further deepen the construction of our comprehensive risk management system as well as the institutional, system and risk culture build-up so that the risk management capability was enhanced steadily.

9.7.1 Credit Risk

Credit risk refers to the risk of loss from the failure by an obligator or counterparty to meet its obligations in accordance with agreed terms. We are exposed to credit risk primarily through our loan portfolio, investment portfolio, guarantees and other on-and off-balance sheet credit risk exposures.

We have built an all-round credit risk management infrastructure to cover our entire credit business processes, with established policies and procedures to identify, assess, measure, monitor, mitigate and control credit risks. We have established a bank-wide standardised authorisation and credit extension management system. We seek to improve our overall credit risk management capabilities through building up an internal customer rating system, updating internal rating model, upgrading credit risk management information system, and further tightening our credit review and monitoring. In the first half of 2016, in accordance with the management needs of the Bank, the functions of asset security and collection and disposal of non-performing loans of the risk management department was under the management of the asset security department, the legal department was renamed as the asset security department and was responsible for the asset security and collection and disposal of non-performing loans of the Bank.

9.7.2 Market Risk

Market risk is the risk of loss in on- and off-balance-sheet positions arising from movements in market prices. We are exposed to market risks through our banking portfolio and trading portfolio. The primary risk associated with our trading portfolio is fluctuations in the market value of our trading positions, which are affected by movements in observable market variables such as interest rates and exchange rates. We seek to control potential market losses within acceptable limits based on our risk appetite while we seek to maximise risk-adjusted returns.

Our organisational structure for market risk management covers the front, middle and back offices. Our Board bears the ultimate responsibility for supervising our market risk management. Our senior management is responsible for the implementation of market risk management strategies and policies approved by our Board. Market risk management is led by the risk management department, while the functions of market risk management are actually distributed among the risk management department, the financial planning department, the financial markets department, the interbank department, the trade finance department and the asset management department. To effectively perform its market risk management function, the risk management department has appointed designated market risk management personnel to the financial markets department and asset management department to participate in the middle office management of the trading business. Our market risk management consists of the identification, measuring, monitoring and control of market risk. We also set different authorised risk limits for various products based on factors such as our overall market risk tolerance level, business strategy as well as market conditions for specific products. We set different exposure limits and employ different quantitative measures to manage different types of market risk arising from our banking book and trading book.

Market risk associated with banking book

1. Interest rate risk

Interest rate risk associated with our banking book primarily refers to the risk of loss caused to the overall earnings and economic value of banking book due to adverse movements in various factors such as interest rate level and maturity mix. By carrying out proactive management, appropriate hedging and other means, the Bank keeps the negative impact of interest rate fluctuations on the earnings and economic value of banking book under control within an acceptable limit.

2. Exchange rate risk

Exchange rate risk refers to the risk arising from the time and regional differences in exchange rate fluctuations as well as the mismatch between currency and maturity mix. We are exposed to exchange rate risk primarily through trading risk and conversion risk. Trading risk refers to the risk of loss caused to the Bank due to exchange rate fluctuations when customers are carrying out spot or forward foreign exchange trading, lending, investment and exchange activities. Conversion risk refers to foreign exchange gains and losses due to exchange rate fluctuations when assets and liabilities in foreign currencies in the Bank's balance sheet are converted into Renminbi at the end of an accounting period.

The Bank mitigates or hedges against losses arising from foreign exchange fluctuations by cutting down settlement and sale of foreign exchange positions, enhancing fund utilization efficiency and such other means. The Bank oversees the positions of each currency on a daily basis and maintains its market exposure within established limits with the use of hedging strategy.

Market risk associated with trading book

Market risk associated with our trading book mainly refers to the changes in the asset value of the financial products in the trading book caused by the changes in market interest rates. By setting the interest rate-sensitive indicators, cut-loss limits and other market risk limits, the Bank revalues the market value of the assets in the trading book on a daily basis and conducts stress tests on a regular basis so that the market risk associated with the trading book is overall controllable.

9.7.3 Operational Risk

Operational risk refers to the risk of loss that may be incurred due to inadequate or failed internal procedures, personnel or information technology systems, or external events. We are exposed to operational risk primarily through internal and external frauds, worksite safety failures, business interruptions, damage of tangible assets and failure in information technology system. Our operational risk management objectives are to establish a sound operational risk management framework to carry out effective management of operational risks and to minimise losses from operational risk.

The Bank continuously promotes the construction of operational risk management system, improve three operational risk tools and capital measurement. We have established a sound operational risk reporting system to submit reports to the Board, the Board of Supervisors and senior management on a timely basis. Operational risk inspections are conducted to prevent risk hazards and significant operational risks in key areas.

9.7.4 Liquidity Risk

Liquidity risk refers to the risk of failure to acquire sufficient funds in time or failure to acquire sufficient funds at a reasonable cost to fulfil payment obligations. Factors affecting our liquidity include the maturity mix of our assets and liabilities and changes to banking regulations, such as changes in the requirements relating to loan-to-deposit ratio and statutory deposit reserve ratio. We are exposed to liquidity risk primarily in the funding of our lending, trading and investment activities, as well as in the management of our cash flow positions. The objectives of our liquidity risk management are to ensure the availability of adequate funding at all times to meet our payment obligations and fund our business operations on a timely basis.

Our organisational structure for liquidity risk management is formed on the basis of separation of the responsibilities for the formulation, implementation and supervision of liquidity risk management policies and procedures. The Board bears the ultimate responsibility for our liquidity risk management. The Risk Management Committee under the Board is responsible for approving the liquidity risk management policies and strategies developed by the senior management. The Asset and Liability Management Committee under our senior management is responsible for the management of liquidity risk across the Bank, specifically, responsible for formulating our liquidity management policies and leading the implementation of these policies. The Board of Supervisors is responsible for supervising the Board and senior management in carrying out liquidity risk management on a day-to-day basis. Relevant departments, such as the financial planning department, the financial markets department, the interbank department and the asset management department, are responsible for liquidity risk management on a day-to-day basis.

We manage our liquidity risk mainly through monitoring the maturities of our assets and liabilities and step up our efforts to improve our liquidity risk management. We have implemented the heightened regulatory requirements through closely monitoring various liquidity ratios, formulating contingency plans and strengthening liquidity risk management and stress tests. At present, we manage our liquidity risk through liquidity stress tests, liquidity limit system, the second generation of China National Advanced Payment System, position reporting and certain other tools. We are developing the cash flow analysis and management tools.

9.7.5 Information Technology Risk

Information technology risk refers to the operational, legal, reputational and other risks caused by natural factors, human factors, technical loopholes and flawed management in the course of our use of information technology. Our objectives for information technology risk management are to identify, assess, monitor and control information technology risks by establishing an effective mechanism to operate our business in a safe, continuous and stable environment. We seek to operate our business in a safe and robust information technology environment and drive business innovation with advanced information technologies. The Information Technology Management Committee under our senior management is responsible for coordinating on the performance of various responsibilities for information technology management, to ensure the allocation of adequate human and financial resources, and maintaining a stable and secure information technology environment. The information technology department is responsible for the implementation of information technology risk management policies and procedures.

Under the leadership of the Board and senior management, we have established a tiered information technology risk management framework based on the “three lines of defence”, namely, the business, risk management and audit. In addition, we seek to establish effective infrastructures to identify, monitor and control information technology risk and facilitate the safe, continuous and stable operation of our information technology system and to improve our sustainability. We establish a comprehensive information technology risk management system through the development, operation and maintenance of information system, management of information security and business continuity. In respect of the operation and maintenance management of our information technology system, we seek to improve the overall stability and availability of our information technology system by improving its structure and preventive maintenance. In respect of information security, we seek to build up an information security control mechanism and technology protection methodologies through establishing effective processes for management of user authentication and access control, rigorously implementing standard operation processes, managing transactions and activity logs and employing encryption techniques. In respect of business continuity, we have built a local application disaster recovery centre in Zhengzhou and a non-local disaster recovery data centre in Dongguan to ensure business continuity and reliability.

In the first half of 2016, the Bank conducted the first business management training on a consecutive basis for the year, which formulated the consecutive business scenarios of the year, and carried out electronic business interruption emergency drills with a satisfactory result in the first half of the year.

9.7.6 Reputational Risk

Reputational risk refers to the risk of negative publicity and comments on the Bank due to our operations, management and other activities or external events. Our objectives for reputational risk management are to identify, monitor, control and eliminate reputational risk by establishing a positive, reasonable and effective mechanism for reputational risk management in order to build and maintain our good corporate image and boost our sustainable development.

We have established a tiered organisational framework for reputational risk management. The Board bears the ultimate responsibility for reputation risk management and our senior management is responsible for our reputational risk management. We have set up a Reputational Risk Management Committee under our senior management to ensure the normal and effective operation of the reputational risk management system. The general office at the head office takes the lead in managing our reputation risk and is responsible for the day-to-day management of reputational risk.

9.7.7 Implementation of the New Basel Capital Accord

Since the beginning of 2013, the Bank has been committed to implementing the New Basel Capital Accord by selecting a development plan which matches the Bank's business strategy, scale and complexity, and by actively formulating and implementing the Foundation IRB Approach for capital measurement in accordance with the Measures Governing the New Capital of Commercial Banks (Trial Implementation) and other regulatory policies. By enhancing corporate governance structure, establishing a sound risk management system and improving information technology system, the Bank aimed to meet all the regulatory requirements. Following the commencement of a comprehensive risk management project in 2013, the Bank has currently completed the establishment of an application scorecard system for the retail credit business, a collateral management system, a standard approach to operational risk and GRC system, a risk and compliance system, an interest rate risk management system for bank accounts, and completed the consultation on liquidity risk management, the development of a credit rating model for debts of the treasury business and the development of a scoring model for credit cards. Meanwhile, the Bank is active in pushing forward other projects such as the standard approach to market risk, RWA and ICAAP.

CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

1 CHANGES IN SHARE CAPITAL OF THE BANK

	December 31, 2015		Changes during the Reporting Period	June 30, 2016	
	Number (Shares)	Proportion (%)	Number (Shares)	Number (Shares)	Proportion (%)
Domestic Shares	3,821,931,900	74.33	(18,000,000) ¹	3,803,931,900	71.48
Overseas listed foreign Shares	1,320,000,000	25.67	198,000,000 ²	1,518,000,000	28.52
Total number of Shares	5,141,931,900	100.00		5,321,931,900	100.00

¹ Pursuant to the exercise of the over-allotment option with a total of 180,000,000 H shares, in accordance with relevant PRC regulations regarding the transfer of state-owned shares and the “Letter on Issues Regarding the Reduction and Transfer of State-owned Shares of Bank of Zhengzhou Co., Ltd. For Its Listing in Hong Kong” of National Council for Social Security Fund (“the NSSF”), the Selling Shareholders are required to sell an aggregate of 18,000,000 additional Sale Shares (being the number of H Shares converted from Domestic Shares on a one-for-one basis in accordance with the relevant PRC regulations), equivalent to 10% of the number of the H Shares to be issued by the Bank pursuant to the exercise of the Over-allotment Option, and remit the proceeds to the account designated by the NSSF.

² Upon completion of the H Shares Offering, the Bank issued and sold 198,000,000 H shares pursuant to the exercise of the over-allotment option on January 15, 2016.

2 INFORMATION ON SHAREHOLDERS

2.1 Total number of Shareholders during the Reporting Period

As at June 30, 2016, the Bank had a total of 3,626 holders of Domestic Shares.

2.2 Shareholdings of Shareholders

Shareholdings of Top 10 Shareholders of Non-Overseas Listed Domestic Shares

As at June 30, 2016, shareholdings of top 10 shareholders of non-overseas listed Domestic Shares were as follows:

Number	Name of Shareholder	Nature of Shareholder	No. of Shares held at the end of the period (Shares)	Shareholding percentage of total no. of issued Shares	Type of Shares	Pledged or frozen (Shares)
1	Zhengzhou Finance Bureau (鄭州市財政局)	State-owned	490,904,755	9.22	Domestic Shares	220,900,000
2	Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司)	Domestic non-state-owned legal person	262,000,000	4.92	Domestic Shares	262,000,000
3	Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司)	Domestic non-state-owned legal person	250,000,000	4.70	Domestic Shares	124,999,990
4	Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司)	Domestic non-state-owned legal person	226,000,000	4.25	Domestic Shares	225,000,000
5	Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	State-owned legal person	215,678,764	4.05	Domestic Shares	115,000,000
6	Zhongyuan Trust Co., Ltd. (中原信託有限公司)	Domestic non-state-owned legal person	205,000,000	3.85	Domestic Shares	205,000,000
7	Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	Domestic non-state-owned legal person	199,046,474	3.74	Domestic Shares	149,500,000
8	Bridge Trust Co., Ltd. (百瑞信託有限責任公司)	State-owned legal person	114,697,149	2.16	Domestic Shares	—
9	Henan Shengrun Holding Group Co., Ltd. (河南盛潤控股集團有限公司)	Domestic non-state-owned legal person	100,000,000	1.88	Domestic Shares	—
10	Henan Masahiro Properties Limited (河南正弘置業有限公司)	Domestic non-state-owned legal person	100,000,000	1.88	Domestic Shares	49,999,990

¹ Among the top 10 shareholders of non-overseas listed Domestic Shares, except for the 205,000,000 judicially frozen Shares of Zhongyuan Trust Co., Ltd., the Shares of other shareholders with pledged or frozen Shares were pledged Shares.

Interests and short positions of substantial Shareholders and other persons in the Shares and underlying Shares

Based on the knowledge of the Directors or chief executive of the Bank, as at June 30, 2016, the following persons, other than Directors, Supervisors and chief executive of the Bank, had, or were deemed or taken to have interests or short positions in the Shares and underlying Shares of the Bank with would fall to be disclosed to the Bank and Hong Kong Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the regiser required to be kept by the Bank under Section 336 of the SFO were as follows:

Name of Substantial Shareholder	Class of Shares	Long/Short Positions	Nature	Number of Shares held directly or indirectly	Percentage of issued share capital of the relevant class(%)	Percentage of total issued share capital(%)
Zhengzhou Finance Bureau (鄭州市財政局)	Domestic Shares	Long	Beneficial owner Interest of controlled corporation ¹	693,134,808	18.22	13.02
Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司)	Domestic Shares	Long	Beneficial owner	262,000,000	6.89	4.92
Henan Yutai Investment & Development Co., Ltd. (河南省豫泰投資發展集團有限公司)	Domestic Shares	Long	Interest of controlled corporation ²	262,000,000	6.89	4.92
ZHANG Xinya (張欣雅)	Domestic Shares	Long	Interest of controlled corporation ²	262,000,000	6.89	4.92
Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司)	Domestic Shares	Long	Beneficial owner	250,000,000	6.57	4.70
Henan Zensun Enterprise Development Co., Ltd. (河南正商企業發展有限責任公司)	Domestic Shares	Long	Interest of controlled corporation ³	250,000,000	6.57	4.70
ZHANG Huiqi (張惠琪)	Domestic Shares	Long	Interest of controlled corporation ³	250,000,000	6.57	4.70
Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司)	Domestic Shares	Long	Beneficial owner ⁴	226,000,000	5.94	4.25

CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Name of Substantial Shareholder	Class of Shares	Long/Short Positions	Nature	Number of Shares held directly or indirectly	Percentage of issued share capital of the relevant class(%)	Percentage of total issued share capital(%)
DU Liling (杜麗玲)	Domestic Shares	Long	Interest of controlled corporation ⁵	226,000,000	5.94	4.25
WANG Meilan (王梅蘭)	Domestic Shares	Long	Interest of controlled corporation ⁵	226,000,000	5.94	4.25
Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	Domestic Shares	Long	Beneficial owner ⁶	215,678,764	5.67	4.05
Zhongyuan Trust Co., Ltd. (中原信託有限公司)	Domestic Shares	Long	Beneficial owner	205,000,000	5.39	3.85
Henan Zhongyuan Express Co., Ltd. (河南中原高速公路股份有限公司)	Domestic Shares	Long	Interest of controlled corporation ⁷	205,000,000	5.39	3.85
Henan Transport Investment Group Co., Ltd. (河南交通投資集團有限公司)	Domestic Shares	Long	Interest of controlled corporation ⁷	205,000,000	5.39	3.85
Henan Investment Group Co., Ltd. (河南投資集團有限公司)	Domestic Shares	Long	Beneficial owner ⁸ Interest of controlled corporation	294,769,212	7.75	5.54
Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	Domestic Shares	Long	Beneficial owner ⁹	199,046,474	5.23	3.74
Lightning Triumph Limited	H Shares	Long	Beneficial owner ¹⁰	254,500,000	16.77	4.78
CCCC Financial Limited (中國城市國際金融控股集團有限公司)	H Shares	Long	Interest of controlled corporation ¹⁰	254,500,000	16.77	4.78
Orient Best Investments Limited	H Shares	Long	Beneficial owner ¹¹	254,500,000	16.77	4.78
JIANG Lei (蔣磊)	H Shares	Long	Interest of controlled corporation ¹¹	254,500,000	16.77	4.78
WEI Shenqing (韋深清)	H Shares	Long	Beneficial owner ¹²	104,698,000	6.89	1.97
China Yinsheng Capital Group	H Shares	Long	Custodian ¹³	104,698,000	6.89	1.97
Hong Kong Xingrui International Investment Co., Limited (香港興瑞國際投資有限公司)	H Shares	Long	Beneficial owner	100,000,000	6.58	1.88

CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Name of Substantial Shareholder	Class of Shares	Long/Short Positions	Nature	Number of Shares held directly or indirectly	Percentage of issued share capital of the relevant class(%)	Percentage of total issued share capital(%)
Zhengzhou Airport Zone Xingrui Industrial Co., Limited (鄭州航空港區興瑞實業有限公司)	H Shares	Long	Interest of controlled corporation ¹⁴	100,000,000	6.58	1.88
Zhengzhou Airport Zone Xinggang Investment Co., Limited (鄭州航空港興港投資發展有限公司) (Formerly known as: Zhengzhou Xinzheng Integrated Free Trade Zone (Zhengzhou Airport Zone) Xinggang Investment and Development Co., Limited (鄭州新鄭綜合保稅區(鄭州航空港區)興港投資發展有限公司))	H Shares	Long	Interest of controlled corporation ¹⁴	100,000,000	6.58	1.88
Shenzhen Qianhai Ruimaotong Supply Chain Platform Service Co., Limited (深圳前海瑞茂通供應鏈平台服務有限公司)	H Shares	Long	Interest of controlled corporation ¹⁴	100,000,000	6.58	1.88
Jiangsu Jinhe Electricity and Fuel Limited (江蘇晉和電力燃料有限公司)	H Shares	Long	Interest of controlled corporation ¹⁴	100,000,000	6.58	1.88
Ruimaotong Supply Chain Management Co., Limited (瑞茂通供應鏈管理股份有限公司)	H Shares	Long	Interest of controlled corporation ¹⁴	100,000,000	6.58	1.88
Zhengzhou Ruimaotong Supply Chain Management Company Limited (鄭州瑞茂通供應鏈有限公司)	H Shares	Long	Interest of controlled corporation ¹⁴	100,000,000	6.58	1.88

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Name of Substantial Shareholder	Class of Shares	Long/Short Positions	Nature	Number of Shares held directly or indirectly	Percentage of issued share capital of the relevant class(%)	Percentage of total issued share capital(%)
Zhengzhou Zhongrui Investment Company Limited (鄭州中瑞投資有限公司) (Formerly known as: Henan Zhongrui Investment Company Limited (河南中瑞投資有限公司))	H Shares	Long	Interest of controlled corporation ¹⁴	100,000,000	6.58	1.88
WAN Yongxing (萬永興)	H Shares	Long	Interest of controlled corporation ¹⁴	100,000,000	6.58	1.88
Zhengzhou Zhengdong Construction Investment Corporation (鄭州市鄭東新區建設開發投資總公司)	H Shares	Long	Beneficial owner ¹⁵	100,000,000	6.58	1.88
Beijing Shang Finance Management Co., Ltd. (北京尚融資本管理有限公司)	H Shares	Long	Interest of controlled corporation ¹⁶	129,000,000	8.50	2.42
WEI Lidong (尉立東)	H Shares	Long	Interest of controlled corporation ¹⁶	129,000,000	8.50	2.42
Henan Hongbao Group Company Limited (河南鴻寶集團有限公司)	H Shares	Long	Beneficial owner	99,000,000	6.52	1.86
YUAN Guibao (袁桂寶)	H Shares	Long	Interest of controlled corporation ¹⁷	99,000,000	6.52	1.86

CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

- ¹ The 65,258,982 Shares, 50,000,000 Shares, 85,133,944 Shares, 1,837,127 Shares are held by Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司) and Zhengzhou City Sewage Purification Co., Ltd. (鄭州市污水淨化有限公司) and Zhengzhou Running Water Investment Holdings Co., Ltd. (鄭州自來水投資控股有限公司), respectively, each of which is directly or indirectly wholly-owned by Zhengzhou Finance Bureau (鄭州市財政局). By virtue of SFO, Zhengzhou Finance Bureau (鄭州市財政局) is deemed to be interested in the Shares held by Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司), Zhengzhou City Sewage Purification Co., Ltd. (鄭州市污水淨化有限公司) and Zhengzhou Running Water Investment Holdings Co., Ltd. (鄭州自來水投資控股有限公司). FAN Yuto (樊玉清), our non-executive Director, is the deputy Director of Zhengzhou Finance Bureau (鄭州市財政局).
- ² Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司) is wholly-owned by Henan Yutai Investment & Development Co., Ltd. (河南省豫泰投資發展集團有限公司), which in turn was owned by Ms. ZHANG Xinya (張欣雅) as to 80% of its shares at the end of the Reporting Period. By virtue of SFO, Henan Yutai Investment & Development Co., Ltd. (河南省豫泰投資發展集團有限公司) and Ms. ZHANG Xinya (張欣雅) were deemed to be interested in the Shares held by Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司). The 80% shares of Henan Yutai Investment & Development Co., Ltd. (河南省豫泰投資發展集團有限公司) owned by Ms. ZHANG Xinya (張欣雅) was formerly owned by Mr. XU Jianxin (徐建新). XU Jianxin (徐建新) was the former non-executive director of the Bank, who passed away in April 16, 2016 due to the illness. Ms. ZHANG Xinya (張欣雅) was the spouse of Mr. XU Jianxin (徐建新).
- ³ Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司) is owned by Henan Zensun Enterprise Development Co., Ltd. (河南正商企業發展有限責任公司) as to 97.8%. Henan Zensun Enterprise Development Co., Ltd. (河南正商企業發展有限責任公司) is in turn owned by ZHANG Huiqi (張惠琪) as to 90%. By virtue of SFO, Henan Zensun Enterprise Development Co., Ltd. (河南正商企業發展有限責任公司) and ZHANG Huiqi (張惠琪) are deemed to be interested in the Shares held by Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司). ZHANG Huiqi (張惠琪) is the daughter, being above the age of 18, of ZHANG Jiangguo (張敬國), our non-executive Director.
- ⁴ MA Jinwei (馬金偉), our non-executive Director, is the general manager of Henan Chendong Industry Co., Ltd. (河南農東實業有限公司).
- ⁵ Henan Chendong Industry Co., Ltd. (河南農東實業有限公司) is owned as to 50% and 50% by DU Liling (杜麗玲) and WANG Meilan (王梅蘭). By virtue of SFO, each of DU Liling (杜麗玲) and WANG Meilan (王梅蘭) is deemed to be interested in the Shares held by Henan Chendong Industry Co., Ltd. (河南農東實業有限公司).
- ⁶ LIANG Songwei (梁嵩巍), our non-executive Director, is the general manager of Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司).
- ⁷ Zhongyuan Trust Co., Ltd. (中原信託有限公司) is owned by Henan Investment Group Co., Ltd. (河南投資集團有限公司) and Henan Zhongyuan Express Co., Ltd. (河南中原高速公路股份有限公司) as to approximately 48.42% and 33.28%, respectively. Henan Zhongyuan Express Co., Ltd. (河南中原高速公路股份有限公司) is owned by Henan Transport Investment Group Co., Ltd. (河南交通投資集團有限公司) as to approximately 45.09%. By virtue of SFO, Henan Investment Group Co., Ltd. (河南投資集團有限公司), Henan Zhongyuan Express Co., Ltd. (河南中原高速公路股份有限公司) and Henan Transport Investment Group Co., Ltd. (河南交通投資集團有限公司) are deemed to be interested in the Shares held by Zhongyuan Trust Co., Ltd. (中原信託有限公司). JI Hongjun (姬宏俊), our non-executive Director, is the vice president of Zhongyuan Trust Co., Ltd. (中原信託有限公司).
- ⁸ These 294,769,212 Shares are directly or indirectly held by Henan Investment Group Co., Ltd. (河南投資集團有限公司), including 89,769,212 Shares directly held by Henan Investment Group Co., Ltd. (河南投資集團有限公司) and 205,000,000 Shares held by Zhongyuan Trust Co., Ltd. (中原信託有限公司) which is owned as to approximately 48.42% by Henan Investment Group Co., Ltd. (河南投資集團有限公司). By virtue of SFO, Henan Investment Group Co., Ltd. (河南投資集團有限公司) is deemed to be interested in the Shares held by Zhongyuan Trust Co., Ltd. (中原信託有限公司).

- ⁹ Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司) is owned as to 90% by ZHU Zhihui (朱志暉), our Supervisor, and 10% by his spouse, WANG Linhui (王林輝). By virtue of SFO, ZHU Zhihui (朱志暉) is deemed to be interested in the Shares held by Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司). ZHU Zhihui (朱志暉), our Supervisor, is the chairman of the board of directors of Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司).
- ¹⁰ The 254,500,000 Shares are directly held by Lightning Triumph Limited, which is wholly-owned by CCCC Financial Limited (中國城市國際金融控股集團有限公司) (“**CCCC Financial**”). Sincere Wealthy Investment Group Limited (“**Sincere Wealthy**”), Huinong Delta Investments Ltd owned 51% and 45% shares of CCCC Financial respectively, ZHUANG Yongjian (莊永健) and XIAO Chuyun (蕭楚云) hold 65% and 35% shares of Sincere Wealthy. Pursuant to SFO, CCCC Financial, Huinong Delta Investments Ltd, Sincere Wealthy, ZHUANG Yongjian (莊永健) and XIAO Chuyun (蕭楚云) are deemed to be interested in the Shares held by Lightning Triumph. After the Reporting Period and as at the Latest Practicable Date, Lightning Triumph Limited no longer holds shares of the Bank.
- ¹¹ Orient Best Investments Limited is wholly-owned by JIANG Lei (蔣磊). By virtue of SFO, JIANG Lei (蔣磊) is deemed to be interested in the Shares held by Orient Best Investments Limited. After the Reporting Period and as at the Latest Practicable Date, Orient Best Investments limited no longer holds shares of the Bank.
- ¹² After the Reporting Period and as at the Latest Practicable Date, the shares of the Bank held by WEI Shenqing (韋深清) (as a beneficial owner) change to 29,583,000 shares (long position).
- ¹³ After the Reporting Period and as at the Latest Practicable Date, the shares of the Bank held by China Yinsheng Securities Limited (as a custodian) change to 284,083,000 shares (long position).
- ¹⁴ Hong Kong Xingrui International Investment Co., Limited (香港興瑞國際投資有限公司) (“**Hong Kong Xingrui**”) is wholly-owned by Zhengzhou Airport Zone Xingrui Industrial Co., Limited (鄭州航空港區興瑞實業有限公司) (“**Xingrui Industrial**”), being a state-owned company under the Zhengzhou Airport Zone Economic Intergrated Experimental Zone (Zhengzhou Xinzheng Integrated Free Trade Zone) Management Committee (鄭州航空港經濟綜合實驗區(鄭州新鄭綜合保稅區) 管理委員會), which was formerly known as Zhengzhou Xinzheng Integrated Free Trade Zone (Zhengzhou Airport Zone) Management Committee (鄭州新鄭綜合保稅區(鄭州航空港區)管理委員會). Xingrui Industrial is owned as to 51% and 49% by Zhengzhou Airport Zone Xinggang Investment Co., Limited (鄭州航空港興港投資發展有限公司) (formerly known as: Zhengzhou Xinzheng Integrated Free Trade Zone (Zhengzhou Airport Zone) Xinggang Investment and Development Co., Limited (鄭州新鄭綜合保稅區(鄭州航空港區)興港投資發展有限公司) (“**Zhengzhou Xinggang**”), and Shenzhen Qianhai Ruimaotong Supply Chain Platform Service Co., Limited (深圳前海瑞茂通供應鏈平台服務有限公司) (“**Ruimaotong**”). Ruimaotong is wholly-owned by Jiangsu Jinhe Electricity and Fuel Limited (江蘇晉和電力燃料有限公司) (“**Jiangsu Jinhe**”), being a company listed on the Shanghai Stock Exchange, which is in turn wholly-owned by Ruimaotong Supply Chain Management Co., Limited (瑞茂通供應鏈管理股份有限公司) (“**Ruimaotong Supply Chain Management**”). Ruimaotong Supply Chain Management is owned as to 60.76% by Zhengzhou Ruimaotong Supply Chain Management Company Limited (鄭州瑞茂通供應鏈有限公司) (“**Zhengzhou Ruimaotong**”). Zhengzhou Ruimaotong is wholly-owned by Zhengzhou Zhongrui Investment Company Limited (鄭州中瑞投資有限公司) (formerly known as Henan Zhongrui Investment Company Limited (河南中瑞投資有限公司)) (“**Zhengzhou Zhongrui**”), which is owned as to 70% by WAN Yongxing (萬永興). By virtue of SFO, Xingrui Industrial, Zhengzhou Xinggang, Ruimaotong, Jiangsu Jinhe, Ruimaotong Supply Chain Management, Zhengzhou Ruimaotong, Zhengzhou Zhongrui and WAN Yongxing (萬永興) are deemed to be interested in the Shares held by Hong Kong Xingrui.

- ¹⁵ Zhengzhou Zhengdong New District Construction and Development Investment Corporation (鄭州市鄭東新區建設開發投資總公司) is established by the Zhengzhou Zhengdong New District Management Committee (鄭州市鄭東新區管理委員會).
- ¹⁶ Beijing Shang Finance Management Co., Ltd is owned as to 99.83% by Mr. WEI Lidong, Beijing Shang Finance Management Co., Ltd holds 129,000,000 shares of the Bank through certain subsidiaries.
- ¹⁷ Henan Hongbao Group Company Limited is owned by Yuan Guibao as to 39%. By virtue of SFO, Yuan Guibao is deemed to be interested in the Shares held by Henan Hongbao Group Company Limited.
- ¹⁸ After the Reporting Period and as at the Latest Practicable Date, Each of Join Right International Limited (合威國際有限公司) and Power Universal Golden Limited (力通金有限公司) owned 254,500,000 H Shares (long position) of the Bank.

Save as disclosed above, as at June 30, 2016, the Bank is not aware of any other person (other than the Directors, Supervisors and the chief executive of the Bank) having any interests or short positions in the Shares or underlying Shares of the Bank as recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO.

3 HOLDERS WITH 5% OR MORE SHAREHOLDING IN THE BANK

As at the end of the Reporting Period, Zhengzhou Finance Bureau directly held 490,904,755 Shares, accounting for 9.22%.

4 PLEDGE AND FREEZING OF SHARES OF THE BANK

As at the end of the Reporting Period, to the knowledge of the Bank, 1,662,762,980 Shares of the Bank were subject to pledge (accounting for 30.87 % of the total issued Shares of the Bank), of which 261,564,020 Shares were subject to freezing. 20,000,000 Shares were subject to judicial auction during the Reporting Period.

5 PURCHASE, SALE OR REDEMPTION OF THE BANK'S LISTED SECURITIES

During the six months ended June 30, 2016, there was no purchase, sale or redemption of the Bank's listed securities by the Bank or any of its subsidiaries.

CHAPTER V DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

1 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AS AT JUNE 30, 2016

Directors

Name	Gender	Date of birth	Position in the Bank	Term of Office
WANG Tianyu (王天宇)	M	March 1966	Chairman, Executive Director	2015.6.18-2018.6.18
SHEN Xueqing (申學清)	M	July 1965	President, Executive Director	2015.6.18-2018.6.18
ZHANG Rongshun (張榮順) ⁽¹⁾	M	June 1959	Vice chairman, Executive Director	2015.6.18-2016.8.4
FAN Yutao (樊玉濤)	M	May 1966	Non-executive Director	2015.9.8-2018.6.18
ZHANG Jingguo (張敬國)	M	July 1963	Non-executive Director	2015.6.18-2018.6.18
LIANG Songwei (梁嵩巍)	M	August 1968	Non-executive Director	2015.6.18-2018.6.18
MA Jinwei (馬金偉)	M	January 1976	Non-executive Director	2015.9.8-2018.6.18
JI Hongjun (姬宏俊)	M	June 1963	Non-executive Director	2015.6.18-2018.6.18
WANG Shihaoi (王世豪)	M	April 1950	Independent non-executive Director	2015.6.18-2018.6.18
LI Huaizhen (李懷珍)	M	June 1957	Independent non-executive Director	2015.9.8-2018.6.18
XIE Taifeng (謝太峰)	M	August 1958	Independent non-executive Director	2015.9.8-2018.6.18
WU Ge (吳革)	M	May 1967	Independent non-executive Director	2015.9.8-2018.6.18
CHAN Mei Bo Mabel (陳美寶)	F	November 1971	Independent non-executive Director	2015.9.8-2018.6.18

- (1) Mr. Zhang Rongshun has submitted written resignation to the Board on May 28, 2016 due to work reallocation. Mr. Zhang resigned from the positions as executive Director and vice chairman of the Bank and member of the Strategic Development Committee of the Board. The Board has approved Mr. Zhang's resignation from the above positions with effect from a new executive Director taking office on August 4, 2016.

Supervisors

Name	Gender	Date of Birth	Position in the Bank	Term of Office
ZHAO Lijuan (趙麗娟) ⁽²⁾	F	September 1962	Chairman of the Board of Supervisors/ Shareholder Supervisor	2016.6.17-2018.6.18
MENG Jun (孟君)	F	November 1971	Shareholder Supervisor	2015.6.18-2018.6.18
ZHU Zhihui (朱志輝)	M	August 1969	Shareholder Supervisor	2015.6.18-2018.6.18
TANG Yunwei (湯雲為)	M	November 1944	External Supervisor	2015.6.18-2018.6.18
LIU Yuhui (劉煜輝)	M	October 1970	External Supervisor	2015.6.18-2017.6.24
XU Changsheng (徐長生) ⁽²⁾	M	October 1963	External Supervisor	2016.6.17-2018.6.18
DUAN Ping (段萍)	F	April 1966	Employee Supervisor	2015.6.18-2018.6.18
ZHANG Chungge (張春閣)	F	December 1968	Employee Supervisor	2015.6.18-2018.6.18
CUI Huarui (崔華瑞)	F	May 1967	Employee Supervisor	2015.6.18-2018.6.18

- (2) Ms. Zhao Lijuan was elected as the shareholder Supervisor in the 2015 annual general meeting held by the Bank on June 17, 2016, and Mr. Xu Changsheng was elected as the external supervisor. Their terms of office shall expire until the expiry of the term of the fifth session of the Board of Supervisors. In the third extraordinary meeting in 2016 held by the fifth session of the Board of Supervisors of the Bank on June 17, 2016, Ms. Zhao Lijuan was elected as the chairman of the Board of Supervisors. Ms. Zhao Lijuan resigned as the vice president of the Bank on March 26, 2016.

Senior Management

Name	Gender	Date of Birth	Position in the Bank
SHAN Xueqing (申學清)	M	July 1965	President
XIA Hua (夏華)	M	August 1967	Vice president
BAI Xiaofeng (白效鋒)	M	August 1967	Vice president
GUO Zhibin (郭志彬)	M	October 1968	Vice president
SUN Haigang (孫海剛)	M	August 1977	Assistant to president
ZHANG Wenjian (張文建)	M	June 1965	Assistant to president
MAO Yuezhen (毛月珍)	F	April 1963	Chief accountant
FU Chunqiao (傅春喬)	M	October 1973	Secretary of the Board of Directors
JIANG Tao (姜濤)	M	April 1972	Chief information officer

2 CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**2.1 Changes of Directors during the Reporting Period**

On March 26, 2016, Mr. MA Lei resigned as non-executive Director of the Bank due to work reallocation. Mr. YU Zhanglin was approved by the Board to be proposed to be appointed as non-executive Director of the Bank and the proposal was submitted to the 2015 annual general meeting of the Bank for approval. For details of the resignation of Mr. MA Lei and the proposed appointment of Mr. YU Zhanglin, please refer to the announcement of the resignation of non-executive Director and the proposed appointment of non-executive Director published on March 26, 2016.

On April 16, 2016, Mr. XU Jianxin passed away due to illness and ceased to be the vice chairman and non-executive Director of the Bank.

On May 28, 2016, Mr. Zhang Rongshun, an executive Director and vice chairman of the Bank submitted written resignation to the Board due to work reallocation. Mr. Feng Tao was considered and approved by the Board as an executive Director of the Bank. For details of the resignation of Mr. Zhang Rongshun and the appointment of Mr. Feng Tao as an executive Director of the Bank, please refer to the announcement of resignation of executive Director and proposed appointment of executive Director published by the Bank on May 28, 2016.

Upon election by the 2015 annual general meeting of the Bank held on June 17, 2016, Mr. Feng Tao was elected as an executive Director of the Bank and Mr. Yu Zhanglin was elected as a non-executive Director of the Bank.

2.2 Changes of Supervisors during the Reporting Period

On March 28, 2016, Mr. FAN Dalu resigned as a Supervisor and the chairman of the Board of Supervisors of the Bank due to work reallocation and Mr. ZHANG Shengping notified the Board of Supervisors of the Bank that he would resign from the position of Supervisor of the Bank due to relevant national restriction requirements. Ms. ZHAO Lijuan and Mr. XU Changsheng were approved by the Board of Supervisors to be proposed to be appointed as Supervisors of the Bank and the proposal was submitted to the 2015 annual general meeting of the Bank for approval. For details of the resignation of Mr. FAN Dalu and Mr. ZHANG Shengping and the proposed appointment of Ms. ZHAO Lijuan and Mr. XU Changsheng, please refer to the announcement of the change of Supervisors published on March 28, 2016.

Upon election by the 2015 annual general meeting of the Bank held on June 17, 2016, Ms. Zhao Lijuan was elected as a shareholder Supervisor of the Bank and Mr. Xu Changsheng was elected as an external Supervisor of the Bank. In the third extraordinary meeting in 2016 held by the fifth session of the Board of Supervisors of the Bank on June 17, 2016, Ms. Zhao Lijuan was elected as the chairman of the Board of Supervisors.

2.3 Changes of Directors after the Reporting Period

The qualifications of directorship for Mr. Feng Tao and Mr. Yu Zhanglin were approved by the China Banking Regulatory Commission Henan Office on August 4, 2016, and their terms shall be effective from the date of approval to the expiry of the term of office of the fifth session of the Board. It is expected to terminate on the date the 2017 annual general meeting shall be held. At the same time, Mr. Zhang Rongshun resigned as a Director and the vice chairman of the Bank, with effect from August 4, 2016.

In the second extraordinary board meeting 2016 for the fifth session of the Board held on May 28, 2016, Mr. Feng Tao was also elected as a vice chairman of the Bank. His qualification for the position of vice chairman was approved by the China Banking Regulatory Commission Henan Office on August 4, 2016.

For details of the approval of the qualifications of directorship for Mr. Feng Tao and Mr. Yu Zhanglin, please refer to the announcement an approval of the qualification of directorship by the regulatory body published on August 15, 2016.

2.4 Changes of Senior Management

In the announcement published by the Bank on March 28, 2016, Ms. Zhao Lijuan submitted her resignation to the Bank for the position as vice president of the Bank due to work reallocation, and ceased to perform her duties as the vice president from March 26, 2016.

At the third Meeting of the Fifth Session of the Board of Directors of the Bank held on October 24, 2015, Mr. Jiang Tao was appointed as Chief Information Officer of the Bank. His qualification of Chief Information Officer has been approved by the CSRC Henan Office.

3 SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND RELEVANT EMPLOYEES

The Bank has adopted a code of conduct on terms no 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 as its code governing securities transactions conducted by its Directors and Supervisors and relevant employees. After having made inquiries to all Directors and Supervisors, the Bank confirmed that they had complied with the above code during the Reporting Period. The Bank was not aware that any relevant employee had breached the code.

4 INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at June 30, 2016, the interests of Directors, Supervisors and President of the Bank 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:

Name	Position	Class of Shares	Nature	Number of shares held directly or indirectly (Shares) (Long position)	Percentage of the relevant class of Shares in issue (%)	Percentage of all Shares in issue(%)
Wang Tianyu (王天宇)	Director	Domestic Shares	Beneficial owner	18,928	0.0005	0.0004
Zhang Rongshun (張榮順)	Director	Domestic Shares	Beneficial owner	51,612	0.0014	0.0010
			Interest of spouse	47,259	0.0012	0.0009
Zhu Zhihui (朱志輝)	Supervisor	Domestic Shares	Interest of controlled corporation	199,046,474	5.23	3.74
Duan Ping (段萍)	Supervisor	Domestic Shares	Beneficial owner	4,000	0.0001	0.00008
Zhang Chungge (張春閣)	Supervisor	Domestic Shares	Beneficial owner	14,056	0.0004	0.0003

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

5 STAFF

5.1 Composition

By department/function	Number of employees	Percentage
Finance and accounting	1,186	35%
Corporate and retail	217	7%
Risk management, internal audit and compliance	133	4%
Retail banking	470	14%
Corporate banking	413	12%
I.T.	66	2%
Business management and support	860	25%
Treasury business	48	1%
Total	3,393	100%

By age	Number of employees	Percentage
30 or below	1,835	54%
31- 40	747	22%
41- 50	723	21%
Over 50	88	3%
Total	3,393	100%

By education	Number of employees	Percentage
Master or above	339	10%
Bachelor	2,437	72%
Non-degree tertiary	524	15%
Others	93	3%
Total	3,393	100%

5.2 Staff Training Plan

The Bank formulated the annual training plan based on the development strategies and the educational training objectives, and launched various training sessions to guarantee for the training quality, and enhance the professionalism of employees and provide support to their career progress. During the Reporting Period, the Bank consolidated the general sub-branch's three-tier training resources and launched intensive training projects for new businesses, new systems and new products, and also provided training to improve senior-/mid-level management's capability, specialist training, junior staff training and new staff training. The Bank earnestly grasped the work for constructing the mobile training platform and building up the internal instructor team with a total of 42 intensive training sessions for 9,974 employee participants for various business lines for the first half of 2016.

5.3 Remuneration Policy for Staff

The Bank has established a performance-based remuneration system and the salary of employees is based on their positions and performance appraisal. The Bank provides employees with the social insurance contribution, housing provident fund and other employees benefit packages in accordance with the laws, rules and regulations of the PRC.

6 BASIC INFORMATION OF INSTITUTIONS UNDER THE BANK

The following table sets out the branches and sub-branches of the Bank as at June 30, 2016:

Region	Name of branch	Business address	Notes
Zhengzhou, Henan	Headquarter	22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou City, Henan Province.	In charge of 104 branch institutions in Zhengzhou and 22 institutions in provincial prefectures and cities for conducting external business
Nanyang, Henan	Nanyang	The junction of Zhongjing Road and Fanli Road, Wancheng District, Nanyang City, Henan Province	In charge of 8 institutions for conducting external business
Xinxiang, Henan	Xinxiang	No. 278, Xiangyang Road, Xinxiang City, Henan Province	In charge of 4 institutions for conducting external business
Luoyang, Henan	Luoyang	Longan Building (隆安大廈), the junction of Guanlin Road and Houzaimen Street, Luolong District, Luoyang City, Henan Province	In charge of 3 institutions for conducting external business
Anyang, Henan	Anyang	Yiwu International Business & Trade Mansion, the junction of Chouzhou Road and Delong Street, Andong New District, Anyang City, Henan Province	In charge of 3 institutions for conducting external business
Shangqiu, Henan	Shangqiu	Floor A2B, Siji Harbour, Wenhua Road North and Zhongzhou Road East, Liangyuan District, Shangqiu City, Henan Province	In charge of 1 institution for conducting external business

Region	Name of branch	Business address	Notes
Xuchang, Henan	Xuchang	Juncheng International Building (亨通君成國際大廈), The junction of Liancheng Avenue and Weiwen Road, Weidu District, Xuchang City, Henan Province	In charge of 1 institution for conducting external business
Luohe, Henan	Luohe	Luohe Floor 1-5, Changjian International (昌建國際), the junction of Songshan East Branch Road and Mudanjiang Road, Yancheng District, Luohe District, Henan Province	In charge of 1 institution for conducting external business
Xinyang, Henan	Xinyang	Floor 1-2, Guolebai Gonggua (中樂百花公館), the junction of Xinqi Avenue and Xinba Street, Yangshan New District, Xinyang City, Henan Province	In charge of 1 institution for conducting external business
Zhengzhou, Henan	Small Business Financial Service Centre	24/F, Bank of Zhengzhou Building, 22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou City, Henan Province	

CHAPTER VI

CORPORATE GOVERNANCE

1 OVERVIEW OF CORPORATE GOVERNANCE

The Bank has been committed to high standards of corporate governance, in accordance with domestic and foreign corporate governance requirements, which established a fairly comprehensive system of corporate governance, general meeting of shareholders, board of supervisors, with senior management responsibilities being set out clearly, independently, and allowing effective checks and balances. These initiatives have ensured that all parties can work together efficiently, adopting scientific decision-making, fully protecting the rights of shareholders and enhancing corporate value.

During the Reporting Period, each of the Bank's shareholders' meeting, the Board of Directors, the Board of Supervisors and the committees under the Board of Directors and the Board of Supervisors performed their duties, and engaged in proactive operations so as to protect the sound operation of the Bank's compliance and sustained healthy development. During the Reporting Period, the Bank held 30 meetings. Among them, there were 1 general meeting of shareholders; 5 meetings of the Board of Directors, 15 meetings of the special committees of the Board; 5 meetings of the Board of Supervisors and 4 meetings for the special committees of the Board of Supervisors.

In addition, during the Reporting Period, the Bank has complied with the code provisions as set out in Appendix 14, the Corporate Governance Code under the Listing Rules, and has also complied with the requirement of the management of inside information under the relevant rules and regulation and the Listing Rules.

2 CONVENING OF SHAREHOLDERS' GENERAL MEETING

During the first half of 2016, the Bank held 1 shareholders' general meeting, with details as follows:

On June 17, 2016, the Bank held the 2015 Annual General Meeting in Zhengzhou, Henan Province. In the meeting, 15 resolutions regarding the 2015 Board of Directors' report, 2015 Board of Supervisors' report, 2016 financial budget, 2016 profit distribution plan, amendments to the Articles of Association, issuance of green financial bonds, the appointment of Directors and Supervisors and the adoption of Administrative Measures on Remuneration and Performance of Directors and Supervisors at Governance Level were considered and approved.

The convening of the above shareholders' meeting, its notice, holding and voting procedures were in line with the relevant provisions of the relevant laws and regulations and the Bank's Articles of Association.

3 MEETINGS HELD BY THE BOARD OF DIRECTORS AND ITS SPECIAL COMMITTEES

During the Reporting Period, the Bank held 5 meetings of the Board of Directors, at which 48 resolutions were considered and approved. The special committees of the Board of Directors held 15 meetings, and 28 resolutions were considered and approved. The Strategic Development Committee held 2 meetings and considered and approved 5 resolutions; the Risk Management Committee held 2 meetings and considered and approved 7 resolutions; the Related Party Transactions Control Committee held 4 meetings and considered and approved 7 resolutions; the Audit Committee held 2 meetings and considered and approved 3 resolutions; the Nomination Committee held 3 meetings and considered and approved 4 resolutions; the Remuneration and Assessment Committee held 2 meetings and considered and approved 2 resolutions.

4 MEETINGS HELD BY THE BOARD OF SUPERVISORS AND ITS SPECIAL COMMITTEES

During the Reporting Period, the Bank held 5 meetings of the Board of Supervisors, at which 23 resolutions were considered and approved. The Supervision Committee held 3 meetings and considered and approved 8 resolutions; the Nomination Committee held 1 meetings and considered and approved 7 resolutions.

5 AMENDMENTS TO THE ARTICLES OF ASSOCIATION

During the Reporting Period, to satisfy the requirements in corporate governance and regulated operations after listing, the Bank made amendments to the Articles of Association in relation to joint holders of a share and election of external Supervisors with reference to the requirements from The Central Clearing And Settlement System and the Work Guidelines on the Board of Supervisors of Commercial Banks (商業銀行監事會工作指引). The proposal regarding the amendments to the Articles of Association was considered and approved at the 2015 annual general meeting held on June 17, 2016 and is pending for the approval of CBRC Henan Office.

6 INTERNAL CONTROL AND INTERNAL AUDIT

6.1 INTERNAL CONTROL

According to laws and regulations including the Company Law of the People's Republic of China, Basic Norms of Corporate Internal Control and its supplementary guidelines as well as relevant requirements of Hong Kong Stock Exchange, on the basis of strictly complying with internal control principles including "comprehensiveness, balance, prudence and suitability", the Bank established a characteristic internal control system in terms of internal control environment, risk identification and control, control measures, supervision and rectification measures for its principle business.

Based on its scale and stage of development, by improving the organizational structure and the reconstruction of business procedures and implementing operational system authorized by the single legal person, the Bank has established and improved its modern corporate governance structure of "3 Boards and 1 Management" and a reasonable, balanced, lean and efficient system for organizational structure. The Board of Directors of the Bank is responsible for ensuring the established and implementation of an effective internal control system; the Board of Supervisors is responsible for monitoring the Board of Directors and the senior management to improve internal control system and perform internal control duties; the senior management is responsible for implementing the decisions made by the Board of Directors, establishing and improving internal structure to ensure effective performance of internal control and conducting supervision and evaluation on the appropriateness and effectiveness of the internal control system.

In order to strengthen and improve internal control management, the Bank has formulated and published the Management Measures for Internal Control of Bank of Zhengzhou, designed for internal control system and developed "three lines of control". The first one is to promptly control, restrict and supervise the department and positions of the business operation level; the second one is to design, manage, supervise and check business procedures by management departments; the third one is to supervise, evaluate on and urge for revision for business operation by internal audit department.

During the Reporting Period, the Bank revised and improved 91 internal control systems, formulated and issued measures for case prevention of 2016. It organized self-examination of new unlawful and criminal activities on telecommunication networks, inspection in employee behavior, risk inspection of deposits cases, special examination of business of investment banks, special examination of partners and authorized business, business examination on information quality, special examination of notes and other risk inspection. It continued to push forward the development of risk management system and ensure effective operation of internal control system. In addition, the Bank conducted internal control and self-evaluation on risk management of 2015. As reviewed and approved by the Board of Directors, no significant deficiencies were found in the design or implementation of the internal control and risk management system.

6.2 INTERNAL AUDIT

In accordance with the requirements of the Guidelines for the Internal Audit of Commercial Banks and the Guidelines on Internal Control of Commercial Banks, the Bank established an independent and vertical internal audit management system. As an executive body of the internal audit of the Bank, the internal audit office of the Board of Directors works under the specific guidance of the Audit Committee of the Board of Directors. In accordance with regulatory requirements and relevant system requirements, the internal audit office conscientiously performs its duties, regularly reports to the Board of Directors and the Board of Supervisors on the progress of the audit work, and timely submits audit reports and informs senior management.

Adhering to the principle of independence, objectivity and significance, the internal audit department of the Bank established overall planning of internal audit and annual work plan of the Bank, made arrangements for and implemented the audit of various business activities, operations and financial obligations of key staff members of the Bank during their tenure of service; inspected and evaluated the implementation of laws, regulations and rules, and suggested improvements to the management.

During the Reporting Period, the internal audit department of the Bank adhered to the principle of risk-oriented auditing, took the initiative in innovating its work, improved the auditing approach for upgrading the standards and quality of its work, continued to expand audit coverage, efficiently implemented audit work, objectively reflected the business and management of the Bank, and effectively facilitated the improvement of internal control and management mechanism and system of the Bank.

CHAPTER VII SIGNIFICANT EVENTS

1 ISSUANCE AND LISTING OF SHARES AND USE OF PROCEEDS

The Bank published an announcement on January 15, 2016 regarding the full exercise of the over-allotment option, announcing that the over-allotment option was fully exercised in respect of an aggregate of 198,000,000 H Shares, representing 15% of the offer shares initially available under the global offering before the exercise of the over-allotment option. Those shares were listed on the Hong Kong Stock Exchange on January 20, 2016. In the initial public offering, the Bank and its state-owned shareholders had issued and sold an aggregate of 1,518,000,000 H Shares at an offer price of HK\$3.85 per share.

The raised funds from the first issuance of H Shares of the Bank, after deducting the issuance expenses and amounts payable to NSSF, the net sales were RMB4,334,658,452, which were all used to replenish the capital of the Bank and put into operation together with other capital of the Bank, which is in line with the undertaking made in connection with the use of proceeds at the H Shares offering.

2 ISSUANCE AND REPURCHASE OF BONDS

The Bank issued financial bonds in 2013 with aggregate principal of RMB5 billion, divided into two types, namely (1) 3-year term with a fixed interest rate of 4.58% and due on May 20, 2016, and (2) 5-year term with a fixed interest rate of 4.80% and due on May 20, 2018.

The Bank issued 10-year tier-2 capital bonds in 2014, with aggregate principal of RMB2 billion and interest rate per annum of 5.73%. Such bonds will be due on December 15, 2024.

The 2015 annual general meeting approved that, the Board will authorize the management to, after obtaining the approval from the relevant regulatory authorities, issue green financial bonds with an aggregate amount not exceeding RMB5 billion. For details, please refer to the announcement regarding the proposed authorization of the issuance of green financial bonds published on March 26, 2016, and circular regarding the 2015 annual general meeting published on April 29, 2016. Such green financial bonds have been approved by CSRC Henan Branch in August 2, 2016, and are yet to be approved by PBoC.

3 ESTABLISHMENT AND THE OPERATION OF THE JIUDING FINANCIAL LEASING COMPANY

The Bank published an announcement on February 17, 2016 regarding the approval by the CBRC on the establishment of the Jiuding Financial Leasing Company, announcing that the establishment of Henan Jiuding Financial Leasing Company, 51% equity interest of which shall be held by the Bank, has been approved by the CBRC. After completion of the establishment work, the Jiuding Financial Leasing Company shall apply to the CBRC Henan Office for operation approval in accordance with relevant regulations and procedures.

The Bank published an announcement on March 23, 2016 regarding the operation approval by the CBRC Henan Office for the Jiuding Financial Leasing Company, announcing that the operation approval for the Jiuding Financial Leasing Company has been granted by the CBRC Henan Office on March 18, 2016. The Jiuding Financial Leasing Company has officially been in operation since March 23, 2016.

The Jiuding Financial Leasing Company is principally engaged in, among others, financial leasing, transfers of subject assets of financial leases, investment businesses in securities with fixed revenues, acceptance of lease deposit from lessee, sales and disposals of leasing projects and economic consulting.

4 OBTAINING B-CLASS LEAD UNDERWRITING QUALIFICATION FOR DEBT FINANCING INSTRUMENTS OF NON-FINANCIAL ENTERPRISES

The Bank published a voluntary announcement on obtaining B-class lead underwriting qualification for debt financing instruments of non-financial enterprises on May 26, 2016 to announce that according to the Announcement on the Market Assessment Result for Participation by Underwriting Members (Local Banks Category) in B-class Lead Underwriting Business of Debt Financing Instruments of Non-financial Enterprises (關於承銷類會員(地方性銀行類)參與非金融企業債務融資工具B類主承銷業務市場評價結果的公告) (the “**Announcement**”) issued by the National Association of Financial Market Institutional Investors, the Bank obtained B-class lead underwriting qualification for debt financing instruments of non-financial enterprises on May 18, 2016 and became the first city commercial bank in Henan province, the PRC, to obtain lead underwriting qualification for debt financing instruments. The Bank will be able to participate in lead underwriting businesses for debt financing instruments of non-financial enterprises within the territory of Henan province, the PRC, which include short-term financing, medium-term notes, principal-protected notes, ultra short-term financing bonds, asset-backed notes, project revenue notes and perpetual medium-term notes.

5 SIGNIFICANT LITIGATION AND ARBITRATION

During the Reporting Period, there were no litigation and arbitration which had a significant impact on the operating activities of the Bank.

6 SIGNIFICANT RELATED PARTY TRANSACTIONS

During the Reporting Period, there were no significant related party transactions which had an adverse impact on the operating results and financial position of the Bank.

7 PENALTY IMPOSED ON THE BANK AND ITS DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, the Bank and its Directors, Supervisors and senior management had not been subject to inspection, administrative penalty and criticism of the China Securities Regulatory Commission, public sanction of the Hong Kong Stock Exchange and penalty imposed by other regulatory bodies which had significant impact on the operation of the Bank.

8 PERFORMANCE OF UNDERTAKINGS OF THE BANK AND SHAREHOLDERS WITH SHAREHOLDING OF 5% OR MORE

During the Reporting Period, there were no undertakings given by the Bank or by Shareholders with shareholding of 5% or more of total issued Shares of the Bank.

9 SIGNIFICANT CONTRACTS AND INFORMATION ON THEIR PERFORMANCE

During the Reporting Period, the Bank had no significant contracts and information on their performance.

10 AUDIT REVIEW

The financial statements for the six months ended June 30, 2016 prepared by the Bank according to the International Financial Reporting Standards has been reviewed by KPMG, Certified Public Accountants, and the auditor's reports were unqualified. The 2016 Interim Report of the Bank has been reviewed by the Audit Committee of the Board and the Board of Directors.

11 SHARE OPTION SCHEME AND ITS IMPLEMENTATION DURING THE REPORTING PERIOD

During the Reporting Period, the Bank had not implemented any share option scheme.

12 APPOINTMENT OF AUDITORS

Upon consideration and approval at the 2015 annual general meeting convened on June 17, 2016, the Bank re-appointed KPMG and KPMG Huazhen (Special General Partnership) as the Bank's international and domestic auditors for 2016, whose term of office would end after the Bank's 2016 annual general meeting.

13 SIGNIFICANT ACQUISITION AND DISPOSAL OF ASSETS AND MERGERS OF BUSINESSES

During the Reporting Period, there was no significant acquisition and disposal of assets and mergers of businesses of the Bank which adversely affected the operation results and financial situations of the Bank.

14 PROFIT ALLOCATION DURING THE REPORTING PERIOD

2015 Profit Distribution

At the 2015 annual general meeting of the Bank held on June 17, 2016, the Bank considered and approved the 2015 profit distribution plan. Cash dividend of RMB1,064 million (tax inclusive) or RMB2.00 per 10 Share (tax inclusive) was declared to all Shareholders of the Bank. Dividend for 2015 of the Bank was distributed at July 15, 2016.

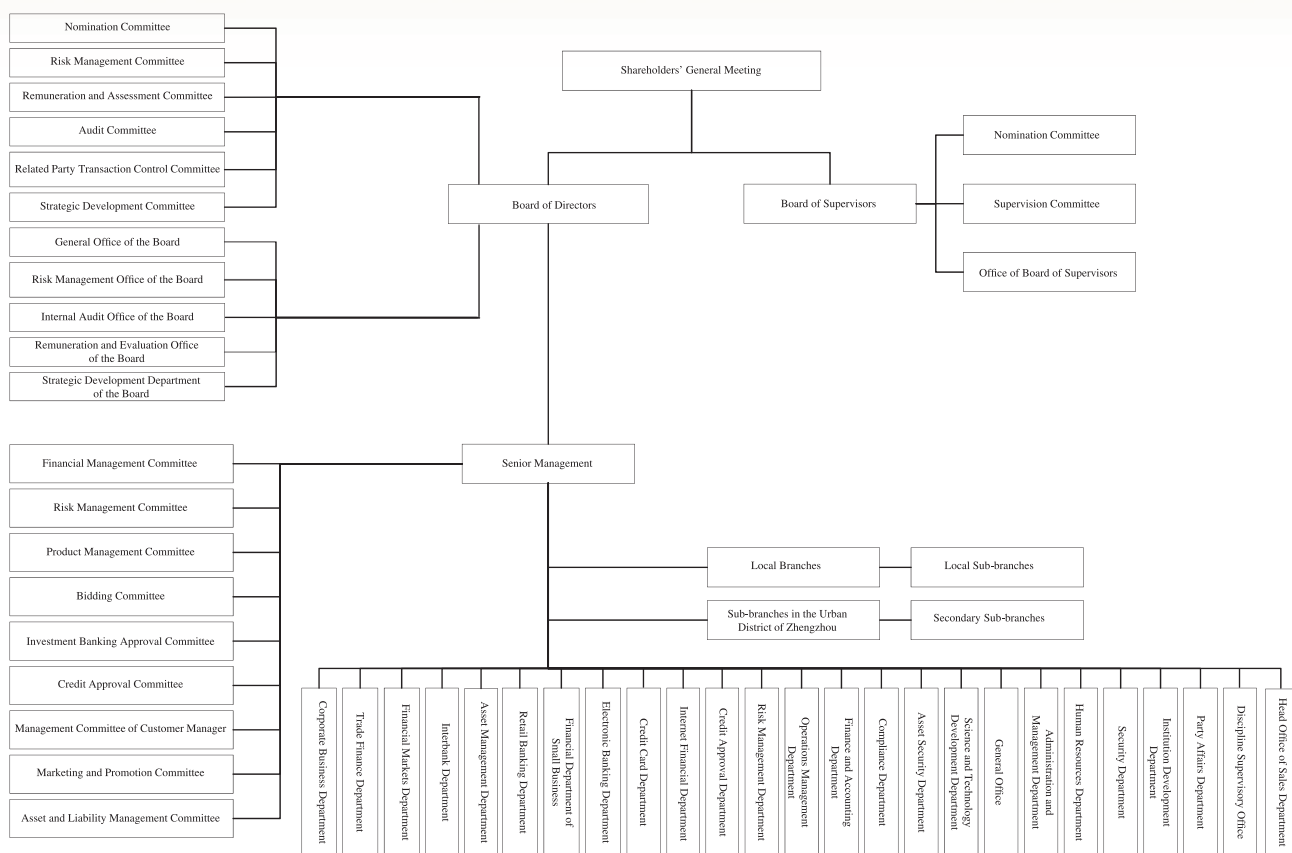
Interim distribution for 2016

Pursuant to the Bank's dividend distribution policy, and based on the Bank's detailed results of operation in the first half of 2016, the Board does not propose the distribution of an interim dividend for the six months ended June 30, 2016 (corresponding period in 2015: nil).

15 SUBSEQUENT EVENT

Upon approval at the Board Meeting, the Bank proposed to apply for an initial public offering and listing of the Bank's A shares in accordance with the general mandate for the issuance of new shares, and to adjust the issuing size of bonds relating to the issuance proposal of qualified tier II capital bonds considered and approved at 2014 annual general meeting from RMB3 billion to RMB5 billion. Such proposals related to the above matters was approved at the Board meeting of the Bank at July 16, 2016, and will be submitted to the extraordinary general meeting of the Bank to be convened on September 27, 2016 for consideration. For details please refer to the announcement on the general mandate for the issuance of new shares, proposed A share offering and proposed adjustment to the issuing size of Qualified Tier II Capital Bonds and the circular on the general mandate for the issuance of new shares, proposed A share offering, proposed adjustment to the issuing size of Qualified Tier II Capital Bonds and notice of the 2016 first extraordinary general meeting published by the Bank on July 18, 2016 and August 12, 2016 respectively.

CHAPTER VIII ORGANIZATIONAL STRUCTURE



CHAPTER IX INTERIM FINANCIAL STATEMENTS

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

REVIEW REPORT TO THE BOARD OF DIRECTORS OF BANK OF ZHENGZHOU CO., LTD.

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

INTRODUCTION

We have reviewed the interim financial report set out on pages 79 to 166 which comprises the consolidated statement of financial position of Bank of Zhengzhou 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 an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, Interim financial reporting, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

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

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

27 August 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016 - unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2016	2015
Interest income		7,139,045	6,106,767
Interest expense		(3,199,000)	(2,822,278)
Net interest income	4	3,940,045	3,284,489
Fee and commission income		611,308	343,892
Fee and commission expense		(18,993)	(11,575)
Net fee and commission income	5	592,315	332,317
Net trading (losses)/gains	6	(61,138)	160,633
Net gains arising from investments	7	155,694	25,111
Other operating income	8	75,391	49,089
Operating income		4,702,307	3,851,639
Operating expenses	9	(1,104,449)	(920,411)
Impairment losses on assets	10	(839,047)	(671,946)
Operating profit		2,758,811	2,259,282
Share of profits of associates	21	21,158	23,965
Profit before taxation		2,779,969	2,283,247
Income tax expense	11	(648,871)	(532,591)
Profit for the period		2,131,098	1,750,656
Net profit attributable to:			
Equity shareholders of the Bank		2,121,760	1,750,656
Non-controlling interests		9,338	—
		2,131,098	1,750,656

The notes on pages 89 to 166 form part of this interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016 - unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2016	2015
Profit for the period		2,131,098	1,750,656
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
– Available-for-sale financial assets:			
net movement in the fair value reserve	32(d)	(22,394)	2,214
Items that will not be reclassified subsequently to profit or loss			
– Remeasurement of net defined benefit liability	32(e)	1,360	(3,075)
Other comprehensive income net of tax		(21,034)	(861)
Total comprehensive income		2,110,064	1,749,795
Total comprehensive income attributable to:			
Equity shareholders of the Bank		2,100,726	1,749,795
Non-controlling interests		9,338	—
		2,110,064	1,749,795
Basic and diluted earnings per share (in RMB)	12	0.40	0.44

The notes on pages 89 to 166 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016 - unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	30 June 2016	31 December 2015
Assets			
Cash and deposits with central bank	13	36,717,051	33,008,307
Deposits with banks and other financial institutions	14	3,020,381	7,679,078
Placements with banks and other financial institutions	15	10,046,268	5,519,560
Financial assets at fair value through profit or loss	16	8,998,761	13,001,517
Financial assets held under resale agreements	17	12,122,273	9,716,305
Loans and advances to customers	18	101,148,136	91,604,436
Financial investments:			
Available-for-sale financial assets	19	12,958,061	11,206,015
Held-to-maturity investments	19	35,462,050	23,901,914
Loans and receivables	19	88,315,000	65,105,660
Financial lease receivables	20	1,363,634	—
Interest in associates	21	216,054	195,625
Property and equipment	22	1,575,708	1,604,561
Deferred tax assets	23	764,173	589,143
Other assets	24	3,137,156	2,490,968
Total assets		315,844,706	265,623,089
Liabilities			
Due to the central bank		30,000	—
Deposits from banks and other financial institutions	25	29,834,010	21,453,178
Placements from banks and other financial institutions	26	9,779,979	5,820,236
Financial assets sold under repurchase agreements	27	19,378,562	19,602,600
Deposits from customers	28	195,062,060	169,195,471
Tax payable		751,850	505,816
Debt securities issued	29	35,914,470	27,039,068
Other liabilities	30	5,162,385	4,182,701
Total liabilities		295,913,316	247,799,070

The notes on pages 89 to 166 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016 - unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	30 June 2016	31 December 2015
Equity			
Share capital	31	5,321,932	5,141,932
Capital reserve	32	3,054,257	2,662,564
Surplus reserve	32	1,237,793	1,237,793
General reserve	32	3,163,200	3,163,200
Fair value reserve	32	(11,989)	10,405
Remeasurement of net defined benefit liability	32	(53,979)	(55,339)
Retained earnings		6,691,659	5,634,285
Total equity attributable to equity shareholders of the Bank		19,402,873	17,794,840
Non-controlling interests		528,517	29,179
Total equity		19,931,390	17,824,019
Total liabilities and equity		315,844,706	265,623,089

Approved and authorised for issue by the board of directors on 27 August 2016.

Wang Tianyu
Chairman of the Board of Directors
Executive Director

Shen Xueqing
President
Executive Director

Mao Yuezhen
Chief accountant

Li Guoquan
General Manager of the Planning and
Finance Department

(Company chop)

The notes on pages 89 to 166 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

Note	Attributable to equity shareholders of the Bank								Non-controlling interests	Total equity
	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Sub-total		
Balance at 1 January 2015	3,941,932	100,327	902,085	2,313,200	2,436	(27,572)	4,173,170	11,405,578	—	11,405,578
Profit for the period	—	—	—	—	—	—	1,750,656	1,750,656	—	1,750,656
Other comprehensive income 32(d) (e)	—	—	—	—	2,214	(3,075)	—	(861)	—	(861)
Total comprehensive income	—	—	—	—	2,214	(3,075)	1,750,656	1,749,795	—	1,749,795
Appropriation of profit:										
– Cash dividends 33	—	—	—	—	—	—	(709,548)	(709,548)	—	(709,548)
Balance at 30 June 2015	3,941,932	100,327	902,085	2,313,200	4,650	(30,647)	5,214,278	12,445,825	—	12,445,825

The notes on pages 89 to 166 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016 - unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Attributable to equity shareholders of the Bank							Non-controlling interests	Total equity	
		Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings			Sub-total
Balance at 1 July 2015		3,941,932	100,327	902,085	2,313,200	4,650	(30,647)	5,214,278	12,445,825	—	12,445,825
Profit for the period		—	—	—	—	—	—	1,605,715	1,605,715	(701)	1,605,014
Other comprehensive income	32(d) (e)	—	—	—	—	5,755	(24,692)	—	(18,937)	—	(18,937)
Total comprehensive income		—	—	—	—	5,755	(24,692)	1,605,715	1,586,778	(701)	1,586,077
Changes in share capital											
– Issue of H-shares	31	1,200,000	2,562,237	—	—	—	—	—	3,762,237	—	3,762,237
– Non-controlling interests from the establishment of subsidiary		—	—	—	—	—	—	—	—	29,880	29,880
Sub-total		1,200,000	2,562,237	—	—	—	—	—	3,762,237	29,880	3,792,117
Appropriation of profit:											
– Appropriation to surplus reserve	32(b)	—	—	335,708	—	—	—	(335,708)	—	—	—
– Appropriation to general reserve	32(c)	—	—	—	850,000	—	—	(850,000)	—	—	—
– Cash dividends	33	—	—	—	—	—	—	—	—	—	—
Sub-total		—	—	335,708	850,000	—	—	(1,185,708)	—	—	—
Balance at 31 December 2015		5,141,932	2,662,564	1,237,793	3,163,200	10,405	(55,339)	5,634,285	17,794,840	29,179	17,824,019

The notes on pages 89 to 166 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

Note	Attributable to equity shareholders of the Bank								Non-controlling interests	Total equity
	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Sub-total		
Balance at 1 January 2016	5,141,932	2,662,564	1,237,793	3,163,200	10,405	(55,339)	5,634,285	17,794,840	29,179	17,824,019
Profit for the period	—	—	—	—	—	—	2,121,760	2,121,760	9,338	2,131,098
Other comprehensive income 32(d) (e)	—	—	—	—	(22,394)	1,360	—	(21,034)	—	(21,034)
Total comprehensive income	—	—	—	—	(22,394)	1,360	2,121,760	2,100,726	9,338	2,110,064
Changes in share capital										
- Over-allotment H Shares 31	180,000	392,422	—	—	—	—	—	572,422	—	572,422
- Non-controlling interests from the establishment of subsidiary 21(a)	—	—	—	—	—	—	—	—	490,000	490,000
- Others	—	(729)	—	—	—	—	—	(729)	—	(729)
Sub-total	180,000	391,693	—	—	—	—	—	571,693	490,000	1,061,693
Appropriation of profit:										
- Cash dividends 33	—	—	—	—	—	—	(1,064,386)	(1,064,386)	—	(1,064,386)
Balance at 30 June 2016	5,321,932	3,054,257	1,237,793	3,163,200	(11,989)	(53,979)	6,691,659	19,402,873	528,517	19,931,390

The notes on pages 89 to 166 form part of this interim financial report.

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2016 - unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2016	2015
Cash flows from operating activities		
Profit before tax	2,779,969	2,283,247
<i>Adjustments for:</i>		
Impairment losses on assets	839,047	671,946
Depreciation and amortisation	101,815	72,012
Unwinding of discount	(26,457)	(23,637)
Unrealised foreign exchange gains	(86,491)	(336)
Net gains on disposal of long-term assets	—	(38,835)
Net trading losses/(gains) of financial assets at fair value through profit or loss	69,547	(160,049)
Net gains arising from investments	(155,694)	(25,111)
Share of profits of associates	(21,158)	(23,965)
Interest expense on debt securities issued	633,558	245,728
Interest income on financial investments	(3,333,037)	(2,477,439)
	801,099	523,561
<i>Changes in operating assets</i>		
Net (increase)/decrease in deposits with central bank	(538,256)	355,872
Net increase in deposits and placements with banks and other financial institutions	(3,430,651)	(2,131,954)
Net decrease/(increase) in financial assets at fair value through profit or loss	3,933,209	(4,199,480)
Net increase in loans and advances to customers	(10,786,444)	(8,426,951)
Net increase in financial assets held under resale agreements	(2,405,968)	(2,098,225)
Net increase in financial lease receivables	(1,376,426)	—
Net decrease/(increase) in other operating assets	51,611	(143,345)
	(14,552,925)	(16,644,083)

The notes on pages 89 to 166 form part of this interim financial report.

CONSOLIDATED CASH FLOW STATEMENT

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

	Six months ended 30 June	
	2016	2015
<i>Changes in operating liabilities</i>		
Net increase in amounts due to the central bank	30,000	—
Net increase/(decrease) in deposits and placements from banks and other financial institutions	12,340,575	(1,405,801)
Net decrease in financial assets sold under repurchase agreements	(224,038)	(3,759,923)
Net increase in deposits from customers	25,866,589	13,601,243
Income tax paid	(647,796)	(497,726)
Net increase in other operating liabilities	928,147	1,461,939
	38,293,477	9,399,732
Net cash flows generated from/(used in) operating activities	24,541,651	(6,720,790)
Cash flows from investing activities		
Proceeds from disposal and redemption of investments	82,417,287	54,389,172
Proceeds from disposal of property and equipment and other assets	8,447	30,588
Payments on acquisition of investments	(119,109,368)	(58,463,029)
Dividends and interest received	3,110,945	2,387,104
Payments on acquisition of property and equipment and other assets	(633,386)	(363,472)
Net cash flows used in investing activities	(34,206,075)	(2,019,637)
Cash flows from financing activities		
Proceeds received from issuance of H-shares	572,422	—
Capital contribution by non-controlling interests	490,000	—
Proceeds received from debt securities issued	31,913,680	11,544,713
Repayment of debt securities issued	(23,482,117)	(1,500,000)
Interest paid on debt securities issued	(262,603)	(269,603)
Dividends paid	(39)	(700,282)
Net cash flows generated from financing activities	9,231,343	9,074,828
Net (decrease)/increase in cash and cash equivalents	(433,081)	334,401

The notes on pages 89 to 166 form part of this interim financial report.

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2016 - unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
Note	2016	2015
Cash and cash equivalents as at 1 January	14,514,260	10,089,462
Effect of foreign exchange rate changes on cash and cash equivalents	40,929	336
Cash and cash equivalents as at 30 June	14,122,108	10,424,199
Net cash flows generated from operating activities include:		
Interest received	3,832,324	3,478,754
Interest paid	(2,378,670)	(2,401,489)

The notes on pages 89 to 166 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016 - unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

1 BACKGROUND INFORMATION

Bank of Zhengzhou Co., Ltd., (the “Bank”), formerly known as City Commercial Bank of Zhengzhou Co., Ltd., is a joint-stock commercial bank established with the approval of the People’s Bank of China (the “PBOC”) in accordance with the notice of JiyinFu [2000] No. 64. The Bank changed its name to Bank of Zhengzhou Co., Ltd. in October 2009. The registered address is No.22 Business Waihuan Road, Zhengdong New District, Zhengzhou City, Henan Province. In December 2015, the Bank’s H-shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited.

The principal activities of the Bank and its subsidiaries (collectively the “Group”) includes taking deposits from the public; extending short-term, medium-term and long-term loans; effecting domestic settlements; accepting and discounting bills; issuing financial bonds; acting as the issuing agent, cashing agent and the underwriting of government bonds; trading government bonds; engaging in interbank borrowings; offering guarantees; providing safe-deposit box service; collecting and making payments as agent and acting as insurance agent; accepting entrusted loans; finance leasing and other businesses approved by the banking regulatory authorities under the State Council.

By 30 June 2016, the Bank has established the head office in Zhengzhou, and eight branches in Nanyang, Xinxiang, Luoyang, Anyang, Xuchang, Shangqiu, Luohe and Xinyang within Henan Province. The Bank operates in Henan Province of the PRC.

As at 30 June 2016, details of the subsidiaries are set out in note 21.

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.

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016 - unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

2 BASIS OF PREPARATION (continued)

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all 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.

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

3 CHANGES IN ACCOUNTING POLICIES

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

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

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

Annual Improvements to IFRSs 2012-2014 Cycle

This cycle of annual improvements contains amendments to four standards. Among them, IAS 34, Interim financial reporting, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time.

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

The amendments to IAS 1 introduce narrow-scope changes to various presentation requirements.

The adoption of these improvements and amendments does not have any material impact on the financial position and the financial results of the Group.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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

4 NET INTEREST INCOME

	Six months ended 30 June	
	2016	2015
Interest income arising from		
Deposits with central bank	199,669	195,528
Deposits and placements with banks and other financial institutions	139,977	66,680
Loans and advances to customers		
– Corporate loans and advances	2,302,127	2,013,802
– Personal loans and advances	717,782	816,051
– Discounted bills	100,866	134,039
Financial assets held under resale agreements	101,958	80,399
Financial investments	3,562,872	2,800,268
Financial lease receivables	13,794	—
Sub-total	7,139,045	6,106,767
Interest expense arising from		
Amounts due to central bank	(64)	—
Deposits and placements from banks and other financial institutions	(642,683)	(860,373)
Deposits from customers	(1,695,708)	(1,519,725)
Financial assets sold under repurchase agreements	(226,987)	(196,452)
Debt securities issued	(633,558)	(245,728)
Sub-total	(3,199,000)	(2,822,278)
Net interest income	3,940,045	3,284,489
Of which:		
Interest income arising from impaired financial assets identified	26,457	23,637

- (a) Interest expense on financial liabilities with maturity over five years mainly included the interest expense on deposits from customers and debt securities issued.
- (b) Total interest income arising from financial assets that are not at fair value through profit or loss for the period ended 30 June 2016 amounted to RMB6,909 million (Six months ended 30 June 2015: RMB5,784 million).

Total interest expense arising from financial liabilities that are not at fair value through profit or loss for the period ended 30 June 2016 amounted to RMB3,199 million (Six months ended 30 June 2015: RMB2,822 million).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016 - unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

5 NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2016	2015
Fee and commission income		
Agency and custody services fees	368,258	151,129
Underwriting and advisory fees	138,812	100,381
Acceptance and guarantee services fees	77,884	69,261
Bank card services fees	20,606	14,899
Others	5,748	8,222
Sub-total	611,308	343,892
Fee and commission expense	(18,993)	(11,575)
Net fee and commission income	592,315	332,317

6 NET TRADING (LOSSES)/GAINS

	Note	Six months ended 30 June	
		2016	2015
Net (losses)/gains from debt securities	(a)	(109,666)	160,049
Net foreign exchange gains	(b)	48,528	584
Total		(61,138)	160,633

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

(b) Net foreign exchange gains mainly included gains from purchase and sale of foreign currency spot, and translation of foreign currency monetary assets and liabilities into Renminbi.

7 NET GAINS ARISING FROM INVESTMENTS

	Six months ended 30 June	
	2016	2015
Net gains from financial investments	155,694	25,111
Total	155,694	25,111

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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

8 OTHER OPERATING INCOME

	Six months ended 30 June	
	2016	2015
Rental income	5,763	4,345
Government grants	67,777	4,621
Net gains on disposal of property and equipment	—	38,835
Others	1,851	1,288
Total	75,391	49,089

9 OPERATING EXPENSES

	Six months ended 30 June	
	2016	2015
Staff costs		
– Salaries, bonuses and allowance	359,913	270,437
– Social insurance and annuity	71,085	54,259
– Supplementary retirement benefits	3,387	2,890
– Staff welfare	40,241	29,850
– Housing allowance	21,005	16,089
– Others	9,123	8,365
Sub-total	504,754	381,890
Depreciation and amortisation	101,815	72,012
Rental and property management expenses	69,656	59,023
Office expenses	29,792	27,993
Business tax and surcharges	175,198	210,396
Other general and administrative expenses	223,234	169,097
Total	1,104,449	920,411

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016 - unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

10 IMPAIRMENT LOSSES ON ASSETS

	Six months ended 30 June	
	2016	2015
Loans and advances to customers	728,032	602,753
Financial investments classified as loans and receivables	95,000	40,884
Financial lease receivables	13,774	—
Others	2,241	28,309
Total	839,047	671,946

11 INCOME TAX EXPENSE

(a) Income tax for the period:

	Note	Six months ended 30 June	
		2016	2015
Current tax		812,527	655,254
Deferred tax	23	(168,019)	(120,347)
Adjustment for prior years		4,363	(2,316)
Total		648,871	532,591

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

	Note	Six months ended 30 June	
		2016	2015
Profit before tax		2,779,969	2,283,247
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		694,992	570,812
Non-deductible expenses		13,861	870
Non-taxable income	(1)	(64,345)	(36,775)
Sub-total		644,508	534,907
Adjustment for prior period		4,363	(2,316)
Income tax		648,871	532,591

- (1) Non-taxable income consists of interest income from the PRC government bonds, dividends from domestic companies and share of profits of associates, which are exempted from income tax under the PRC tax regulations.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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

12 BASIC AND DILUTED EARNINGS PER SHARE

	Note	Six months ended 30 June	
		2016	2015
Net profit attributable to equity shareholders of the Bank		2,121,760	1,750,656
Weighted average number of ordinary shares (in thousands)	(a)	5,291,932	3,941,932
Basic and diluted earnings per share attributable to equity shareholders of the Bank (in RMB)		0.40	0.44

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

(a) Weighted average number of ordinary shares (in thousands)

	Six months ended 30 June	
	2016	2015
Number of ordinary shares as at 1 January	5,141,932	3,941,932
Increase in weighted average number of ordinary shares	150,000	—
Weighted average number of ordinary shares	5,291,932	3,941,932

13 CASH AND DEPOSITS WITH CENTRAL BANK

	Note	30 June	31 December
		2016	2015
Cash on hand		791,788	854,463
Deposits with central bank			
– Statutory deposit reserves	(a)	24,568,072	23,963,735
– Surplus deposit reserves	(b)	11,293,010	8,059,847
– Fiscal deposits		64,181	130,262
Sub-total		35,925,263	32,153,844
Total		36,717,051	33,008,307

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016 - unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

13 CASH AND DEPOSITS WITH CENTRAL BANK (continued)

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

	30 June 2016	31 December 2015
Reserve ratio for RMB deposits	13.5%	15.0%
Reserve ratio for foreign currency deposits	5.0%	5.0%

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

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

14 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	2,470,470	3,706,367
– Other financial institutions	2,000	2,000
Sub-total	2,472,470	3,708,367
Deposits outside mainland China		
– Banks	547,911	3,970,711
Total	3,020,381	7,679,078

15 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2016	31 December 2015
Placements in mainland China		
– Banks	10,046,268	5,519,560
Total	10,046,268	5,519,560

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	30 June 2016	31 December 2015
Debt securities held for trading purpose			
– Government		1,334,362	1,046,670
– Policy banks		6,156,618	7,678,199
– Banks and other financial institutions		817,518	2,005,729
– Corporate		690,263	2,270,919
Total		8,998,761	13,001,517
Debt securities analysed into			
– Listed outside Hong Kong		1,443,586	1,326,995
– Unlisted		7,555,175	11,674,522
Total	(a)	8,998,761	13,001,517

- (a) As at the end of the reporting period, certain financial assets at fair value through profit or loss was pledged for repurchase agreements (Note 39(f)). No other investments were subject to material restrictions on the realization.

17 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by type and location of counterparty

	30 June 2016	31 December 2015
In mainland China		
– Banks	7,357,132	3,284,329
– Other financial institutions	4,765,141	6,431,976
Total	12,122,273	9,716,305

(b) Analysed by type of collateral held

	30 June 2016	31 December 2015
Debt securities	12,122,273	9,716,305
Total	12,122,273	9,716,305

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016 - unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

18 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	30 June 2016	31 December 2015
Corporate loans and advances	75,724,394	67,009,033
Personal loans and advances		
– Personal business loans	11,684,209	12,025,020
– Residential mortgage	5,425,597	5,827,735
– Personal consumption loans	4,274,939	3,709,418
– Auto loans	591,608	772,051
– Credit card	746,516	507,212
– Others	11	13
Sub-total	22,722,880	22,841,449
Discounted bills	5,535,731	4,443,244
Gross loans and advances to customers	103,983,005	94,293,726
Less: Provision for impairment losses		
– Individually assessed	(485,303)	(386,153)
– Collectively assessed	(2,349,566)	(2,303,137)
Total provision for impairment losses	(2,834,869)	(2,689,290)
Net loans and advances to customers	101,148,136	91,604,436

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

18 LOANS AND ADVANCES TO CUSTOMERS (continued)

(b) Analysed by economic sector

	30 June 2016		Loans and advances secured by collaterals
	Amount	Percentage	
Wholesale and retail	26,945,854	25.92%	12,525,687
Manufacturing	14,644,921	14.08%	5,277,063
Construction	9,713,146	9.34%	6,079,539
Real estate	8,563,706	8.24%	7,252,706
Agriculture, forestry, animal husbandry and fishery	3,489,380	3.36%	1,823,510
Leasing and commercial services	2,039,290	1.96%	1,363,412
Water, environment and public facility management	1,912,637	1.84%	1,315,140
Production and supply of electric and heating power, gas and water	1,409,280	1.36%	282,670
Transportation, storage and postal services	1,331,110	1.28%	358,660
Mining	1,272,481	1.22%	814,240
Accommodation and catering	1,272,279	1.22%	927,004
Public administration, public security and social organisations	1,010,000	0.97%	—
Culture, sports and entertainment	233,500	0.22%	43,750
Others	1,886,810	1.81%	596,228
Sub-total of corporate loans and advances	75,724,394	72.82%	38,659,609
Personal loans and advances	22,722,880	21.86%	15,042,174
Discounted bills	5,535,731	5.32%	2,675,587
Gross loans and advances to customers	103,983,005	100.00%	56,377,370

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For the six months ended 30 June 2016 - unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

18 LOANS AND ADVANCES TO CUSTOMERS (continued)

31 December 2015

	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail	23,617,884	25.05%	11,437,210
Manufacturing	14,101,155	14.95%	5,355,919
Real estate	7,349,608	7.79%	6,117,108
Construction	7,279,108	7.72%	4,442,330
Agriculture, forestry, animal husbandry and fishery	3,865,628	4.10%	2,093,740
Mining	1,848,987	1.96%	982,220
Leasing and commercial services	1,411,799	1.50%	701,640
Water, environment and public facility management	1,331,330	1.41%	734,030
Public administration, public security and social organisations	1,260,000	1.34%	—
Accommodation and catering	1,231,101	1.31%	893,751
Transportation, storage and postal services	1,132,722	1.20%	261,296
Production and supply of electric and heating power, gas and water	940,570	1.00%	352,960
Culture, sports and entertainment	434,780	0.46%	12,780
Others	1,204,361	1.28%	629,263
Sub-total of corporate loans and advances	67,009,033	71.07%	34,014,247
Personal loans and advances	22,841,449	24.22%	15,518,581
Discounted bills	4,443,244	4.71%	4,266,226
Gross loans and advances to customers	94,293,726	100.00%	53,799,054

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

18 LOANS AND ADVANCES TO CUSTOMERS (continued)

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

	30 June 2016				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the period	Written-off during the period
Wholesale and retail	435,491	169,431	768,489	321,333	159,252
Manufacturing	611,998	248,684	567,052	220,116	22,883

	31 December 2015				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the year	Written-off during the year
Wholesale and retail	365,212	132,053	758,045	362,543	50,560
Manufacturing	493,202	206,208	577,843	382,267	75,362

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016 - unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

18 LOANS AND ADVANCES TO CUSTOMERS (continued)

(c) Analysed by type of collateral

	30 June 2016	31 December 2015
Unsecured loans	3,839,423	1,316,185
Guaranteed loans	43,766,212	39,178,487
Loans secured by tangible assets other than monetary assets	32,199,435	30,193,828
Loans secured by intangible assets or monetary assets	24,177,935	23,605,226
Gross loans and advances to customers	103,983,005	94,293,726
Less: Provision for impairment losses		
– Individually assessed	(485,303)	(386,153)
– Collectively assessed	(2,349,566)	(2,303,137)
Total provision for impairment losses	(2,834,869)	(2,689,290)
Net loans and advances to customers	101,148,136	91,604,436

(d) 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	545	5,588	393	—	6,526
Guaranteed loans	2,024,240	1,049,081	153,411	—	3,226,732
Loans secured by tangible assets other than monetary assets	608,831	232,264	58,121	530	899,746
Loans secured by intangible assets or monetary assets	136,193	20,914	3,500	—	160,607
Total	2,769,809	1,307,847	215,425	530	4,293,611
As a percentage of gross loans and advances to customers	2.66%	1.26%	0.21%	0.00%	4.13%

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

18 LOANS AND ADVANCES TO CUSTOMERS (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	674	5,524	36	—	6,234
Guaranteed loans	1,112,777	649,401	245,607	—	2,007,785
Loans secured by tangible assets other than monetary assets	369,060	164,701	55,015	530	589,306
Loans secured by intangible assets or monetary assets	265,452	21,038	3,500	—	289,990
Total	1,747,963	840,664	304,158	530	2,893,315
As a percentage of gross loans and advances to customers	1.86%	0.89%	0.32%	0.00%	3.07%

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For the six months ended 30 June 2016 - unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

18 LOANS AND ADVANCES TO CUSTOMERS (continued)

(e) 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
	Impaired loans and advances				
Loans and advances for which loans and advances provision are collectively assessed	for which provision are collectively assessed	for which provision are individually assessed			
Gross loans and advances to customers	102,632,334	137,703	1,212,968	103,983,005	1.30%
Less: Provision for impairment losses	(2,303,750)	(45,816)	(485,303)	(2,834,869)	
Net loans and advances to customers	100,328,584	91,887	727,665	101,148,136	

	31 December 2015			Total	Gross impaired loans and advances as a percentage of gross loans and advances
	Impaired loans and advances				
Loans and advances for which loans and advances provision are collectively assessed	for which provision are collectively assessed	for which provision are individually assessed			
Gross loans and advances to customers	93,253,593	50,110	990,023	94,293,726	1.10%
Less: Provision for impairment losses	(2,282,729)	(20,408)	(386,153)	(2,689,290)	
Net loans and advances to customers	90,970,864	29,702	603,870	91,604,436	

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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

18 LOANS AND ADVANCES TO CUSTOMERS (continued)

(f) Movements of provision for impairment losses

	Six months ended 30 June 2016			Total
	Provision for loans and advances which are collectively assessed	which are collectively assessed	which are individually assessed	
As at 1 January	2,282,729	20,408	386,153	2,689,290
Charge for the period	181,337	50,258	585,052	816,647
Release for the period	—	—	(88,615)	(88,615)
Disposal	—	—	(265,471)	(265,471)
Write-offs	(160,316)	(24,850)	(105,359)	(290,525)
Unwinding of discount	—	—	(26,457)	(26,457)
As at 30 June	2,303,750	45,816	485,303	2,834,869

	Year ended 31 December 2015			Total
	Provision for loans and advances which are collectively assessed	which are collectively assessed	which are individually assessed	
As at 1 January	1,534,704	5,287	219,933	1,759,924
Charge for the year	788,537	26,996	404,848	1,220,381
Release for the year	—	—	(95,796)	(95,796)
Recoveries	—	—	4	4
Write-offs	(40,512)	(11,875)	(101,060)	(153,447)
Unwinding of discount	—	—	(41,776)	(41,776)
As at 31 December	2,282,729	20,408	386,153	2,689,290

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016 - unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

19 FINANCIAL INVESTMENTS

	Note	30 June 2016	31 December 2015
Available-for-sale financial assets	(a)	12,958,061	11,206,015
Held-to-maturity investments	(b)	35,462,050	23,901,914
Loans and receivables	(c)	88,315,000	65,105,660
Total		136,735,111	100,213,589

(a) Available-for-sale financial assets

	Note	30 June 2016	31 December 2015
Debt securities at fair value			
– Government		2,532,646	2,834,921
– Policy banks		3,617,462	3,886,937
– Corporate		117,758	115,816
Sub-total		6,267,866	6,837,674
Debt securities analysed into:			
– Listed outside Hong Kong		2,532,646	2,834,921
– Unlisted		3,735,220	4,002,753
Sub-total		6,267,866	6,837,674
Other debt investment			
– Unlisted		6,681,795	4,359,941
Equity investment at cost	(1)		
– Unlisted		8,400	8,400
Total	(2)	12,958,061	11,206,015

- (1) Available-for-sale unlisted equity investments which do not have any quoted price in an active market for an identical instrument and whose fair values cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment.
- (2) As at the end of the reporting period, certain available-for-sale financial assets was pledged for repurchase agreements (Note 39(f)). No other investments was subject to material restrictions on the realization.

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19 FINANCIAL INVESTMENTS (continued)

(b) Held-to-maturity investments

	30 June 2016	31 December 2015
Debt Securities		
– Government	7,999,351	8,100,048
– Policy banks	20,849,394	9,662,990
– Banks and other financial institutions	1,543,961	1,042,158
– Corporate	5,069,344	5,096,718
Total	35,462,050	23,901,914
Debt securities analysed into:		
– Listed outside Hong Kong	11,264,734	11,324,541
– Unlisted	24,197,316	12,577,373
Total	35,462,050	23,901,914

(1) As at 30 June 2016, certain held-to-maturity investments was pledged for repurchase agreements (Note 39(f)). No other investments were subject to material restrictions on the realization.

(c) Loans and receivables

	30 June 2016	31 December 2015
Investment management products under trust scheme	32,129,226	29,146,231
Investment management products managed by securities companies	41,190,192	31,328,899
Factoring and financial lease beneficial interest plan	10,253,080	2,065,543
Investment management products managed by investment funds	4,579,000	2,000,000
Wealth management products issued by financial institutions	493,515	800,000
Sub-total	88,645,013	65,340,673
Less: Provision for impairment losses		
– Individually assessed	(25,428)	(25,428)
– Collectively assessed	(304,585)	(209,585)
Total provision for impairment losses	(330,013)	(235,013)
Total	88,315,000	65,105,660

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20 FINANCIAL LEASE RECEIVABLES

	30 June 2016	31 December 2015
Minimum finance lease receivables	1,607,216	—
Less: Unearned finance lease income	(229,808)	—
Present value of finance lease receivables	1,377,408	—
Less: Provision for impairment losses – Collectively assessed	(13,774)	—
Total provision for impairment losses	(13,774)	—
Total	1,363,634	—

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

	30 June 2016			31 December 2015		
	Minimum finance lease receivables	Unearned finance lease income	Present value of finance lease receivables	Minimum finance lease receivables	Unearned finance lease income	Present value of finance lease receivables
3 years to 5 years	1,252,171	(174,763)	1,077,408	—	—	—
More than 5 years	355,045	(55,045)	300,000	—	—	—
	1,607,216	(229,808)	1,377,408	—	—	—

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21 INVESTMENT IN SUBSIDIARIES AND INTEREST IN ASSOCIATES

(a) Investment in subsidiaries

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

Name	Percentage of equity interest		Voting rights	Paid-in capital	Amount invested by the Bank	Place of incorporation registration and operations	Principal activities
	30 June 2016 %	31 December 2015 %	30 June 2016 %				
Fugou Zhengyin County Bank Co., Ltd.	50.20	50.20	50.20	60,000	30,120	Henan, China	Banking
Henan Jiuding Financial Leasing Co., Ltd.	51.00	—	51.00	1,000,000	510,000	Henan, China	Leasing

- (1) Fugou Zhengyin County Bank Co., Ltd. was incorporated on 3 December 2015. Henan Jiuding Financial Leasing Co., Ltd. was incorporated on 23 March 2016. The two subsidiaries have no material non-controlling interest to the Group.
- (2) Henan Jiuding Financial Leasing Co., Ltd., with a registered capital of RMB1.00 billion, was co-established by the Bank, Zhengzhou Yutong Bus Co., Ltd. and Henan TianLun Gas Group Co., Ltd. on 23 March 2016.

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21 INVESTMENT IN SUBSIDIARIES AND INTEREST IN ASSOCIATES (continued)

(b) Interest in associates

	30 June 2016	31 December 2015
Interest in associates	216,054	195,625
Total	216,054	195,625

The following list contains the Group's associates, all of which are individually immaterial to the Group and are unlisted corporate entities whose quoted market price are not available:

Name	Note	Percentages of equity/ voting rights		Place of incorporation/ registration	Business sector
		30 June 2016 %	31 December 2015 %		
Zhongmu Zhengyin County Bank Co., Ltd.	(1)	19.40	19.72	Henan, China	Banking
Xinmi Zhengyin County Bank Co., Ltd.		20.00	20.00	Henan, China	Banking
Yanling Zhengyin County Bank Co., Ltd.		30.00	30.00	Henan, China	Banking

(1) The Group has representation on the board of directors of Zhongmu Zhengyin County Bank Co., Ltd., and has significant influence over it.

The following table illustrates the aggregate information of the Group's associates that are not individually material:

	30 June 2016	31 December 2015
Aggregate carrying amount of the individually immaterial associates in the consolidated statements of financial position of the Group	216,054	195,625
Aggregate amounts of the Group's share of results of the associates		
– Profit from continuing operations	21,158	50,777
– Other comprehensive income	—	—
– Total comprehensive income	21,158	50,777

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22 PROPERTY AND EQUIPMENT

	Premises	Electronic equipment	Vehicles	Office equipment and others	Construction in progress	Total
Cost						
As at 1 January 2015	978,471	296,840	15,275	134,412	106,861	1,531,859
Additions	391,488	105,051	—	66,071	—	562,610
Disposals	(63,082)	(3)	—	(16,291)	—	(79,376)
As at 31 December 2015	1,306,877	401,888	15,275	184,192	106,861	2,015,093
Additions	307	11,452	1,421	15,813	12,483	41,476
Disposals	(749)	—	—	—	—	(749)
As at 30 June 2016	1,306,435	413,340	16,696	200,005	119,344	2,055,820
Accumulated depreciation						
As at 1 January 2015	(155,174)	(138,551)	(10,838)	(64,720)	—	(369,283)
Additions	(28,308)	(43,042)	(1,571)	(36,035)	—	(108,956)
Disposals	56,302	2	—	15,407	—	71,711
As at 31 December 2015	(127,180)	(181,591)	(12,409)	(85,348)	—	(406,528)
Additions	(19,237)	(29,875)	(649)	(20,530)	—	(70,291)
Disposals	711	—	—	—	—	711
As at 30 June 2016	(145,706)	(211,466)	(13,058)	(105,878)	—	(476,108)
Impairment						
As at 1 January 2015	(1,355)	(1,893)	—	(756)	—	(4,004)
Additions	—	—	—	—	—	—
Disposals	—	—	—	—	—	—
As at 31 December 2015	(1,355)	(1,893)	—	(756)	—	(4,004)
Additions	—	—	—	—	—	—
Disposals	—	—	—	—	—	—
As at 30 June 2016	(1,355)	(1,893)	—	(756)	—	(4,004)
Net book value						
As at 31 December 2015	1,178,342	218,404	2,866	98,088	106,861	1,604,561
As at 30 June 2016	1,159,374	199,981	3,638	93,371	119,344	1,575,708

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22 PROPERTY AND EQUIPMENT (continued)

The carrying amount of premises without title deeds as at 30 June 2016 was RMB272 million (31 December 2015: RMB476 million). The Group is still in the progress of applying for the outstanding title deeds for the above premises. The Group expects that there would be no significant cost in obtaining the title deeds.

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

	30 June 2016	31 December 2015
Held in mainland China		
– Medium term leases (10 – 50 years)	1,153,044	1,171,535
– Short term leases (less than 10 years)	6,330	6,807
Total	1,159,374	1,178,342

23 DEFERRED INCOME TAX ASSETS AND LIABILITIES

(a) Analysed by nature

	30 June 2016		31 December 2015	
	Deductible temporary differences	Deferred income tax assets	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Allowance for impairment losses	2,737,507	684,376	2,133,012	533,253
Accrued staff costs	226,562	56,641	235,287	58,822
Fair value changes in financial instruments	42,859	10,715	(56,546)	(14,137)
Provisions	45,182	11,295	42,941	10,735
Cumulative tax loss of the subsidiary	4,582	1,146	1,877	470
Net deferred income tax assets	3,056,692	764,173	2,356,571	589,143

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23 DEFERRED INCOME TAX ASSETS AND LIABILITIES (continued)

(b) Analysed by movement

	At 1 January 2016	Recognised in profit or loss	Recognised in other comprehensive income	At 30 June 2016
Allowance for impairment losses	533,253	151,123	—	684,376
Accrued staff costs	58,822	(1,727)	(454)	56,641
Fair value changes in financial instruments	(14,137)	17,387	7,465	10,715
Provisions	10,735	560	—	11,295
Cumulative tax loss of the subsidiary	470	676	—	1,146
Net deferred income tax assets	589,143	168,019	7,011	764,173

	At 1 January 2015	Recognised in profit or loss	Recognised in other comprehensive income	At 31 December 2015
Allowance for impairment losses	287,819	245,434	—	533,253
Accrued staff costs	53,730	(4,164)	9,256	58,822
Fair value changes in financial instruments	(4,344)	(7,136)	(2,657)	(14,137)
Provisions	970	9,765	—	10,735
Cumulative tax loss of the subsidiary	—	470	—	470
Net deferred income tax assets	338,175	244,369	6,599	589,143

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24 OTHER ASSETS

	Note	30 June 2016	31 December 2015
Interest receivable	(a)	1,613,466	1,209,680
Intangible assets	(b)	119,677	107,691
Prepayments		1,187,337	943,754
Leasehold improvements		122,177	122,338
Other receivables		94,499	107,505
Total		3,137,156	2,490,968

(a) Interest receivable

	30 June 2016	31 December 2015
Interest receivable arising from:		
– Investments	1,278,933	939,159
– Loans and advances to customers	186,377	193,915
– Others	167,553	96,003
Sub-total	1,632,863	1,229,077
Less: allowance for impairment losses	(19,397)	(19,397)
Total	1,613,466	1,209,680

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24 OTHER ASSETS (continued)

(b) Intangible assets

	30 June 2016	31 December 2015
Cost		
As at 1 January	165,494	123,005
Additions	24,841	43,089
Disposals	—	(600)
As at 30 June/31 December	190,335	165,494
Accumulated amortisation		
As at 1 January	(57,658)	(37,639)
Additions	(12,855)	(20,328)
Disposals	—	309
As at 30 June/31 December	(70,513)	(57,658)
Impairment		
As at 1 January	(145)	(145)
Additions/Disposals	—	—
As at 30 June/31 December	(145)	(145)
Net book value		
As at 1 January	107,691	85,221
As at 30 June/31 December	119,677	107,691

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25 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2016	31 December 2015
In mainland China		
– Banks	28,678,224	20,164,974
– Other financial institutions	1,155,786	1,288,204
Total	29,834,010	21,453,178

26 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2016	31 December 2015
In mainland China		
– Banks	9,779,979	5,755,300
Outside mainland China		
– Banks	—	64,936
Total	9,779,979	5,820,236

27 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by type and location of counterparty

	30 June 2016	31 December 2015
In mainland China		
– Banks	19,378,562	16,374,600
– Other financial institutions	—	3,228,000
Total	19,378,562	19,602,600

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27 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (continued)

(b) Analysed by type of collateral held

	30 June 2016	31 December 2015
Debt securities	19,378,562	19,602,600
Total	19,378,562	19,602,600

28 DEPOSITS FROM CUSTOMERS

	30 June 2016	31 December 2015
Demand deposits		
– Corporate deposits	65,465,311	62,770,877
– Personal deposits	13,783,945	12,976,427
Sub-total	79,249,256	75,747,304
Time deposits		
– Corporate deposits	48,168,994	34,241,395
– Personal deposits	41,995,086	34,105,833
Sub-total	90,164,080	68,347,228
Pledged deposits		
– Acceptances	21,475,900	21,332,895
– Letters of guarantees	2,332,951	2,086,058
– Letters of credit	759,159	681,180
– Others	599,538	712,199
Sub-total	25,167,548	24,812,332
Others	481,176	288,607
Total	195,062,060	169,195,471

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29 DEBT SECURITIES ISSUED

	Note	30 June 2016	31 December 2015
Financial bonds	(a)	2,600,000	5,000,000
Tier-two capital bonds	(b)	2,000,000	2,000,000
Interbank deposits		31,314,470	20,039,068
Total		35,914,470	27,039,068

- (a) Fixed rate financial bonds of RMB2.6 billion with a term of five years was issued in May 2013. The coupon rate is 4.80% per annum.

Fixed rate financial bonds of RMB2.4 billion with a term of three years was issued in May 2013. The coupon rate is 4.58% per annum.

- (b) Fixed rate tier-two capital bonds of RMB2.0 billion with a term of ten years were issued in December 2014. The coupon rate is 5.73% per annum.

30 OTHER LIABILITIES

	Note	30 June 2016	31 December 2015
Interest payable	(a)	2,656,790	2,542,902
Accrued staff costs	(b)	295,204	353,046
Dormant accounts		81,972	80,200
Payment and collection clearance accounts		610,511	112,026
Dividend payable		1,087,456	20,770
Provisions		45,182	42,941
Amount due to National Council for Social Security Fund of the PRC		—	387,034
Others		385,270	643,782
Total		5,162,385	4,182,701

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30 OTHER LIABILITIES (continued)

(a) Interest payable

	30 June 2016	31 December 2015
Interest payable arising from:		
– Deposits from customers	2,195,846	1,947,342
– Deposits and placements from banks and other financial institutions	374,447	438,160
– Debt securities issued	77,272	150,156
– Financial assets sold under repurchase agreements	9,211	7,244
– Due to the central bank	14	—
Total	2,656,790	2,542,902

(b) Accrued staff costs

	30 June 2016	31 December 2015
	Note	
Salary, bonuses and allowances payable	55,587	104,201
Staff welfare	54	—
Social insurance and annuity payable	3,083	—
Housing allowances payable	73	13
Labor union fee, staff and workers' education fee	9,845	13,545
Supplementary retirement benefits payable	(1) 226,562	235,287
Total	295,204	353,046

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30 OTHER LIABILITIES (continued)

(1) Supplementary retirement benefits (“SRB”)

The supplementary retirement benefits of the Group include early retirement plan and supplementary retirement plan. The early retirement benefits payments is provided 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. The supplementary retirement plan is provided to the Group’s eligible employees.

The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of the reporting period. The Group’s obligations in respect of the SRB were assessed using projected unit credit method by qualified staff (a member of society of Actuaries in America) of an external independent actuary: Mercer Consulting (China) Ltd.

(i) The balances of supplementary retirement benefits of the Group are as follows:

	30 June 2016	31 December 2015
Present value of early retirement plan	48,168	54,796
Present value of supplementary retirement plan	178,394	180,491
Total	226,562	235,287

(ii) The movements of supplementary retirement benefits of the Group are as follows:

	30 June 2016	31 December 2015
As at 1 January	235,287	214,918
Benefits paid during the period/year	(10,298)	(23,762)
Defined benefit cost recognised in profit or loss	3,387	7,108
Defined benefit cost recognised in other comprehensive income	(1,814)	37,023
As at 30 June/31 December	226,562	235,287

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30 OTHER LIABILITIES (continued)

(iii) Principal actuarial assumptions of the Group are as follows:

	30 June 2016	31 December 2015
Early retirement plan		
Discount rate	2.50%	2.50%
Retired age		
– Male	60	60
– Female	55	55
Annual increase rate of internal salary	8.00%	8.00%
Supplementary retirement plan		
Discount rate	3.40%	3.40%
Retired age		
– Male	60	60
– Female	55	55

31 SHARE CAPITAL

Authorised and issued share capital

	30 June 2016	31 December 2015
Ordinary shares in Mainland China	3,803,932	3,821,932
Ordinary shares listed in Hong Kong (H-share)	1,518,000	1,320,000
Total	5,321,932	5,141,932

In December 2015, the Bank issued 1,200 million H-shares with a par value of RMB1 at an offering price of HKD3.85 per share (the “H-share offering”). The premium arising from the H-share offering amounting to RMB2,562 million was recorded in capital reserve. Immediately following the H-share offering, 120 million ordinary shares in Mainland China shares held by the National Council and Social Security Fund were converted to H-shares pursuant to the relevant PRC regulations relating to the reduction of state-owned shares.

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31 SHARE CAPITAL (continued)

In January 2016, the Bank exercised of the over-allotment option and issued 180 million H-shares with a par value of RMB1 at an offering price of HKD3.85 per share. The premium arising from the H-share offering amounting to RMB392 million was recorded in capital reserve. Immediately following the offering, 18 million ordinary shares in Mainland China shares held by the National Council and Social Security Fund were converted to H-shares pursuant to the relevant PRC regulations relating to the reduction of state-owned shares.

All the above H-shares have been listed on the Stock Exchange of Hong Kong Limited. The H-shares rank pari passu in all respects with the existing ordinary shares in Mainland China including the right to receive all dividends and distributions declared or made.

32 RESERVES

(a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value, contributions received from shareholders and other items required by the PRC regulations.

(b) 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 of the Bank, the Bank is required to appropriate 10% of its net profit as on an annual basis determined under the PRC GAAP 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 may also appropriate discretionary surplus reserve fund in accordance with the resolution of the shareholders.

(c) General reserve

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

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32 RESERVES (continued)

(d) Fair value reserve

	2016	2015
As at 1 January	10,405	2,436
Change in fair value recognised in other comprehensive income	(18,306)	10,998
Transfer to profit or loss upon disposal	(11,553)	(372)
Less: deferred income tax	7,465	(2,657)
Sub-total	(22,394)	7,969
As at 30 June/31 December	(11,989)	10,405

(e) Remeasurement of net defined benefit liability

Remeasurement of net defined benefit liability represents actuarial gains or losses, net of tax, from remeasuring the net defined benefit liability.

	2016	2015
As at 1 January	(55,339)	(27,572)
Remeasuring the net defined benefit liability	1,814	(37,023)
Less: deferred income tax	(454)	9,256
Sub-total	1,360	(27,767)
As at 30 June/31 December	(53,979)	(55,339)

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33 PROFIT DISTRIBUTION

- (a) In accordance with the resolution of the Bank's 2015 Annual General Meeting held on 17 June 2016, the shareholders approved the profit distribution plan for the year ended 31 December 2015 and declared cash dividends of RMB2.00 per ten shares before tax and in an aggregation amount of approximately RMB1,064 million to all existing shareholders.
- (b) In accordance with the resolution of the Bank's 2014 Annual General Meeting held on 18 June 2015, the shareholders approved the profit distribution plan for the year ended 31 December 2014 and declared cash dividends of RMB1.80 per ten shares before tax and in an aggregation amount of approximately RMB710 million to all existing shareholders.

34 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Cash and cash equivalents comprise:

	30 June 2016	31 December 2015
Cash on hand	791,788	854,463
Surplus deposit reserves with central bank	11,293,010	8,059,847
Deposits with banks and other financial institutions with original maturity of three months or less	1,009,474	5,599,950
Placements with banks and other financial institutions with original maturity of three months or less	1,027,836	—
Total	14,122,108	14,514,260

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35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of significant related parties

(i) Major shareholders

Major shareholders include shareholders of the Bank with 5% or above shareholding.

Shareholding in the Bank:

	30 June 2016	31 December 2015
Zhengzhou Finance Bureau	9.22%	9.55%

(ii) Subsidiaries and associates of the Bank

The detailed information of the Bank's subsidiaries and associates is set out in Note 21.

(iii) Other related parties

Other related parties can be individuals or enterprises, which include: members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note (a) (i) or their controlling shareholders. Other related parties also include post-employment benefit plans of the Bank (Note 30(b)).

(b) 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.

(i) Transactions with major shareholders

	30 June 2016	31 December 2015
Balances at the end of the period/year:		
Deposits from customers	128,198	189,504
Interest payables	12	20
Other liabilities	64,285	64,285

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35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

	Six months ended 30 June	
	2016	2015
Transactions during the period:		
Interest expense	335	3,685
(ii) Transactions with subsidiaries		
	30 June 2016	31 December 2015
Balances at the end of the period/year:		
Deposits from banks and other financial institutions	430,432	40,000
Interest payable	247	7
	Six months ended 30 June	
	2016	2015
Transactions during the period:		
Interest expense	3,819	—
The above balances and transactions with subsidiaries have been eliminated in full in the consolidated financial statements.		
(iii) Transactions with associates		
	30 June 2016	31 December 2015
Balances at the end of the period/year		
Deposits/Placements with banks and other financial institutions	250,000	270,000
Interests receivables	5,629	1,671
Other assets	—	1,288
Deposits/Placements from banks and other financial institutions	724,600	922,938
Interest payables	1,265	1,435

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35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

	Six months ended 30 June	
	2016	2015
Transactions during the period:		
Interest income	4,488	4,408
Interest expense	23,580	46,965
(iv) Transactions with other related parties		
	30 June 2016	31 December 2015
Balances at the end of the period/year:		
Loans and advances to customers	109,766	124,137
Financial investments classified as loans and receivables	2,082,000	4,239,500
Interests receivables	2,097	8,898
Deposits from customers	4,129,951	3,035,330
Deposits/Placements from banks and other financial institutions	8,786	333,240
Interest payables	1,765	755
Six months ended 30 June		
	2016	2015
Transactions during the period:		
Interest income	57,020	220,237
Interest expense	14,022	21,073

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35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(c) Key management personnel

(i) Transactions with key management personnel

	30 June 2016	31 December 2015
Balances at the end of the period/year:		
Loans and advances to customers	6,884	12,121
Interest receivables	9	17
Deposits from customers	10,805	6,519
Interest payables	4	2
	Six months ended 30 June	
	2016	2015
Transactions during the period:		
Interest income	185	380
Interest expense	39	19

(ii) Key management personnel remuneration

	Six months ended 30 June	
	2016	2015
Salaries and other emoluments	5,338	5,257
Discretionary bonuses	7,804	8,076
Contribution by the employer to social insurance and welfare plans, housing allowance, etc.	1,213	1,166
Total	14,355	14,499

No post-employment benefits, termination benefits or other long-term benefits were provided to the key management personnel for the period ended 30 June 2016 and 30 June 2015.

36 SEGMENT REPORTING

(a) Business Segment

The Group manages its business by business lines. 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 finance and deposit taking activities, agency services, and remittance and settlement services.

Retail banking

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

Treasury business

This segment covers the Group's treasury business including interbank money market transactions, repurchases transactions and investments. The treasury segment also covers management of the Group's overall liquidity position, including issuance of debts.

Others

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

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

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

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

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36 SEGMENT REPORTING (continued)

	Six months ended 30 June 2016				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income	1,293,265	345,295	2,301,485	—	3,940,045
Internal net interest income/(expense)	460,720	308,104	(768,824)	—	—
Net interest income	1,753,985	653,399	1,532,661	—	3,940,045
Net fee and commission income	230,913	47,404	313,998	—	592,315
Net trading losses	—	—	(61,138)	—	(61,138)
Net gains arising from investments	—	—	155,694	—	155,694
Other operating income	—	—	—	75,391	75,391
Operating income	1,984,898	700,803	1,941,215	75,391	4,702,307
Operating expenses	(552,551)	(225,536)	(316,261)	(10,101)	(1,104,449)
Impairment losses on assets	(714,836)	(29,211)	(95,000)	—	(839,047)
Operating profit	717,511	446,056	1,529,954	65,290	2,758,811
Share of profits of associates	—	—	—	21,158	21,158
Profit before taxation	717,511	446,056	1,529,954	86,448	2,779,969
Other segment information					
– Depreciation and amortisation	56,879	31,046	13,890	—	101,815
– Capital expenditure	47,736	26,055	11,657	817	86,265

	30 June 2016				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	106,094,211	34,149,801	173,384,234	1,452,287	315,080,533
Deferred tax assets					764,173
Total assets					315,844,706
Segment liabilities/Total liabilities	138,565,518	59,379,111	96,331,082	1,637,605	295,913,316
Credit commitments	55,649,379	690,806	—	—	56,340,185

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36 SEGMENT REPORTING (continued)

(b) Geographical information

Majority of the Group's business, customers and non-current assets are located in Henan Province of the PRC.

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 Group in terms of risk management and oversees the Group's risk management functions through the Risk Management 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 Management 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.

(a) Credit risk

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

Credit business

The Board is responsible for establishing the Group's risk management strategies 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 credit risk in various businesses are properly identified, assessed, calculated and monitored. The Risk Management Department is responsible for credit risk management. Departments such as the Corporate Business Department, the Retail Banking Department, the Financial Department of Small Business, the Interbank Department and the Financial Markets Department carry out credit businesses and investments portfolios business according to the Group's risk management policies and procedures.

37 RISK MANAGEMENT (continued)

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.

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 interbank business. The Group manages the credit risk exposures by setting up credit on its treasury business and interbank business. Credit risk exposure is closely monitored on a systematic, real-time basis. Credit risk limits are reviewed and updated regularly.

(1) 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 each of the reporting period. The maximum exposure to credit risk in respect of those off-balance sheet items as at the end of each of the reporting period is disclosed in Note 39(a).

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37 RISK MANAGEMENT (continued)

(2) Loans and advances to customers

	Note	30 June 2016	31 December 2015
Gross balance of loans and advances to customers			
– Neither overdue nor impaired	(i)	99,687,995	91,397,779
– Overdue but not impaired	(ii)	2,944,339	1,855,814
– Impaired	(iii)	1,350,671	1,040,133
Sub-total		103,983,005	94,293,726
Less: allowance for impairment loss			
– Neither overdue nor impaired		(1,948,365)	(2,016,712)
– Overdue but not impaired		(355,385)	(266,017)
– Impaired		(531,119)	(406,561)
Sub-total		(2,834,869)	(2,689,290)
Net balance			
– Neither overdue nor impaired		97,739,630	89,381,067
– Overdue but not impaired		2,588,954	1,589,797
– Impaired		819,552	633,572
Total		101,148,136	91,604,436

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37 RISK MANAGEMENT (continued)

(i) *Neither overdue nor impaired*

Credit risk of loans and advances to customers neither overdue nor impaired was analysed as follows:

	30 June 2016	31 December 2015
Corporate loans and advances	77,790,496	68,848,711
Personal loans and advances	21,897,499	22,549,068
Total gross balance	99,687,995	91,397,779

(ii) *Overdue but not impaired*

The following tables present the overdue analysis of each type of loans and advances to customers of the Group which were overdue but not impaired as at the end of the reporting period.

	30 June 2016				Total
	Less than 1 month (inclusive)	1 to 3 months (inclusive)	3 months to 1 year (inclusive)	More than 1 year	
Corporate loans and advances	999,142	1,121,751	127,769	8,000	2,256,662
Personal loans and advances	372,514	272,198	42,665	300	687,677
Total gross balance	1,371,656	1,393,949	170,434	8,300	2,944,339

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37 RISK MANAGEMENT (continued)

	31 December 2015				Total
	Less than 1 month (inclusive)	1 to 3 months (inclusive)	3 months to 1 year (inclusive)	More than 1 year	
Corporate loans and advances	475,701	1,042,178	95,664	—	1,613,543
Personal loans and advances	102,780	88,845	50,286	360	242,271
Total gross balance	578,481	1,131,023	145,950	360	1,855,814

	30 June 2016	31 December 2015
Fair value of collateral held against loans and advances overdue but not impaired	1,869,257	1,210,164

The above collaterals mainly include land, buildings, machinery and equipment, etc. The fair value of collaterals were estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

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37 RISK MANAGEMENT (continued)

(iii) Impaired loans

	30 June 2016	31 December 2015
Gross balance		
– Corporate loans and advances	1,212,968	990,023
– Personal loans and advances	137,703	50,110
Sub-total	1,350,671	1,040,133
% of total loans and advances	1.30%	1.10%
Allowance for impairment losses		
– Corporate loans and advances	(485,303)	(386,153)
– Personal loans and advances	(45,816)	(20,408)
Sub-total	(531,119)	(406,561)
Net balance		
– Corporate loans and advances	727,665	603,870
– Personal loans and advances	91,887	29,702
Total	819,552	633,572
Fair value of collateral held against impaired loans and advances	600,866	274,355

The above collateral mainly included land, buildings, machinery and equipment, etc. The fair value of collateral was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

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37 RISK MANAGEMENT (continued)

(iv) *Loans and advances rescheduled*

Rescheduling is a voluntary or, to a limited extent, court-supervised procedure, through which the Group and a borrower and/or its guarantor, if any, reschedule credit terms generally as a result of deterioration in the borrowers' financial conditions or of the borrowers' inability to make payments when due. The Group reschedules a non-performing loan only if the borrower has good prospects. In addition, prior to approving the rescheduling of loans, the Group typically requires additional guarantees, pledges and/or collateral, or assumption of the loans by a borrower with better repayment ability. Rescheduling is most commonly applied to term loans. There were no rescheduled loans as at 30 June 2016 and 31 December 2015.

(3) *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
Carrying amount		
<i>Neither overdue nor impaired</i>		
– grade A to AAA	22,834,227	21,345,497
– grade B to BBB	1,980,872	1,101,104
– unrated	373,823	468,342
Total	25,188,922	22,914,943

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37 RISK MANAGEMENT (continued)

(4) 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
Carrying amount		
<i>Neither overdue nor impaired</i>		
– Government	11,866,359	11,981,639
– Policy banks	30,623,474	21,228,126
– Banks and other financial institutions	2,361,479	3,047,887
– Corporate	5,877,365	7,483,453
Total	50,728,677	43,741,105

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37 RISK MANAGEMENT (continued)

(5) Financial investments classified as loans and receivables

	30 June 2016	31 December 2015
Gross balance of financial investments classified as loans and receivables		
– Neither overdue nor impaired	88,330,013	64,330,673
– Overdue but not impaired	225,000	920,000
– Impaired	90,000	90,000
Sub-total	88,645,013	65,340,673
Less: allowance for impairment loss		
– Neither overdue nor impaired	(302,255)	(200,245)
– Overdue but not impaired	(2,330)	(9,340)
– Impaired	(25,428)	(25,428)
Sub-total	(330,013)	(235,013)
Net balance		
– Neither overdue nor impaired	88,027,758	64,130,428
– Overdue but not impaired	222,670	910,660
– Impaired	64,572	64,572
	88,315,000	65,105,660
Fair value of collaterals held against financial investments classified as loans and receivables overdue but not impaired	427,567	1,969,228
Fair value of collaterals held against impaired financial investments classified as loans and receivables	64,572	64,572

37 RISK MANAGEMENT (continued)

(b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, 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 Management Committee to supervise the market risk management conducted by the senior management. The Finance and Accounting Department, Trade Finance Department and Financial Markets Department are responsible for identifying, measuring, monitoring and reporting the market risk.

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.

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37 RISK MANAGEMENT (continued)

(1) 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 causes the Group’s income or its inherent economic value to vary with the movement in interest rates.

The Finance and Accounting Department 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.

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37 RISK MANAGEMENT (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	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Assets						
Cash and deposits with central bank	36,717,051	855,969	35,861,082	—	—	—
Deposits/placements with banks and other financial institutions	13,066,649	16,004	5,988,910	6,631,735	430,000	—
Financial assets held under resale agreements	12,122,273	—	12,122,273	—	—	—
Loans and advances to customers ⁽¹⁾	101,148,136	—	86,875,048	13,910,170	358,931	3,987
Investments ⁽²⁾	145,949,926	224,454	30,141,106	25,901,647	69,448,517	20,234,202
Financial lease receivables	1,363,634	1,363,634	—	—	—	—
Others	5,477,037	5,477,037	—	—	—	—
Total assets	315,844,706	7,937,098	170,988,419	46,443,552	70,237,448	20,238,189
Liabilities						
Due to the central bank	30,000	—	30,000	—	—	—
Deposits/placements from banks and other financial institutions	39,613,989	—	14,856,033	23,357,956	1,400,000	—
Financial assets sold under repurchase agreements	19,378,562	—	19,378,562	—	—	—
Deposits from customers	195,062,060	285,388	113,885,022	45,595,122	35,296,528	—
Debt securities issued	35,914,470	—	8,614,407	22,700,063	4,600,000	—
Others	5,914,235	5,914,235	—	—	—	—
Total liabilities	295,913,316	6,199,623	156,764,024	91,653,141	41,296,528	—
Asset-liability gap	19,931,390	1,737,475	14,224,395	(45,209,589)	28,940,920	20,238,189

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37 RISK MANAGEMENT (continued)

	31 December 2015					
	Total	Non-interest bearing	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Assets						
Cash and deposits						
with central bank	33,008,307	984,725	32,023,582	—	—	—
Deposits/placements with banks and other financial institutions	13,198,638	120,885	5,549,064	7,098,689	430,000	—
Financial assets held under resale agreements	9,716,305	—	9,716,305	—	—	—
Loans and advances to customers ⁽¹⁾	91,604,436	—	77,440,358	14,057,638	102,348	4,092
Investments ⁽²⁾	113,410,731	204,026	36,666,203	18,861,466	49,287,032	8,392,004
Others	4,684,672	4,684,672	—	—	—	—
Total assets	265,623,089	5,994,308	161,395,512	40,017,793	49,819,380	8,396,096
Liabilities						
Deposits/placements from banks and other financial institutions	27,273,414	—	9,373,114	16,500,300	1,400,000	—
Financial assets sold under repurchase agreements	19,602,600	—	19,602,600	—	—	—
Deposits from customers	169,195,471	284,313	105,288,831	41,205,143	20,368,567	2,048,617
Debt securities issued	27,039,068	—	2,870,228	19,568,840	4,600,000	—
Others	4,688,517	4,688,517	—	—	—	—
Total liabilities	247,799,070	4,972,830	137,134,773	77,274,283	26,368,567	2,048,617
Asset-liability gap	17,824,019	1,021,478	24,260,739	(37,256,490)	23,450,813	6,347,479

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37 RISK MANAGEMENT (continued)

- (1) For the Group's loans and advances to customers, the category "Within three months (inclusive)" as at 30 June 2016 includes overdue amounts (net of allowance for impairment losses) of RMB3,409 million (31 December 2015: RMB2,223 million).
- (2) Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, loans and receivables and interest in associates, the category "Within three months (inclusive)" as at 30 June 2016 includes overdue amounts (net of allowance for impairment losses) of RMB287 million (31 December 2015: RMB975 million).

(ii) Interest rate sensitivity analysis

	30 June 2016 (Decrease) /increase	31 December 2015 (Decrease) /increase
Change in net profit		
Up 100 bps parallel shift in yield curves	(147,621)	(27,612)
Down 100 bps parallel shift in yield curves	147,621	27,612
	30 June 2016 (Decrease) /increase	31 December 2015 (Decrease) /increase
Change in equity		
Up 100 bps parallel shift in yield curves	(395,753)	(334,806)
Down 100 bps parallel shift in yield curves	395,753	334,806

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37 RISK MANAGEMENT (continued)

The sensitivity analysis above is based on a static interest risk exposure profile of assets and liabilities. 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:

- All assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature in the beginning 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, all the position will be held and keep unchanged after matured; and
- The analysis does not take into account the effect of risk management measures taken by the management.

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

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37 RISK MANAGEMENT (continued)

(2) 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			Total (RMB Equivalent)
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	
Assets				
Cash and deposits with central bank	36,163,485	551,848	1,718	36,717,051
Deposits/placements with banks and other financial institutions	2,471,946	10,504,842	89,861	13,066,649
Financial assets held under resale agreements	12,122,273	—	—	12,122,273
Loans and advances to customers	100,962,462	185,674	—	101,148,136
Investments (i)	143,766,261	1,842,575	341,090	145,949,926
Financial lease receivables	1,363,634	—	—	1,363,634
Others	5,375,823	101,214	—	5,477,037
Total assets	302,225,884	13,186,153	432,669	315,844,706
Liabilities				
Due to the central bank	30,000	—	—	30,000
Deposits/placements from banks and other financial institutions	39,613,989	—	—	39,613,989
Financial assets sold under repurchase agreements	19,378,562	—	—	19,378,562
Deposits from customers	184,136,322	10,925,595	143	195,062,060
Debt securities issued	35,914,470	—	—	35,914,470
Others	5,798,035	116,141	59	5,914,235
Total liabilities	284,871,378	11,041,736	202	295,913,316
Net position	17,354,506	2,144,417	432,467	19,931,390
Off-balance sheet credit commitments	56,159,304	180,881	—	56,340,185

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37 RISK MANAGEMENT (continued)

	31 December 2015			Total (RMB Equivalent)
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	
Assets				
Cash and deposits with central bank	32,660,859	345,818	1,630	33,008,307
Deposits/placements with banks and other financial institutions	2,732,785	7,102,457	3,363,396	13,198,638
Financial assets held under resale agreements	9,716,305	—	—	9,716,305
Loans and advances to customers	91,215,989	388,447	—	91,604,436
Investments (i)	113,410,731	—	—	113,410,731
Others	4,684,672	—	—	4,684,672
Total assets	254,421,341	7,836,722	3,365,026	265,623,089
Liabilities				
Deposits/placements from Banks and other financial institutions	27,206,582	66,832	—	27,273,414
Financial assets sold under repurchase agreements	19,602,600	—	—	19,602,600
Deposits from customers	161,687,785	7,507,602	84	169,195,471
Debt securities issued	27,039,068	—	—	27,039,068
Others	4,104,730	159,692	424,095	4,688,517
Total liabilities	239,640,765	7,734,126	424,179	247,799,070
Net position	14,780,576	102,596	2,940,847	17,824,019
Off-balance sheet credit commitments	44,998,428	183,243	—	45,181,671

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37 RISK MANAGEMENT (continued)

- (i) Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, loans and receivables and interest in associates.

	30 June 2016	31 December 2015
Change in profit after taxation and equity	Increase/ (decrease)	Increase/ (decrease)
Up 100 bps change of foreign exchange rate	2,914	3,515
Down 100 bps change of foreign exchange rate	(2,914)	(3,515)

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 based on the closing rate of reporting date;
- The exchange rates against RMB for the US dollars and other foreign currencies change in the same direction simultaneously;
- The foreign currency exposures calculated includes spot and forward foreign exchange exposures and swaps, and all the position will be held and keep unchanged after mature; 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 net profit and equity resulting from the increase or decrease in foreign exchange rates may vary from the estimated results of this sensitivity analysis.

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37 RISK MANAGEMENT (continued)

(c) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to 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 Group-wide liquidity risk by the head office, and established the Risk Management Committee which mainly comprises the Liquidity Risk Management Committee, the Asset and Liability Management Committee and the Finance and Accounting Department at the head office. The responsibilities of them are as following:

- the Risk Management Committee and the Asset and Liability Management Committee are the decision-making bodies for liquidity risk management and are responsible for formulating the guidelines and policies for liquidity risk management;
- the Finance and Accounting Department is the liquidity risk management department and is responsible for implementing relevant liquidity risk management policies, monitoring various liquidity risk indicators; formulating, implementing and evaluating relevant systems, setting the Group-wide risk warning limits and guiding various business departments to manage liquidity risk on a daily basis; regularly carrying out risk analysis and reporting to the Risk Management Committee and the Asset and Liability 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, liquidity gap ratio, and etc.

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.

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37 RISK MANAGEMENT (continued)

(c) Liquidity risk

(1) 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	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
Assets							
Cash and deposits with central bank	24,632,253	12,084,798	—	—	—	—	36,717,051
Deposits/placements with banks and other financial institutions	—	1,009,473	4,995,441	6,631,735	430,000	—	13,066,649
Financial assets held under resale agreements	—	—	12,122,273	—	—	—	12,122,273
Loans and advances to customers	2,160,874	1,990,913	20,711,832	53,363,847	16,522,105	6,398,565	101,148,136
Investments	511,477	—	28,218,060	41,013,383	54,568,802	21,638,204	145,949,926
Financial lease receivables	—	—	—	—	1,066,634	297,000	1,363,634
Others	3,863,571	1,141	912,936	699,389	—	—	5,477,037
Total assets	31,168,175	15,086,325	66,960,542	101,708,354	72,587,541	28,333,769	315,844,706
Liabilities							
Due to the central bank	—	30,000	—	—	—	—	30,000
Deposits/placements from banks and other financial institutions	—	217,133	14,638,900	23,357,956	1,400,000	—	39,613,989
Financial assets sold under repurchase agreements	—	—	19,378,562	—	—	—	19,378,562
Deposits from customers	—	83,408,740	30,761,670	45,595,122	35,296,528	—	195,062,060
Debt securities issued	—	—	8,614,407	22,700,063	4,600,000	—	35,914,470
Others	—	1,990,126	3,405,479	145,119	254,829	118,682	5,914,235
Total liabilities	—	85,645,999	76,799,018	91,798,260	41,551,357	118,682	295,913,316
Long/(short) position	31,168,175	(70,559,674)	(9,838,476)	9,910,094	31,036,184	28,215,087	19,931,390

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37 RISK MANAGEMENT (continued)

	31 December 2015						Total
	Indefinite	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
Assets							
Cash and deposits with central bank	24,093,997	8,914,310	—	—	—	—	33,008,307
Deposits with banks and other financial institutions	—	4,542,100	1,127,849	7,098,689	430,000	—	13,198,638
Financial assets held under resale agreements	—	—	9,716,305	—	—	—	9,716,305
Loans and advances to customers	1,688,927	1,039,296	17,663,739	51,360,040	12,964,387	6,888,047	91,604,436
Investments	1,178,893	—	21,820,316	31,020,965	50,585,461	8,805,096	113,410,731
Others	3,474,993	13,641	712,730	479,432	3,876	—	4,684,672
Total assets	30,436,810	14,509,347	51,040,939	89,959,126	63,983,724	15,693,143	265,623,089
Liabilities							
Deposits/placements from banks and other financial institutions	—	1,031,282	8,341,832	16,500,300	1,400,000	—	27,273,414
Financial assets sold under repurchase agreements	—	—	19,602,600	—	—	—	19,602,600
Deposits from customers	—	77,193,149	28,379,995	41,205,143	20,368,567	2,048,617	169,195,471
Debt securities issued	—	—	2,870,228	19,568,840	4,600,000	—	27,039,068
Others	—	639,158	3,025,859	216,721	679,372	127,407	4,688,517
Total liabilities	—	78,863,589	62,220,514	77,491,004	27,047,939	2,176,024	247,799,070
Long/(short) position	30,436,810	(64,354,242)	(11,179,575)	12,468,122	36,935,785	13,517,119	17,824,019

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37 RISK MANAGEMENT (continued)

Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, loans and receivables and interest in associates. The “indefinite” period amount represents the balance being impaired or overdue for more than one month, and the balance overdue within one month (inclusive) but not impaired is included in “repayable on demand”.

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 overdue within one month (inclusive) but not impaired is included in “repayable on demand”.

(2) 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						
	Carrying amount at 30 Jun	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Due to the central bank	30,000	30,027	30,027	—	—	—	—
Deposits/placements from banks and other financial institutions	39,613,989	40,668,548	217,216	14,690,644	24,145,973	1,614,715	—
Financial assets sold under repurchase agreements	19,378,562	19,395,219	—	19,395,219	—	—	—
Deposits from customers	195,062,060	200,912,488	83,419,114	31,577,831	47,255,153	38,660,390	—
Debt securities issued	35,914,470	37,118,000	—	8,660,000	23,389,400	5,068,600	—
Total non-derivative financial liabilities	289,999,081	298,124,282	83,666,357	74,323,694	94,790,526	45,343,705	—

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37 RISK MANAGEMENT (continued)

	31 December 2015						
	Carrying amount at 31 Dec	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Deposits/placements from banks and other financial institutions	27,273,414	28,821,372	1,052,837	8,760,784	17,165,759	1,841,992	—
Financial assets sold under repurchase agreements	19,602,600	19,624,862	—	19,624,862	—	—	—
Deposits from customers	169,195,471	173,574,743	77,204,247	29,092,212	42,385,175	22,843,431	2,049,678
Debt securities issued	27,039,068	28,362,720	—	2,880,000	20,289,320	5,193,400	—
Total non-derivative financial liabilities	243,110,553	250,383,697	78,257,084	60,357,858	79,840,254	29,878,823	2,049,678

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

37 RISK MANAGEMENT (continued)

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

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

- making use of risk alert system and paying attention to risk product and early risk alert on each aspect of business; making business risk assessment in time; carrying out centralised risk management on major business controlling unit 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 centralized operational risk management tools, supervising, analysing and reporting the sufficiency and effectiveness of operational risk management;
- the Compliance Department, the Risk Management Department and the Internal Audit Office constitute “three lines of defense” for operational risk management base on the separating responsibilities of the front, middle and the back offices. The Business and functional departments act as the first line of defense, the Compliance Department and the Risk Management Department act as the second line of defense and the Internal Audit Office acts as the third line of defense;
- establishing a compulsory leave and rotation policies to staff in key position or important process;
- 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.

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37 RISK MANAGEMENT (continued)

(e) 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. The 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 needs.

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37 RISK 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) issued by the CBRC in 2012 and relevant requirements promulgated by the CBRC as follows:

	Note	30 June 2016	31 December 2015
Total core tier-one capital			
– Share capital		5,321,932	5,141,932
– Valid portion of capital reserve		2,988,289	2,617,630
– Surplus reserve		1,237,793	1,237,793
– General reserve		3,163,200	3,163,200
– Retained earnings		6,691,659	5,634,285
– Valid portion of minority interests		148,592	23,218
Core tier-one capital		19,551,465	17,818,058
Core tier-one capital deductions		(322,842)	(284,259)
Net core tier-one capital		19,228,623	17,533,799
Other tier one capital		7,205	9
Net tier-one capital		19,235,828	17,533,808
Tier two capital			
– Qualifying portions of tier-two capital instruments issued		2,000,000	2,000,000
– Surplus provision for loan impairment		1,497,654	1,649,157
– Valid portion of minority interests		11,492	18
Net tier-two capital		3,509,146	3,649,175
Net capital base		22,744,974	21,182,983
Total risk weighted assets	(1)	198,612,089	173,696,609
Core tier-one capital adequacy ratio		9.68%	10.09%
Tier-one capital adequacy ratio		9.69%	10.09%
Capital adequacy ratio		11.45%	12.20%

(1) 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.

(2) Pursuant to the Notification on Matters Related to the Implementation of the Regulation Governing Capital of Commercial Banks (Provisional) in the Transitional Period (關於實施《商業銀行資本管理辦法(試行)》過渡期安排相關事項的通知), 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% at 30 June 2016 and 31 December 2015 respectively.

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38 FAIR VALUE

(a) Methods and assumptions for measurement of fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and
- Level 3: Fair value measured using significant unobservable inputs

The Group has established policies and internal controls with respect to the measurement of fair values, specify 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:

(1) Debt securities investments

Fair values of debt securities investments are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

(2) 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 each of the reporting period.

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

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

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38 FAIR VALUE (continued)

(b) 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	
Recurring fair value measurements assets				
Financial assets at fair value through profit or loss				
– debt instruments	1,443,586	7,555,175	—	8,998,761
Available-for-sale financial assets				
– debt instruments	2,532,646	3,735,220	6,681,795	12,949,661
Total	3,976,232	11,290,395	6,681,795	21,948,422

	31 December 2015			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements assets				
Financial assets at fair value through profit or loss				
– debt instruments	1,326,995	11,674,522	—	13,001,517
Available-for-sale financial assets				
– debt instruments	2,834,921	4,002,753	4,359,941	11,197,615
Total	4,161,916	15,677,275	4,359,941	24,199,132

During the period ended 30 June 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (31 December 2015: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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38 FAIR VALUE (continued)

(c) Movement in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing balance of level 3 financial assets and liabilities which are recorded at fair value and the movement during the period/year:

	1 January 2016	Total gains recorded in profit or loss	Total gains recorded in other comprehensive income	Additions	Disposals	Settlements	Transfers to Level 2 from Level 3	30 June 2016
Financial assets:								
Available-for-sale financial assets								
- Debt instruments	4,359,941	121,807	—	4,069,785	(1,747,931)	(121,807)	—	6,681,795

	1 January 2015	Total gains recorded in profit or loss	Total gains recorded in other comprehensive income	Additions	Disposals	Settlements	Transfers to Level 2 from Level 3	30 June 2015
Financial assets:								
Available-for-sale financial assets								
- Debt instruments	1,106,420	40,837	—	1,434,514	(786,421)	(40,837)	—	1,754,513

During the reporting period, the carrying amount of financial instrument valued with significant unobservable inputs were immaterial, and the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were also immaterial.

Total gains recorded in profit or loss is recognised in the line item “interest income” on the face of the consolidated statement of profit or loss and other comprehensive income.

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38 FAIR VALUE (continued)

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

	30 June 2016				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Held-to-maturity investments	35,462,050	36,023,427	11,441,970	24,581,457	—
Total	35,462,050	36,023,427	11,441,970	24,581,457	—
Financial liabilities					
Debt securities issued					
– Financial bonds	2,600,000	2,661,734	—	2,661,734	—
– Tier-two capital bonds	2,000,000	2,086,960	—	2,086,960	—
– Interbank deposits	31,314,470	30,935,923	—	30,935,923	—
Total	35,914,470	35,684,617	—	35,684,617	—
	31 December 2015				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Held-to-maturity investments	23,901,914	24,626,119	11,642,338	12,983,781	—
Total	23,901,914	24,626,119	11,642,338	12,983,781	—
Financial liabilities					
Debt securities issued					
– Financial bonds	5,000,000	5,078,718	—	5,078,718	—
– Tier-two capital bonds	2,000,000	2,088,728	—	2,088,728	—
– Interbank deposits	20,039,068	19,807,554	—	19,807,554	—
Total	27,039,068	26,975,000	—	26,975,000	—

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

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38 FAIR VALUE (continued)

The fair values of held-to-maturity investments and debt securities issued are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

Financial investments classified as loans and receivables are stated at amortised cost using the effective interest method. The fair value of financial investments classified as loans and receivables is estimated based on future cash flows expected to be received which is discounted at current market rates. Majority of the financial investments classified as loans and receivables are repriced at least annually to the market rate. Accordingly, their carrying values approximate their fair values.

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

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

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

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39 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Credit commitments

The Group's credit commitments take the form of bank acceptances, unused 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 unused 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	52,712,927	41,388,973
Letters of credit	2,573,023	2,294,599
Letters of guarantees	363,429	1,034,947
Unused credit card commitments	690,806	463,152
Total	56,340,185	45,181,671

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

(b) Credit risk-weighted amount

	30 June 2016	31 December 2015
Credit risk-weighted amount of contingent liabilities and commitments	21,201,156	13,965,648

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016 - unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

39 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

(c) 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)	74,535	55,941
After one year but within five years (inclusive)	197,392	164,642
After five years	134,742	126,891
Total	406,669	347,474

(d) 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	94,334	133,239
Approved but not contracted for	19,854	173,411
Total	114,188	306,650

(e) Outstanding litigations and disputes

As at 30 June 2016 and 31 December 2015, there are no significant legal proceedings outstanding against the Group.

(f) Pledged assets

	30 June 2016	31 December 2015
Debt securities	19,815,763	20,332,689
Total	19,815,763	20,332,689

Some of the Group's assets are pledged as collateral under repurchase agreements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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

40 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

(a) 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	
	Carrying amount	Maximum amount
Financial investments		
– Available-for-sale financial assets	6,681,795	6,681,795
– Financial investment classified as loans and receivables	78,120,552	78,120,552
Interest receivables	330,169	330,169
Total	85,132,516	85,132,516
	31 December 2015	
	Carrying amount	Maximum amount
Financial investments		
– Available-for-sale financial assets	4,359,941	4,359,941
– Financial investment classified as loans and receivables	63,063,894	63,063,894
Interest receivables	163,694	163,694
Total	67,587,529	67,587,529

The maximum exposures to loss in the above investment management products and wealth management products are the carrying amount of the assets held by the Group and the related interest receivable at the end of each of the reporting period.

The interest income arising from the above unconsolidated structured entities for the period ended 30 June 2016 amounted to RMB2,466 million (the six months ended 30 June 2015: RMB1,775 million).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016 - unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

40 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (continued)

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

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

As at 30 June 2016, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products which are sponsored by the Group is RMB22,074 million (31 December 2015: RMB15,968 million).

During the six months ended 30 June 2016, the amount of fee and commission income received from the non-principal-guaranteed wealth management products sponsored and issued by the Group and matured within the corresponding period is RMB2 million (the six months ended 30 June 2015: RMB4 million).

During the six months ended 30 June 2016, the aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2016, but matured before 30 June 2016, is RMB1,649 million (the six months ended 30 June 2015: RMB2,186 million).

41 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 RMB7,675 million (31 December 2015: RMB7,498 million).

42 SUBSEQUENT EVENTS

The Group has no material events for disclosure subsequent to the date of this report.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in thousands of Renminbi, unless otherwise stated)

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

1 LIQUIDITY COVERAGE RATIO

	30 June 2016	Average for the period ended 30 June 2016
Liquidity coverage ratio (RMB and foreign currency)	363.71%	280.58%

	31 December 2015	Average for the year ended 31 December 2015
Liquidity coverage ratio (RMB and foreign currency)	388.42%	265.29%

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 70%, 80% and 90% by the end of 2015, 2016 and 2017, respectively.

	30 June 2016	31 December 2015
Leverage ratio	4.94%	5.65%

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

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

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in thousands of Renminbi, 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	13,186,153	427,592	5,077	13,618,822
Spot liabilities	(11,041,736)	(202)	—	(11,041,938)
Net position	2,144,417	427,390	5,077	2,576,884

	31 December 2015			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	7,836,722	3,363,144	1,882	11,201,748
Spot liabilities	(7,734,126)	(424,179)	—	(8,158,305)
Net position	102,596	2,938,965	1,882	3,043,443

The Group has no structural position at the reporting periods.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in thousands of Renminbi, unless otherwise stated)

3 INTERNATIONAL CLAIMS

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

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

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

	30 June 2016			
	Banks and other financial institutions	Public sector entities	Others	Total
North and South America	1,017,959	—	185,897	1,203,856
Asia Pacific excluding mainland China	88,952	—	—	88,952
	1,106,911	—	185,897	1,292,808

	31 December 2015			
	Banks and other financial institutions	Public sector entities	Others	Total
North and South America	1,928,928	63,848	325,017	2,317,793
Asia Pacific excluding mainland China	3,363,413	—	—	3,363,413
	5,292,341	63,848	325,017	5,681,206

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in thousands of Renminbi, unless otherwise stated)

4 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES

	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)	858,591	494,563
– between 6 months and 1 year (inclusive)	449,256	346,101
– over 1 year	215,955	304,688
Total	1,523,802	1,145,352
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.83%	0.52%
– between 6 months and 1 year (inclusive)	0.43%	0.37%
– over 1 year	0.21%	0.32%
Total	1.47%	1.21%

DEFINITIONS

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

“Articles of Association”	the articles of association of the Bank, as amended from time to time
“Bank”, “Bank of Zhengzhou”, or “We”	Bank of Zhengzhou Co., Ltd*. (鄭州銀行股份有限公司*), a joint stock company incorporated in the PRC with limited liability on November 16, 1996 in accordance with PRC laws, and, if the context requires, includes its predecessors, subsidiaries, branches and sub-branches
“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 Henan Bureau”	China Banking Regulatory Commission Henan 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 and traded on the Main Board of the Hong Kong Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Jiuding Financial Leasing Company”	Henan Jiuding Financial Leasing Co., Ltd (河南九鼎金融租賃股份有限公司)
“Latest Practicable Date”	August 22, 2016, being the latest practicable date prior to the printing of this interim report for the purpose of ascertaining certain information contained in this interim report

DEFINITIONS

“Listing Date”	December 23, 2015, the date on which dealings in the H Shares first commenced on the Hong Kong Stock Exchange
“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” or “China”	the People’s Republic of China, and for the purpose of this interim report only, excluding Hong Kong, Macau and Taiwan
“Reporting Period”	six months ended June 30, 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
“Supervisor(s)”	the supervisor(s) of the Bank

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



郑州银行

BANK OF ZHENGZHOU