



吉林九台農村商業銀行股份有限公司*
JILIN JIUTAI RURAL COMMERCIAL BANK CORPORATION LIMITED*

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

Stock Code : 6122

2017

Interim Report

**Jilin Jiutai Rural Commercial Bank Corporation Limited 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/deposit-taking business in Hong Kong.*



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Chapter 1 Definitions and Glossary

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

“Anci District Huimin Village and Township Bank”	Huimin Village Bank Company Limited of Anci, Langfang (廊坊市安次區惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 6, 2011, in which the Bank holds a 51% equity interest. The remaining nine shareholders hold 49% equity interest in Anci District Huimin Village and Township Bank
“Anping Huimin Village and Township Bank”	Anping Huimin Village Bank Co., Ltd. (安平惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 24, 2013, in which the Bank holds a 36% equity interest. The remaining 30 shareholders hold 64% equity interest in Anping Huimin Village and Township Bank. The Bank and five other shareholders (holding an aggregate of 39.16% equity interest in Anping Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Anping Huimin Village and Township Bank. Anping Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Articles of Association”	the articles of association of the Bank
“Baicheng Taobei Huimin Village and Township Bank”	Baicheng Taobei Huimin Village Bank Co., Ltd. (白城洮北惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on November 23, 2015, in which the Bank holds a 49% equity interest. The remaining 14 shareholders hold 51% equity interest in Baicheng Taobei Huimin Village and Township Bank. The Bank and six other shareholders (holding an aggregate of 18% equity interest in Baicheng Taobei Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Baicheng Taobei Huimin Village and Township Bank. Baicheng Taobei Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Bank”	Jilin Jiutai Rural Commercial Bank Corporation Limited, a joint stock company incorporated in the PRC on December 16, 2008 with limited liability in accordance with PRC laws, including its predecessors, but excluding its subsidiaries

Chapter 1 Definitions and Glossary

“Board” or “Board of Directors”	the board of directors of the Bank
“Board of Supervisors”	the board of supervisors of the Bank
“CBRC”	the China Banking Regulatory Commission (中國銀行業監督管理委員會)
“CBRC Jilin Bureau”	the China Banking Regulatory Commission Jilin Bureau (中國銀行業監督管理委員會吉林監管局)
“Changbai Mountain Rural Commercial Bank”	Changbai Mountain Rural Commercial Bank Co., Ltd. (長白山農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 14, 2011, in which the Bank holds a 38.80% equity interest. The other 21 shareholders hold 61.20% equity interest in Changbai Mountain Rural Commercial Bank. The Bank and other three shareholders (holding an aggregate of 27.9% equity interest in Changbai Mountain Rural Commercial Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meeting and shareholders’ general meetings of Changbai Mountain Rural Commercial Bank. Changbai Mountain Rural Commercial Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Changchun Gaoxin Huimin Village and Township Bank”	Changchun Gaoxin Huimin Village Bank Co., Ltd. (長春高新惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on September 24, 2013, in which the Bank holds a 50% equity interest. The remaining eight shareholders hold 50% equity interest in Changchun Gaoxin Huimin Village and Township Bank. The Bank and another shareholder (holding 1.85% equity interest in Changchun Gaoxin Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Changchun Gaoxin Huimin Village and Township Bank. Changchun Gaoxin Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Changchun Nanguan Huimin Village and Township Bank”	Changchun Nanguan Hui Min Village Bank Co., Ltd. (長春南關惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on January 11, 2011, in which the Bank holds a 51.20% equity interest. The remaining 35 shareholders hold 48.80% equity interest in Changchun Nanguan Huimin Village and Township Bank

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“Da’an Huimin Village and Township Bank”	Da’an Huimin Village Bank Co., Ltd. (大安惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on January 26, 2011, in which the Bank holds a 51.46% equity interest. The remaining 12 shareholders hold 48.54% equity interest in Da’an Huimin Village and Township Bank
“Director(s)”	the director(s) of the Bank
“Domestic Shares”	ordinary shares issued by the Bank in the PRC, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi
“Fuyu Huimin Village and Township Bank”	Fuyu Huimin Village Bank Co., Ltd. (扶餘惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 14, 2015, in which the Bank holds a 49% equity interest. The remaining 15 shareholders hold 51% equity interest in Fuyu Huimin Village and Township Bank. The Bank and two other shareholders (holding an aggregate of 3% equity interest in Fuyu Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Fuyu Huimin Village and Township Bank. Fuyu Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Gaomi Huimin Village and Township Bank”	Gaomi Huimin Village and Township Bank Co., Ltd. (高密惠民村鎮銀行有限責任公司) a company with limited liability incorporated in the PRC on May 25, 2011, in which the Bank holds a 71.43% equity interest. The remaining 35 shareholders hold 28.57% equity interest in Gaomi Huimin Village and Township Bank
“Group”	Jilin Jiutai Rural Commercial Bank Corporation Limited, a joint stock company incorporated in the PRC on December 16, 2008 with limited liability in accordance with PRC laws, and its predecessors and subsidiaries, on a consolidated basis
“Guangzhou Huangpu Huimin Village and Township Bank”	Guangzhou Huangpu Huimin Village and Township Bank Co., Ltd. (廣州黃埔惠民村鎮銀行股份有限公司) (formerly known as Guangzhou Luogang Huimin Village Bank Co., Ltd. 廣州蘿崗惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on February 7, 2014, in which the Bank holds a 51% equity interest. The remaining six shareholders hold 49% equity interest in Guangzhou Huangpu Huimin Village and Township Bank, among which, Jilin Province Longyuan Agricultural Production Group Co., Ltd. (吉林省隆源農業生產資料集團有限公司) is a connected person of the Group

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“H Shares”	the ordinary shares issued by the Bank in Hong Kong with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars
“Hanshan Huimin Village and Township Bank”	Hanshan Huimin Town Bank Co., Ltd. (含山惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on December 30, 2010, and a wholly-owned subsidiary of the Group
“Heyang Huimin Village and Township Bank”	Heyang Huimin Village Bank Co., Ltd. (合陽惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 16, 2013, in which the Bank holds a 51% equity interest. The remaining five shareholders hold 49% equity interest in Heyang Huimin Village and Township Bank
“HK\$” or “HK dollars”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as may be amended, supplemented or otherwise modified from time to time
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huadian Huimin Village and Township Bank”	Huadian Huimin Village Bank Co., Ltd. (樅甸惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on October 29, 2013, in which the Bank holds a 51% equity interest. The remaining 13 shareholders hold 49% equity interest in Huadian Huimin Village and Township Bank

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“Huidong Huimin Village and Township Bank”	Huidong Huimin Village Bank Co., Ltd. (惠東惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on November 21, 2014, in which the Bank holds a 35% equity interest. The remaining ten shareholders hold 65% equity interest in Huidong Huimin Village and Township Bank. The Bank and three other shareholders (holding an aggregate of 30% equity interest in Huidong Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Huidong Huimin Village and Township Bank. Huidong Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“IFRS”	the International Accounting Standards, International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
“Jilin Chuanying Huimin Village and Township Bank”	Jilin Chuanying Huimin Village Bank Co., Ltd. (吉林船營惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 21, 2016, in which the Bank holds a 46% equity interest. The remaining 26 shareholders hold 54% equity interest in Jilin Chuanying Huimin Village and Township Bank. The Bank and another shareholder (holding 5% equity interest in Jilin Chuanying Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Jilin Chuanying Huimin Village and Township Bank. Jilin Chuanying Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Jilin Chuncheng Rural Commercial Bank”	Jilin Chuncheng Rural Commercial Bank Co., Ltd. (吉林春城農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on October 12, 2015, in which the Bank holds a 30% equity interest. The remaining 38 shareholders hold 70% equity interest in Jilin Chuncheng Rural Commercial Bank, among which, Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司) and Jishi Media Co., Ltd. (吉視傳媒股份有限公司) are connected persons of the Bank. The Bank and four other shareholders (holding an aggregate of 40% equity interest in Jilin Chuncheng Rural Commercial Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Jilin Chuncheng Rural Commercial Bank. Jilin Chuncheng Rural Commercial Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary

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“Jilin Dehui Rural Commercial Bank”	<p>Jilin Dehui Rural Commercial Bank Co., Ltd. (吉林德惠農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 30, 2013, in which the Bank holds a 45% equity interest. The remaining six shareholders hold 55% equity interest in Jilin Dehui Rural Commercial Bank, among which, Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司), Jilin Province Longyuan Agricultural Production Group Co., Ltd. (吉林省隆源農業生產資料集團有限公司), Changchun Zhongdong Tianbao Co., Ltd. (長春中東天寶股份有限公司), Jishi Media Co., Ltd. (吉視傳媒股份有限公司) and United Venture Group Co., Ltd. (聯合創業集團有限公司) are connected persons of the Bank. The Bank and two other shareholders (holding an aggregate of 20% equity interest in Jilin Dehui Rural Commercial Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Jilin Dehui Rural Commercial Bank. Jilin Dehui Rural Commercial Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary</p>
“Jilin Fengman Huimin Village and Township Bank”	<p>Jilin Fengman Huimin Village Bank Co., Ltd. (吉林豐滿惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 16, 2013, in which the Bank holds a 51% equity interest. The remaining 15 shareholders hold 49% equity interest in Jilin Fengman Huimin Village and Township Bank</p>
“Jilin Gongzhuling Rural Commercial Bank”	<p>Jilin Gongzhuling Rural Commercial Bank Co., Ltd. (吉林公主嶺農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on October 12, 2015, in which the Bank holds a 30% equity interest. The remaining 53 shareholders hold 70% equity interest in Jilin Gongzhuling Rural Commercial Bank among which two are connected persons of the Bank. The Bank and three other shareholders (holding an aggregate of 30% equity interest in Jilin Gongzhuling Rural Commercial Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Jilin Gongzhuling Rural Commercial Bank. Jilin Gongzhuling Rural Commercial Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary</p>
“Jingmen Dongbao Huimin Village and Township Bank”	<p>Jingmen Dongbao Huimin Village Bank Co., Ltd. (荊門東寶惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 21, 2011, in which the Bank holds a 51% equity interest. The remaining six shareholders hold 49% equity interest in Jingmen Dongbao Huimin Village and Township Bank</p>

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“Latest Practicable Date”	September 22, 2017, being the latest practicable date for ascertaining certain information in this interim report before its publication
“Listing Date”	January 12, 2017, being the date on which dealing in the H Shares commences on the Hong Kong Stock Exchange
“Leizhou Huimin Village and Township Bank”	Leizhou Huimin Village Bank Co., Ltd. (雷州惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on March 25, 2015, in which the Bank holds a 45% equity interest. The remaining seven shareholders hold 55% equity interest in Leizhou Huimin Village and Township Bank. The Bank and three other shareholders (holding an aggregate of 20% equity interest in Leizhou Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Leizhou Huimin Village and Township Bank. Leizhou Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Liaoyuan Rural Commercial Bank”	Liaoyuan Rural Commercial Bank Limited Liability Company (遼源農村商業銀行有限責任公司), a company with limited liability incorporated in the PRC on November 15, 2012, and a wholly-owned subsidiary of the Group
“Lingshui Huimin Village and Township Bank”	Lingshui Huimin Village Bank Co., Ltd. (陵水惠民村鎮銀行股份有限公司) (formerly known as Lingshui Dasheng Company Bank Co., Ltd. (陵水大生村鎮銀行股份有限公司)), a joint stock company with limited liability incorporated in the PRC on May 16, 2011, in which the Bank holds a 20% equity interest. The remaining 30 shareholders hold 80% equity interest in Lingshui Huimin Village and Township Bank. The Bank and 11 other shareholders (holding an aggregate of 41.6% equity interest in Lingshui Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Lingshui Huimin Village and Township Bank. Lingshui Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Lujiang Huimin Village and Township Bank”	Lu Jiang Hui Min Town Bank Co., Ltd. (廬江惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on December 28, 2010, in which the Bank holds a 60% equity interest. The remaining 49 shareholders hold 40% equity interest in Lujiang Huimin Village and Township Bank

Chapter 1 Definitions and Glossary

“Qingdao Jimo Huimin Village and Township Bank”	Qingdao Jimo Huimin Village Bank Co., Ltd. (青島即墨惠民村鎮銀行股份有限公司) (formerly known as Qingdao Jimo Jingdu Village and Township Bank Co., Ltd. (青島即墨京都村鎮銀行股份有限公司)), a joint stock company with limited liability incorporated in the PRC on October 14, 2008, in which the Bank holds a 59% equity interest. The remaining 5 shareholders hold 41% equity interest in Qingdao Jimo Huimin Village and Township Bank
“NPLs” or “non-performing loans”	non-performing loans, and for the purpose of this interim report, means such loans that are classified as substandard, doubtful and loss according to the five-category loans classification system the Bank and each subsidiary bank adopted pursuant to applicable PRC guidelines
“NPL ratio” or “non-performing loan ratio”	the percentage ratio calculated by dividing non-performing loans by total loans
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC” or “China”	the People’s Republic of China, but for the purposes of this interim report only, excluding Hong Kong, Macau and Taiwan, unless otherwise indicated
“PRC GAAP”	the PRC Accounting Standards for Business Enterprises (中國企業會計準則) promulgated by the Ministry of Finance of the PRC on February 15, 2006 and its supplementary regulations, as amended, supplemented or otherwise modified from time to time
“Qianan Huimin Village and Township Bank”	Qianan Huimin Village Bank Co., Ltd. (乾安惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on December 28, 2010, in which the Bank holds a 50.67% equity interest. The remaining 20 shareholders hold 49.33% equity interest in Qianan Huimin Village and Township Bank
“Qingdao Pingdu Huimin Village and Township Bank”	Qingdao Pingdu Huimin Village Bank Co., Ltd. (青島平度惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 23, 2010, in which the Bank holds a 58.82% equity interest. The remaining 94 shareholders hold 41.18% equity interest in Qingdao Pingdu Huimin Village and Township Bank

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“Qingyuan Qingxin Huimin Village and Township Bank”	Qingyuan Qingxin Huimin Village Bank Co., Ltd. (清遠清新惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 23, 2014, in which the Bank holds a 51% equity interest. The remaining six shareholders hold 49% equity interest in Qingyuan Qingxin Huimin Village and Township Bank, among which, Jilin Province Longyuan Agricultural Production Group Co., Ltd. (吉林省隆源農業生產資料集團有限公司) is a connected person of the Group
“RMB” or “Renminbi”	the lawful currency of the PRC
“Sanya Huimin Village and Township Bank”	Sanya Huimin Village Bank Co., Ltd. (三亞惠民村鎮銀行股份有限公司) (formerly known as Sanya Phoenix County Village and Township Bank Co., Ltd. (三亞鳳凰村鎮銀行股份有限公司)), a joint stock company with limited liability incorporated in the PRC on May 16, 2011, in which the Bank holds a 20% equity interest. The remaining 10 shareholders hold 80% equity interest in Sanya Huimin Village and Township Bank. The Bank and four other shareholders (holding an aggregate of 33% equity interest in Sanya Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Sanya Huimin Village and Township Bank. Sanya Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time

Chapter 1 Definitions and Glossary

“Shares”	ordinary shares in the share capital of the Bank with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Shares
“Shuangcheng Huimin Village and Township Bank”	Shuangcheng Huimin Village Bank Co., Ltd. (雙城惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on January 25, 2010, in which the Bank holds a 75% equity interest. The remaining 26 shareholders hold 25% equity interest in Shuangcheng Huimin Village and Township Bank
“Songyuan Ningjiang Huimin Village and Township Bank”	Songyuan Ningjiang Huimin Village Bank Company Limited (松原寧江惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 19, 2011, in which the Bank holds a 40.80% equity interest. The remaining 55 shareholders hold 59.20% equity interest in Songyuan Ningjiang Huimin Village and Township Bank. The Bank and two other shareholders (holding an aggregate of 11.52% equity interest in Songyuan Ningjiang Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Songyuan Ningjiang Huimin Village and Township Bank. Songyuan Ningjiang Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Supervisor(s)”	the supervisor(s) of the Bank
“Taonan Huimin Village and Township Bank”	Taonan Huimin Village Bank Co., Ltd. (洮南惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 11, 2015, in which the Bank holds a 49% equity interest. The remaining 12 shareholders hold 51% equity interest in Taonan Huimin Village and Township Bank. The Bank and four other shareholders (holding an aggregate of 30% equity interest in Taonan Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Taonan Huimin Village and Township Bank. Taonan Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary

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“three rurals”	a short term for the issues related to agriculture, rural areas and rural households
“Tianjin Binhai Huimin Village and Township Bank”	Tianjin Binhai Huimin Village Bank Co., Ltd. (天津濱海惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on June 11, 2014, in which the Bank holds a 47% equity interest. The remaining 11 shareholders hold 53% equity interest in Tianjin Binhai Huimin Village and Township Bank. The Bank and another shareholder (holding 5% equity interest in Tianjin Binhai Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders' general meetings of Tianjin Binhai Huimin Village and Township Bank. Tianjin Binhai Huimin Village and Township Bank is deemed to be under the Bank's control and to be the Group's subsidiary
“Tongcheng Huimin Village and Township Bank”	Tongcheng Huimin Village Bank Co., Ltd. (通城惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on September 19, 2012, and a wholly-owned subsidiary of the Bank
“Wenan County Huimin Village and Township Bank”	Huimin Village Bank of Wenan (文安縣惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 23, 2011, in which the Bank holds a 51% equity interest. The remaining six shareholders hold 49% equity interest in Wenan County Huimin Village and Township Bank

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“Wuchang Huimin Village and Township Bank”	Wuchang Huimin Village Bank Co., Ltd. (五常惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on November 11, 2010, in which the Bank holds a 66.67% equity interest. The remaining 25 shareholders hold 33.33% equity interest in Wuchang Huimin Village and Township Bank
“Wuhua Huimin Village and Township Bank”	Wuhua Huimin Village Bank Co., Ltd. (五華惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 13, 2014, in which the Bank holds a 51% equity interest. The remaining seven shareholders hold 49% equity interest in Wuhua Huimin Village and Township Bank
“Yun’an Huimin Village and Township Bank”	Yun’an Huimin Village Bank Co., Ltd. (雲安惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 27, 2014, in which the Bank holds a 61% equity interest. The remaining four shareholders hold 39% equity interest in Yun’an Huimin Village and Township Bank

In this interim report:

- 1. any discrepancies in any table between totals and sums of the amounts listed are due to rounding; and*
- 2. if there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail.*

Chapter 2 Company Profile

I. BASIC INFORMATION OF THE BANK

Registered Name in Chinese:

吉林九台農村商業銀行股份有限公司 (abbreviated as 九台農商銀行)

Registered Name in English:

Jilin Jiutai Rural Commercial Bank Corporation Limited (abbreviated as “Jiutai Rural Commercial Bank”)

Legal Representative:

Gao Bing

Authorized Representative:

Gao Bing, Wong Yat Tung

Board Secretary:

Yuan Chunyu

Joint Company Secretaries:

Yuan Chunyu, Wong Yat Tung

Registered Office Address:

No. 504 Xinhua Main Street,
Jiutai District, Changchun
Jilin Province, the PRC

Principal Office Address:

No. 2559 Wei Shan Road
High-tech Zone, Changchun
Jilin Province, the PRC

Chapter 2 Company Profile

Customer Service Hotline:

+86 (431) 96888

Telephone:

+86 (431) 8925 0628

Facsimile:

+86 (431) 8925 0628

Company Website:

www.jtnsh.com

Place of Business in Hong Kong:

Room 3521, 35/F, Two Pacific Place
88 Queensway, Hong Kong

H Share Disclosure Websites:

The Stock Exchange of Hong Kong Limited's website at www.hkexnews.hk
The Bank's website at www.jtnsh.com

Listing Place:

The Stock Exchange of Hong Kong Limited

Stock Short Name:

JIUTAI RCB

Stock Code:

06122

H Share Registrar:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong

Chapter 2 Company Profile

PRC Legal Adviser:

King & Wood Mallesons
20/F, East Tower
World Financial Center
1 Dongsanhuan Zhonglu
Chaoyang District, Beijing, the PRC

Hong Kong Legal Adviser:

Latham & Watkins
18/F, One Exchange Square
8 Connaught Place
Central, Hong Kong

Auditors:

Domestic Auditor:

ShineWing Certified Public Accountants LLP
9/F, Block A, Fu Hua Mansion
No. 8 Chao Yang Men Bei Da Jie
Dong Cheng District, Beijing, the PRC

International Auditor:

SHINEWING (HK) CPA Limited
43/F, Lee Garden One
33 Hysan Avenue, Causeway Bay
Hong Kong

Compliance Advisor:

Guotai Junan Capital Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

II. HISTORY OF THE BANK

On December 15, 2008, upon the approval of the CBRC Jilin Bureau, the Bank was promoted and established as a joint stock commercial bank named “Jilin Jiutai Rural Commercial Bank Corporation Limited” (吉林九台農村商業銀行股份有限公司) by qualified natural person shareholders of the former Jiutai Rural Credit Cooperative (九台市農村信用合作聯社), newly introduced natural person shareholders and legal person shareholders. On December 16, 2008, the Bank was formally incorporated.

The Bank’s current registered address is No. 504 Xinhua Main Street, Jiutai District, Changchun, Jilin province, the PRC. The Bank has established a place of business in Hong Kong at Room 3521, 35/F, Two Pacific Place, 88 Queensway, Hong Kong and registered as a non-Hong Kong company in Hong Kong on February 17, 2016 under Part XVI of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The Bank appointed Wong Yat Tung as the Bank’s authorized representative for the acceptance of service of process and notices in Hong Kong. The address for service of process on the Bank in Hong Kong is at 18/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong. As the Bank was established in the PRC, the Bank’s corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC.

The Bank’s H Shares were listed on the Main Board of the Hong Kong Stock Exchange on January 12, 2017.

The Bank 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/deposit-taking business in Hong Kong.

Chapter 2 Company Profile

III. AWARDS AND RECOGNITIONS IN THE FIRST HALF OF 2017

The Group has won numerous awards and recognitions attributable to its outstanding business performance and management ability, including the following:

Unit	Awards/Recognitions	Organizer
The Bank	Top 100 Trading Banks in Interbank RMB Market in 2016 (2016年度銀行間本幣市場交易100強)	China Foreign Exchange Trade System and National Interbank Funding Center (中國外匯交易中心暨全國銀行間同業拆借中心)
The Bank	Active Trader in Interbank RMB Market in 2016 (2016年度銀行間本幣市場活躍交易商)	China Foreign Exchange Trade System and National Interbank Funding Center (中國外匯交易中心暨全國銀行間同業拆借中心)
The Bank	Top 100 Banks in Interbank RMB and Foreign Exchange Market in 2016 (2016年度銀行間人民幣外匯市場100強)	China Foreign Exchange Trade System and National Interbank Funding Center (中國外匯交易中心暨全國銀行間同業拆借中心)
The Bank	Class-A Bank for Implementation of Foreign Exchange Control Regulations in 2016 (2016年度執行外匯管理規定考核A類銀行)	Jilin Branch of the State Administration of Foreign Exchange (國家外匯管理局吉林省分局)
The Bank	Top 10 Most Supportive and Beautiful Rural Banks (十佳支持美麗鄉村銀行)	Steering Committee of the Forum for Chinese New Financial Institutions (中國新型金融機構論壇組委會) Financial Times (金融時報社)
The Bank	Unit with Best Consumer Satisfactory Level of Jilin in 2016 (吉林省2016年度消費者滿意單位)	Consumers Association of Jilin Province (吉林省消費者協會)
The Bank	National May 1st Labor Award of Jilin (吉林省五一勞動獎狀)	Jilin Federation of Trade Unions (吉林省總工會)

Chapter 2 Company Profile

Unit	Awards/Recognitions	Organizer
The Bank	2017 Top Ten Innovative Institutions for Rural Financial Brand of China (2017年全國農村金融十佳品牌創新機構)	2017 China Development Forum for Rural Financial Transformation (2017年中國農村金融轉型發展論壇)
Changbai Mountain Rural Commercial Bank	National Youth of Civilization Entity (青年文明號)	Working Committee of Jilin Provincial Communist Youth League (共青團吉林省直屬機關工作委員會)
Jilin Gongzhuling Rural Commercial Bank	National Worker Pioneer (工人先鋒號)	All-China Federation of Trade Unions (中華全國總工會)
Jilin Gongzhuling Rural Commercial Bank	Top Ten Banks for Poverty Alleviation (十佳精準扶貧銀行)	Steering Committee of the Forum for Chinese New Financial Institutions (中國新型金融機構論壇組委會) Financial Times (金融時報社)
Jilin Gongzhuling Rural Commercial Bank	10 Most Efficient Rural Banks of China in 2017 (2017年全國農村金融十佳績效管理銀行)	2017 China Development Forum for Rural Financial Transformation (2017年中國農村金融轉型發展論壇)
Huadian Huimin Village and Township Bank	Award for Contribution to Local Economic Development in 2016 (2016年度全市經濟發展貢獻獎)	Huadian Municipal Committee of the Communist Party of China (中共樺甸市委), Huadian Municipal People's Government (樺甸市人民政府)
Taonan Huimin Village and Township Bank	Unit with Best Consumer Satisfactory Level of Baicheng in 2016-2017 (2016年-2017年度白城市消費者滿意單位)	Consumers Association of Baicheng City (白城市消費者協會)
Qingdao Pingdu Huimin Village and Township Bank	Outstanding Innovative Product for Financial Services to Small and Micro Enterprises in Banking Industry of Qingdao in 2016 (2016年度青島銀行業小微企業金融服務優秀創新產品)	CBRC Qingdao Bureau (中國銀監會青島監管局)
Lingshui Huimin Village and Township Bank	Pioneer Institution for Providing Financial Services to Small and Micro Enterprises in Hainan Province of 2016 (2016年度海南省小微企業金融服務先進單位)	CBRC Hainan Bureau (中國銀監會海南監管局)

Chapter 3 Financial Summary

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2017	2016	Change in percentage (%)	Year ended December 31, 2016
Operating results				
Interest income	4,642.0	3,904.2	18.9%	8,487.6
Interest expenses	(2,453.7)	(1,841.8)	33.2	(3,954.3)
Net interest income	2,188.3	2,062.4	6.1	4,533.3
Fee and commission income	351.1	274.2	28.0	781.6
Fee and commission expenses	(16.8)	(13.5)	24.4	(33.9)
Net fee and commission income	334.3	260.7	28.2	747.7
Net gains arising from investment securities	159.5	167.0	(4.5)	387.7
Dividend income	100.3	106.5	(5.8)	106.6
Net trading gains	65.8	45.3	45.3	127.7
Gain on disposal of a subsidiary	—	—	—	—
Net Exchange gains/(losses)	(11.3)	3.1	(464.5)	9.3
Other operating income	31.4	5.8	441.4	41.8
Operating income	2,868.3	2,650.8	8.2	5,954.1
Operating expenses	(1,204.8)	(1,094.6)	10.1	(2,608.1)
Impairment losses on assets	(556.7)	(245.3)	126.9	(382.8)
Operating profit	1,106.8	1,310.9	(15.6)	2,963.2
Share of profits of associates	12.3	3.9	215.4	9.8
Profit before tax	1,119.1	1,314.8	(14.9)	2,973.0
Income tax expense	(218.9)	(282.0)	(22.4)	(657.2)
Profit for the period/year	900.2	1,032.8	(12.8)	2,315.8
Profit for the year attributable to:				
— Owners of the Bank	692.8	866.6	(20.1)	1,886.8
— Non-controlling interests	207.4	166.2	24.8	429.0
Profit for the period/year	900.2	1,032.8	(12.8)%	2,315.8
Basic earnings per share (RMB)	0.18	0.26	(30.8)	0.57
Diluted earnings per share (RMB)	0.18	0.26	(30.8)	0.57

Chapter 3 Financial Summary

	As at June 30, 2017	As at December 31, 2016	Change in percentage (%)
Major indicators of assets/liabilities			
Total assets	195,661.4	191,471.3	2.2
Of which: loans and advances to customers	72,020.4	60,286.4	19.5
Total liabilities	179,797.1	177,748.2	1.2
Of which: Deposits from customers	130,503.1	127,408.7	2.4
Total equity	15,864.3	13,723.1	15.6
Profitability indicators			
	Six months ended June 30, 2017	2016	Change in percentage (%)
Return on assets ⁽¹⁾⁽¹⁵⁾	0.93%	1.37%	(32.1)
Return on capital ⁽²⁾⁽¹⁵⁾	12.17%	16.98%	(28.3)
Net interest spread ⁽³⁾⁽¹⁵⁾	2.03%	2.41%	(15.8)
Net interest margin ⁽⁴⁾⁽¹⁵⁾	2.21%	2.56%	(13.7)
Net fee and commission income to operating income ratio ⁽⁵⁾	11.65%	9.83%	18.5
Cost-to-income ratio ⁽⁶⁾	40.93%	37.03%	10.5

Chapter 3 Financial Summary

	As at June 30, 2017	As at December 31, 2016	Change in percentage (%)	As at June 30, 2016
Capital adequacy indicators				
Core tier-one capital adequacy ratio ⁽⁷⁾	9.52%	10.35%	(8.0)	12.08%
Tier-one capital adequacy ratio ⁽⁸⁾	9.71%	10.52%	(7.7)	12.08%
Capital adequacy ratio ⁽⁹⁾	12.43%	13.79%	(9.9)	14.28%
Shareholders' equity to total assets ratio	8.11%	7.17%	13.1	7.79%
Assets quality indicators				
Non-performing loan ratio ⁽¹⁰⁾	1.59%	1.41%	12.8	1.57%
Provision coverage ratio ⁽¹¹⁾	190.84%	206.57%	(7.6)	198.18%
Provision to total loan ratio ⁽¹²⁾	3.04%	2.92%	4.1	3.12%
Other indicators⁽¹³⁾				
Loan to deposit ratio ⁽¹⁴⁾	56.92%	48.74%	16.8	49.76%

Notes:

- (1) Calculated by dividing the net profit for the period/year by the average balance of total assets at the beginning and the end of that period/year.
- (2) Calculated by dividing the net profit for the period/year by the average balance of total equity at the beginning and at the end of that period/year.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets.
- (5) Calculated by dividing net fee and commission income by operating income.
- (6) Calculated by dividing total operating expenses (net of business tax and surcharges) by operating income.
- (7) Core tier-one capital adequacy ratio = (core tier-one capital – corresponding capital deductions)/risk-weighted assets.
- (8) Tier-one capital adequacy ratio = (tier-one capital – corresponding capital deductions)/risk-weighted assets.
- (9) Capital adequacy ratio = (total capital – corresponding capital deductions)/risk-weighted assets.
- (10) Non-performing loan ratio = non-performing loans and advances to customers/total loans and advances to customers.
- (11) Provision coverage ratio = provision for impairment losses on loans/total non-performing loans and advances to customers.
- (12) Provision to total loan ratio = provision for impairment losses on loans/total loans and advances to customers.
- (13) These indicators refer to ratios we report to the China Banking Regulatory Commission (the "CBRC") and calculated in accordance with PRC GAAP and relative requirements of the CBRC regarding the financial data.
- (14) According to the revised PRC Commercial Banking Law which became effective on October 1, 2015, loan to deposit ratio is no longer applicable to the PRC Commercial Banks as a regulatory ratio.
- (15) Ratios for the six months ended June 30, 2016 and 2017 are calculated on an annualized basis.

Chapter 4 Management Discussion and Analysis

1 Environment and Outlook

In the first half of 2017, the global economy continued to recover moderately. In June 2017, the World Bank issued the Global Economic Prospects. It is forecasted that the global economic growth rate for the year will increase to 2.7% as compared to 2.4% in 2016. However, due to factors including the rising of trade protectionism and the hike of interest rate by the U.S Federation Reserves, various economies will be struggling for growth in the second half of the year.

In the first half of 2017, the GDP of China recorded a year-on-year growth of 6.9%, representing an increase of 0.2 percentage point as compared to the corresponding period of last year. It shows that the PRC economy is well-prepared to enter the stage of rapid growth in the mid-to-long run. From the perspective of provincial economy, the Jilin economy has picked up its growth momentum. Benefitted from the favourable policies including the revitalization of Northeastern China and the development of Changjitu and Changchun New Area, development advantage of the Bank has been further enhanced. Nonetheless, despite the challenges and difficulties inherent in the economic cycle and the new policy stage of the financial industry, the PRC economy is expected to maintain steady growth with more consolidated and expanded foundation as the supply-side structural reforms continue to deepen.

In the second half of 2017, leveraging on the economic, financial and regional development trends, the Bank will seize the new opportunities arising from various policies and the new growth potential from the industry upgrade with focus on the new consumption pattern to facilitate steady growth and transformation, in order to achieve better operating results and new growth points through differentiating its development advantage and cultivating new momentum.

Chapter 4 Management Discussion and Analysis

2 Development Strategies

2017 is the first year after the Bank's listing on the Hong Kong Stock Exchange. The Group's strategic goal is to establish its footprint across China while headquartered in Jilin province, and position itself as a professional financial services provider with unique values and strong competitive advantages. The Group also aims to become a leading modern PRC rural commercial banking group with strong brand value. To achieve its goal, the Group plans to: (i) reinforce advantages in banking services for the "three rurals" and small and medium sized enterprises; (ii) exploit the growth potential of personal financial services to promote the growth of its retail banking business; (iii) develop emerging businesses to promote the transformation of the growth model; (iv) further strengthen the Group's risk management and internal control; and (v) attract, develop, retain and motivate high-quality talent.

3 Overall Business Review

In the first half of 2017, in the face of the complicated external situations and increasingly fierce peer competition, the Group was devoted to overcoming various difficulties and challenges with satisfactory progress in various aspects and maintained steady growth.

The Group recorded a total operating income of RMB2,868.3 million for the six months ended June 30, 2017, representing an increase of 8.2% as compared to RMB2,650.8 million for the six months ended June 30, 2016. The Group's net profit decreased by 12.8% from RMB1,032.8 million for the six months ended June 30, 2016 to RMB900.2 million for the six months ended June 30, 2017.

As at June 30, 2017, the Group's total assets amounted to RMB195,661.4 million, representing an increase of 2.2% as compared with the beginning of the year; net loans and advances to customers amounted to RMB72,020.4 million, representing an increase of 19.5% as compared with the beginning of the year; the non-performing loan ratio remained at a reasonable level of 1.59%; total deposits from customers amounted to RMB130,503.1 million, representing an increase of 2.4% as compared with the beginning of the year.

Chapter 4 Management Discussion and Analysis

(a) Analysis of the Consolidated Statement of Profit or Loss

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			Change in percentage (%)
	2017	2016	Change in amount	
Interest income	4,642.0	3,904.2	737.8	18.9%
Interest expense	(2,453.7)	(1,841.8)	(611.9)	33.2
Net interest income	2,188.3	2,062.4	125.9	6.1
Fee and commission income	351.1	274.2	76.9	28.0
Fee and commission expenses	(16.8)	(13.5)	(3.3)	24.4
Net fee and commission income	334.3	260.7	73.6	28.2
Net gains arising from investment securities	159.5	167.0	(7.5)	(4.5)
Dividend income	100.3	106.5	(6.2)	(5.8)
Net trading gains	65.8	45.3	20.5	45.3
Gain on disposal of a subsidiary	—	—	—	—
Net exchange (losses)/gains	(11.3)	3.1	(14.4)	(464.5)
Other operating income	31.4	5.8	25.6	441.4
Operating income	2,868.3	2,650.8	217.5	8.2
Operating expenses	(1,204.8)	(1,094.6)	(110.2)	10.1
Impairment losses on assets	(556.7)	(245.3)	(311.4)	126.9
Operating profit	1,106.8	1,310.9	(204.1)	(15.6)
Share of profits of associates	12.3	3.9	8.4	215.4
Profit before tax	1,119.1	1,314.8	(195.7)	(14.9)
Income tax expense	(218.9)	(282.0)	63.1	(22.4)
Net profit for the period	900.2	1,032.8	(132.6)	(12.8)
Profit for the period attributable to:				
— Owners of the Bank	692.8	866.6	(173.8)	(20.1)
— Non-controlling interests	207.4	166.2	41.2	24.8
Net profit for the period	900.2	1,032.8	(132.6)	(12.8)%

In the first six months of 2017, the Group's operating income was RMB2,868.3 million, representing a year-on-year increase of 8.2%, mainly attributable to the increase in assets, while profit before tax and net profit for the period were RMB1,119.1 million and RMB900.2 million, respectively, representing a year-on-year decrease of 14.9% and 12.8%, respectively. Due to the replacement of business tax by value-added tax as well as the liberalization of interest rates, the Group's net interest margin decreased from 2.56% for the six months ended June 30, 2016 to 2.21% for the six months ended June 30, 2017. As a result, profit for the period slightly decreased as compared with the corresponding period of last year.

Chapter 4 Management Discussion and Analysis

(i) Net interest income

Net interest income was the largest component of the Group's operating income, representing 77.8% and 76.3% of operating income for the six months ended June 30, 2016 and 2017, respectively. The table below sets forth the interest income, interest expense and net interest income for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			Change in percentage (%)
	2017	2016	Change in amount	
Interest income	4,642.0	3,904.2	737.8	18.9%
Interest expense	(2,453.7)	(1,841.8)	(611.9)	33.2
Net interest income	2,188.3	2,062.4	125.9	6.1%

The table below sets forth the average balance of the Group's interest-earning assets and interest-bearing liabilities, the related interest income or expense and the average yield or average cost for the periods indicated. The average balance of interest-earning assets and interest-bearing liabilities are the average of the daily balances.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2017			Six months ended June 30, 2016		
	Average Balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Interest-earning assets						
Loans and advances to customers	71,573.3	2,314.1	6.47%	52,394.9	1,795.3	6.85%
Investment securities and other financial assets ⁽¹⁾	63,315.1	1,438.5	4.54	53,736.9	1,262.1	4.70
Deposits with banks and other financial institutions	37,180.6	625.3	3.36	27,156.2	508.2	3.74
Financial assets held under resale agreements	8,283.4	130.3	3.15	14,931.4	232.0	3.11
Deposits with the central bank ⁽²⁾	16,983.4	123.1	1.45	11,834.3	88.8	1.50
Placements with banks and other financial institutions	973.5	10.7	2.20	1,051.7	17.8	3.38
Total interest-earning assets	198,309.3	4,642.0	4.68%	161,105.4	3,904.2	4.85%

Chapter 4 Management Discussion and Analysis

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2017			Six months ended June 30, 2016		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Interest-bearing liabilities						
Deposits from customers	129,722.8	1,491.4	2.30%	100,681.8	1,128.5	2.24%
Financial assets sold under repurchase agreements	16,479.7	229.3	2.78	28,843.8	341.1	2.36
Deposits from banks and other financial institutions	8,141.3	131.5	3.23	9,960.1	156.5	3.14
Debt securities issued ⁽³⁾	27,823.1	566.7	4.07	10,422.5	200.0	3.84
Placements from banks and other financial institutions	2,004.8	26.4	2.63	780.8	11.0	2.82
Borrowing from the central bank	598.4	8.4	2.77	389.6	4.7	2.41
Total interest-bearing liabilities	184,770.1	2,453.7	2.65%	151,078.6	1,841.8	2.44%
Net interest income		2,188.3			2,062.4	
Net interest spread⁽⁴⁾			2.03%			2.41%
Net interest margin⁽⁵⁾			2.21%			2.56%

Notes:

- (1) Primarily include debt securities classified as receivables, available-for-sale financial assets, financial assets at fair value through profit or loss and held-to-maturity investments.
- (2) Primarily consist of statutory deposit reserves, surplus deposit reserves and fiscal deposit reserves.
- (3) Primarily consist of tier-two capital bonds, subordinated fixed rate bonds and interbank certificates.
- (4) Calculated by the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.
- (5) Calculated by dividing net interest income by the average balance of interest-earning assets (based on the daily average of the interest-earning assets).

Chapter 4 Management Discussion and Analysis

The table below sets forth the changes in the Group's interest income and interest expense attributable to changes in volume and interest rate for the periods indicated. Changes in volume are measured by changes in the average balance, and changes in interest rate are measured by changes in the average interest rates. Changes caused by both volume and interest rate have been allocated to changes in volume.

Six months ended June 30, 2017 vs 2016			
(Expressed in millions of RMB, unless otherwise stated)			Net
	Volume⁽¹⁾	Interest rate⁽²⁾	Increase/ (decrease)⁽³⁾
Interest-earning Assets			
Loans and advances to customers	620.1	(101.3)	518.8
Investment securities and other financial assets ⁽¹⁾	217.6	(41.2)	176.4
Financial assets held under resale agreements	(104.6)	2.9	(101.7)
Deposits with banks and other financial institutions	168.6	(51.5)	117.1
Deposits with the central bank	37.3	(3.0)	34.3
Placements with banks and other financial institutions	(0.9)	(6.2)	(7.1)
Changes in interest income	938.1	(200.3)	737.8
Interest-bearing Liabilities			
Deposits from customers	333.9	29.0	362.9
Financial assets sold under repurchase agreements	(172.0)	60.2	(111.8)
Deposits from banks and other financial institutions	(29.4)	4.4	(25.0)
Debt securities issued	354.4	12.3	366.7
Placements from banks and other financial institutions	16.1	(0.7)	15.4
Borrowing from the central bank	2.9	0.8	3.7
Changes in interest expense	505.9	106.0	611.9
Changes in net interest income	432.2	(306.3)	125.9

Notes:

- (1) Represents the average balance for the period minus the average balance for the previous period, multiplied by the average yield/cost for the period.
- (2) Represents the average yield/cost for the period minus the average yield/cost for the previous period, multiplied by the average balance for the previous period.
- (3) Represents interest income/expense for the period minus interest income/expense for the previous period.

Chapter 4 Management Discussion and Analysis

(ii) Interest income

The table below sets forth the principal components of interest income for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		2016	
	2017 Amount	% of total	Amount	% of total
Loans and advances to customers	2,314.1	49.9%	1,795.3	45.9%
Investment securities and other financial assets	1,438.5	31.0	1,262.1	32.3
Deposits with banks and other financial institutions	625.3	13.5	508.2	13.1
Financial assets held under resale agreements	130.3	2.8	232.0	5.9
Deposits with the central bank	123.1	2.6	88.8	2.3
Placements with banks and other financial institutions	10.7	0.2	17.8	0.5
Total	4,642.0	100.0%	3,904.2	100.0%

The Group's interest income increased by 18.9% from RMB3,904.2 million for the six months ended June 30, 2016 to RMB4,642.0 million for the six months ended June 30, 2017, primarily due to an increase in the average balance of interest-earning assets, from RMB161,105.4 million for the six months ended June 30, 2016 to RMB198,309.3 million for the six months ended June 30, 2017, partially offset by a decrease in the average yield on interest-earning assets, from 4.85% for the six months ended June 30, 2016 to 4.68% for the six months ended June 30, 2017. The increase in the average balance of interest-earning assets was primarily due to the increases in the average balance of investment securities and other financial assets, deposits with banks and other financial institutions, loans and advances to customers and deposits with the central bank in line with the growth of the Group's business. Due to the effect of the replacement of business tax by value-added tax and the liberalization of interest rates, the Group recorded a slight decrease in the average yield on placements with banks and other financial institutions, deposits with banks and other financial institutions, investment securities and other financial assets and loans and advances to customers.

Chapter 4 Management Discussion and Analysis

(A) Interest income from loans and advances to customers

Interest income from loans and advances to customers represented 45.9% and 49.9% of the Group's total interest income for the six months ended June 30, 2016 and 2017, respectively. The table below sets forth the average balance, interest income and average yield of loans and advances to customers by product for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,					
	2017			2016		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	55,108.2	1,813.2	6.58%	35,976.3	1,262.3	7.02%
Retail loans	16,445.1	500.5	6.09	14,682.5	504.7	6.87
Discounted bills	20.0	0.4	4.00	1,736.1	28.3	3.26
Total loans and advances to customers	71,573.3	2,314.1	6.47%	52,394.9	1,795.3	6.85%

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

Interest income from investment securities and other financial assets increased by 14.0% from RMB1,262.1 million for the six months ended June 30, 2016 to RMB1,438.5 million for the six months ended June 30, 2017, primarily due to an increase in the average balance of investment securities and other financial assets, from RMB53,736.9 million for the six months ended June 30, 2016 to RMB63,315.1 million for the six months ended June 30, 2017, resulting in an increase of relevant interest income, which was partially offset by the decrease of average yield from 4.7% for the six months ended June 30, 2016 to 4.54% for the six months ended June 30, 2017.

(C) Interest income from deposits with banks and other financial institutions

Interest income from deposits with banks and other financial institutions increased by 23.0% from RMB508.2 million for the six months ended June 30, 2016 to RMB625.3 million for the six months ended June 30, 2017, primarily due to an increase in the average balance of deposits with banks and other financial institutions, from RMB27,156.2 million for the six months ended June 30, 2016 to RMB37,180.6 million for the six months ended June 30, 2017, resulting in an increase of relevant interest income, which was partially offset by the decrease of average yield from 3.74% for the six months ended June 30, 2016 to 3.36% for the six months ended June 30, 2017.

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

Interest income from financial assets held under resale agreements decreased by 43.8% from RMB232.0 million for the six months ended June 30, 2016 to RMB130.3 million for the six months ended June 30, 2017, primarily due to a decrease in the average balance of those assets, from RMB14,931.4 million for the six months ended June 30, 2016 to RMB8,283.4 million for the six months ended June 30, 2017. The decrease in the average balance of those assets was primarily attributable to the adjustment of interbank assets structure to balance risk and return by the Group.

(E) Interest income from deposits with the central bank

Interest income from deposits with the central bank increased by 38.6% from RMB88.8 million for the six months ended June 30, 2016 to RMB123.1 million for the six months ended June 30, 2017, primarily due to an increase in the average balance of deposits with the central bank, from RMB11,834.3 million for the six months ended June 30, 2016 to RMB16,983.4 million for the six months ended June 30, 2017, partially offset by a slight decrease in the average yield on deposits with the central bank, from 1.50% for the six months ended June 30, 2016 to 1.45% for the six months ended June 30, 2017. The increase in the average balance of deposits with the central bank was primarily due to an increase in the statutory deposit reserves resulting from increased customer deposits.

(iii) Interest expenses

The table below sets forth the principal components of the Group's interest expenses for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2017		2016	
	Amount	% of total	Amount	% of total
Deposits from customers	1,491.4	60.8%	1,128.5	61.3%
Financial assets sold under repurchase agreements	229.3	9.3	341.1	18.5
Deposits from banks and other financial institutions	131.5	5.4	156.5	8.5
Debt securities issued	566.7	23.1	200.0	10.8
Placements from banks and other financial institutions	26.4	1.1	11.0	0.6
Borrowings from the central bank	8.4	0.3	4.7	0.3
Total	2,453.7	100.0%	1,841.8	100.0%

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(A) Interest expenses on deposits from customers

The table below sets forth the average balance, interest expense and average cost for the components of deposits from customers for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			2016		
	2017					
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time	26,666.9	476.8	3.58%	21,470.7	459.5	4.28%
Demand	31,540.9	213.0	1.35	25,757.8	157.6	1.22
Subtotal	58,207.8	689.8	2.37%	47,228.5	617.1	2.61%
Retail deposits						
Time	52,070.5	767.1	2.95%	39,675.0	486.9	2.45%
Demand	19,444.5	34.5	0.35	13,778.3	24.5	0.36
Subtotal	71,515.0	801.6	2.24%	53,453.3	511.4	1.91%
Total deposits from customers	129,722.8	1,491.4	2.30%	100,681.8	1,128.5	2.24%

Interest expenses on deposits from customers increased by 32.2% from RMB1,128.5 million for the six months ended June 30, 2016 to RMB1,491.4 million for the six months ended June 30, 2017, primarily due to an increase in the average balance of deposits from customers, from RMB100,681.8 million for the six months ended June 30, 2016 to RMB129,722.8 million for the six months ended June 30, 2017, and an increase in the average cost of deposits from customers, from 2.24% for the six months ended June 30, 2016 to 2.30% for the six months ended June 30, 2017.

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(B) Interest expenses on financial assets sold under repurchase agreements

Interest expenses on financial assets sold under repurchase agreements decreased by 32.8% from RMB341.1 million for the six months ended June 30, 2016 to RMB229.3 million for the six months ended June 30, 2017, primarily due to a decrease in the average balance of financial assets sold under repurchase agreements from RMB28,843.8 million for the six months ended June 30, 2016 to RMB16,479.7 million for the six months ended June 30, 2017, which was partially offset by the increase of average cost from 2.36% for the six months ended June 30, 2016 to 2.78% for the six months ended June 30, 2017.

(C) Interest expenses on deposits from banks and other financial institutions

Interest expenses on deposits from banks and other financial institutions decreased by 16.0% from RMB156.5 million for the six months ended June 30, 2016 to RMB131.5 million for the six months ended June 30, 2017, mainly due to a decrease in the average balance of those liabilities from RMB9,960.1 million for the six months ended June 30, 2016 to RMB8,141.3 million for the six months ended June 30, 2017, which was partially offset by the increase of average cost from 3.14% for the six months ended June 30, 2016 to 3.23% for the six months ended June 30, 2017.

(D) Interest expenses on debt securities issued

Interest expenses on debt securities issued increased by 183.4% from RMB200.0 million for the six months ended June 30, 2016 to RMB566.7 million for the six months ended June 30, 2017, mainly due to the issuance of interbank deposits in an aggregate face value of RMB12,540.0 million in the first half of 2017.

(iv) Net interest spread and net interest margin

Net interest spread is the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities. Net interest margin is the ratio of net interest income to the average balance of interest-earning assets.

Net interest spread decreased from 2.41% for the six months ended June 30, 2016 to 2.03% for the six months ended June 30, 2017, and net interest margin decreased from 2.56% for the six months ended June 30, 2016 to 2.21% for the six months ended June 30, 2017, primarily due to the decrease in the average yield of interest-earning assets as affected by the liberalization of interest rates and the replacement of business tax by value-added tax, as well as the increase in the average cost of total interest-bearing liabilities due to the liability structure and the liberalization of interest rates.

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(v) Non-interest income

(A) Net fee and commission income

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2017	2016	Change in amount	Change in percentage (%)
Fee and commission income				
Advisory fees	136.1	132.1	4.0	3.0%
Syndicated loan service fees	38.8	31.0	7.8	25.2
Settlement and clearing fees	24.2	17.0	7.2	42.4
Agency services fees	19.1	26.2	(7.1)	(27.1)
Wealth management service fees	127.1	58.6	68.5	116.9
Bank card service fees	3.4	3.1	0.3	9.7
Others ⁽¹⁾	2.4	6.2	(3.8)	(61.3)
Subtotal	351.1	274.2	76.9	28.0%
Fee and commission expense	(16.8)	(13.5)	(3.3)	24.4%
Net fee and commission income	334.3	260.7	73.6	28.2%

Note:

- (1) Primarily consist of fee income from loan business, fee and commission of guarantees and commitments and income from safe deposit box business.

Net fee and commission income increased by 28.2% from RMB260.7 million for the six months ended June 30, 2016 to RMB334.3 million for the six months ended June 30, 2017, primarily due to the increase in wealth management service fees, service fees of syndicated loans and settlement and clearing fees.

Fee and commission expenses mainly included fees paid to third parties for settlement and clearing services. Fee and commission expenses increased by 24.4% from RMB13.5 million for the six months ended June 30, 2016 to RMB16.8 million for the six months ended June 30, 2017, mainly due to an increase in the volume of domestic settlement transactions.

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(B) Net gains arising from investment securities

Net gains arising from investment securities included net gains from selling investment securities and other financial assets and revaluation gains resulting from the reclassification from other consolidated income to profits or losses upon the disposal of assets.

Net gains arising from investment securities decreased by 4.5% from RMB167.0 million for the six months ended June 30, 2016 to RMB159.5 million for the six months ended June 30, 2017. The decrease was mainly due to the decrease in market prices of bonds and other invested assets as affected by the changes in market interest rate.

(C) Dividend income

Dividend income decreased by 5.8% from RMB106.5 million for the six months ended June 30, 2016 to RMB100.3 million for the six months ended June 30, 2017. The decrease was mainly due to the decrease in actual distribution of dividends by non-controlling rural commercial banks and other entities invested by the Bank.

(D) Net trading gains

Net trading gains increased by 45.3% from RMB45.3 million for the six months ended June 30, 2016 to RMB65.8 million for the six months ended June 30, 2017, mainly due to the changes in fair values of the Group's debt securities held for trading and assets management plans as at the end of the period.

(E) Net exchange gains

Net exchange gains mainly included net gains arising out of foreign exchange settlement and foreign exchange transactions. The Group had net exchange gains of negative RMB11.3 million and RMB3.1 million for the six months ended June 30, 2017 and 2016, respectively, primarily reflecting the fluctuation of foreign exchange rates.

(F) Other operating income

Other operating income mainly included government subsidies. Other operating income increased by 441.4% from RMB5.8 million for the six months ended June 30, 2016 to RMB31.4 million for the six months ended June 30, 2017, which primarily reflected the increase in government subsidies received by the village and township banks.

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(vi) Operating expenses

Operating expenses increased by 10.1% from RMB1,094.6 million for the six months ended June 30, 2016 to RMB1,204.8 million for the six months ended June 30, 2017. The increase was primarily due to the increase in staff costs.

The table below sets forth the principal components of operating expenses for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2017	2016	Change in amount	Change in percentage (%)
Staff costs	681.9	593.4	88.5	14.9%
Property and equipment expenses	273.2	209.3	63.9	30.5
General management and administrative expenses	219.0	178.5	40.5	22.7
Business tax and surcharges	30.7	113.4	(82.7)	(72.9)
Total	1,204.8	1,094.6	110.2	10.1%

(A) Staff costs

The table below sets forth the components of staff costs for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2017	2016	Change in amount	Change in percentage (%)
Salaries and bonuses	465.4	423.1	42.3	10.0%
Social insurance	129.0	97.8	31.2	31.9
Staff welfares	37.4	35.1	2.3	6.6
Housing allowances	38.5	28.3	10.2	36.0
Labor union and staff education expenses	11.6	9.1	2.5	27.5
Total staff costs	681.9	593.4	88.5	14.9%

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Staff costs increased by 14.9% from RMB593.4 million for the six months ended June 30, 2016 to RMB681.9 million for the six months ended June 30, 2017. The increase in staff costs primarily reflected an increase in the number of employees because of the acquisitions and the organic growth and the expansion of the branch network.

(B) Property and equipment expenses

Property and equipment expenses increased by 30.5% from RMB209.3 million for the six months ended June 30, 2016 to RMB273.2 million for the six months ended June 30, 2017. The increase in property and equipment expenses was mainly due to an increase in depreciation on properties owned by newly established branches and rent for leased properties.

(C) General management and administrative expenses

General management and administrative expenses mainly included business promotion fees, transportation fee in relation to the delivery of cash and repair expenses. General management and administrative expenses increased by 22.7% from RMB178.5 million for the six months ended June 30, 2016 to RMB219.0 million for the six months ended June 30, 2017, primarily attributable to the Group's business growth.

(D) Business tax and surcharges

The Group pays taxes for interest income from loans, fee and commission income and securities trading gains. Business tax and surcharges decreased 72.9% from RMB113.4 million for the six months ended June 30, 2016 to RMB30.7 million for the six months ended June 30, 2017. The decreases in business tax and surcharges were primarily because the Group paid value-added tax instead of business tax for interest income from loans and fees and commission income since the reform of value-added tax took effect from May 2016.

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(vii) Impairment losses on assets

The table below sets forth the principal components of impairment losses on assets for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2017	2016	Change in amount	Change in percentage (%)
Loans and advances to customers	407.5	253.4	154.1	60.8%
Debt securities classified as receivables	144.5	(8.3)	152.8	(1,841.0)
Other receivables	1.1	—	1.1	—
Property and equipment ⁽¹⁾	3.6	0.2	3.4	1,700.0
Total	556.7	245.3	311.4	126.9%

Note:

(1) Primarily consist of property and equipment and repossessed assets.

Impairment losses on assets increased by 126.9% from RMB245.3 million for the six months ended June 30, 2016 to RMB556.7 million for the six months ended June 30, 2017, mainly due to an increase in provisions for impairment losses of loans driven by an increase in loans and advances to customers.

Debt securities classified as receivables of the Group increased by 104.3% from RMB10,779.6 million as of December 31, 2016 to RMB22,025.1 million as of June 30, 2017, which was the major reason for the increase in provisions for impairment losses of debt securities classified as receivables. Due to the impacts of the increase in repossessed assets and the changes in value of relevant assets, the provisions for impairment losses of property and equipment during the period increased.

(viii) Income tax expense

Income tax expense decreased by 22.4% from RMB282.0 million for the six months ended June 30, 2016 to RMB218.9 million for the six months ended June 30, 2017. The decrease in income tax expense was in line with the decrease in profit before tax in the first half of 2017. Effective tax rates were 19.6% and 21.4% for the six months ended June 30, 2017 and 2016, respectively. The relative lower effective tax rate in the first half of 2017 was mainly due to higher percentage of non-taxable income (including dividend income, interest income from treasury bonds and local government bonds and interest income from small loans to rural households).

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(b) Analysis of the Consolidated Statement of Financial Position

(i) Assets

As of June 30, 2017 and December 31, 2016, the Group's total assets amounted to RMB195,661.4 million and RMB191,471.3 million, respectively. Major components of total assets include (i) loans and advances to customers; (ii) investment securities and other financial assets; (iii) deposits with banks and other financial institutions; and (iv) cash and deposits with the central bank. The table below sets forth the components of total assets as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2017		As of December 31, 2016	
	Amount	% of total	Amount	% of total
Assets				
Loans and advances to customers, gross	74,281.3	38.0%	62,100.8	32.4%
Provision for impairment losses	(2,260.9)	(1.2)	(1,814.4)	(0.9)
Loans and advances to customers, net	72,020.4	36.8	60,286.4	31.5
Investment securities and other financial assets ⁽¹⁾	64,105.1	32.8	38,752.6	20.2
Deposits with banks and other financial institutions	25,177.4	12.9	37,733.8	19.7
Cash and deposits with the central bank	26,314.7	13.4	32,983.7	17.2
Financial assets held under resale agreements	334.6	0.2	15,231.1	8.0
Placements with banks and other financial institutions	140.0	0.1	—	—
Other assets ⁽²⁾	7,569.2	3.8	6,483.7	3.4
Total assets	195,661.4	100.0%	191,471.3	100.0%

Notes:

- (1) Include available-for-sale financial assets, financial assets at fair value through profit or loss, debt securities classified as receivables and held-to-maturity investments.
- (2) Primarily consist of property and equipment, goodwill, other receivables and prepayments, interests receivable, deferred tax assets, repossessed assets and interests in associates.

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(A) Loans and advances to customers

As of June 30, 2017, the Group's total loans and advances to customers was RMB74,281.3 million, representing an increase of 19.5% as compared to December 31, 2016. Net loans and advances to customers accounted for 36.8% of the Group's total assets, representing an increase of approximately 5.3 percentage points as compared to the same period of last year.

The table below sets forth loans and advances to customers by product as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2017		As of December 31, 2016	
	Amount	% of total	Amount	% of total
Corporate loans	55,984.2	75.4%	45,304.5	73.0%
Retail loans	18,268.1	24.6	16,786.3	27.0
Discounted bills	29.0	0.0	10.0	0.0
Total loans and advances to customers	74,281.3	100.0%	62,100.8	100.0%

Loans and advances to customers are the largest component of total assets. The Group offers a variety of loan products, substantially all of which are denominated in Renminbi. Loans and advances to customers, net of provision for impairment losses, represented 36.8% and 31.5% of total assets as of June 30, 2017 and December 31, 2016, respectively.

The Group's corporate loans increased by 23.6% from RMB45,304.5 million as of December 31, 2016 to RMB55,984.2 million as of June 30, 2017, primarily due to (i) the growth of the market demand for corporate loans; and (ii) the establishment of new branches and sub-branches by the Bank.

The Group's retail loans mainly comprise of personal business loans, personal consumption loans and residential and commercial mortgage loans. The Group's retail loans increased by 8.8% from RMB16,786.3 million as of December 31, 2016 to RMB18,268.1 million as of June 30, 2017, primarily due to (i) the Group's efforts to support the financing needs of SME business owners (including sole proprietors); (ii) the expansion of the distribution network; and (iii) the adjustment of the Group's loan portfolio to increase the proportion of long-term loans (including residential and commercial mortgage loans).

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Loans by Collateral

Collateralized loans, pledged loans and guaranteed loans in the aggregate represented 97.1% and 97.7% of total loans and advances to customers as of June 30, 2017 and December 31, 2016, respectively. If a loan is secured by more than one form of collateral, the classification is based on the primary form of collateral. The table below sets forth loans and advances to customers by the type of collateral as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2017		As of December 31, 2016	
	Amount	% of total	Amount	% of total
Collateralized loans	32,119.4	43.2%	28,475.1	45.9%
Pledged loans	11,252.6	15.2	10,269.6	16.5
Guaranteed loans	28,750.1	38.7	21,932.2	35.3
Unsecured loans	2,159.2	2.9	1,423.9	2.3
Total loans and advances to customers	74,281.3	100.0%	62,100.8	100.0%

Collateralized loans and pledged loans are the largest component of total loans and advances to customers. Collateralized loans and pledged loans as a percentage of total loans and advances to customers were 62.4% as of December 31, 2016 and 58.4% as of June 30, 2017, respectively.

The Group has adopted more stringent credit assessment criteria for extending guaranteed loans. Corporate loans are generally guaranteed by listed companies or guarantee companies. The Bank and each subsidiary bank consider the size, credit history and risk-resistance level of a guarantee company to decide whether or not to accept its guarantees. Guaranteed loans as a percentage of total loans and advances to customers was 35.3% as of December 31, 2016 and 38.7% as of June 30, 2017.

The Bank and each subsidiary bank extend unsecured loans to customers with relatively high credit ratings based on their internal credit risk rating system. As of December 31, 2016 and June 30, 2017, unsecured loans represented 2.3% and 2.9% of total loans and advances to customers.

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

(Expressed in millions of RMB, unless otherwise stated)	June 30, 2017	December 31, 2016
As at the beginning of the period	1,814.4	1,404.3
Charge for the period/year	407.8	446.7
Reverse for the period/year	(0.3)	(67.7)
Amounts written off as uncollectible	(12.0)	(16.2)
Recoveries of loans and advances previously written off	7.7	43.9
Acquisition of subsidiaries	43.3	3.4
As of June 30/December 31	2,260.9	1,814.4

Provision for impairment losses on loans increased by 24.6% from RMB1,814.4 million as of December 31, 2016 to RMB2,260.9 million as of June 30, 2017, primarily due to the increase in the provision for impairment losses of loans along with the increase in the loans and advances to customers of the Group.

(B) Investment securities and other financial assets

As of June 30, 2017 and December 31, 2016, the Group had investment securities and other financial assets of RMB64,105.1 million and RMB38,752.6 million, respectively, representing 32.8% and 20.2% of its total assets, respectively.

Investment securities and other financial assets primarily include debt securities, asset management plans, trust plans, wealth management products issued by other financial institutions, beneficiary certificates issued by securities companies and equity investments.

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(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2017		As of December 31, 2016	
	Amount	% of total	Amount	% of total
Debt securities investments				
Available-for-sale debt securities	12,527.2	19.5%	4,735.3	12.3%
Held-to-maturity debt securities	7,731.8	12.1	2,184.6	5.6
Debt securities held for trading	323.7	0.5	287.6	0.7
Debt securities classified as receivables	—	—	—	—
Subtotal	20,582.7	32.1%	7,207.5	18.6%
Asset management plans and trust plans				
Asset management plans	30,663.4	47.8%	22,757.7	58.7%
Trust plans	10,099.3	15.8	2,896.5	7.5
Subtotal	40,762.7	63.6%	25,654.2	66.2%
Wealth management products issued by other financial institutions				
	1,737.0	2.7%	4,695.8	12.1%
Subtotal	1,737.0	2.7%	4,695.8	12.1%
Equity investments				
Available-for-sale equity investments	1,022.7	1.6%	1,195.1	3.1%
Subtotal	1,022.7	1.6%	1,195.1	3.1%
Total investment securities and other financial assets, net	64,105.1	100.0%	38,752.6	100.0%

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Investment securities and other financial assets increased by 65.4% from RMB38,752.6 million as of December 31, 2016 to RMB64,105.1 million as of June 30, 2017. The increases in net investment securities and other financial assets were primarily due to an increase in funds available for investment.

(ii) Liabilities

As of June 30, 2017 and December 31, 2016, total liabilities amounted to RMB179,797.1 million and RMB177,748.2 million, respectively. Major components of liabilities include (i) deposits from customers; (ii) debt securities issued; (iii) financial assets sold under repurchase agreements; and (iv) deposits from banks and other financial institutions. The table below sets forth the components of total liabilities as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2017		As of December 31, 2016	
	Amount	% of total	Amount	% of total
Deposits from customers	130,503.1	72.6%	127,408.7	71.7%
Debt securities issued	27,626.7	15.4	23,395.9	13.2
Financial assets sold under repurchase agreements	9,253.8	5.1	14,595.0	8.2
Deposits from banks and other financial institutions	7,380.6	4.1	7,245.7	4.1
Borrowing from the central bank	242.4	0.1	1,822.8	1.0
Placements from banks and other financial institutions	2,127.5	1.2	442.5	0.2
Other liabilities ⁽¹⁾	2,663.0	1.5	2,837.6	1.6
Total liabilities	179,797.1	100.0%	177,748.2	100.0%

Note:

(1) Primarily consist of accrued staff costs and taxes payable.

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(A) Deposits from customers

The Group provides demand and time deposit products to corporate and retail customers. The table below sets forth deposits from customers by product and customer type as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2017		As of December 31, 2016	
	Amount	% of total	Amount	% of total
Corporate deposits				
Demand deposits	25,662.0	19.7%	35,848.7	28.2%
Time deposits	25,255.7	19.4	22,708.3	17.8
Subtotal	50,917.7	39.0	58,557.0	46.0
Retail deposits				
Demand deposits	20,083.2	15.4	18,943.9	14.9
Time deposits	55,706.0	42.7	46,259.9	36.3
Subtotal	75,789.2	58.1	65,203.8	51.2
Others⁽¹⁾	3,796.2	2.9	3,647.9	2.8
Total deposits from customers	130,503.1	100.0%	127,408.7	100.0%

Note:

(1) Primarily consist of pledged deposits held as collateral and fiscal deposits.

Total deposits from customers increased by 2.4% from RMB127,408.7 million as of December 31, 2016 to RMB130,503.1 million as of June 30, 2017. The increases were primarily attributable to (i) the consolidation of the village and township banks that were newly acquired; (ii) expansion of the branch network; and (iii) enhanced marketing efforts to increase deposits.

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(B) Debts securities issued

In December 2012, the Bank issued an aggregate principal amount of RMB700.0 million subordinated fixed rate bonds. The bonds have a term of 10 years and bear an interest rate of 7.00% per annum. The Bank has an option to redeem the bonds on December 31, 2017 at par.

In April 2015, the Bank issued tier-two capital bonds in an aggregate principal amount of RMB800.0 million. The bonds have a term of 10 years and bear an interest rate of 6.30% per annum. The Bank has an option to redeem the bonds on April 13, 2020 at par. In October 2016, the Bank issued RMB900.0 million at a face value of 4.20% fixed rate 10-year tier-two capital bonds.

From January 1, 2016 to December 31, 2016, the Bank issued several tranches of zero-coupon interbank certificates, with an aggregate face value of RMB37,140.0 million. The interbank certificates have a term ranging from one month to one year and bear effective interest rates between 2.9% and 4.1%.

From January 1, 2017 to June 30, 2017, the Bank issued 19 tranches of zero-coupon interbank certificates, with an aggregate face value of RMB12,540.0 million. The interbank certificates have a term ranging from six months to one year and bear effective interest rates between 4.55% and 4.65%.

(iii) Shareholders' equity

The table below sets forth the changes in shareholders' equity as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2017		As of December 31, 2016	
	Amount	% of total	Amount	% of total
Share capital	3,984.8	25.1%	3,294.8	24.0%
Capital reserve	5,305.9	33.5	3,347.0	24.4
Investment revaluation reserve	(215.3)	(1.4)	17.9	0.1
Surplus reserve	510.3	3.2	510.3	3.7
General reserve	1,353.6	8.5	1,351.9	9.9
Retained earnings	1,104.2	7.0	1,608.5	11.7
Non-controlling interests	3,820.8	24.1	3,592.7	26.2
Total equity	15,864.3	100.0%	13,723.1	100.0%

Chapter 4 Management Discussion and Analysis

(c) Assets Quality Analysis

(i) Breakdown of loans by the five-category classification

For the Group, the non-performing loans are classified into loans and advances to customers of substandard, doubtful and loss. As of June 30, 2017, the Group's non-performing loans amounted to RMB1,184.7 million. The following table sets forth loans and advances to customers by loan classification as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2017		As of December 31, 2016	
	Amount	% of total	Amount	% of total
Normal	71,327.4	96.0%	59,201.1	95.3%
Special mention	1,769.2	2.4	2,021.3	3.3
Substandard	366.9	0.5	213.2	0.3
Doubtful	805.8	1.1	663.5	1.1
Loss	12.0	0.0	1.7	0.0
Total loans and advances to customers	74,281.3	100.0%	62,100.8	100.0%
Non-performing loan and non-performing loan ratio⁽¹⁾	1,184.7	1.59%	878.4	1.41%

Note:

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

As of June 30, 2017 and December 31, 2016, the Group's non-performing loan ratio was 1.59% and 1.41%, respectively. The slight increase in non-performing loan ratio of the Group as of June 30, 2017 as compared to that of December 31, 2016 was primarily due to the operating difficulties of certain customers in some industries as affected by the macro-economic and financial conditions and structural adjustments.

Chapter 4 Management Discussion and Analysis

(ii) Concentration of loans

(A) Concentration by industry and distribution of non-performing loans

The table below sets forth the breakdown of loans and non-performing loans by industry as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	June 30, 2017				December 31, 2016			
	Loan amount	% of total	Non- performing loan amount	Non- performing loan ratio	Loan amount	% of total	Non- performing loan amount	Non- performing loan ratio
Corporate loans								
Wholesale and retail	14,402.1	19.4%	164.7	1.14%	10,204.6	16.4%	107.3	1.05%
Manufacturing	10,199.8	13.7	236.8	2.32	8,430.7	13.6	191.4	2.27
Construction	6,343.5	8.5	76.2	1.20	5,408.8	8.7	15.7	0.29
Real estate	5,451.9	7.3	125.0	2.29	4,743.5	7.6	125.0	2.64
Agriculture, forestry, animal husbandry and fishery	4,527.5	6.1	141.6	3.13	3,820.9	6.2	50.2	1.31
Leasing and business services	3,182.6	4.3	—	0.00	2,852.0	4.6	—	—
Transportation, storage and postal services	2,587.7	3.5	4.7	0.18	2,231.7	3.6	4.7	0.21
Electricity, gas and water production and supply	2,804.3	3.8	4.6	0.16	1,951.7	3.1	4.6	0.24
Education	1,371.3	1.8	—	0.00	1,069.7	1.7	—	—
Accommodation and catering	1,066.0	1.4	—	0.00	920.4	1.5	—	—
Resident and other services	691.7	0.9	4.5	0.65	776.8	1.3	3.0	0.39
Health and social services	759.9	1.0	—	0.00	660.5	1.1	—	—
Information transmission, computer services and software	681.3	0.9	—	0.00	638.6	1.0	—	—
Water, environment and public facility management	343.3	0.5	—	0.00	326.1	0.5	4.4	1.35
Public administration, social security and social organizations	232.5	0.3	—	0.00	297.5	0.5	—	—
Scientific research, technical services and geological prospecting	363.0	0.5	—	0.00	294.1	0.5	—	—
Mining	413.5	0.6	16.4	3.97	254.4	0.4	20.4	8.01
Finance	239.0	0.3	—	0.00	244.5	0.4	—	—
Cultural, sports and entertainment	323.3	0.4	—	0.00	178.0	0.3	—	—
Retail loans	18,268.1	24.6	410.2	2.25	16,786.3	27.0	351.7	2.10
Discounted bills	29.0	0.0	—	0.00	10.0	0.0	—	—
Total	74,281.3	100.0%	1,184.7	1.59%	62,100.8	100.0%	878.4	1.41%

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

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Loans to borrowers in the wholesale and retail, manufacturing, construction, real estate, agriculture, forestry, animal husbandry and fishery and leasing and business services industries represented the largest components of the Group's corporate loan portfolio. Loans to these industries accounted for 78.8% and 78.3% of total corporate loans as of June 30, 2017 and December 31, 2016, respectively.

As of June 30, 2017, non-performing loans of the Group's corporate loans were mainly concentrated in the mining industry, the agriculture, forestry, animal husbandry and fishery industry, the manufacturing industry and the real estate industry, with the ratio of non-performing loans of 3.97%, 3.13%, 2.32% and 2.29%, respectively.

(B) Borrower concentration

Indicators of Concentration

Major regulatory indicators	Regulatory Standard	As of June 30, 2017	As of December 31, 2016
Loan concentration ratio for the largest single customer (%)	≤ 10	5.06%	4.19%
Loan concentration ratio for the top ten customers (%)	≤ 50	36.20%	33.00%

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

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Loans to the 10 Largest Single Borrowers

The table below sets forth the balance of loans to the 10 largest single borrowers (excluding group borrowers) (on a consolidated or group basis) as of June 30, 2017, and such loans was classified as normal.

(Expressed in millions of RMB, unless otherwise stated)		As of June 30, 2017		
		Amount	% of total loan	% of regulatory capital
Customer	Industry			
Borrower A	Agriculture, forestry, animal husbandry and fishery	840.0	1.13%	5.06%
Borrower B	Wholesale and retail	665.0	0.90	4.01
Borrower C	Manufacturing	655.0	0.88	3.95
Borrower D	Leasing and business services	623.0	0.84	3.76
Borrower E	Electricity, gas and water production and supply	610.0	0.82	3.68
Borrower F	Manufacturing	605.2	0.81	3.65
Borrower G	Education	551.2	0.74	3.32
Borrower H	Manufacturing	510.0	0.69	3.07
Borrower I	Real estate	474.9	0.64	2.86
Borrower J	Real estate	471.0	0.63	2.84
Total		6,005.3	8.08%	36.20%

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(C) Distribution of non-performing loans by product

The table below sets forth the loans and non-performing loans by product as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2017			As of December 31, 2016		
	Loan amount	Non- performing loan amount	Non- performing loan ratio (%)	Loan amount	Non- performing loan amount	Non- performing loan ratio (%)
Corporate loans						
Small and micro enterprises ⁽¹⁾	34,566.4	502.6	1.45%	28,976.2	407.7	1.41%
Medium enterprises ⁽¹⁾	17,436.8	211.5	1.21	12,504.9	116.5	0.93
Large enterprises ⁽¹⁾	3,714.0	60.4	1.63	3,367.6	2.5	0.08
Others ⁽²⁾	267.0	—	—	455.8	—	—
Subtotal	55,984.2	774.5	1.38%	45,304.5	526.7	1.16%
Retail loans						
Personal business loans	12,439.5	373.6	3.00%	11,748.4	323.6	2.75%
Personal consumption loans	3,394.4	33.8	1.00	2,884.4	26.1	0.91
Residential and commercial mortgage loans	2,434.2	2.8	0.12	2,153.5	2.0	0.09
Subtotal	18,268.1	410.2	2.25%	16,786.3	351.7	2.10%
Discounted bills	29.0	—	—	10.0	—	—
Total	74,281.3	1,184.7	1.59%	62,100.8	878.4	1.41%

Notes:

- (1) The classification for large, medium, small and micro enterprises is based on the Provisions on the Standards for the Classification of Small and Medium Enterprises (《中小企業劃型標準規定》).
- (2) Mainly consist of government entities and public institutions.

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The non-performing loan ratio of corporate loans increased from 1.16% as of December 31, 2016 to 1.38% as of June 30, 2017, primarily due to certain enterprises experienced operating difficulties under the impacts of macro-economic and financial conditions.

The non-performing loan ratio of retail loans increased from 2.10% as of December 31, 2016 to 2.25% as of June 30, 2017, which was mainly due to the deteriorating financial condition of certain borrowers of personal business loans.

(D) Loan aging schedule

The table below sets forth the loan aging schedule for loans and advances to customers as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2017		As of December 31, 2016	
	Amount	% of total	Amount	% of total
Loans not overdue	71,926.3	96.8%	59,848.7	96.4%
Loans past due for:				
1 to 90 days	450.8	0.6	846.1	1.4
91 days to 1 year	648.8	0.9	464.6	0.7
1 to 3 years	867.9	1.2	600.3	1.0
3 years or more	387.5	0.5	341.1	0.5
Subtotal	2,355.0	3.2%	2,252.1	3.6%
Total loans and advances to customers	74,281.3	100.0%	62,100.8	100.0%

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(d) Segment Information

(i) Summary of geographical segment information

In presenting information on the basis of geographical segments, operating income is allocated based on the places of registration of the respective bank that generate the income. The table below sets forth the operating income attributable to each of the geographical segments for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2017		2016	
	Amount	% of total	Amount	% of total
Jilin	2,630.4	91.7%	2,438.0	92.0%
Other Regions ⁽¹⁾	237.9	8.3	212.8	8.0
Total operating income	2,868.3	100.0%	2,650.8	100.0%

Note:

(1) Primarily include provinces and municipalities such as Heilongjiang, Guangdong, Hebei, Shandong, Anhui, Hubei, Hainan, Tianjin and Shaanxi.

Operating income from Jilin province as a percentage of total operating income decreased from 92.0% for the six months ended June 30, 2016 to 91.7% for the six months ended June 30, 2017, which remained relatively stable as compared to the corresponding period of last year.

(ii) Summary of business segments

The Group operates three principal lines of business: corporate banking, retail banking and treasury operations. The table below sets forth the Group's operating income for each of its principal business segments for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2017		2016	
	Amount	% of total	Amount	% of total
Corporate banking	1,248.5	43.5%	941.7	35.5%
Retail banking	645.5	22.5	879.7	33.2
Treasury operations	853.8	29.8	714.0	26.9
Others ⁽¹⁾	120.5	4.2	115.4	4.4
Total	2,868.3	100.0%	2,650.8	100.0%

Note:

(1) Primarily represent assets, liabilities, income and expenses which cannot be directly attributable or cannot be allocated to a segment on a reasonable basis.

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(e) Off-balance Sheet Commitments

Off-balance sheet commitments primarily consist of bank acceptances, letters of credit, letters of guarantee, unused credit card limits, operating lease commitments and capital commitments. The table below sets forth the contractual amounts of off-balance sheet commitments as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2017	As of December 31, 2016
Credit commitments:		
Bank acceptances ⁽¹⁾	2,372.7	2,031.4
Letters of credit ⁽²⁾	83.1	167.1
Letters of guarantee ⁽²⁾	1,349.0	785.0
Unused credit card limits	68.0	—
Subtotal	3,872.8	2,983.5
Operating lease commitments	997.4	870.0
Capital commitments	53.4	58.9
Total	4,923.6	3,912.4

Notes:

- (1) Bank acceptances refer to the Group's undertakings to pay bank bills drawn on its customers.
- (2) The Group issues letters of credit and guarantee to third parties to guarantee its customers' contractual obligations.

Off-balance sheet commitments increased by 25.8% from RMB3,912.4 million as of December 31, 2016 to RMB4,923.6 million as of June 30, 2017. The increase in off-balance sheet commitments was mainly due to the growth of the letters of credit and letters of guarantee businesses driven by the expansion of the Group's customer base and increased customer demand.

Chapter 4 Management Discussion and Analysis

4 Business Review

(a) Corporate Banking

The Group offers corporate customers a broad range of financial products and services, including loans, bill discounting, deposits and fee- and commission-based products and services. The Group's corporate customers primarily include state-owned enterprises, private enterprises, foreign-invested enterprises, government authorities, financial institutions, public services departments and non-profit organizations. As of June 30, 2017, the Group had approximately 2,238 corporate borrowers with loans totalling RMB55,984.2 million. For the six months ended June 30, 2017 and 2016, operating income from the Group's corporate banking business accounted for 43.5% and 35.5% of total operating income, respectively.

The Group seeks to grow with its corporate customers, especially SMEs with strong growth potential, and the Group focuses on developing long-term customer relationships. As of June 30, 2017, the Group had 2,217 SME customers with loans totalling RMB52,003.2 million. In 2015, the Bank was recognized as a "Pioneer Institution in the China Banking Industry for Providing Financial Services to Small and Micro Enterprises" ("全國銀行業金融機構小微企業金融服務先進單位") by the CBRC. The Group also collaborates with other financial institutions, such as securities companies, fund companies, trust companies, insurance companies, private equity funds and financial leasing companies, to provide one-stop financial services to corporate customers. The table below sets forth the financial performance of the Group's corporate banking for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Change in percentage (%)
	2017	2016	
External interest (expenses)/income, net ⁽¹⁾	1,123.7	646.9	73.7%
Inter-segment interest (expenses)/income, net ⁽²⁾	61.2	240.6	(74.6)
Net interest income	1,184.9	887.5	33.5
Net fee and commission income	63.6	54.2	17.3
Operating income	1,248.5	941.7	32.6
Operating expenses	(651.8)	(471.8)	38.2
Impairment reversed/(losses) on assets	(348.1)	(171.4)	103.1
Profit before tax	248.6	298.5	(16.7)%

Chapter 4 Management Discussion and Analysis

Notes:

- (1) Refers to net income and expenses from third parties.
- (2) Refers to inter-segment expenses and consideration of transfers.

(i) Corporate loans

The Group offers loans to corporate customers to satisfy their capital needs for operations, machinery and equipment procurement and for infrastructure and real estate development. As of June 30, 2017 and December 31, 2016, the Group's corporate loans totalled RMB55,984.2 million and RMB45,304.5 million, respectively, accounting for 75.4% and 73.0% of the Group's total loans and advances to customers, respectively.

(ii) Discounted bills

The Group purchases bank and commercial acceptance bills at discounted prices from corporate customers to fund their working capital needs. These discounted bills generally have a remaining maturity of less than six months. The Group may re-discount these bills to the PBOC or other financial institutions. As of June 30, 2017, the Group had a balance of RMB29.0 million in discounted bills, all of which were bank acceptance bills.

(iii) Corporate deposits

The Group accepts time and demand deposits from corporate customers in Renminbi and major foreign currencies, such as U.S. dollars and Euros. The terms of corporate time deposits generally range from three months to three years. The Group's corporate deposit customers include state-owned enterprises, financial and government authorities and institutions, private enterprises, foreign-invested enterprises and non-profit organizations. As of June 30, 2017 and December 31, 2016, the Group's corporate deposits totalled RMB50,917.7 million and RMB58,557.0 million, respectively, accounted for 39.0% and 46.0% of total customer deposits, respectively.

(iv) Fee- and commission-based products and services

The Group offers corporate customers a wide range of fee- and commission-based products and services, primarily including consulting and financial advisory services, syndicated loans services, settlement and clearing services, entrusted loans, agency services and wealth management services.

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(A) Consulting and financial advisory services

The Group's consulting and financial advisory services primarily include financing solution structuring and asset management services to corporate customers. For the six months ended June 30, 2017 and 2016, the Group's income from consulting and financial advisory services was RMB136.1 million and RMB132.1 million, respectively.

(B) Syndicated loans services

The Group acts as lead manager, agent and lender bank for syndicated loans to corporate customers to meet their larger financing needs. For the six months ended June 30, 2017 and 2016, the Group earned service fees for syndicated loans of RMB38.8 million and RMB31.0 million, respectively.

(C) Settlement and clearing services

The Group offers settlement services, including cash transfers, drafts, cheques and other negotiable instruments, to corporate customers.

(D) Entrusted loans

The Group provides entrusted loans to borrowers designated by corporate customers in accordance with the uses of proceeds, principal amounts and interest rates determined by corporate customers. The Group also supervises borrowers' uses of loans and assist in collection of loans. The Group charges agency fees based on the principal amount of entrusted loans. The Group's corporate customers bear the risks of default under entrusted loans.

(E) Agency Services

The Group provides fee collection services for corporate customers (including enterprises and public services institutions). The Group believes this enables it to maintain close relationships with customers and enhance brand recognition.

(F) Wealth Management Services

The Bank offers corporate customers a variety of wealth management products based on their risk and return appetites, including principal-guaranteed wealth management products and non-principal-guaranteed wealth management products. Such wealth management products primarily invest in bonds, interbank deposits, money market instruments and investment portfolios of other fixed-income products. For the six months ended June 30, 2017 and 2016, the Bank's sales of wealth management products to corporate customers totalled RMB3,192.2 million and RMB16,423.5 million, respectively.

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(b) Retail Banking

The Group offers a broad range of products and services to retail customers, including loans, deposits, debit cards and fee- and commission-based products and services. As of June 30, 2017, the Group had 82,741 retail borrowers with total loans and advances to customers of RMB18,268.1 million. For the six months ended June 30, 2017 and 2016, the operating income from the Group's retail banking business amounted to RMB645.5 million and RMB879.7 million, respectively, accounting for 22.5% and 33.2% of total operating income of the Group, respectively. The table below sets forth the financial performance of the Group's retail banking for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		
	2017	2016	Change in percentage (%)
External interest income/(expenses), net ⁽¹⁾	(301.1)	(6.7)	4,394.0%
Inter-segment interest (expenses)/income, net	933.2	860.2	8.5
Net interest income	632.1	853.5	(25.9)
Net fee and commission income	13.4	26.2	(48.9)
Operating income	645.5	879.7	(26.6)
Operating expenses	(334.2)	(422.1)	(20.8)
Impairment reversed/(losses) on assets	(59.3)	(82.0)	(27.7)
Profit before tax	252.0	375.6	(32.9)%

Note:

(1) Refers to net income and expenses from third parties.

(i) Retail loans

The decrease of net interest income of the Group's retail bank business as of June 30, 2017 was relatively large when compare with that of June 30, 2016, while the net inter-segment interest income increased when compared with the corresponding period of last year. The decrease was mainly due to the allocation of inter-segment funds in view of market changes as well as the decrease in net interest income.

Retail loans consist primarily of personal business loans, personal consumption loans and residential and commercial mortgage loans. As of June 30, 2017 and December 31, 2016, the Group's retail loans totalled RMB18,268.1 million and RMB16,786.3 million, respectively, accounting for 24.6% and 27.0% of total loans and advances to customers, respectively.

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(ii) Retail deposits

The Group offers retail customers a variety of demand deposit and time deposit products denominated in Renminbi and foreign currencies. The Group's retail time deposits denominated in Renminbi generally have maturities ranging from three months to five years. Retail time deposits denominated in foreign currencies (primarily including U.S. dollars and Euros) generally have maturities ranging from one month to two years. As of June 30, 2017 and December 31, 2016, the Group's retail deposits totalled RMB75,789.2 million and RMB65,203.8 million, respectively, accounting for 58.1% and 51.2% of total customer deposits, respectively.

(iii) Bank cards services

(A) Debit cards

The Group issues Renminbi-denominated debit cards to retail customers who maintain deposit accounts with the Group. Customers may use debit cards for a variety of financial services, including cash deposits and withdrawal, transfers, settlement and bill payment. The Group's debit cards are classified into platinum, gold and basic cards based on customers' daily average financial asset balances. The Group also issues specialized debit cards with added features such as theme cards for different market segments and co-branded cards offering preferential value-added services. The Bank cooperates with Changchun Federation of Trade Unions (“長春市總工會”) to offer trade union member cardholders comprehensive financial services, including membership management, subsidies and allowances. In addition, the Group has cooperated with well-known domestic third-party payment companies to develop Internet payment services to enhance cardholder experience. As of June 30, 2017, the Group had issued approximately 2.868 million debit cards.

(B) Credit cards

The Bank received approval to issue Renminbi denominated UnionPay credit cards in September 2015. Currently, such credit cards have been officially issued.

(iv) Fee- and commission-based products and services

The Group offers retail customers a wide range of fee- and commission-based products and services, primarily including wealth management services, private banking services and transfer and remittances.

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(A) Wealth management services

The Bank offers retail customers a variety of wealth management products based on their risk and return appetites, primarily including principal-guaranteed wealth management products and non-principal-guaranteed wealth management products. The Bank also sells insurance products and has obtained the qualification to sell fund products in February 2016. Funds raised from wealth management products are primarily invested in bonds, interbank deposits, money market instruments and other fixed-income products. For the six months ended June 30, 2017 and 2016, the Bank's sales of wealth management products to retail customers totalled RMB14,350.4 million and RMB12,688.4 million, respectively.

(B) Private banking service

The Bank's private banking department provides one-stop financial services tailored for individual customers. These products and services primarily include wealth planning and customized wealth management products. For the six months ended June 30, 2017 and 2016, the Bank's sales of wealth management products to private banking customers totalled RMB3,520.9 million and RMB3,886.8 million, respectively. The Bank also provides private banking customers with various value-added services, primarily including priority banking services, one-on-one consultancy services, bank fee discounts and health consultancy services offered in cooperation with third parties.

(C) Other fee- and commission-based products and services

The Group provides retail customers with other fee- and commission-based products and services, including transfer and remittances, collection and bank drafts.

(c) Treasury Operations

The Group's treasury operations consist primarily of money market transactions, investments in securities and other financial assets and treasury operations conducted on behalf of customers. For the six months ended June 30, 2017 and 2016, operating income from the Group's treasury operations was RMB853.8 million and RMB714.0 million, respectively, accounting for 29.8% and 26.9% of its total operating income, respectively. The table below sets forth the financial performance of the Group's treasury operations for the periods indicated.

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(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Change in percentage (%)
	2017	2016	
External interest (expenses)/income, net ⁽¹⁾	1,365.7	1,422.2	(4.0)%
Inter-segment interest income/(expenses), net ⁽²⁾	(994.4)	(1,100.8)	(9.7)
Net interest income	371.3	321.4	15.5
Net fee and commission income	257.2	180.3	42.7
Net income from other businesses ⁽³⁾	225.3	212.3	6.1
Operating income	853.8	714.0	19.6
Operating expenses	(168.5)	(174.3)	(3.3)
Impairment reversed/(losses) on assets	(144.5)	8.3	(1,841.0)
Profit before tax	540.8	548.0	(1.3)%

Notes:

- (1) Refers to net income from third parties.
- (2) Refers to inter-segment expenses and consideration of transfers.
- (3) Primarily includes net trading gains and losses and net gains/(expenses) from financial assets investments.

(i) Money market transactions

Money market transactions play a significant role in liquidity management. The Group also earns interest income from money market transactions. Money market transactions mainly include (i) interbank deposits with other domestic banks and non-banking financial institutions; (ii) interbank placements; and (iii) interbank repurchase and reverse repurchase transactions.

The Bank was selected as one of the Top 100 Trading Banks in the Interbank RMB Market by the China Foreign Exchange Trade System and National Interbank Funding Center in 2016, and one of the Top 100 Banks in the Interbank RMB and Foreign Exchange Market by the China Foreign Exchange Trade System and National Interbank Funding Center in 2016. In 2017, the Bank was named the “Active Dealer in Interbank RMB Market in 2016” (“2016年度銀行間本幣市場活躍交易商”) by the China Foreign Exchange Trade System and National Interbank Funding Center.

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(A) Interbank deposits

The Group accepts deposits from banks and other financial institutions and deposit funds in other financial institutions to adjust its asset and liability structure. As of June 30, 2017 and December 31, 2016, the Group's deposits from banks and other financial institutions totalled RMB7,380.6 million and RMB7,245.7 million, respectively, and the Group's deposits at banks and other financial institutions totalled RMB25,177.4 million and RMB37,733.8 million, respectively.

(B) Interbank placement

As of June 30, 2017 and December 31, 2016, the Group's placements with banks and other financial institutions totalled RMB140.0 million and nil, respectively, and the Group's placements from banks and other financial institutions totalled RMB2,127.5 million and RMB442.5 million, respectively.

(C) Interbank repurchase and reverse repurchase transactions

The securities underlying the Group's repurchase and reverse repurchase transactions are mainly RMB-dominated treasury bonds and policy financial bonds. As of June 30, 2017 and December 31, 2016, the Group's financial assets held under resale agreements totalled RMB334.6 million and RMB15,231.1 million, respectively, and the Group's financial assets sold under repurchase agreements totalled RMB9,253.8 million and RMB14,595.0 million, respectively.

(ii) Investments in securities and other financial assets

The Group's investment portfolio consists primarily of bonds and debt instruments issued by other financial institutions.

While reduced buy-back financing cost by taking various measures, the Bank selectively allocated some bond assets with relatively suitable maturity and yield to improve returns on assets.

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(A) Securities investment by holding purpose of the Group

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2017		As of December 31, 2016	
	Amount	% of total	Amount	% of total
Held-to-maturity investment	7,731.8	12.1%	2,184.6	5.6%
Available-for-sale financial assets	16,697.2	26.0	12,002.7	31.0
Financial assets at fair value through profit or loss	17,807.3	27.8	13,797.5	35.6
Debt securities classified as receivables	21,868.8	34.1	10,767.8	27.8
Total investment securities and other financial assets	64,105.1	100.0%	38,752.6	100.0%

Held-to-maturity investment increased by 253.9% from RMB2,184.6 million as of December 31, 2016 to RMB7,731.8 million as of June 30, 2017. Available-for-sale financial assets increased by 39.1% from RMB12,002.7 million as of December 31, 2016 to RMB16,697.2 million as of June 30, 2017. Financial assets at fair value through profit or loss increased by 29.1% from RMB13,797.5 million as of December 31, 2016 to RMB17,807.3 million as of June 30, 2017. Debt securities classified as receivables increased by 103.1% from RMB10,767.8 million as of December 31, 2016 to RMB21,868.8 million as of June 30, 2017.

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(B) Maturity profile of the Group's investment portfolio

The table below sets forth investment securities and other financial assets by remaining maturity as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2017		As of December 31, 2016	
	Amount	% of total	Amount	% of total
Immediately due	1.1	0.0%	4.0	0.0%
Due in 3 months	10,614.6	16.6	9,284.4	23.9
Due between 3 and 12 months	22,982.3	35.9	14,956.0	38.6
Due between 1 and 5 years	18,878.0	29.4	10,415.2	26.9
Due over 5 years	10,606.4	16.5	2,897.9	7.5
Undefined	1,022.7	1.6	1,195.1	3.1
Total	64,105.1	100.0%	38,752.6	100.0%

The Bank's securities investment with a remaining maturity of between three months and 12 months represented the largest portion.

(C) Holding of government bonds

As of June 30, 2017, the balance of face value of the government bonds held by the Bank amounted to RMB9,484.7 million. The table below sets out the top 10 government bonds with the highest face value held by the Group as of June 30, 2017.

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Name of the bond (Expressed in millions of RMB, unless otherwise stated)	Face value	Interest rate per annum (%)	Maturity date
16 Interest-bearing treasury bond 10 (16付息國債10)	2,000.0	2.90	May 5, 2026
16 Interest-bearing treasury bond 17 (16付息國債17)	1,470.0	2.74	August 4, 2026
16 Interest-bearing treasury bond 23 (16付息國債23)	1,140.0	2.70	November 3, 2026
15 Interest-bearing treasury bond 19 (15付息國債19)	440.0	3.14	September 8, 2020
15 Interest-bearing treasury bond 16 (15付息國債16)	360.0	3.51	July 16, 2025
15 Interest-bearing treasury bond 26 (15付息國債26)	330.0	3.05	October 22, 2022
16 Jilin bond 02 (16吉林債02)	320.0	2.98	June 21, 2021
16 Interest-bearing treasury bond 14 (16付息國債14)	250.0	2.98	June 16, 2023
15 Interest-bearing treasury bond 23 (15付息國債23)	240.0	2.99	October 15, 2025
15 Jilin bond 04 (15吉林債04)	220.0	3.58	June 12, 2025

(D) Holding of financial bonds

As of June 30 2017, the balance of face value of the financial bonds (mainly the financial bonds issued by policy banks, banks and other financial institutions in China) held by the Group amounted to RMB9,894.3 million. The table below sets out the 10 financial bonds with the highest face value held by the Group as of June 30, 2017.

Name of the bond (Expressed in millions of RMB, unless otherwise stated)	Face value	Interest rate per annum (%)	Maturity date
16 Nong Fa 05 (16農發05)	500.0	3.33	January 6, 2026
15 Guo Kai 07 (15國開07)	500.0	4.18	April 3, 2018
16 Guo Kai 13 (16國開13)	450.0	3.05	August 25, 2026
16 Guo Kai 05 (16國開05)	420.0	3.80	January 25, 2036
15 Nong Fa 09 (15農發09)	400.0	3.99	April 22, 2018
15 Guo Kai 09 (15國開09)	350.0	4.25	April 13, 2022
15 Jin Chu 14 (15進出14)	310.0	3.87	September 14, 2025
15 Nong Fa 05 (15農發05)	310.0	3.97	February 27, 2025
16 Guo Kai 07 (16國開07)	300.0	3.24	February 25, 2023
16 Jin Chu 03 (16進出03)	200.0	3.33	February 22, 2026

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(iii) Treasury operations conducted on behalf of customers

In the Bank's treasury operations conducted on behalf of customers, the Bank manages funds received from the issuance of wealth management products to corporate and retail customers. For the six months ended June 30, 2017 and 2016, the Bank sold wealth management products totalling RMB21,063.5 million and RMB29,111.9 million, respectively.

(d) Distribution Network

(i) Physical outlets

As of June 30, 2017, the Group had an aggregate of 423 outlets, of which 129 outlets, including three branches in Changchun, Songyuan and Tonghua, were operated by the Bank and the rest by the Group's subsidiary banks under their own names.

The Group has gradually shifted the focus of its outlet operations from providing traditional banking services to providing comprehensive financial services. The Bank was the first rural commercial bank in China and first financial institution in Jilin province to provide robot bank lobby managers and 3-D printing, and was also the first financial institution in Jilin's rural credit bank system to offer 24-hour automatic safe deposit boxes and remote video self-service loan application machines.

(ii) Electronic banking

(A) Self-service banking

The Group provides convenient banking services to customers at lower operation costs by using self-service facilities. Self-service facilities are available at service outlets, self-service zones, commercial complexes, hospitals, schools and other public places. As of June 30, 2017, the Group had 176 self-service outlets, 337 self-service zones and 1,294 self-service facilities.

(B) Telephone and SMS banking

The Group provides customers with account management, status reminders, transfer and remittance and consultation and other services around the clock through an interactive self-service voice system, live customer service, and SMS interaction. As of June 30, 2017, the Group had 1,118,710 SMS banking customers.

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(C) Internet banking

The Group provides customers with account management, transfer and remittance, interbank receipt, online loan application and online payment services through the Internet. As of June 30, 2017, the Group had 295,214 Internet banking customers.

(D) Mobile phone banking

The Group provides customers with mobile phone banking services, including account inquiry and management, transfer and remittance, fee payment and other services. As of June 30, 2017, the Group had 506,619 mobile phone banking customers.

(E) WeChat banking

Through WeChat, the Group's customers can access information relating to its products, services and promotions, manage accounts, search for its outlet locations and reserve counter services. As of June 30, 2017, the Group had 134,956 WeChat banking customers.

(F) Remote video banking

The Group offers remote self-serviced video banking with ancillary customer services for retail customers.

(e) Information on the Subsidiaries

(i) Jilin Jiuyin Financial Leasing Co., Ltd.

The Bank, as the main promoter, applied to the CBRC for the promotion and establishment of Jilin Jiuyin Financial Leasing Co., Ltd. ("Jilin Jiuyin"). Jilin Jiuyin's registered address is in Changchun of Jilin province with a registered capital of RMB500.0 million. The Bank invested RMB300.0 million for an equity interest of 60% in Jilin Jiuyin. Jilin Jiuyin formally commenced business operation after it completed its business registration with Administration for Industry and Commerce of Jilin province and obtained the business license on February 20, 2017.

(ii) Rural commercial banks

As of June 30, 2017, the Bank controlled and consolidated five rural commercial banks that were restructured from rural credit cooperatives and a rural cooperative bank the Bank acquired.

Chapter 4 Management Discussion and Analysis

For the six months ended June 30, 2017 and 2016, the operating income of these rural commercial banks was RMB710.6 million and RMB633.5 million, respectively, accounting for 24.8% and 23.9%, respectively, of the Group's total operating income.

The Group's rural commercial banks offer a broad range of financial products and services to corporate and retail customers. These products and services include commercial and consumer loans, bill discounting, customer deposits and fee- and commission-based products and services, such as settlement services, remittance services and bank card services. Some rural commercial banks also engage in money market transactions and invest in debt securities.

(iii) Village and township banks

As of June 30, 2017, the Bank controlled and consolidated a total of 33 village and township banks in Jilin province, Heilongjiang, Hebei, Tianjin, Shandong, Anhui, Hubei, Shaanxi, Guangdong and Hainan.

As of June 30, 2017, these village and township banks had total assets of RMB37,761.9 million, total deposits of RMB30,032.2 million and total loans of RMB17,529.8 million. For the six months ended June 30, 2017 and 2016, the operating income of these village and township banks was RMB687.2 million and RMB564.6 million, respectively, accounting for 24.0% and 21.3% of the Group's total operating income, respectively.

The Bank's village and township banks provide local corporate and retail customers with a broad range of financial products and services. These products and services include commercial and consumer loans, bill discounting, customer deposits and fee- and commission-based products and services, such as settlement services, remittance services and bank card services. Some village and township banks also engage in money market transactions and invest in debt securities.

In 2010, the Bank established a village and township bank management department to help village and township banks to establish strategic development plans, provide research, technology and human resource support and supervise risk management. In addition, the Group and other PRC banks have formed a strategic development alliance for village and township banks headquartered in Tianjin Municipality to promote information exchange and resource sharing among PRC village and township banks. The Bank has also established four service centers in Jilin province, Hebei, Hubei and Guangdong to support the Bank's village and township bank operations.

Chapter 4 Management Discussion and Analysis

(f) Operation and Safety of IT Systems

In the first half of 2017, the information technologies of the Bank further upgraded, providing comprehensive and effective support and protection for the innovative development of all businesses.

(i) Continuous enhancement of technology management

The Bank has steadily improved its technology management through continuous reforms, enhancement in policies and other measures. Greater efforts were made for self-investigations on the security of information systems, major infrastructures, network security and Internet data security. Subsequent evaluations were conducted. Information technology control and management system was also refined consistently.

(ii) Sound protection of information security

The Bank implemented measures to enhance the protection of information security by designing plans for network security upgrade according to the requirements of information security level protection and assessment. Jumpserver management was adopted with centralized account management, fine-grained authority management and visits audit regarding the operation of network equipment, servers, security equipment and databases. In addition, emergency plans were continuously optimized, and double-computer switch drillings and emergency network switch drillings were conducted. Emergency response level of the Bank has been strengthened.

(iii) Improvement in infrastructure

The Bank expanded the capacity of servers and upgraded the hardware of database system to enhance the system performance and stability of infrastructure. Virtualized system was developed to improve the system application, utilization efficiency and operational management efficiency of the existing servers. In addition, data backup project has been implemented to minimize the risk of data loss.

(iv) Accelerated system development

Efforts were made to develop and carry out projects in respect of community finance, consumption finance and customer relationship management, so as to further enhance customer services and refine management.

Chapter 4 Management Discussion and Analysis

5 Risk Management

(a) Risk Management of the Bank

The Bank is exposed to credit, operating, market and liquidity risks. The Bank is also exposed to other risks, such as information technology, legal and compliance and reputational risks.

The Bank has established a comprehensive risk management system with complete risk management coverage and has developed a culture of risk management among its staff. The Bank's risk management system uses innovative risk management methods and extensive risk measurement to facilitate the innovation and sustainable development of its businesses.

(i) Credit risk management

Credit risk is the risk of loss related to a failure by a debtor or counterparty to meet its contractual obligations or to a change in their credit ratings. The Bank's credit risks arise mainly from corporate loans, personal loans and treasury operations.

The Bank's credit risk management structure includes its president, risk management committee, persons-in-charge of branches and sub-branches, credit approval committees or groups and its risk management, business, marketing and internal audit departments.

The Bank prepares annual credit approval plans, credit limit plans and credit policies based on national and regional economic development plans, financial market conditions, austerity requirements, its asset and liability structure and deposit and loan growth trends.

Chapter 4 Management Discussion and Analysis

The Bank uses the following working mechanisms to manage credit risks:

- Customer screening mechanism — The Bank determines the target customers based on its market positioning and screens credit customers based on its credit policies.
- Credit exit mechanism — The Bank reassesses its outstanding credit risk on a regular basis based on customer, industry and market conditions. The Bank reassesses the credit rating for short-term loans if there are interest payment defaults. The Bank reassesses the credit rating for medium and long-term loans annually. The Bank also adopts measures to manage potential credit risk, including increasing the frequency of post-disbursement examination, requesting additional collateral or guarantees and ceasing to extend new loans. The Bank determines whether or not to exit a credit based on the severity of adverse changes in the borrower's circumstances, such as its (1) financial condition; (2) substantial shareholders; (3) key managers and technicians; (4) customers quality; (5) payment ability; and (6) business environment.
- Risk alert mechanism — The Bank continually monitors its outstanding credit and overall credit quality. The Bank carries out standardized management of risk alerts through the use of the post-disbursement management function of its credit system and provide timely disposal advice.
- Non-performing asset disposal mechanism — The Bank has established an accountability mechanism for the disposal of non-performing assets.

The Bank has established a system to manage the extension of corporate and personal loans. As part of this system, the Bank has taken measures to improve credit risk management that include identifying risks, monitoring policies and dividing responsibilities among its credit investigation, approval and execution departments. The Bank also sets departmental authorization limits and monitors the use of loan proceeds.

Chapter 4 Management Discussion and Analysis

(ii) Market risk management

Market risk is the risk of loss in on- and off-balance sheet positions arising from fluctuations in market prices due to interest rates, exchange rates and other market factors. The Bank is exposed to market risk primarily through its banking and trading business portfolios. The market risks associated with the banking business portfolio of the Bank include interest rate risk and exchange rate risk. The primary market risks associated with the Bank's trading business portfolio are fluctuations in the market value of trading positions, which are affected by movements in observable market variables, such as interest and exchange rates. The principal objective of the Bank's market risk management is to limit potential market losses to acceptable levels based on its risk appetite while seeking to maximize risk adjusted returns.

The Bank's organizational structure for market risk management includes its front, middle and back offices. The Bank's Board assumes ultimate responsibility for management of market risk. The Bank's senior management implements market risk management strategies and policies as approved by its Board. The Bank's business departments implement market risk management measures in their daily operations.

Market risk management includes the identification, measuring and monitoring of market risk. The Bank has formulated a basic policy for market risk management, namely, Provisional Measures for Market Risk Management (《市場風險管理暫行辦法》). The Bank has also established authorization limits and internal approval procedures for products based on factors such as market risk tolerance, business strategies and market conditions for specific products. The Bank sets different exposure limits and take different quantitative measures to manage market risks arising from banking and trading accounts. The Bank controls market risks by balancing different positions, controlling credit limits and decreasing risk exposure.

Chapter 4 Management Discussion and Analysis

(A) Interest rate risk management

Interest rate risk is the risk of loss due to uncertainties relating to changes in interest rates. The Bank is exposed to interest rate risks due to mismatches in maturity dates or repricing dates of its interest rate sensitive assets and liabilities. Maturity or repricing date mismatches may cause changes in net interest income and economic value due to fluctuations in prevailing interest rates. The Bank is exposed to interest rate risks in its day-to-day lending and deposit-taking activities and its treasury operations. The Bank manages interest rate risks arising from its banking accounts by adjusting its mix of assets and liabilities. The Bank adjusts the mix of assets and liabilities through resetting interest rates for different types of products, developing new products and promoting asset securitization. The Bank is currently researching the use of stress tests, scenario analysis, repricing gap analysis, duration gap analysis and interest rate sensitivity analysis to measure its exposure to potential interest rate changes.

(B) Exchange rate risk management

The Bank is exposed to exchange rate risk due to mismatches in the currency denominations of its assets and liabilities and in the terms of foreign exchange transactions. The Bank manages exchange rate risk by matching the sources and uses of funds. The Bank seeks to minimize the impact of exchange rate fluctuations by managing risk exposure limits and the currency structure of its assets and liabilities. In addition, the Bank minimizes transactions that have high exchange rate risks and monitor foreign exchange positions on a real-time basis. The Bank timely closes positions from major transactions and revalues non-monetary balance sheet items daily to prevent exchange rate risks.

(iii) Operational rate risk management

Operational risk refers to the risk of loss caused by incomplete corporate governance issues, unsound internal control procedures, failures of employee and IT systems or external events. Operational risk events include internal and external fraud and errors and malfunctions of risk and IT systems relating to customers, products and operations.

The Bank's Board of Directors is ultimately responsible for operational risk management and reviewing operational risk policies. The Bank's senior management is responsible for coordinating daily operational risk management. The Bank's legal compliance department leads the management of operational risks and is responsible for the daily monitoring, identification, evaluation and control of operational risks and reporting to senior management. The risk management departments, all business departments, branches and sub-branches are integral to the Bank's operational risk management framework. The Bank manages and controls operational risks through reporting, balancing authority and supervision systems.

Chapter 4 Management Discussion and Analysis

(iv) Liquidity risk management

Liquidity risk refers to the risk of failure to liquidate a position in a timely manner or failure to acquire sufficient funds to fulfil payment obligations. Liquidity risk is largely affected by external factors such as domestic and international financial conditions, macroeconomic policies, changes in financial markets and competitive strengths of the banking industry. Liquidity risk is also affected by internal factors such as the balance and maturity profile of assets and liabilities, the stability of deposits and ability to obtain financing. The Bank's liquidity risk management aims to identify, measure, monitor and control liquidity risks. The Bank also seeks to balance the safety, liquidity and efficiency of its funds business to support sustainable, healthy and stable operations.

The Bank has established an effective liquidity management and decision-making system. The Board of the Bank is ultimately responsible for liquidity risk management and the review and approval of the Bank's liquidity risk appetite, strategies, policies and procedures. The committee receives periodic liquidity risk reports on major changes and potential liquidity risks.

The Bank's assets and liabilities management department is responsible for the development of liquidity risk management strategies, policies, procedures and limits, and routine supervision and monitoring of liquidity risks. It establishes and implements internal control systems relating to liquidity risk management, such as Liquidity Risk Management Measures (“流動性風險管理辦法”) and Contingency Plan for Liquidity Risks (“流動性風險應急預案”). The assets and liabilities management department is also responsible for setting annual liquidity management objectives and liquidity management profile plans. It also monitors and adjusts these plans on a quarterly basis in order to maintain a reasonable assets and liabilities structure.

The Bank continues to expand its fund raising channels to maintain a reasonable balance between net capital and risk-bearing assets. The Bank has a diversified capital replenishment system to increase capital and adjust and improve its capital structure through the issuance of tier-two capital bonds and subordinated fixed rate bonds. Additionally, the Bank strives to optimize its assets and liabilities structure to maintain a reasonable balance between the growth of net capital and risk-bearing assets.

Chapter 4 Management Discussion and Analysis

(v) Reputational risk management

Reputational risk is the risk of negative publicity caused by the Bank's operations, management, other activities and external events. The Bank's reputational risk management aims to identify, monitor, manage and minimize reputational risk, build a positive corporate image and maintain sustainable development. The Bank proactively enhances its corporate image and brand awareness through publicity of business achievements, quality of service and social responsibility.

The Bank's Board of Directors bears ultimate responsibility for reputational risk management. The Bank's risk management committee is responsible for establishing policies and guidelines for reputational risk management. The Bank's senior management is responsible for overall reputational risk management. The office is responsible for the daily management of reputational risk.

(vi) Legal and compliance risk management

Legal and compliance risk refers to the risk of legal sanctions, regulatory penalties, significant financial losses and reputational harm resulting from the failure to comply with laws and regulations. The Bank's legal and compliance risk management aims to establish a sound and comprehensive compliance risk management structure.

The Bank prioritizes legal and compliance risk management in the development of the Bank's corporate culture as well as the Bank's comprehensive risk management system in order to establish a top-down legal and compliance risk management system.

(vii) IT risk management

IT risk refers to the operational, reputational, legal and other risks arising from information technologies due to natural factors, man-made factors, technical constraints, management defects and other factors. The Bank's IT risk management aims to identify, measure, monitor and control IT risk through the development of effective systems. In doing so, the Bank seeks to ensure the safe and stable operation of the Bank and promote business innovation through the application of advanced information technology.

The Bank has an IT committee to supervise and guide IT activities. IT risks are covered by the Bank's risk management system. The IT department is responsible for the implementation of specific risk management measures, plans and proposals.

Chapter 4 Management Discussion and Analysis

(viii) Anti-money laundering management

The Bank has established comprehensive anti-money laundering rules and procedures in accordance with the Anti-Money Laundering Law of the PRC and regulations promulgated by the PBOC.

(ix) Internal audit

The Bank's internal audit seeks to ensure strict compliance with laws and regulations and effective implementation of its internal rules, policies and operating guidelines. The Bank's internal audit also aims to inspect and assess the comprehensiveness, prudence and effectiveness of its internal control and improve its operational and management abilities. The Bank has adopted an independent and vertical internal audit organizational framework consisting of the audit committee of Board of Directors and internal audit department. The audit committee supervises and oversees Director and senior management activities, including business decisions, financial management, risk management, internal controls and other activities. The committee also audits all departing Directors and senior management personnel and requires remedial measures if necessary.

The internal audit department is responsible for the Bank's internal audit and has designated auditors who perform independent audits, supervision and assessments and provide independent advice. The internal audit department formulates internal audit policies, prepares and implements annual audit plan, inspects bank-wide management, evaluates internal control, supervises branches and conducts follow-up audits.

Chapter 4 Management Discussion and Analysis

(b) Risk Management of the Subsidiary Banks

As a separate legal entity, each subsidiary bank has established a risk management and internal control system in accordance with the applicable regulatory requirements.

The Bank participates in formulating the risk management policies and strategies of each subsidiary bank through the Bank's Board representatives. The Bank supervises and monitors the implementation of the risk management processes of the subsidiary banks through the risk management personnel sent or designated by the Bank and through the Bank's village and township bank management department.

(i) Credit risk management

The respective policies of the subsidiary banks provide for the management of credit risk through various mechanisms, including customer screening mechanism, credit exit mechanism, risk alert mechanism and non-performing asset disposal mechanism.

(ii) Market risk management

The respective policies require each bank to manage interest rate risks arising from its banking accounts by adjusting the mix of assets and liabilities through resetting interest rates for different types of products and developing new products. Each bank also revalues its trading account positions on a regular basis, closely monitors trading limits, stop-loss limits and risk limits, and monitors market risks using measures such as stress tests.

(iii) Operational risk management

Each bank has established an operational risk management system and related policies and procedures to strictly divide the duties of front, middle and back offices.

(iv) Liquidity risk management

The respective policies of each bank provide for the management of liquidity risk through (1) a reporting system for large fund flows and a reasonable allocation of funds to increase returns on assets; (2) closely monitoring movements in key liquidity indicators; (3) adjusting the maturity profile of assets and liabilities; and (4) conducting periodic cash flow analyses and liquidity stress tests.

Chapter 4 Management Discussion and Analysis

(v) Reputational risk management

The respective policies of each bank provide for the management of reputational risk through (i) a system framework that clearly defines duties and responsibilities; (ii) a public opinion reporting system and classification systems for reputational events and public opinion; and (iii) contingency plans with clear procedures for handling reputational risk.

(vi) Legal and compliance risk management

The respective policies of each bank provide for the management of legal and compliance risk through (i) regular compliance training; and (ii) a whistle-blower system to encourage employees to report non-compliance events.

(vii) IT risk management

Each bank has formulated comprehensive procedures and policies to manage IT risks. Each of them has also established business continuity management and contingency plans to manage the risk of business interruption.

(viii) Anti-money laundering management

Each bank has established comprehensive anti-money laundering rules and procedures in accordance with the Anti-Money Laundering Law of the PRC and regulations promulgated by the PBOC, including, among others, customer identification, an anti-money laundering information monitoring and reporting system and mandatory anti-money laundering training. Each bank reports suspicious transactions to the China Anti-Money Laundering Monitoring and Analyzing Center (“中國反洗錢監測分析中心”) individually as a separate legal entity in accordance with the relevant regulatory requirements.

(ix) Internal audit

Each bank has designated auditors who perform independent audits, supervision and assessments and provide independent advice.

Chapter 4 Management Discussion and Analysis

6 Analysis on Capital Adequacy Ratio

Each PRC commercial bank is required to comply with the CBRC's capital adequacy ratio requirements. Since January 1, 2013, the Group has calculated and disclosed capital adequacy ratios in accordance with the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), which required China's commercial banks (except systematically important banks) to maintain (i) minimum capital adequacy ratios of 8.5%, 8.9%, 9.3%, 9.7%, and 9.7%, (ii) minimum tier-one capital adequacy ratios of 6.5%, 6.9%, 7.3%, 7.7%, and 7.7%, and (iii) minimum core tier-one capital adequacy ratios of 5.5%, 5.9%, 6.3%, 6.7%, and 6.7%, respectively, as of June 30, 2013, 2014, 2015, 2016 and 2017.

The following table sets forth certain information relating to the Group's capital adequacy ratio as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	June 30, 2017	December 31, 2016
Core capital		
Paid-up capital	3,984.8	3,294.8
Qualifying portion of capital reserve	5,305.9	3,347.0
Surplus reserve	510.3	510.3
General risk reserve	1,353.6	1,351.9
Investment revaluation reserve	(215.3)	17.9
Retained earnings	1,104.2	1,608.5
Qualifying portions of non-controlling interests	1,902.1	2,127.5
Core tier-one capital deductions ⁽¹⁾	(1,245.2)	(1,238.7)
Net core tier-one capital	12,700.4	11,019.2
Other tier-one capital ⁽²⁾	253.6	187.2
Net tier-one capital	12,954.0	11,206.4

Chapter 4 Management Discussion and Analysis

(Expressed in millions of RMB, unless otherwise stated)	June 30, 2017	December 31, 2016
Tier-two capital		
Qualifying portion of tier-two capital instruments issued	2,050.0	2,120.0
Surplus reserve for loan impairment	1,076.2	936.0
Qualifying portion of non-controlling interests	507.3	422.8
Net capital base	16,587.5	14,685.2
Total risk-weighted assets	133,398.1	106,484.3
Core tier-one capital adequacy ratio (%)	9.52%	10.35%
Tier-one capital adequacy ratio (%)	9.71%	10.52%
Capital adequacy ratio (%)	12.43%	13.79%

Notes:

- (1) Primarily includes other intangible assets excluding land use rights as well as goodwill and deferred tax recognized for tax losses.
- (2) Primarily includes tier-one capital instruments such as preferred shares and their premiums and qualifying portion of non-controlling interests.

Chapter 5 Changes in Share Capital and Particulars of Shareholders

I. Changes in Share Capital of the Bank

(I) Share Capital

The H Shares of the Bank were listed on the Hong Kong Stock Exchange on January 12, 2017. The global offering of the H Shares of the Bank consisted of a total number of 660,000,000 H Shares (including 600,000,000 H Shares issued by the Bank and 60,000,000 H Shares converted from Domestic Shares). The offer price was HK\$4.56 per H Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) (the “Offer Price”).

Based on the Offer Price, the net proceeds from the global offering received by the Bank, after deduction of (i) the net proceeds from the sale of the sale shares by the selling shareholders in the global offering, and (ii) the underwriting commissions and other estimated expenses payable by the Bank in connection with the global offering and assuming no exercise of the over-allotment option, were approximately HK\$2,580.67 million.

The over-allotment option was fully exercised on January 16, 2017, in respect of an aggregate of 99,000,000 H Shares (the “Over-allotment Shares”). The Over-allotment Shares were issued and allotted by the Bank and sold by the selling shareholders at the Offer Price. The Over-allotment Shares were listed on the Hong Kong Stock Exchange on January 19, 2017. The Bank raised additional net proceeds of approximately HK\$398.88 million (excluding the proceeds from the sale of the additional sale shares by the selling shareholders) from the issue and allotment of the Over-allotment Shares after deducting the underwriting commissions and other estimated expenses in connection with the exercise of the over-allotment option.

The Bank used the net proceeds from the global offering to strengthen the core capital base of the Bank to support the growth of the business.

Chapter 5 Changes in Share Capital and Particulars of Shareholders

(II) Changes in Share Capital

As of December 31, 2016, the share capital of the Bank comprises 3,294,797,692 Domestic Shares. Immediately following the completion of the Bank's global offering and the full exercise of the over-allotment option, the share capital of the Bank was as follows:

Description of Shares	Number of Shares	Approximate percentage of issued share capital
Domestic Shares	3,225,797,692	81.0%
H Shares converted from Domestic Shares and sold by the selling shareholders pursuant to the Global Offering	69,000,000	1.7%
H Shares issued pursuant to the Global Offering	690,000,000	17.3%
Total	3,984,797,692	100.0%

As of June 30, 2017, the share capital of the Bank is as follows:

Description of Shares	Number of Shares	Approximate percentage of issued share capital
Domestic Shares	3,225,797,692	81.0%
H Shares	759,000,000	19.0%
Total	3,984,797,692	100.0%

Chapter 5 Changes in Share Capital and Particulars of Shareholders

II. Particulars of Shareholders

(I) Particulars of shareholdings of the top ten shareholders of the Domestic Shares of the Bank

As of June 30, 2017, the top 10 shareholders of the Domestic Shares are as follows:

Number	Name of shareholder	Total number of shares held	Approximate shareholding percentage in the total issued share capital of the Bank	Number of shares pledged
1	Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司)	382,929,916	9.61	0
2	Changchun Huaxing Construction Co., Ltd. (長春華星建築有限責任公司)	328,056,320	8.23	0
3	Changchun Huamei Tourism and Culture Media Co., Ltd. (長春市華美旅遊文化傳媒有限公司)	177,047,788	4.44	0
4	Yongtai Holding Group Limited (永泰控股集團有限公司)	160,000,000	4.02	0
5	Changchun Dingxing Construction Engineering Co., Ltd. (長春鼎興建築工程有限公司)	110,575,290	2.77	0
6	Changchun Longde Real Estate Development Co., Ltd. (長春市隆德房地產開發有限公司)	108,731,739	2.73	0
7	China Wood (Group) Co., Ltd. (中國木材(集團)有限公司)	100,352,000	2.52	0
8	Jilin Province Longyuan Agricultural Production Group Co., Ltd. (吉林省隆源農業生產資料集團有限公司)	98,597,120	2.47	0
9	Jishi Media Co., Ltd. (吉視傳媒股份有限公司)	87,640,149	2.20	0
10	Jilin Province Jiapeng Group Co., Ltd. (吉林省嘉鵬集團有限公司)	83,295,651	2.09	0
Total		1,637,225,973	41.09	0

Chapter 5 Changes in Share Capital and Particulars of Shareholders

(II) Interests and Short Positions of Substantial Shareholders and Other Persons

To the best knowledge of the Bank, as at June 30, 2017, the following persons (other than the Bank's Directors, Supervisors and chief executive) had or be deemed or taken to have interests and/or short positions in the Shares or underlying shares as recorded in the register of interests required to be kept by the Bank pursuant to Section 336 of Part XV of the SFO and which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, were interested in 5% or more of the nominal value of any class of the Bank's share capital carrying rights to vote in all circumstances at the shareholders' general meetings of any other member of the Bank:

Name of shareholder	Nature of Interests	Class of Shares	Number of shares directly or indirectly held ⁽¹⁶⁾	Approximate percentage of the total issued share capital of the Bank (%)	Approximate percentage of the relevant class of Shares of the Bank (%)
Domestic Shares					
Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司)	Beneficial owner	Domestic Shares	382,929,916(L)	9.61	11.87
Changchun Huaxing Construction Co., Ltd. (長春華星建築有限責任公司)	Beneficial owner	Domestic Shares	328,056,320(L)	8.23	10.17
Changchun Huamei Tourism and Culture Media Co., Ltd. (長春市華美旅遊文化傳媒有限公司)	Beneficial owner	Domestic Shares	177,047,788(L)	4.44	5.49
Jilin Jiuying Investment Management Group Co., Ltd. (吉林省九盈投資管理集團股份有限公司) ⁽¹⁾	Interest in controlled corporation	Domestic Shares	177,047,788(L)	4.44	5.49
Bohai International Trust Co., Ltd. (渤海國際信託股份有限公司) ⁽²⁾	Interest in controlled corporation	Domestic Shares	177,047,788(L)	4.44	5.49

Chapter 5 Changes in Share Capital and Particulars of Shareholders

Name of shareholder	Nature of Interests	Class of Shares	Number of shares directly or indirectly held ⁽¹⁶⁾	Approximate percentage of the total issued share capital of the Bank (%)	Approximate percentage of the relevant class of Shares of the Bank (%)
H Shares					
China Create Capital Limited (中科创資本有限公司)	Beneficial owner	H Shares	173,617,000(L)	4.36	22.87
Zhang Wei (張偉) ⁽³⁾	Interest in controlled corporation	H Shares	173,617,000(L)	4.36	22.87
Suhang Investment Holdings Limited	Beneficial owner	H Shares	100,000,000(L)	2.51	13.18
China Huarong International Holdings Limited (中國華融國際控股有限公司) ⁽⁴⁾	Interest in controlled corporation	H Shares	100,000,000(L)	2.51	13.18
Huarong Real Estate Co., Ltd. (華融置業有限責任公司) ⁽⁵⁾	Interest in controlled corporation	H Shares	100,000,000(L)	2.51	13.18
China Huarong Asset Management Co., Ltd. (中國華融資產管理股份有限公司) ⁽⁶⁾	Interest in controlled corporation	H Shares	100,000,000(L)	2.51	13.18
Cui Xintong (崔薪瞳) ⁽⁷⁾	Interest in controlled corporation	H Shares	99,150,000(L)	2.49	13.06
Lee Ken-yi Terence (李強義) ⁽⁸⁾	Interests of spouse	H Shares	99,150,000(L)	2.49	13.06
Charm Success Group Limited (美成集團有限公司)	Beneficial owner	H Shares	55,730,000(L)	1.40	7.34
Zhuang Qiao Luan (莊巧鸞)	Beneficial owner	H Shares	50,000,000(L)	1.25	6.59
Huijin Capital Limited	Beneficial owner	H Shares	48,240,000(L)	1.21	6.36
Swift Fortune Investments Limited	Beneficial owner	H Shares	47,264,000(L)	1.19	6.23
Carnival Group International Holdings Limited ⁽⁹⁾	Interest in controlled corporation	H Shares	47,264,000(L)	1.19	6.23
Better Joint Venture Limited ⁽¹⁰⁾	Interest in controlled corporation	H Shares	47,264,000(L)	1.19	6.23
King Pak Fu (景百孚) ⁽¹¹⁾	Interest in controlled corporation	H Shares	47,264,000(L)	1.19	6.23
Lily Garden Investments Limited	Beneficial owner	H Shares	43,420,000(L)	1.09	5.72
Silver Prospects Limited ⁽¹²⁾	Interest in controlled corporation	H Shares	43,420,000(L)	1.09	5.72

Chapter 5 Changes in Share Capital and Particulars of Shareholders

Name of shareholder	Nature of Interests	Class of Shares	Number of shares directly or indirectly held ⁽¹⁶⁾	Approximate percentage of the total issued share capital of the Bank (%)	Approximate percentage of the relevant class of Shares of the Bank (%)
Ground International Development Limited (廣澤國際發展有限公司) ⁽¹³⁾	Interest in controlled corporation	H Shares	43,420,000(L)	1.09	5.72
Ka Yik Investments Limited (家譯投資有限公司) ⁽¹⁴⁾	Interest in controlled corporation	H Shares	43,420,000(L)	1.09	5.72
Aurum Thrive Ltd.(金隆有限公司)	Beneficial Owner	H Shares	38,028,000(L)	0.95	5.01
Zhang Dan (張丹) ⁽¹⁵⁾	Interest in controlled corporation	H Shares	38,028,000(L)	0.95	5.01

Notes:

- (1) Jilin Jiuying Investment Management Group Co., Ltd. directly holds 92.2% of the total issued share capital in Changchun Huamei Tourism and Culture Media Co., Ltd. According to the SFO, Jilin Jiuying Investment Management Group Co., Ltd. is deemed to be interested in the Shares held by Changchun Huamei Tourism and Culture Media Co., Ltd.
- (2) Jilin Jiuying Investment Management Group Co., Ltd. directly holds 92.2% of the total issued share capital in Changchun Huamei Tourism and Culture Media Co., Ltd. A trust scheme managed by Bohai International Trust Co., Ltd. directly holds 66.7% of the total issued share capital in Jilin Jiuying Investment Management Group Co., Ltd. According to the SFO, Bohai International Trust Co., Ltd. is deemed to be interested in the Shares held by Changchun Huamei Tourism and Culture Media Co., Ltd.
- (3) Mr. Zhang Wei holds 100% of the total issued share capital in China Create Capital Limited. According to the SFO, Mr. Zhang Wei is deemed to be interested in the Shares held by China Create Capital Limited.
- (4) Suhang Investment Holdings Limited is a wholly-owned subsidiary of China Huarong International Holdings Limited. According to the SFO, China Huarong International Holdings Limited is deemed to be interested in the Shares held by Suhang Investment Holdings Limited.
- (5) Suhang Investment Holdings Limited is a wholly-owned subsidiary of China Huarong International Holdings Limited. Huarong Real Estate Co., Ltd. is a majority shareholder of China Huarong International Holdings Limited. According to the SFO, Huarong Real Estate Co., Ltd. is deemed to be interested in the Shares held by Suhang Investment Holdings Limited.
- (6) Suhang Investment Holdings Limited is a wholly-owned subsidiary of China Huarong International Holdings Limited. Huarong Real Estate Co., Ltd. is a majority shareholder of China Huarong International Holdings Limited. Huarong Real Estate Co., Ltd. is a wholly-owned subsidiary of China Huarong Asset Management Co., Ltd. According to the SFO, China Huarong Asset Management Co., Ltd. is deemed to be interested in the Shares held by Suhang Investment Holdings Limited.
- (7) Cui Xintong holds 100% of the total issued share capital of Ka Yik Investments Limited and Charm Success Group Limited. Charm Success Group Limited directly holds 55,730,000 H Shares. Lily Garden Investments Limited directly holds 43,420,000 H Shares. Lily Garden Investments Limited is a wholly-owned subsidiary of Silver Prospects Limited. Silver Prospects Limited is a wholly-owned subsidiary of Ground International Development Limited. Ka Yik Investments Limited holds 57.74% of the total issued share capital of Ground International Development Limited. According to the SFO, Cui Xintong is deemed to be interested in the Shares held by Lily Garden Investments Limited and Charm Success Group Limited.
- (8) Lee Ken-yi Terence is the spouse of Cui Xintong. According to the SFO, Lee Ken-yi Terence is deemed to be interested in the Shares held by Cui Xintong.
- (9) Swift Fortune Investments Limited is a wholly-owned subsidiary of Carnival Group International Holdings Limited. According to the SFO, Carnival Group International Holdings Limited is deemed to be interested in the Shares held by Swift Fortune Investments Limited.

Chapter 5 Changes in Share Capital and Particulars of Shareholders

- (10) Swift Fortune Investments Limited is a wholly-owned subsidiary of Carnival Group International Holdings Limited. Better Joint Venture Limited holds 36.66% of the total issued share capital of Carnival Group International Holdings Limited. According to the SFO, Better Joint Venture Limited is deemed to be interested in the Shares held by Swift Fortune Investments Limited.
- (11) Swift Fortune Investments Limited is a wholly-owned subsidiary of Carnival Group International Holdings Limited. Better Joint Venture Limited holds 36.66% of the total issued share capital of Carnival Group International Holdings Limited. King Pak Fu holds 100% of the total issued share capital of Better Joint Venture Limited. According to the SFO, King Pak Fu is deemed to be interested in the Shares held by Swift Fortune Investments Limited.
- (12) Lily Garden Investments Limited is a wholly-owned subsidiary of Silver Prospects Limited. According to the SFO, Silver Prospects Limited is deemed to be interested in the Shares held by Lily Garden Investments Limited.
- (13) Lily Garden Investments Limited is a wholly-owned subsidiary of Silver Prospects Limited. Silver Prospects Limited is a wholly-owned subsidiary of Ground International Development Limited. According to the SFO, Ground International Development Limited is deemed to be interested in the Shares held by Lily Garden Investments Limited.
- (14) Lily Garden Investments Limited is a wholly-owned subsidiary of Silver Prospects Limited. Silver Prospects Limited is a wholly-owned subsidiary of Ground International Development Limited. Ka Yik Investments Limited holds 57.74% of the total issued share capital of Ground International Development Limited. According to the SFO, Ka Yik Investments Limited is deemed to be interested in the Shares held by Lily Garden Investments Limited.
- (15) Zhang Dan holds 100% of the issued share capital of Aurum Thrive Ltd.. Aurum Thrive Ltd. directly holds 38,028,000 H Shares. According to the SFO, Zhang Dan is deemed to be interested in the Shares held by Aurum Thrive Ltd..
- (16) L represents long positions.

Save as disclosed above, as at June 30, 2017, the Bank is not aware of any other person, other than the Directors, Supervisors and chief executive of the Bank, who had interests or short positions in the Shares and underlying shares of the Bank, which were required to be recorded in the register of interests maintained by the Bank pursuant to section 336 of Part XV of the SFO, and which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(III) Shareholders holding 5% or more of the Share Capital

Please see (II) above for information on Shareholders holding 5% or more of the share capital of the Bank.

(IV) Particulars of Controlling Shareholders and Actual Controller

The shareholding structure of the Bank is diversified and the Bank does not have a controlling shareholder or actual controller.

As at June 30, 2017, the largest Shareholder of the Bank is Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司), holding 382,929,916 Domestic Shares of the Bank and representing 9.61% of the total issued share capital of the Bank.

Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

I. Information on Directors, Supervisors and Senior Management Members

As of June 30, 2017, the information of the Directors, Supervisors and senior management members of the Bank is as follows:

Directors

Name	Age	Position	Date of appointment as Director	Expiration of the term of office	Responsibilities
Mr. Gao Bing (高兵)	50	Chairman, executive Director	December 2008	December 2017	Responsible for overall operations and strategic management, make material decisions and develop the business strategy
Mr. Liang Xiangmin (梁向民)	52	Executive Director, Vice-president and Chief Operating Officer	April 2016	December 2017	Responsible for the business operations and management of branches outside the Jiutai region, participate in making material business decisions and manage certain business departments and offices
Mr. Yuan Chunyu (袁春雨)	46	Executive Director, Secretary to the Board and Joint Company Secretary	December 2012	December 2017	Responsible for the management of the Board's office, participate in making material business decisions and developing the business development strategy
Ms. Guo Yan (郭燕)	55	Non-executive Director	April 2015	December 2017	Participate in making major business decisions and advise on issues relating to audit, related party transactions and nomination and remuneration of Directors, Supervisors and senior management
Mr. Wu Shujun (吳樹君)	59	Non-executive Director	December 2012	December 2017	Same as above
Mr. Zhang Xinyou (張新友)	52	Non-executive Director	December 2012	December 2017	Same as above
Mr. Wang Baocheng (王寶成)	62	Non-executive Director	April 2016	December 2017	Same as above
Mr. Zhang Yusheng (張玉生)	68	Non-executive Director	April 2015	December 2017	Same as above
Dr. Fu Qiong (傅穹)	48	Independent Non-executive Director	April 2015	December 2017	Participate in making major business decisions, developing the business development strategy and advise on issues relating to related party transactions, audit and nomination and remuneration of Directors, Supervisors and senior management

Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

Name	Age	Position	Date of appointment as Director	Expiration of the term of office	Responsibilities
Mr. Jiang Ning (蔣寧)	47	Independent Non-executive Director	January 2017	December 2017	Same as above
Mr. Li Beiwei (李北偉)	55	Independent Non-executive Director	April 2016	December 2017	Same as above
Mr. Chung Wing Yin (鍾永賢)	41	Independent Non-executive Director	July 2016	December 2017	Same as above
Mr. Yang Jinguan (楊金觀)	55	Independent Non-executive Director	April 2016	December 2017	Same as above

Supervisors

Name	Age	Position	Date of appointment as Supervisor	Expiration of the term of office	Responsibilities
Mr. Luo Hui (羅輝)	46	Chairman of the Board of Supervisors, Employee Representative Supervisor	December 2008	December 2017	Take charge of the work of the Board of Supervisors and supervision of the Board of Directors and senior management on behalf of the employees
Mr. Wang Enjiu (王恩久)	49	Employee Representative Supervisor	December 2008	December 2017	Supervision of the Board of Directors and senior management on behalf of the employees
Mr. Liu Xiangjun (劉向軍)	42	Employee Representative Supervisor	December 2015	December 2017	Same as above
Mr. Fan Shuguang (范曙光)	54	External Supervisor	June 2016	December 2017	Supervision of the Board of Directors and senior management
Mr. Gao Pengcheng (高鵬程)	49	External Supervisor	January 2016	December 2017	Same as above
Mr. Wang Zhi (王志)	47	External Supervisor	January 2016	December 2017	Same as above
Mr. Zhang Ruibin (張瑞賓)	35	External Supervisor	January 2016	December 2017	Same as above

Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

Senior Management

Name	Age	Position	Date of appointment as senior management	Expiration of the term of office	Responsibilities
Mr. Zhang Haishan (張海山)	53	President	December 2008	December 2017	Responsible for the overall management of the business operations
Mr. Zhu Weidong (朱衛東)	53	Vice President	February 2011	December 2017	Responsible for the management of business operations of village and township banks
Mr. Liang Xiangmin (梁向民)	52	Executive Director, Vice President and Chief Operating Officer	August 2010	December 2017	Responsible for the business operations and management of branches outside the Jiutai region, participate in making material business decisions and manage certain business departments and offices
Mr. Li Guoqiang (李國強)	49	Vice President	December 2008	December 2017	Responsible for the business operations and management of branches within the Jiutai region and manage certain business departments and offices
Ms. Song Xiaoping (宋曉萍)	53	Vice President	February 2011	December 2017	Responsible for the management of information technology, accounting and settlement, financial planning and international business
Mr. Gao Zhonghua (高中華)	53	Vice President	February 2015	December 2017	Responsible for staff education and training
Mr. Yuan Chunyu (袁春雨)	46	Executive Director, Secretary to the Board and Joint Company Secretary	December 2012	December 2017	Responsible for the management of the Board's office, participate in making material business decisions and develop the business strategy

II. Changes in Directors, Supervisors and Senior Management Members

(I) Changes in Directors, Supervisors and Senior Management Members

On January 19, 2017, Mr. Jin Shuo (金碩) ceased to be an independent non-executive Director, the chairman of the Related-party Transactions Control Committee and a member of the Audit Committee and Strategy and Development Committee under the Board of the Bank due to his decision to devote more time to other works. On the same day, Mr. Jiang Ning (蔣寧) formally assumed his role as an independent non-executive Director, the chairman of the Related-party Transactions Control Committee and a member of the Audit Committee and Strategy and Development Committee under the Board of the Bank.

Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

Save as disclosed above, for the six months ended June 30, 2017, there were no changes in the Bank's Directors, Supervisors and senior management members.

(II) Information discloseable under Rule 13.51B(1) under the Hong Kong Listing Rules

For the six months ended June 30, 2017, there was no information in respect of the change of Directors, Supervisors and senior management members which shall be discloseable under Rule 13.51B(1) of the Hong Kong Listing Rules.

III. Remuneration Policies for Directors, Supervisors and Senior Management

The remuneration of the Directors of the Bank is determined and paid in accordance with the relevant laws and regulations as well as the relevant provisions of the Articles of Association. The specific remuneration distribution plans should be reviewed by the Remuneration Committee under the Board of Directors and submitted to the Board of Directors for approval, and submitted to the shareholders' general meeting for approval after being approved by the Board of Directors.

The remuneration of the Supervisors of the Bank is determined and paid in accordance with the relevant laws and regulations as well as the relevant provisions of the Articles of Association. The specific remuneration distribution plans should be reviewed by the Nomination Committee under Board of Supervisors and submitted to the Board of Supervisors for approval, and submitted to the shareholders' general meeting for approval after being approved by the Board of Supervisors.

The Bank's appraisal on the senior management is based on their performance in completing the decisions, strategic targets and plans of the Board of Directors and whether they are actively and effectively protecting the interests of the Bank and the Shareholders, and it is implemented by the Board of Directors.

The incentive and restraint mechanism of the Bank is mainly embodied in the remuneration mechanism for the senior management. The remuneration to the senior management is linked to the appraisal indicators of the Board of Directors, in order to combine the target incentive with responsibility restraint, ensure the alignment of the remuneration payment with the long-term interests of the Bank, and better encourage the senior management to contribute to the steady and sustainable development of the Bank.

Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

IV. Positions held in the Shareholder Company by the Directors, Supervisors and Senior Management

Name	Position held with the Bank	Name of the shareholder company	Position held in the shareholder company
Guo Yan	Non-executive Director	Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司)	Chief investment director and general manager of investment department
Zhang Xinyou	Non-executive Director	Changchun Longde Real Estate Development Co., Ltd. (長春市隆德房地產開發有限公司)	Chairman
Wang Baocheng	Non-executive Director	Changchun Changqing Pharmaceutical Group Co., Ltd. (長春長慶藥業集團有限公司)	Chairman
Zhang Yusheng	Non-executive Director	Changchun Huaxing Construction Co., Ltd. (長春華星建築有限責任公司)	Chairman

V. Other Information Required under Rule 13.51(2) of the Hong Kong Listing Rules

- (1) Mr. Zhang Xinyou (張新友) was a director of Nongan County Xinyou Industry Co., Ltd. (農安縣新友實業有限責任公司), a limited liability company incorporated in the PRC on February 2, 2002, mainly engaged in the wholesale and retail of hardware parts and dissolved by way of deregistration on December 28, 2006. Mr. Zhang confirmed that there is no wrongful act on his part leading to the dissolutions and is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions, that his involvement in the above company was part and parcel of his services as a director of this company and that no misconduct or misfeasance had been involved in the dissolutions of this company, and the relevant company was solvent at the time of dissolution or deregistration.
- (2) Mr. Zhang Yusheng (張玉生) was a director of Jilin Huaxing New Construction Materials Co., Ltd. (吉林華星新型建築材料有限責任公司), a limited liability company incorporated in the PRC on April 25, 2006, mainly engaged in the production, wholesale and retail of non-burnt bricks and wall panels and dissolved by way of deregistration on September 2, 2015. Mr. Zhang confirmed that there is no wrongful act on his part leading to the dissolutions and is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions, that his involvement in the above company was part and parcel of his services as a director of this company and that no misconduct or misfeasance had been involved in the dissolutions of this company, and the relevant company was solvent at the time of dissolution or deregistration.

Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

- (3) Dr. Fu Qiong (傅穹) was a supervisor of Chizhou Chijiu Automobile Trade Co., Ltd. (池州市池九汽車貿易有限公司), a limited liability company incorporated in the PRC on March 12, 2013, mainly engaged in the sales of automobiles, and dissolved by way of deregistration on August 20, 2013. Dr. Fu confirmed that there is no wrongful act on his part leading to the dissolutions and is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions, that his involvement in the above company was part and parcel of his services as a supervisor of this company and that no misconduct or misfeasance had been involved in the dissolutions of this company, and the relevant company was solvent at the time of dissolution or deregistration.
- (4) Mr. Li Beiwei (李北偉) was a supervisor of the following company incorporated in the PRC prior to its dissolution:

Name of company	Nature of the business	Role of Mr. Li	Date of dissolution	Means of dissolution
Jilin Industrial Economics Research (Institute) Co., Ltd. (吉林省產業經濟研究(院)有限責任公司)	Industrial and economic information research and consultation	Shareholder & Supervisor	October 30, 2006	Business license being revoked ^(Note 1)

Note 1: The company was established in late 2005 by (i) Mr. Jing Jipeng (靖繼鵬), who owned 90% of the equity interest, and also act as an executive director, (ii) Mr. Zhang Haitao (張海濤), who owned 5% of the equity interest, and also act as a director of the company, and (iii) Mr. Li, who owned 5% of the equity interest, and also act as a supervisor of the company. Followed by the old age and illness of Mr. Jing, he was no longer capable for the daily running of the company. The company was subsequently ceased to operate and failed to conduct the annual inspection in year 2006. Thus, the relevant authority has revoked the business license of the company in October 2006.

Mr. Li confirmed that there is no wrongful act on his part leading to the dissolution of the above company, he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution, his involvement in the above companies was part and parcel of his services as a supervisor, that no misconduct or misfeasance had been involved in the dissolution of this company, and the relevant company was solvent at the time of dissolution or deregistration.

VI. Securities Transactions by Directors, Supervisors and Senior Management

The Bank has adopted, in respect of securities transactions by Directors, Supervisors and senior management members, a code of conduct on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Hong Kong Listing Rules.

Having made specific enquiries to all Directors, Supervisors and members of the senior management of the Bank, the Bank confirmed that they had complied with the Model Code for the period from the Listing Date to August 28, 2017, being the date of the meeting of the Board to consider and approve the interim results of the Group for the six months ended June 30, 2017.

Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

VII. Interests and Short Positions of Directors, Supervisors and Chief Executive in Shares, Underlying Shares and Debentures of the Bank and Its Associated Corporations

As of the Latest Practicable Date, the interests of the Directors, Supervisors and chief executive 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 or in accordance with Divisions 7 and 8 of Part XV under the SFO are as follows:

Name	Position in the Bank	Class of Shares	Nature of Interest	Number of Shares	Percentage of the total share capital of the Bank ⁽¹⁾ (%)	Percentage of Domestic Shares ⁽¹⁾ (%)
Gao Bing	Chairman and Executive Director	Domestic Shares	Beneficial owner	300,000(L) ⁽²⁾	0.01	0.01
Yuan Chunyu	Executive Director, Secretary to the Board and Joint Company Secretary	Domestic Shares	Beneficial owner	47,758(L) ⁽²⁾	0.00 ⁽³⁾	0.00 ⁽³⁾
Zhang Yusheng	Non-executive Director	Domestic Shares	Interest in controlled corporation	328,056,320(L) ⁽²⁾	8.23	10.17
Wu Shujun	Non-executive Director	Domestic Shares	Interest in controlled corporation	110,575,290(L) ⁽²⁾	2.77	3.43
Zhang Xinyou	Non-executive Director	Domestic Shares	Interest in controlled corporation	108,731,739(L) ⁽²⁾	2.73	3.37
Wang Baocheng	Non-executive Director	Domestic Shares	Interest in controlled corporation	78,876,000(L) ⁽²⁾	1.98	2.45
Wang Zhi	External Supervisor	Domestic Shares	Beneficial owner	500,000(L) ⁽²⁾	0.01	0.02

Notes:

- (1) As of the Latest Practicable Date, the Bank had a total of 3,984,797,692 Shares in issue, including 3,225,797,692 Domestic Shares and 759,000,000 H Shares.
- (2) L represents long position.
- (3) The percentage is rounded to two decimals.

Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

Save as disclosed above, as of the Latest Practicable Date, none of the Directors, Supervisors and chief executive of the Bank held any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations as recorded in the register required to be kept by the Bank under Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code or in accordance with Divisions 7 and 8 of Part XV under the SFO.

VIII. Employee, Employee Compensation Policy and Employee Training Program

(I) Staff Composition

As of June 30, 2017, the Group had 6,432 employees. The table below sets forth its number of full-time employees by function as of the same date:

	Number of Employees	Percentage (%)
Retail banking	3,293	51
Management	922	14
Finance and accounting	490	8
Corporate banking	503	8
Risk management, internal audit and legal and compliance	169	3
Treasury operations	128	2
Information technology	80	1
Others ⁽¹⁾	847	13
Total	6,432	100

Note:

(1) Primarily include general office and security office.

As of June 30, 2017, more than 52% of the Group's employees had a bachelor's degree or higher.

In addition to full-time employees, as of June 30, 2017, the Group also had 637 contract staff from third-party human resources agencies. These contract staff are not the Group's employees. Instead, they have entered into employment contracts with third-party human resources agencies. They generally serve in non-key positions, such as bank tellers and customer service officers. The Bank and the subsidiary banks make advance payments to the third-party agencies, who then pay salaries to and make social security contributions for independent contract staff.

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(II) Employee Remuneration

The Group conducts performance evaluations of employees annually to provide feedback on performance. Compensation for full-time employees typically consists of a base salary and a discretionary bonus. The Group determines employee discretionary bonuses at the end of each year based on employee performance and its results of operations.

The Group's full-time employees participate in various employee benefit plans, such as pension insurance, medical insurance, work related injury insurance, unemployment insurance, maternity insurance, housing funds and corporate annuity funds. In addition, the Group provides supplementary medical insurance to its employees.

According to the relevant regulations, the premiums and welfare benefit contributions borne by the Group are calculated regularly on a certain percentage of the remuneration cost and paid to the relevant labor and social welfare authorities. The Group cannot withdraw or utilize its fund contribution made to the defined contribution plans under any circumstance.

(III) Employee Training Program

The Group focuses on employee career development and provide training programs tailored to employees in different business lines. The Bank has built a specific team of internal trainers. The Bank also collaborates with PRC institutions of higher education to recruit and train employees. For example, the Bank has established a simulated banking and training center to enhance employee professional skills. The Bank emphasizes internal recruiting and employee training. In 2015, the Bank launched "Financial Special Forces" (金融特種兵), a management training program to select and train outstanding management personnel and provide employees with opportunities to enhance professional knowledge and develop leadership skills.

(IV) Labor Union

The Bank and each subsidiary bank has a labor union established in accordance with PRC laws and regulations. The Bank believes that the Bank and each subsidiary bank has maintained a good working relationship with its employees. As of the Latest Practicable Date, none of the Bank nor any of the Group's subsidiary banks had experienced any labor strikes or other labor disturbances that materially affected the Group's operations or public image.

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IX. SUBSIDIARY BANKS

Particulars of the Bank's subsidiary banks as of June 30, 2017 are set out as follows:

Subsidiary banks	Places of business	Remarks
Liaoyuan Rural Commercial Bank Limited Liability Company (遼源農村商業銀行有限責任公司)	1268 Renmin Street, Longshan District, Liaoyuan City, Jilin Province, PRC	13 sub-branches
Changbai Mountain Rural Commercial Bank Co., Ltd. (長白山農村商業銀行股份有限公司)	Chibei District, Changbai Mountain City, Jilin Province, PRC (Block 4, Baihe New Town)	5 sub-branches
Jilin Dehui Rural Commercial Bank Co., Ltd. (吉林德惠農村商業銀行股份有限公司)	299 Dexin Street, Dehui City, Jilin Province, PRC	27 sub-branches
Jilin Gongzhuling Rural Commercial Bank Co., Ltd. (吉林公主嶺農村商業銀行股份有限公司)	1085 Guangming Road, Gongzhuling City, Jilin Province, PRC	41 sub-branches
Jilin Chuncheng Rural Commercial Bank Co., Ltd. (吉林春城農村商業銀行股份有限公司)	Gongzhuling City, Jilin Province, PRC	6 sub-branches
Hanshan Huimin Town Bank Co., Ltd. (含山惠民村鎮銀行有限責任公司)	Block 2, Fuhong Shopping Mall, North Side of Shaoguan East Road, Hanshan County, Ma'anshan City, Anhui Province, PRC	4 sub-branches
Shuangcheng Huimin Village Bank Co., Ltd. (雙城惠民村鎮銀行有限責任公司)	Building Complex, Longsheng South District, Fada Road, Shuangcheng City, Heilongjiang Province, PRC	4 sub-branches
Tongcheng Huimin Village Bank Co., Ltd. (通城惠民村鎮銀行有限責任公司)	59 Jiefang East Road, Juanshui Town, Tongcheng County, Hubei Province, PRC	2 sub-branches
Gaomi Huimin Village and Township Bank Co., Ltd. (高密惠民村鎮銀行有限責任公司)	919 Liqun Road, Gaomi Town, Weifang City, Shandong Province, PRC	5 sub-branches
Wuchang Huimin Village Bank Co., Ltd. (五常惠民村鎮銀行有限責任公司)	Block 1, Guanye Guojijie District, Yachen Road, Wuchang City, Heilongjiang Province, PRC	3 sub-branches
Yun'an Huimin Village Bank Co., Ltd. (雲安惠民村鎮銀行股份有限公司)	62 Jixiang Road, Yun'an District, Yunfu City, Guangdong Province, PRC	
Lu Jiang Hui Min Town Bank Co., Ltd. (廬江惠民村鎮銀行有限責任公司)	Block 18, Fenghuang City, Jun'er West Road, Lujiang County, Hefei City, Anhui Province, PRC	4 sub-branches

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Subsidiary banks	Places of business	Remarks
Qingdao Pingdu Huimin Village Bank Co., Ltd. (青島平度惠民村鎮銀行股份有限公司)	27 Hongqi Road, Pingdu City, Qingdao City, Shandong Province, PRC	7 sub-branches
Da'an Huimin Village Bank Co., Ltd. (大安惠民村鎮銀行有限責任公司)	54 Renmin Road, Da'an City, Jilin Province, PRC	5 sub-branches
Changchun Nanguan Huimin Village Bank Co., Ltd. (長春南關惠民村鎮銀行有限責任公司)	Shop 105-111 of Block 32, Shop 105-106 of Block 33, Haojing Villa, Yatai Street, Nanguan District, Zhangchun City, Jilin Province, PRC	4 sub-branches
Huimin Village Bank Company Limited of Anci, Langfang (廊坊市安次區惠民村鎮銀行股份有限公司)	39 Guangming West Road, Anci District, Langfang City, Hebei Province, PRC	5 sub-branches
Guangzhou Huangpu Huimin Village and Township Bank Co., Ltd. (廣州黃埔惠民村鎮銀行股份有限公司)	Room 101-106, 552 Zhenlong Street, Jiulong Town, Huangbu Disitric, Guangzhou City, Guangdong Province, PRC	4 sub-branches
Heyang Huimin Village Bank Co., Ltd. (合陽惠民村鎮銀行股份有限公司)	North side of East Fenghuang West Road, Heyang County, Weinan City, Shaanxi Province, PRC	2 sub-branches
Huadian Huimin Village Bank Co., Ltd. (樺甸惠民村鎮銀行股份有限公司)	216 Huadian Street, Huadian City, Jilin Province, PRC	5 sub-branches
Jilin Fengman Huimin Village Bank Co., Ltd. (吉林豐滿惠民村鎮銀行股份有限公司)	121 Jilin Street, Fengman District, Jilin City, Jilin Province, PRC	8 sub-branches
Jingmen Dongbao Huimin Village Bank Co., Ltd. (荊門東寶惠民村鎮銀行股份有限公司)	82 Xiangshan Street, Dongbao District, Jingmen City, Hubei Province, PRC	3 sub-branches
Qingyuan Qingxin Huimin Village Bank Co., Ltd. (清遠清新惠民村鎮銀行股份有限公司)	120#, 66 Qingxin Street, Taihe Town, Qingxin District, Qingyuan City, Guangdong Province, PRC	2 sub-branches
Wenan Huimin Village Bank Co., Ltd. (文安縣惠民村鎮銀行股份有限公司)	344 Xingwen Road, Wen'an County, Langfang City, Hebei Province, PRC	6 sub-branches
Wuhua Huimin Village Bank Co., Ltd. (五華惠民村鎮銀行股份有限公司)	189 Huaxing North Road, Shuizhai Town, Wuhua County, Meizhou City, Guangdong Province, PRC	3 sub-branches

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Subsidiary banks	Places of business	Remarks
Qianan Huimin Village Bank Co., Ltd. (乾安惠民村鎮銀行有限責任公司)	Caishui Jiayuan District, Yuzhou West Road, Qian'an County, Jilin Province, PRC	5 sub-branches
Changchun Gaoxin Huimin Village Bank Co., Ltd. (長春高新惠民村鎮銀行有限責任公司)	Room 101, Block 16a, Baolai Yaju, 999 Guanggu Street, Gaoxin District, Zhangchun City, Jilin Province, PRC	4 sub-branches
Baicheng Taobei Huimin Village Bank Co., Ltd. (白城洮北惠民村鎮銀行股份有限公司)	Block 2, Siji Huacheng, 299 Guangming South Street, Taobie District, Baicheng City, Jilin Province, PRC (Shop 4-6, District A, Zuanshi Siji Huacheng)	2 sub-branches
Fuyu Huimin Village Bank Co., Ltd. (扶餘惠民村鎮銀行股份有限公司)	222 Yucai South Street, Fuyu City, Songyuan City, Jilin Province, PRC	2 sub-branches
Taonan Huimin Village Bank Co., Ltd. (洮南惠民村鎮銀行股份有限公司)	1098 Tuanjie West Road, Taonan City, Jilin Province, PRC	2 sub-branches
Tianjin Binhai Huimin Village Bank Co., Ltd. (天津濱海惠民村鎮銀行股份有限公司)	322-324 East Century Street, Binhai New District, Tianjin City, PRC	13 sub-branches
Jilin Chuanying Huimin Village Bank Co., Ltd. (吉林船營惠民村鎮銀行股份有限公司)	Unit 9-10, 1/F-2/F, Block A, Changmao Huayuan Estate, Anshan Street, Chuanying District, Jilin City, Jilin Province, PRC	2 sub-branches
Leizhou Huimin Village Bank Co., Ltd. (雷州惠民村鎮銀行股份有限公司)	21 Hunan Road, Leicheng Town, Leizhou City, Guangdong Province, PRC	1 sub-branch
Songyuan Ningjiang Huimin Village Bank Company Limited (松原寧江惠民村鎮銀行股份有限公司)	2099 Wulan Street, Ningjiang District, Songyuan City, PRC	10 sub-branches
Anping Huimin Village Bank Co., Ltd. (安平惠民村鎮銀行股份有限公司)	8 Xima Road, Anping County, Hebei Province, PRC	4 sub-branches
Huidong Huimin Village Bank Co., Ltd. (惠東惠民村鎮銀行股份有限公司)	66-71 Jinzuan Street, Zhonghang City, Huaqiao City, Pingshan Town, Huidong County, Huizhou City, Guangdong Province, PRC	3 sub-branches
Lingshui Huimin Village Bank Co., Ltd. (陵水惠民村鎮銀行股份有限公司)	Nangan Road, Yelin Town, Lingshui County, Hainan Province, PRC (Wutianshan Apartment)	
Sanya Huimin Village Bank Co., Ltd. (三亞惠民村鎮銀行股份有限公司)	Junction of Fenghuang Road and Jichang Road, Sanya City, Hainan Province, PRC (Jiangxiuhua Apartment)	
Qingdao Jimo Huimin Village Bank Co., Ltd. (青島即墨惠民村鎮銀行股份有限公司)	878 Heshan Road, Jimo City, Shandong Province, PRC	2 sub-branches

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I. Code of Corporate Governance

The Bank believes that maintaining high standards of corporate governance mechanisms and high quality corporate governance is one of the key factors to improve its core competitiveness and to build a modern rural commercial bank. Therefore, the Bank focuses on high quality of corporate governance, abides by the best domestic and international corporate governance practice, to ensure the rights and interests of Shareholders and improve the value of the Bank.

The Bank has established a modern corporate governance structure in line with the requirements of its Articles of Association, PRC laws and regulations and the Hong Kong Listing Rules. The Board of Directors is accountable to the Shareholders as a whole and is responsible for, among others, determining the Group's business development strategies, business plans and investment proposals, appointing or removing senior management, and deciding matters such as internal management structure. The Board of Directors has established committees to perform specified functions consisting of the strategy and development committee, the related-party transactions control committee, the remuneration committee, the nomination committee, the risk management committee and the audit committee. The Board of Supervisors is accountable to the Shareholders as a whole and has the responsibility and power to supervise the Directors and senior management and oversee the Group's financial activities, risk management and internal control.

The Bank has incorporated the Code of Corporate Governance (the "Code of Corporate Governance") as set out in Appendix 14 to the Hong Kong Listing Rules and the Guidelines on Corporate Governance of Commercial Banks issued by the CBRC (the "Guidelines") into the Bank's governance structure and policies. The Code of Corporate Governance and Guidelines are well reflected in the Articles of Association and the terms of reference of the Shareholders' General Meeting, the Board of Directors and committees under the Board of Directors. The Bank's Shareholders' general meeting, the Board of Directors and the Board of Supervisors perform their respective duties and form good corporate governance structure. The Bank closely monitors its operation to ensure it complies with the relevant requirements under applicable laws, regulations, codes, guidelines and the Bank's internal policies.

For the period from the Listing Date up to the date of this interim report, the Bank has fully complied with all code provisions contained in the Code of Corporate Governance. The Directors are not aware of any information which indicates any non-compliance of the Bank with the code provisions contained in the Code of Corporate Governance. The Bank has also strictly complied with the provisions regarding management of inside information required by applicable laws and regulations and the Hong Kong Listing Rules. The Bank will review its corporate governance and strengthen management constantly to ensure compliance with the Code of Corporate Governance and the Guidelines and meet the higher expectations from its Shareholders and potential investors.

II. Earnings and Dividends

(1) Final dividends for 2016

At the Bank's annual general meeting for 2016 held on May 15, 2017, shareholders of the Bank considered and approved the profit distribution proposal for 2016, details of which are as follows:

The Bank paid a cash dividend of RMB1,195,439,307.6 in total (tax inclusive) for 2016. Based on the number of Shares on the record date for dividend distribution, the Bank distributed a cash dividend of RMB0.3 (tax inclusive) for each Share. The final dividends for 2016 paid by the Bank were denominated in Renminbi, and were paid to holders of the Domestic Shares in Renminbi and to the holders of H shares in Hong Kong dollars. The exchange rate for dividends paid in Hong Kong dollars was based on the average central parity exchange rate of Renminbi to Hong Kong dollars quoted by the People's Bank of China on the five working days up to and including the date of declaration of the dividend at the annual general meeting (May 15, 2017, inclusive) (i.e., RMB0.885856 against HK\$1.00). The final dividend for 2016 paid for each H share amounted to HK\$0.338655 (tax inclusive).

The final dividends for 2016 of the Bank were paid in July 2017.

(2) Interim dividends for 2017

Revenue of the Bank for the six months ended June 30, 2017 and the financial position of the Bank as at the same date are set out in the financial statements in this interim report.

The Board does not recommend any distribution of interim dividends for 2017 or capitalization of capital reserve.

III. Proposed Issuance of Offshore Preference Shares

As approved at the Board meeting of the Bank on August 28, 2017, in order to improve the overall competitiveness of the Bank and to ensure continuous business development of the Bank, the Bank plans to conduct a non-public issuance of not more than 50,000,000 offshore preference shares to raise proceeds not exceeding RMB5 billion or its equivalent to replenish the Bank's additional tier-one capital.

The issuance of the offshore preference shares by the Bank is subject to the passing of the relevant resolutions at the Shareholders' general meeting, domestic Shareholders class meeting and the H Shareholders class meeting, in each case, as a special resolution, and the approval by or filing with competent regulators. Upon obtaining the relevant internal approvals and approval from or filing with

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the competent regulators in respect of the resolution on the issuance of offshore preference shares, the issue size, currency, issue price and other details will be determined by the Board with reference to the market condition and in accordance with relevant laws and regulations, listing rules of the relevant stock exchanges, market practice and the authorization given by the Shareholders' general meeting.

The Bank will disclose further details in relation to the issuance of offshore preference shares in due course.

IV. Issuance of Debt Securities

(1) Debt securities issued

In December 2012, the Bank issued an aggregate principal amount of RMB700.0 million subordinated fixed rate bonds. The bonds have a term of 10 years and bear an interest rate of 7.00% per annum. The Bank has an option to redeem the bonds on December 31, 2017 at par.

In April 2015, the Bank issued tier-two capital bonds in an aggregate principal amount of RMB800.0 million. The bonds have a term of 10 years and bear an interest rate of 6.30% per annum. The Bank has an option to redeem the bonds on April 13, 2020 at par. In October 2016, the Bank issued 4.20% fixed rate 10-year tier-two capital bonds with a face value of RMB900.0 million.

From January 1, 2016 to December 31, 2016, the Bank issued several tranches of zero-coupon interbank certificates, with an aggregate face value of RMB37,140.0 million. The interbank certificates have a term ranging from one month to one year and bear effective interest rates between 2.9% and 4.1%.

From January 1, 2017 to June 30, 2017, the Bank issued 19 tranches of zero-coupon interbank certificates, with an aggregate face value of RMB12,540.0 million. The interbank certificates have a term ranging from six months to one year and bear effective interest rates between 4.55% and 4.65%.

(2) Proposed issuance of bonds

As resolved by the Board and considered and approved by the Bank's annual general meeting for 2016 held on May 15, 2017, the Bank proposed on the issuance of tier-two capital bonds. Upon obtaining the approval of the regulators, the Bank will issue tier-two capital bonds of no more than RMB1.3 billion or equivalent with a term of no less than five years. The specific interest rate will be determined by public bidding procedure. The proceeds from the bond issuance will be used to replenish the Bank's capital.

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V. Purchase, Sale and Redemption of Listed Securities of the Bank

The H Shares of the Bank were listed on the Main Board of Hong Kong Stock Exchange on January 12, 2017. The over-allotment option was fully exercised on January 16, 2017. The over-allotment shares were listed on the Main Board of the Hong Kong Stock Exchange on January 19, 2017. For details of the Bank's share capital as of the date of this interim report, please refer to the section headed "Changes in Share Capital and Particulars of Shareholders" in this interim report.

Save as disclosed above, the Bank and any of its subsidiaries had not purchased, sold or redeemed any of the Bank's listed securities from the Listing Date to the date of this interim report.

VI. Related Party Transactions

From the Listing Date to June 30, 2017, there was no material related party transaction which had adversely affected the operating results and financial condition of the Bank.

VII. Material Litigations and Arbitrations

The Bank and each of its subsidiary banks are involved in legal disputes in the ordinary course of business, which primarily include actions against borrowers for the recovery of loans. As of the Latest Practicable Date, none of the Bank or any of its subsidiary banks was involved in any material pending lawsuits as a defendant.

VIII. Penalty against the Bank and the Directors, Supervisors and Senior Management of the Bank

From the Listing Date to June 30, 2017, none of the Bank or any of its Directors, Supervisors, or senior management had been subject to any investigation, administrative penalty or criticism by the China Securities Regulatory Commission and public condemnation by the Hong Kong Stock Exchange, or any penalty imposed by other regulators which had material impact of the Bank's operation.

IX. Continuing Connected Transactions

Exempt Continuing Connected Transactions

1. Extending loans and credit facilities to, and taking deposits from, connected persons

The Bank is a commercial bank incorporated in the PRC under the supervision of the CBRC and the PBOC. It provides commercial banking services in the usual and ordinary course of business to the public in China. The Bank extends loans and credit facilities to, and takes deposits from, the Group's connected persons, such as the Bank's Directors, Supervisors, president and/or their respective associates, in the usual and ordinary course of the Bank's business and on normal

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commercial terms or on terms more favorable to the Bank, with reference to prevailing market rates. These transactions constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules. These continuing connected transactions will be entered into in the usual and ordinary course of the Bank's business and on normal commercial terms or on terms more favorable to the Bank, with reference to prevailing market rates. Accordingly, they are exempt from all disclosure, annual review and shareholders' approval requirements pursuant to Rule 14A.87(1) of the Hong Kong Listing Rules (financial assistance provided by the listed issuer's group) and Rule 14A.90 of the Hong Kong Listing Rules (financial assistance received by the listed issuer's group).

2. Providing banking services and products to connected persons and purchasing trust products from a connected person

The Bank provides various commercial banking services and products (including wealth management products) to certain connected persons in the usual and ordinary course of the Bank's business and on normal commercial terms or on terms more favorable to the Bank, with reference to prevailing market rates. These transactions constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

In the usual and ordinary course of the Bank's business and on normal commercial terms, the Bank entered into certain trust agreements with Jilin Province Trust Co., Ltd. Jilin Province Trust Co., Ltd. is a substantial shareholder of Jilin Dehui Rural Commercial Bank, a significant subsidiary of the Bank. Therefore, Jilin Province Trust Co., Ltd. is a connected person of the Bank at subsidiary level. Pursuant to the agreements, Jilin Province Trust Co., Ltd. would invest the Bank's entrusted assets into specified asset management schemes managed by third party financial institutions pursuant to the Bank's instruction, and charge a certain percentage of the amount of the Bank's entrusted assets as its annualized trust management fees.

Save as disclosed in this section, as the highest applicable percentage ratios of these transactions calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules are expected to be, on an annual basis, less than 0.1%, these transactions constitute de minimis transactions, and therefore are exempt from all disclosure, annual review and shareholders' approval requirements pursuant to Rule 14A.76(1) of the Hong Kong Listing Rules.

3. Lease of property by the Bank from certain connected person

On February 11, 2017, the Bank entered into a property leasing agreement with Mr. Wu Shujun (吳樹君), a non-executive Director of the Bank. Pursuant to the agreement, Mr. Wu Shujun leased a property to the Bank as its office space in Jilin province, with a leasing term from February 12, 2017 till February 12, 2020 and at an annual rent of RMB1,582,000.

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The above transactions are conducted on normal commercial terms no less favorable than those offered by independent third parties. As the highest applicable percentage ratios of the above transactions calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules are expected to be, on an annual basis, less than 0.1%, the continuing connected transactions contemplated under the above property leasing agreements constitute de minimis transactions, and therefore are exempt from all disclosure, annual review and shareholders' approval requirements pursuant to Rule 14A.76(1) of the Hong Kong Listing Rules.

Non-exempt Continuing Connected Transactions

1. Purchase of Wealth Management Products by Jilin Dehui Rural Commercial Bank from the Bank

The prospectus of the Bank dated December 30, 2016 for the global offering disclosed that in the usual and ordinary course of business, the Bank entered into certain wealth management products purchase agreements with Jilin Dehui Rural Commercial Bank in October 2015, November 2015 and April 2016, respectively (the "Dehui Wealth Management Agreements"). The prospectus also disclosed that Jilin Province Trust Co., Ltd., the substantial shareholder of the Bank, held 10.0% equity interest in Jilin Dehui Rural Commercial Bank, a non-wholly owned subsidiary of the Bank. Immediately after completion of the global offering (assuming the over-allotment option was not exercised), Jilin Province Trust Co., Ltd. would continue to be the substantial shareholder of the Bank. As such, being a connected subsidiary of the Bank, Jilin Dehui Rural Commercial Bank was a connected person of the Bank. Please refer to the relevant disclosure in the prospectus of the Bank and the Bank's 2016 annual report for details on the Dehui Wealth Management Agreements.

Upon the full exercise of the over-allotment option on January 16, 2017, the total shares of the Bank held by Jilin Province Trust Co., Ltd. represented appropriately 9.61% of the total issued share capital of the Bank. As such, Jilin Province Trust Co., Ltd. is no longer a substantial shareholder of the Bank and Jilin Dehui Rural Commercial Bank is no longer a connected subsidiary of the Bank and a connected person of the Group. The transactions contemplated under the Dehui Wealth Management Agreements no longer constitute connected transactions under Chapter 14A of the Hong Kong Listing Rules.

The Bank confirms that the transactions under the Dehui Wealth Management Agreements had complied with the requirements under Chapter 14A of the Hong Kong Listing Rules since the Listing Date and up till January 16, 2017 (i.e., the date when Jilin Dehui Rural Commercial Bank ceased to be a connected person of the Bank).

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2. Purchase of Wealth Management Products by Jilin Chuncheng Rural Commercial Bank from the Bank

The prospectus of the Bank dated December 30, 2016 for the global offering disclosed that in the usual and ordinary course of business, the Bank entered into certain wealth management products purchase agreements with Jilin Chuncheng Rural Commercial Bank in November 2015, March 2016 and April 2016, respectively (the “Chuncheng Wealth Management Agreements”). The prospectus also disclosed that Jilin Province Trust Co., Ltd., the substantial shareholder of the Bank, held 10.0% equity interest in Jilin Chuncheng Rural Commercial Bank, a non-wholly owned subsidiary of the Bank. Immediately after completion of the global offering (assuming the over-allotment option was not exercised), Jilin Province Trust Co., Ltd. would continue to be the substantial shareholder of the Bank. As such, being a connected subsidiary of the Bank, Jilin Chuncheng Rural Commercial Bank was a connected person of the Bank. Please refer to the relevant disclosure in the prospectus of the Bank and the Bank’s 2016 annual report for details on the Chuncheng Wealth Management Agreements.

Upon the full exercise of the over-allotment option on January 16, 2017, the total shares of the Bank held by Jilin Province Trust Co., Ltd. represented appropriately 9.61% of the total issued share capital of the Bank. As such, Jilin Province Trust Co., Ltd. is no longer a substantial shareholder of the Bank and Jilin Chuncheng Rural Commercial Bank is no longer a connected subsidiary of the Bank and a connected person of the Group. The transactions contemplated under the Chuncheng Wealth Management Agreements no longer constitute connected transactions under Chapter 14A of the Hong Kong Listing Rules.

The Bank confirms that the transactions under the Chuncheng Wealth Management Agreements had complied with the requirements under Chapter 14A of the Hong Kong Listing Rules since the Listing Date and up till January 16, 2017 (i.e., the date when Jilin Chuncheng Rural Commercial Bank ceased to be a connected person of the Bank).

3. Specified Asset Management Agreements between the Bank and TBA

In the usual and ordinary course of the Bank’s business, the Bank, TBA Asset Management Co., Ltd. (天治北部資產管理有限公司) (“TBA”) (as asset manager) and independent third party commercial banks regulated by the CBRC (as asset custodian) entered into certain specified asset management agreements in July, September, November and December 2015 and January and February 2016, respectively (the “TBA Asset Management Agreements”). The Bank has invested the entrusted assets of third parties and its proprietary funds in the specified asset management schemes managed by TBA. Jilin Province Trust Co., Ltd. is a substantial shareholder of Jilin Dehui Rural Commercial Bank (a significant subsidiary of the Bank) and holds approximately 61.3% equity

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interest in China Nature Asset Management Co., Ltd. (天治基金管理有限公司), which in turn holds 42.0% equity interest in TBA. As such, TBA is an associate of Jilin Province Trust Co., Ltd, and hence a connected person of the Bank at the subsidiary level.

The principal terms of TBA Asset Management Agreements are set out as follows:

- TBA shall operate and manage the entrusted assets in accordance with the terms and conditions of the TBA Asset Management Agreements subject to the supervision of the asset custodian. The asset management schemes under the TBA Asset Management Agreements will expire in 2017 and 2018, respectively.
- The expected maximum annualized return on investment of the entrusted assets ranges from 6.52% to 8.60%, the annualized management fee rate payable by the Bank to TBA ranges from 0.05% to 0.47%, and the annualized custody fee rate payable by the Bank to the asset custodian is 0.01%.
- The assets entrusted by the Bank to TBA for management shall be separated from the assets of TBA and the asset custodian. All monetary value deriving from the management and operation of the entrusted assets shall form part of the entrusted assets.
- The Bank will make specific investment instructions to TBA on the use of the entrusted assets and TBA shall invest the entrusted assets in accordance with the instructions of the Bank.
- TBA shall prepare quarterly report of the entrusted assets and submit it to the asset custodian for review, after which TBA shall disclose the information on investment performance to the Bank. During the term of the agreements, the Bank can make enquiry on the investment to TBA or the asset custodian from time to time and TBA or the asset custodian (as the case may be) shall reply to the Bank's enquiry promptly.

The rate of the management fee payable by the Bank to TBA under the TBA Asset Management Agreements ranges from 0.05% to 0.47%, which is determined through arm's length negotiation by taking into account various factors, including the prevailing management fee rate of comparable asset management schemes available on the market and the estimated maximum annualized return on investment offered by TBA.

Chapter 7 Significant Events

For the three years ended December 31, 2016, 2017 and 2018, the annual caps for the management fees payable by the Bank to TBA under the TBA Asset Management Agreements are RMB14.6 million, RMB8.5 million and RMB2.2 million, respectively. The Bank confirms that for the six months ended June 30, 2017, the actual management fees paid by the Bank to TBA under the TBA Asset Management Agreements are RMB1.8 million.

Under the TBA Asset Management Agreements, as the highest applicable percentage ratio based on the relevant annual caps set out above is expected to be between 0.1% and 5% on an annual basis, such transactions are subject to the announcement, reporting and annual review requirements under Chapter 14A of Hong Kong Listing Rules, but are exempted from the independent shareholders' approval requirement. Before listing of H Share of the Bank on the Hong Kong Stock Exchange, the Bank had made an application to the Hong Kong Stock Exchange in respect of the transactions under the TBA Asset Management Agreements, and the Hong Kong Stock Exchange had granted the Bank a waiver from strict compliance with the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules.

X. Public Float

During the initial public offering of the Bank's H Shares, the Bank has applied to the Hong Kong Stock Exchange to ask the Hong Kong Stock Exchange to exercise its discretion to waive the requirement under Rule 8.08(1)(d) of the Hong Kong Listing Rules, and the Hong Kong Stock Exchange has granted the Bank a waiver from strict compliance with the requirements under Rule 8.08(1)(a) of the Hong Kong Listing Rules. According to the waiver granted by the Hong Kong Stock Exchange, the minimum public float of the Bank will be the highest of:

- a. 16.9% of the Bank's total issued share capital;
- b. such percentage of H Shares to be held by the public immediately after the completion of the global offering (assuming the over-allotment option has not been exercised); and
- c. such percentage of H Shares to be held by the public immediately after the completion of the global offering (assuming the over-allotment option has been exercised).

Immediately after the issue and allotment by the Bank and the sale by the selling shareholders of the Over-allotment Shares due to full exercise of the over-allotment option, the number of H Shares in public hands represents not less than 19.0% of the total issued share capital of the Bank, which satisfies the minimum percentage prescribed in the conditions imposed in the waiver granted by the Hong Kong Stock Exchange from strict compliance with Rule 8.08(1)(a) of the Hong Kong Listing Rules.

Chapter 7 Significant Events

Based on the publicly available information and as far as the Directors were aware, as of the Latest Practicable Date, the Bank had maintained sufficient public float in compliance with the requirement specified in the waiver granted by the Hong Kong Stock Exchange.

XI. Appointment of External Auditor

As considered and approved by the Shareholders at the Bank's annual general meeting for 2016 held on May 15, 2017, the Bank has reappointed ShineWing Certified Public Accountants LLP as the domestic external auditor of the Bank for 2017 to provide auditing services in the PRC in accordance with the PRC GAAP, and SHINEWING (HK) CPA Limited as the international external auditor of the Bank for 2017 to provide auditing and review services overseas in accordance with the IFRS.

The terms of office of the above two external auditors shall commence from the date of approval of the resolution on the engagement of external auditing firms for 2017 by the Bank's annual general meeting for 2016 (i.e. May 15, 2017) and shall expire at the conclusion of the Bank's annual general meeting for 2017.

XII. Acquisitions and Disposals of Assets and Business of Subsidiaries and Associates/ Corporate Mergers

(1) Material acquisitions and disposals

From the Listing Date to June 30, 2017, the Bank had not conducted any significant acquisition or disposal of assets/businesses of its subsidiaries or associates/corporate mergers.

(2) Other acquisitions and disposals

On March 10, 2017, the Bank and Beijing Rural Commercial Bank Co., Ltd. ("**Beijing Rural Commercial Bank**", an independent third party of the Group) entered into an equity transfer agreement with respect to Qingdao Jimo Jingdu Village and Township Bank Co., Ltd. (青島即墨京都村鎮銀行股份有限公司) (now known as Qingdao Jimo Huimin Village Bank Co., Ltd. (青島即墨惠民村鎮銀行股份有限公司)) ("**Qingdao Jimo Huimin Village and Township Bank**"). According to the agreement, Beijing Rural Commercial Bank disposed its 59% equity interest in Qingdao Jimo Huimin Village and Township Bank to the Bank for a consideration of RMB135.7 million. The transaction had been completed during the Reporting Period. As at June 30, 2017, Qingdao Jimo Huimin Village and Township Bank was a subsidiary bank of the Bank. The Bank believed that such transaction could expand the Bank's business network and enhance the competitiveness of the Group. All the applicable percentage ratios of this transaction under Rule 14.07 of the Hong Kong Listing Rules were below 5%.

Chapter 7 Significant Events

The Bank originally held 13.4 million shares in Inner Mongolia Hohhot Jingu Rural Commercial Bank Co., Ltd. (內蒙古呼和浩特金穀農村商業銀行股份有限公司) (“**Jingu Bank**”), representing approximately 1.72% of the total issued share capital of Jingu Bank. On June 7, 2017, the Bank and Yang Jing (楊靖), an independent third party individual, entered into an equity transfer agreement, pursuant to which the Bank disposed its 3.40 million shares in Jingu Bank to Yang Jing for a consideration of RMB10.54 million. On June 8, 2017, the Bank and Inner Mongolia Tianrunxiang Agricultural Products Trading Company Limited (內蒙古天潤祥農產品經銷有限公司) (“**Tianrunxiang**”, an independent third party of the Group) entered into an equity transfer agreement, pursuant to which the Bank disposed its 10 million shares in Jingu Bank to Tianrunxiang for a consideration of RMB31.00 million. The aforesaid two transactions had been completed during the Reporting Period, and the Bank no longer holds any shares in Jingu Bank upon the completion of these two transactions. The major reason of the disposal of the Bank’s share in Jingu Bank was to optimize the Bank’s investment portfolio. All the applicable percentage ratios of these two transactions under Rule 14.07 of the Hong Kong Listing Rules were, individually or collectively, below 5%

XIII. Review of Interim Report

The financial statements disclosed in this interim report have not been audited. The interim financial statements for the six months ended June 30, 2017 prepared by the Bank under the IFRS issued by the International Accounting Standards Board have been reviewed by SHINEWING (HK) CPA Limited in accordance with the Hong Kong Standard on Review Engagements 2410. This interim report has been reviewed and adopted by the Board and the audit committee under the Board.

XIV. Publication of 2017 Interim Report

The Bank has prepared its 2017 interim report in accordance with the Hong Kong Listing Rules and the IFRS, which is available on the HKEXnews website of Hong Kong Stock Exchange (www.hkexnews.hk) and website of the Bank (www.jtnsh.com)

In this interim report, the financial data for the six months ended June 30, 2017 have not been audited, and the financial data for the six months ended June 30, 2016 and December 31, 2016 have been audited.

Report on Review of Condensed Consolidated Financial Statements



SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE BOARD OF DIRECTORS OF JILIN JIUTAI RURAL COMMERCIAL BANK CORPORATION LIMITED

吉林九台農村商業銀行股份有限公司

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

Introduction

We have reviewed the condensed consolidated financial statements of Jilin Jiutai Rural Commercial Bank Corporation Limited (the “Bank”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 113 to 193, which comprise the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, 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 International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Report on Review of Condensed Consolidated Financial Statements (Continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Wong Chuen Fai

Practising Certificate Number: P05589

Hong Kong

28 August 2017

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Six Months Ended 30 June 2017

	Notes	Six month ended 30 June	
		2017 (Unaudited) RMB'000	2016 (Audited) RMB'000
Interest income		4,642,002	3,904,232
Interest expenses		(2,453,662)	(1,841,764)
Net interest income	4	2,188,340	2,062,468
Fee and commission income		351,139	274,196
Fee and commission expenses		(16,857)	(13,537)
Net Fee and commission income	5	334,282	260,659
Net trading gains	6	65,763	45,314
Dividend income		100,254	106,521
Net gains arising from investment securities	7	159,480	166,964
Net exchange (loss)/gains		(11,288)	3,076
Other operating income	8	31,449	5,821
Operating income		2,868,280	2,650,823
Operating expenses	9	(1,204,845)	(1,094,649)
Impairment losses on assets	10	(556,674)	(245,284)
Operating profit		1,106,761	1,310,890
Share of profits of associates	23	12,330	3,936
Profit before tax		1,119,091	1,314,826
Income tax expense	11	(218,842)	(281,967)
Profit for the period		900,249	1,032,859
Earnings per share			
— Basic and diluted (RMB cents)	12	17.90	26.30

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the Six Months Ended 30 June 2017

	Six month ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Audited) RMB'000
Profit for the period	900,249	1,032,859
Other comprehensive (expense)/income for the period:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
– Available-for-sale financial assets		
– Change in fair value recognised in investment revaluation reserve	(334,310)	23,781
– Reclassified to the profit or loss upon disposal	(9,819)	(25,974)
– Income tax relating to item that may be reclassified subsequently	86,032	547
	(258,097)	(1,646)
Total comprehensive income for the period	642,152	1,031,213
Profit for the period attributable to:		
– Owners of the Bank	692,803	866,639
– Non-controlling interests	207,446	166,220
	900,249	1,032,859
Total comprehensive income for the period attributable to:		
– Owners of the Bank	459,540	868,086
– Non-controlling interests	182,612	163,127
	642,152	1,031,213

Condensed Consolidated Statement of Financial Position

At 30 June 2017

	Notes	At 30 June 2017 (Unaudited) RMB'000	At 31 December 2016 (Audited) RMB'000
Assets			
Cash and deposits with the central bank	13	26,314,742	32,983,711
Deposits with banks and other financial institutions	14	25,177,449	37,733,808
Placements with banks and other financial institutions	15	140,000	—
Financial assets held under resale agreements	16	334,610	15,231,104
Financial assets at fair value through profit or loss	17	17,807,315	13,797,549
Interest receivable	18	597,937	379,221
Loans and advances to customers	19	72,020,389	60,286,350
Available-for-sale financial assets	20	16,697,168	12,002,670
Held-to-maturity investments	21	7,731,820	2,184,607
Debt securities classified as receivables	22	21,868,775	10,767,773
Interests in associates	23	244,301	231,971
Property and equipment	24	4,282,083	3,289,595
Goodwill		1,184,527	1,173,756
Deferred tax assets	25	487,065	285,133
Other assets	26	773,186	1,124,049
Total assets		195,661,367	191,471,297

Condensed Consolidated Statement of Financial Position (Continued)

At 30 June 2017

	Notes	At 30 June 2017 (Unaudited) RMB'000	At 31 December 2016 (Audited) RMB'000
Liabilities and equity			
Liabilities			
Borrowings from the central bank	28	242,430	1,822,845
Deposits from banks and other financial institutions	29	7,380,609	7,245,735
Placements from banks and other financial institutions	30	2,127,496	442,496
Financial assets sold under repurchase agreements	31	9,253,810	14,595,044
Deposits from customers	32	130,503,115	127,408,661
Accrued staff costs	33	94,204	218,495
Taxes payable		128,486	183,310
Interests payable	34	1,898,388	1,782,313
Debts securities issued	35	27,626,708	23,395,879
Other liabilities	36	541,799	653,373
Total liabilities		179,797,045	177,748,151
Equity			
Share capital	37	3,984,797	3,294,797
Capital reserve	38	5,305,925	3,347,045
Investment revaluation reserve		(215,342)	17,921
Surplus reserve	39	510,333	510,333
General reserve	39	1,353,598	1,351,936
Retained earnings		1,104,174	1,608,473
Total equity attributable to owners of the Bank		12,043,485	10,130,505
Non-controlling interests		3,820,837	3,592,641
Total equity		15,864,322	13,723,146
Total Liabilities and equity		195,661,367	191,471,297

The condensed consolidated financial statements on pages 113 to 193 were approved and authorised for issue by the board of directors of the Bank on 28 August 2017 and are signed on its behalf by:

Mr. GAO Bing

Director

Mr. YUAN Chunyu

Director

Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2017

	Attributable to owners of the Bank								
	Share Capital	Capital reserve	Investment			Retained earnings	Sub-total	Non-controlling interests	Total
			revaluation reserve	Surplus reserve	General reserve				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2017 (Audited)	3,294,797	3,347,045	17,921	510,333	1,351,936	1,608,473	10,130,505	3,592,641	13,723,146
Profit for the period	—	—	—	—	—	692,803	692,803	207,446	900,249
Other comprehensive income for the period	—	—	(233,263)	—	—	—	(233,263)	(24,834)	(258,097)
Total comprehensive income for the period	—	—	(233,263)	—	—	692,803	459,540	182,612	642,152
Changes in share capital									
— Capital contributed by equity shareholders	690,000	2,105,445	—	—	—	—	2,795,445	—	2,795,445
Share issue expenses	—	(147,749)	—	—	—	—	(147,749)	—	(147,749)
— Capital contributed by non-controlling interests	—	—	—	—	—	—	—	200,000	200,000
Acquisition of a subsidiary (Note 49)	—	—	—	—	—	—	—	86,818	86,818
Changes in ownership in subsidiaries without changes in control	—	1,184	—	—	—	—	1,184	(1,184)	—
Appropriation of profits									
— Appropriation to general reserve	—	—	—	—	1,662	(1,662)	—	—	—
— Dividends recognised as distribution (Note 40)	—	—	—	—	—	(1,195,440)	(1,195,440)	—	(1,195,440)
— Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(240,050)	(240,050)
At 30 June 2017 (Unaudited)	3,984,797	5,305,925	(215,342)	510,333	1,353,598	1,104,174	12,043,485	3,820,837	15,864,322

Condensed Consolidated Statement of Changes in Equity (Continued)

For the Six Months Ended 30 June 2017

	Attributable to owners of the Bank							Non- controlling interests	Total
	Share Capital	Capital reserve	Investment		General reserve	Retained earnings	Sub-total		
			revaluation reserve	Surplus reserve					
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At January 1, 2016 (Audited)	3,294,797	3,309,135	76,980	354,741	1,025,282	1,087,363	9,148,298	2,708,901	11,857,199
Profit for the period	—	—	—	—	—	866,639	866,639	166,220	1,032,859
Other comprehensive income/ (expense) for the period	—	—	1,447	—	—	—	1,447	(3,093)	(1,646)
Total comprehensive income for the period	—	—	1,447	—	—	866,639	868,086	163,127	1,031,213
Changes in share capital									
— Capital contributed by non-controlling interests	—	—	—	—	—	—	—	80,640	80,640
Acquisition of a subsidiary (Note 49)	—	—	—	—	—	—	—	2,595	2,595
Changes in ownership in subsidiaries without changes in control	—	37,910	—	—	—	—	37,910	432,090	470,000
Appropriation of profits									
— Dividends recognised as distribution (Note 40)	—	—	—	—	—	(883,440)	(883,440)	—	(883,440)
— Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(91,284)	(91,284)
At June 30, 2016 (Audited)	3,294,797	3,347,045	78,427	354,741	1,025,282	1,070,562	9,170,854	3,296,069	12,466,923

Condensed Consolidated Statement of Cash Flows

For the Six Months Ended 30 June 2017

	Six month ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Audited) RMB'000
OPERATING ACTIVITIES		
Profit before tax	1,119,091	1,314,826
Adjustments for:		
Depreciation of property and equipment	145,692	116,370
Amortisation of long-term deferred expenses and land use rights	5,541	10,863
Impairment losses on assets	556,674	245,284
Interest expense on debts securities issued	566,685	200,049
Dividend income	(100,254)	(106,521)
Gain on disposal of property and equipment	(55)	(1,127)
Net unrealised trading gains	(43,574)	(43,501)
Net gains arising from investment securities	(159,480)	(166,964)
Government grants	(33,625)	(6,837)
Interest income from financial investments	(1,110,983)	(924,109)
Share of profits of associates	(12,330)	(3,936)
	933,382	634,397
Changes in operating assets		
Net increase in deposits with the central bank	(1,385,226)	(1,936,457)
Net decrease (increase) in deposits with the banks and other financial institutions	10,023,519	(12,902,281)
Net increase in financial assets held under resale agreements	—	(458,569)
Net increase in financial assets at fair value through profit or loss	(3,966,192)	(1,252,674)
Net increase in loans and advances to customers	(11,855,594)	(5,344,968)
Net increase in interest receivables	(218,466)	—
Net increase in other assets	(57,804)	(71,515)
	(7,459,763)	(21,966,464)
Changes in operating liabilities		
Net (decrease) increase in borrowing from central bank	(1,580,415)	70,433
Net increase in deposits from banks and other financial institutions	74,874	3,934,274
Net increase in placements from banks and other financial institutions	1,685,000	110,000
Net increase in financial assets sold under repurchase agreements	(5,341,234)	(2,483,383)
Net increase in deposits from customers	2,881,794	13,688,997
Net decrease in accrued staff costs	(124,291)	(36,736)
Net increase in interests payable	114,177	123,184
Net decrease in other liabilities	(111,755)	(131,965)
	(2,401,850)	15,274,804

Condensed Consolidated Statement of Cash Flows (Continued)

For the Six Months Ended 30 June 2017

	Six month ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Audited) RMB'000
Cash used in operations	(8,928,231)	(6,057,263)
Income tax paid	(382,025)	(406,791)
NET CASH USED IN OPERATING ACTIVITIES	(9,310,056)	(6,464,054)
INVESTING ACTIVITIES		
Proceeds from disposal of financial investments	53,681,558	201,081,595
Interest income from financial investments	1,110,983	924,109
Dividend income received	100,254	106,521
Proceeds from disposal of property and equipment	207	4,215
Payments on acquisition of financial investments	(75,353,420)	(213,313,820)
Payments on acquisition of property and equipment	(701,690)	(495,561)
Net cash inflow arising on acquisition of subsidiary	18,860	6,459
NET CASH USED IN INVESTING ACTIVITIES	(21,143,248)	(11,686,482)
FINANCING ACTIVITIES		
Gross proceeds from capital contribution by equity shareholders	2,795,445	—
Share issue expenses	(147,749)	—
Capital contribution by non-controlling interests	200,000	80,640
Proceeds from disposals and dilutions of interests in subsidiaries without loss in control	—	470,000
Government grants received	33,625	6,837
Net proceeds from issue of new debt securities	11,991,779	13,259,487
Repayment of debt securities issued	(8,260,000)	(11,200,000)
Interest paid on debts securities issued	(67,635)	(85,735)
Dividends paid	(1,195,440)	(883,440)
Dividends paid to non-controlling interests	(240,050)	(91,284)
NET CASH FROM FINANCING ACTIVITIES	5,109,975	1,556,505
NET DECREASE IN CASH AND CASH EQUIVALENTS	(25,343,529)	(16,594,031)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	44,294,457	34,873,412
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (Note 43)	18,950,928	18,279,381
Interest received	4,423,286	3,811,530
Interest paid (excluding interest expense on debts securities issued)	(2,172,218)	(1,632,845)

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2017

1 GENERAL INFORMATION

The Bank, formerly known as Jiutai Rural Credit Cooperative Union, is a joint stock commercial bank established on 16 June 2008 with approval of the China Banking Regulatory Commission (the “CBRC”) (YinFu 2008 No.320) on 15 June 2008.

The Bank obtained its finance permit No. B1001H222010001 from the CBRC Jilin Bureau. The Bank obtained its business license (Unified Social Credit Code:.912200001243547911) from Jilin Administration of Industry and Commerce. The legal representative is Gao Bing and the address of the registered office is No. 504 Xinhua Main Street, Jiutai District, Changchun, the People’s Republic of China (the “PRC”).

As at 30 June 2017, the Bank has established 3 branches and 58 sub-branches. The Bank has 39 subsidiaries. The principal activities of the Bank and its subsidiaries (collectively referred to as the “Group”) are the provision of corporate and retail deposits, loans and advances, payment and settlement services, as well as other banking services as approved by the CBRC. The Group operates in mainland China.

On 12 January 2017, the Bank’s H shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). (Stock code:6122)

The condensed consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Bank and its subsidiaries.

2 BASIS OF PREPARATION

The condensed consolidated financial statement of the Group for the six months ended 30 June 2017 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange, and with International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”), issued by the International Accounting Standards Board (“IASB”).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

2 BASIS OF PREPARATION (Continued)

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

3 PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments (“new and revised IFRSs”) issued by the IASB which are effective for the Group’s financial year beginning 1 January 2017.

Amendments to IFRSs	Annual improvements to IFRSs 2014 – 2016 Cycles: Amendments to IFRS 12
Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The application of the above revised IFRSs in the current interim period has had no material effect on the Group’s financial performance and positions for the current and prior interim periods and/or on the disclosures set out in these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

4 NET INTEREST INCOME

	Six month ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Audited) RMB'000
Interest income arising from		
– Deposits with the central bank	123,149	88,772
– Deposits with banks and other financial institutions	625,289	508,249
– Placements with banks and other financial institutions	10,650	17,765
– Financial assets at fair value through profit or loss	327,578	337,994
– Loans and advances to customers:		
Corporate loans and advances	1,813,177	1,262,353
Personal loans and advances	500,497	504,682
Discounted bills	382	28,265
– Financial assets held under resale agreements	130,297	232,043
– Available-for-sale financial assets	458,738	409,266
– Held-to-maturity investments	67,414	27,152
– Debt securities classified as receivables	584,831	487,691
	4,642,002	3,904,232
Less: Interest expenses arising from		
– Borrowings from the central bank	(8,316)	(4,674)
– Deposits from banks and other financial institutions	(131,511)	(156,459)
– Placements from banks and other financial institutions	(26,424)	(11,046)
– Deposits from customers:		
Corporate customers	(689,859)	(617,178)
Individual customers	(801,564)	(511,369)
– Financial assets sold under repurchase agreements	(229,303)	(340,989)
– Debts securities issued	(566,685)	(200,049)
	(2,453,662)	(1,841,764)
	2,188,340	2,062,468

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

5 NET FEE AND COMMISSION INCOME

	Six month ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Audited) RMB'000
Fee and commission income		
– Advisory fees	136,052	132,192
– Settlement and clearing fees	24,185	17,006
– Wealth management service fees	127,070	58,577
– Agency service fees	19,105	26,198
– Syndicated loan service fees	38,828	30,960
– Bank card service fees	3,416	3,092
– Others	2,483	6,171
	351,139	274,196
Fee and commission expense		
– Settlement and clearing fees	(11,509)	(11,251)
– Others	(5,348)	(2,286)
	(16,857)	(13,537)
	334,282	260,659

6 NET TRADING GAINS

	Six month ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Audited) RMB'000
Trading financial instruments		
– Debt securities	(3,612)	(25,672)
– Financial instruments designated at fair value through profit or loss	69,375	70,986
	65,763	45,314

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

7 NET GAINS ARISING FROM INVESTMENT SECURITIES

	Six month ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Audited) RMB'000
Net (loss)/gains on disposal of available-for-sale financial assets	(38,567)	21,960
Net gains on disposal of debt securities classified as receivables	188,228	119,030
Net revaluation gains reclassified from other comprehensive income on disposal	9,819	25,974
	159,480	166,964

8 OTHER OPERATING INCOME

	Six month ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Audited) RMB'000
Government grants (Note)	33,625	6,837
Gain on disposal of property and equipment	55	1,127
Others operating expenses	(2,231)	(2,143)
	31,449	5,821

Note: Government grants recognised as other income are awarded to the Group by the PRC government as incentives primarily to encourage the development of the Group and the contribution to the local economic development. The government grants are one-off with no specific condition attached.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

9 OPERATING EXPENSES

	Six month ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Audited) RMB'000
Staff costs (including directors' and supervisors' emoluments)		
– Salaries and bonuses	465,429	423,091
– Staff welfares	37,420	34,995
– Social insurance	128,938	97,816
– Housing allowances	38,476	28,330
– Labour union and staff education expenses	11,626	9,125
	681,889	593,357
Premises and equipment expenses		
– Depreciation of property and equipment	145,692	116,370
– Amortisation of long-term deferred expenses	4,577	10,379
– Amortisation of land use rights	964	484
– Rental and property management expenses	121,989	82,046
	273,222	209,279
Business tax and surcharges	30,719	113,407
Other general and administrative expenses	219,015	178,606
	1,204,845	1,094,649

Note: Auditor's remuneration for the period ended 30 June 2017 was RMB1,848,000 (2016: RMB2,050,000).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

10 IMPAIRMENT LOSSES ON ASSETS

	Six month ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Audited) RMB'000
Loans and advances to customers		
Charge for the year	407,765	270,150
Reverse for the year	(324)	(16,756)
	407,441	253,394
Debt securities classified as receivables		
Charge for the year	144,500	—
Reverse for the year	—	(8,309)
	144,500	(8,309)
Other receivables and repossessed assets	4,733	199
	556,674	245,284

11 INCOME TAX EXPENSE

(a) Income tax:

	Six month ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Audited) RMB'000
Current tax:		
— Mainland China Enterprise Income Tax	323,570	335,430
(Over)/under provision in prior years:		
— Mainland China Enterprise Income Tax	(3,289)	3,027
Deferred tax (Note 25)		
— Current year	(101,439)	(56,490)
	218,842	281,967

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

11 INCOME TAX EXPENSE (Continued)

(a) Income tax: (Continued)

Under the Law of the Mainland China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the Mainland China companies is 25%. During the six months ended 30 June 2017 and 30 June 2016, certain branches with operations in a subsidiary, Changbai Mountain Rural Commercial Bank Co., Ltd. (“長白山農村商業銀行股份有限公司”, “Changbai Mountain Rural Commercial Bank”) obtained approvals from tax authorities to adopt the preferential income tax rate of 15%.

(b) The tax charge for the period can be reconciled to the profit before tax per the condensed consolidated statement of profit or loss and other comprehensive income as follows:

	Six month ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Audited) RMB'000
Profit before tax	1,119,091	1,314,826
Tax at domestic income tax rate of 25%	279,773	328,706
Tax effect of share of profit of associates	(3,083)	(984)
Tax effect of expenses not deductible for tax purpose (Notes i)	396	1,272
Tax effect of income that are not taxable for tax purpose (Notes ii)	(49,825)	(42,692)
(Over)/under provision in respect of prior years	(3,289)	3,027
Income tax on concessionary rate	(5,130)	(7,362)
Income tax expense	218,842	281,967

Notes:

- (i) Expenses not deductible for tax purpose consists of a portion of expenditure, such as entertainment expense and donations, which exceed the tax deduction limits in accordance with Mainland China tax regulation.
- (ii) Income not taxable for tax purpose consists of interest income from the Mainland China government bonds and income from equity investment between qualified resident enterprises such as dividends and bonuses, which are exempted from income tax under the Mainland China tax regulation.

Details of the deferred taxation are set out in Note 25.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

12 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Bank is based on the following data:

	Six month ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Audited) RMB'000
Profit for the period attributable to owners of the Bank (RMB'000)	692,803	866,639
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000)	3,869,798	3,294,798

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the period ended 30 June 2017 and 2016.

13 CASH AND DEPOSITS WITH THE CENTRAL BANK

	At 30 June 2017 (Unaudited) RMB'000	At 31 December 2016 (Audited) RMB'000
	Cash on hand	845,646
Deposits with the central bank		
– Statutory deposit reserves (Notes a)	14,113,724	12,770,512
– Surplus deposit reserves (Notes b)	11,247,093	19,365,026
– Fiscal deposits	108,279	66,265
	25,469,096	32,201,803
	26,314,742	32,983,711

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

13 CASH AND DEPOSITS WITH THE CENTRAL BANK (Continued)

Notes:

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

	At 30 June 2017 (Unaudited)	At 31 December 2016 (Audited)
Reserve ratio for RMB deposits	14.5%	14.5%
Reserve ratio for foreign currency deposits	5.0%	5.0%

The statutory deposit reserves are restricted balances with central bank and are not available for the Bank's daily business. The subsidiaries of the Bank are required to place statutory RMB deposits reserve at rates determined by the PBOC.

- (b) The surplus deposit reserves are maintained with the PBOC for the purpose of cash settlement and other kinds of unrestricted deposits.

14 DEPOSITS WITH BANK AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	At 30 June 2017 (Unaudited) RMB'000	At 31 December 2016 (Audited) RMB'000
Deposits in Mainland China		
— Banks	25,166,749	37,703,378
— Other financial institutions	1,404	1,604
	25,168,153	37,704,982
Deposits outside Mainland China		
— Banks	9,296	28,826
	25,177,449	37,733,808

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

15 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	At 30 June 2017 (Unaudited) RMB'000	At 31 December 2016 (Audited) RMB'000
Placements in Mainland China		
– Other financial institutions	140,000	—

16 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by type and location of counterparty

	At 30 June 2017 (Unaudited) RMB'000	At 31 December 2016 (Audited) RMB'000
In Mainland China		
– Banks	334,610	3,983,223
– Other financial institutions	—	11,247,881
	334,610	15,231,104

(b) Analysed by type of security held

	At 30 June 2017 (Unaudited) RMB'000	At 31 December 2016 (Audited) RMB'000
Debt securities		
– Government	—	7,313,172
– Banks and other financial institutions	334,610	6,068,358
– Corporations	—	1,849,574
	334,610	15,231,104

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2017 (Unaudited) RMB'000	At 31 December 2016 (Audited) RMB'000
Debt securities held for trading (Notes a)	323,709	287,632
Financial assets designated at FVTPL (Notes b)	17,483,606	13,509,917
	17,807,315	13,797,549

Notes:

(a) Debt securities held for trading

	At 30 June 2017 (Unaudited) RMB'000	At 31 December 2016 (Audited) RMB'000
Issued by institutions in Mainland China		
— Banks and other financial institutions	250,262	178,982
— Corporations	73,447	108,650
	323,709	287,632
Analysed as:		
— Listed outside Hong Kong	323,709	287,632

As at 30 June 2017 and 31 December 2016, no debt securities held for trading were subject to material restrictions on the realisation.

As at the end of each of the period, part of the debt securities held for trading was pledged for repurchase agreements. Details are disclosed in Note 27(a).

All debt securities held for trading are traded on the China Interbank Bond Market and are included in "Listed outside Hong Kong".

(b) Financial assets designated at FVTPL

Financial assets designated at FVTPL represented investments, financed by the proceeds raised from principal-guaranteed wealth management products issued by the Group. The Group accounts for the corresponding investment funds under deposits from customers.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

18 INTEREST RECEIVABLE

	At 30 June 2017 (Unaudited) RMB'000	At 31 December 2016 (Audited) RMB'000
Interest receivable arising from:		
– Investments	409,728	205,144
– Loans and advances to customers	66,163	67,841
– Financial assets held under resale agreements	29	22,617
– Deposits and placements with banks and other financial institutions	122,017	83,619
	597,937	379,221

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

19 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	At 30 June 2017 (Unaudited) RMB'000	At 31 December 2016 (Audited) RMB'000
Gross loans and advances to customers		
Corporate loans and advances	55,984,218	45,304,455
Personal loans and advances		
– Personal business loans	12,439,464	11,748,352
– Personal consumption loans	3,394,357	2,884,438
– Residential and commercial mortgage loans	2,434,204	2,153,469
	18,268,025	16,786,259
Discounted bills	29,030	10,049
	74,281,273	62,100,763
Less: Provision for impairment losses		
– Individually assessed	(386,467)	(295,736)
– Collectively assessed	(1,874,417)	(1,518,677)
	(2,260,884)	(1,814,413)
	72,020,389	60,286,350

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analysed by industry sector

	At 30 June 2017		
	Amount (Unaudited) RMB'000	Percentage (Unaudited)	Loans and advances secured by collaterals (Unaudited) RMB'000
Gross loans and advances to customers			
Corporate loans and advances			
– Wholesale and retail	14,402,056	19.38%	6,549,187
– Manufacturing	10,199,776	13.73%	4,220,951
– Construction	6,343,548	8.54%	2,807,690
– Real estate	5,451,945	7.34%	2,369,105
– Agriculture, forestry, animal husbandry and fishery	4,527,536	6.10%	1,476,472
– Leasing and business services	3,182,633	4.28%	1,252,207
– Transportation, storage and postal services	2,587,730	3.48%	816,441
– Electricity, gas and water production and supply	2,804,262	3.78%	513,850
– Education	1,371,250	1.85%	340,200
– Accommodation and catering	1,065,973	1.43%	938,773
– Resident and other services	691,727	0.94%	338,650
– Health and social services	759,887	1.02%	224,177
– Information transmission, computer services and software	681,340	0.92%	200,440
– Water, environment and public facility management	343,340	0.46%	69,000
– Public administration, social security and social organisations	232,450	0.31%	60,000
– Scientific research, technical services and geological prospecting	363,007	0.49%	200,600
– Mining	413,508	0.56%	40,430
– Finance	239,000	0.32%	–
– Cultural, sports and entertainment	323,250	0.44%	102,550
	55,984,218	75.37%	22,520,723
Personal loans and advances	18,268,025	24.59%	9,598,699
Discounted bills	29,030	0.04%	–
	74,281,273	100.00%	32,119,422
Less: Provision for impairment losses			
– Individually assessed	(386,467)		
– Collectively assessed	(1,874,417)		
	(2,260,884)		
	72,020,389		

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analysed by industry sector (Continued)

	At 31 December 2016		
	Amount (Audited) RMB'000	Percentage (Audited)	Loans and advances secured by collaterals (Audited) RMB'000
Gross loans and advances to customers			
Corporate loans and advances			
– Wholesale and retail	10,204,630	16.43%	5,342,384
– Manufacturing	8,430,652	13.58%	3,510,672
– Construction	5,408,795	8.71%	2,507,403
– Real estate	4,743,520	7.64%	2,710,020
– Leasing and business services	3,820,871	6.15%	1,596,234
– Agriculture, forestry, animal husbandry and fishery	2,851,984	4.59%	945,619
– Transportation, storage and postal services	2,231,663	3.59%	507,829
– Electricity, gas and water production and supply	1,951,706	3.14%	452,626
– Information transmission, computer services and software	1,069,700	1.72%	342,500
– Education	920,381	1.49%	732,281
– Resident and other services	776,760	1.25%	369,890
– Accommodation and catering	660,540	1.06%	141,300
– Health and social services	638,577	1.03%	175,530
– Water, environment and public facility management	326,090	0.53%	96,400
– Scientific research, technical services and geological prospecting	297,450	0.48%	–
– Mining	294,100	0.47%	171,100
– Cultural, sports and entertainment	254,421	0.41%	9,530
– Finance	244,500	0.39%	18,000
– Public administration, social security and social organisations	178,115	0.29%	72,415
	45,304,455	72.95%	19,701,733
Personal loans and advances	16,786,259	27.03%	8,773,389
Discounted bills	10,049	0.02%	–
	62,100,763	100.00%	28,475,122
Less: Provision for impairment losses			
– Individually assessed	(295,736)		
– Collectively assessed	(1,518,677)		
	(1,814,413)		
	60,286,350		

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analysed by industry sector (Continued)

As at 30 June 2017 and 31 December 2016, detailed information of the impaired loans and advances to customers as well as the corresponding provision for impairment losses in respect of each industry sector which constitutes 10% or more of gross loans and advances to customers are as follows:

	At 30 June 2017				
	Impaired loans and advances (Unaudited) RMB'000	Individually assessed provision for impairment losses (Unaudited) RMB'000	Collectively assessed provision for impairment losses (Unaudited) RMB'000	Impairment charged during the period (Unaudited) RMB'000	Written-off during the period (Unaudited) RMB'000
– Wholesale and retail	164,636	67,351	320,549	116,492	–
– Manufacturing	236,848	131,027	234,757	78,324	–

	At 31 December 2016				
	Impaired loans and advances (Audited) RMB'000	Individually assessed provision for impairment losses (Audited) RMB'000	Collectively assessed provision for impairment losses (Audited) RMB'000	Impairment charged during the year (Audited) RMB'000	Written-off during the year (Audited) RMB'000
– Wholesale and retail	107,286	57,064	214,344	89,836	–
– Manufacturing	191,409	105,965	181,497	46,258	473

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Analysed by type of collateral

	At 30 June 2017 (Unaudited) RMB'000	At 31 December 2016 (Audited) RMB'000
Gross loans and advances to customers		
Unsecured loans	2,159,230	1,423,863
Guaranteed loans	28,750,113	21,932,170
Collateralised loans	32,119,422	28,475,122
Pledged loans	11,252,508	10,269,608
	74,281,273	62,100,763
Less: Provision for impairment losses		
– Individually assessed	(386,467)	(295,736)
– Collectively assessed	(1,874,417)	(1,518,677)
	(2,260,884)	(1,814,413)
	72,020,389	60,286,350

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(d) Overdue loans analysed by overdue period

	At 30 June 2017				
	Overdue within three months (inclusive) (Unaudited) RMB'000	Overdue more than three months to one year (inclusive) (Unaudited) RMB'000	Overdue more than one year to three years (inclusive) (Unaudited) RMB'000	Overdue more than three years (Unaudited) RMB'000	Total (Unaudited) RMB'000
Unsecured loans	2,446	5,291	10,477	43,528	61,742
Guaranteed loans	268,917	122,068	173,904	103,092	667,981
Collateralised loans	173,426	348,753	599,826	182,361	1,304,366
Pledged loans	5,990	172,674	83,683	58,584	320,931
	450,779	648,786	867,890	387,565	2,355,020
As a percentage of gross loans and advances to customers	0.61%	0.87%	1.17%	0.52%	3.17%

	At 31 December 2016				
	Overdue within three months (inclusive) (Audited) RMB'000	Overdue more than three months to one year (inclusive) (Audited) RMB'000	Overdue more than one year to three years (inclusive) (Audited) RMB'000	Overdue more than three years (Audited) RMB'000	Total (Audited) RMB'000
Unsecured loans	6,412	2,135	10,736	42,350	61,633
Guaranteed loans	174,067	89,154	58,119	83,971	405,311
Collateralised loans	436,202	301,789	424,928	159,461	1,322,380
Pledged loans	229,317	71,548	106,551	55,345	462,761
	845,998	464,626	600,334	341,127	2,252,085
As a percentage of gross loans and advances to customers	1.36%	0.75%	0.97%	0.55%	3.63%

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

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(e) Loans and advances and provision for impairment losses

	At 30 June 2017					
	Loans and advances for which provision are collectively assessed (Notes (i)) (Unaudited) RMB'000	Impaired loans and advances (Notes (ii))			Gross impaired loans and advances as a percentage of gross loans and advances	
		For which provision are collectively assessed (Unaudited) RMB'000	For which provision are individually assessed (Unaudited) RMB'000	Subtotal (Unaudited) RMB'000	Total (Unaudited) RMB'000	(Unaudited)
Gross loans and advances to customers	73,096,586	393,639	791,048	1,184,687	74,281,273	1.59%
Less: Provision for impairment losses	(1,651,450)	(222,967)	(386,467)	(609,434)	(2,260,884)	
	71,445,136	170,672	404,581	575,253	72,020,389	

	At 31 December 2016					
	Loans and advances for which provision are collectively assessed (Notes (i)) (Audited) RMB'000	Impaired loans and advances (Notes (ii))			Gross impaired loans and advances as a percentage of gross loans and advances	
		For which provision are collectively assessed (Audited) RMB'000	For which provision are individually assessed (Audited) RMB'000	Subtotal (Audited) RMB'000	Total (Audited) RMB'000	(Audited)
Gross loans and advances to customers	61,222,394	305,251	573,118	878,369	62,100,763	1.41%
Less: Provision for impairment losses	(1,347,525)	(171,152)	(295,736)	(466,888)	(1,814,413)	
	59,874,869	134,099	277,382	411,481	60,286,350	

Notes:

- (i) Loans and advances collectively assessed for impairment bear relatively insignificant impairment losses as a proportion of the total portfolio. These loans and advances include those which are graded normal or special-mention.
- (ii) Impaired loans and advances include those for which objective evidence of impairment has been identified and assessed using the individually assessment methods.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(f) Movements of provision for impairment losses

	Period ended 30 June 2017		
	Provision for loans and advances which are collectively assessed (Unaudited) RMB'000	Provision for impaired loans and advances which are individually assessed (Unaudited) RMB'000	Total (Unaudited) RMB'000
At 1 January,	1,518,677	295,736	1,814,413
Impairment losses recognised			
Charge for the period	341,975	65,790	407,765
Reverse for the period	—	(324)	(324)
	341,975	65,466	407,441
Recoveries of loans and advances previously written off	7,688	—	7,688
Amounts written off as uncollectible	(11,326)	(690)	(12,016)
Acquisition of a subsidiary	17,403	25,955	43,358
At 30 June,	1,874,417	386,467	2,260,884

	Year ended 31 December 2016		
	Provision for loans and advances which are collectively assessed (Audited) RMB'000	Provision for impaired loans and advances which are individually assessed (Audited) RMB'000	Total (Audited) RMB'000
At 1 January,	1,173,980	230,286	1,404,266
Impairment losses recognised			
Charge for the year	361,526	85,246	446,772
Reverse for the year	(45,967)	(21,710)	(67,677)
	315,559	63,536	379,095
Recoveries of loans and advances previously written off	42,146	1,716	43,862
Amounts written off as uncollectible	(15,716)	(472)	(16,188)
Acquisition of subsidiaries	2,708	670	3,378
At 31 December,	1,518,677	295,736	1,814,413

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(g) Analysed by geographical sector

	At 30 June 2017		
	Gross loan balance (Unaudited) RMB'000	Percentage (Unaudited)	Loan and advances secured by collaterals (Unaudited) RMB'000
Jilin Region	65,927,970	88.75%	28,064,138
Mainland China excluding Jilin Region	8,353,303	11.25%	4,055,284
	74,281,273	100.00%	32,119,422

	At 31 December 2016		
	Gross loan balance (Audited) RMB'000	Percentage (Audited)	Loan and advances secured by collaterals (Audited) RMB'000
Jilin Region	54,806,357	88.25%	24,950,442
Mainland China excluding Jilin Region	7,294,406	11.75%	3,524,680
	62,100,763	100.00%	28,475,122

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

20 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	At 30 June 2017 (Unaudited) RMB'000	At 31 December 2016 (Audited) RMB'000
Available-for-sale debt investments (Notes a)	15,674,518	10,807,620
Available-for-sale equity investments (Notes b)	1,022,650	1,195,050
	16,697,168	12,002,670
Analysed as:		
Listed outside Hong Kong	12,527,197	4,735,250
Unlisted outside Hong Kong	4,169,971	7,267,420
	16,697,168	12,002,670

Notes:

(a) Available-for-sale debt investments

	At 30 June 2017 (Unaudited) RMB'000	At 31 December 2016 (Audited) RMB'000
Debt securities issued by the following institutions in Mainland China		
– Government	5,547,817	2,245,907
– Banks and other financial institutions	5,873,566	1,990,148
– Corporations	1,105,814	499,195
	12,527,197	4,735,250
Trust fund plans	–	250,000
Asset management plans	3,147,321	2,958,540
Wealth management products issued by other financial institutions	–	2,863,830
	15,674,518	10,827,620

All available-for-sale debt investments were stated at fair value.

All available-for-sale debt securities are traded on the China Interbank Bond Market and are included in "Listed outside Hong Kong".

As at the end of each of the period, part of the available-for-sale financial assets was pledged for repurchase agreements. Details are disclosed in Note 27 (a).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

20 AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

(b) Available-for-sale equity investments

Available-for-sale unlisted equity investments which do not have any quoted market prices and whose fair values cannot be measured reliably are stated at cost less impairment losses, if any.

21 HELD-TO-MATURITY INVESTMENTS

Analysed by type and location of issuers:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Carrying value		
Debt securities issued by the following institutions in Mainland China		
– Government	3,936,866	1,616,028
– Corporations	24,434	—
– Banks and other financial institutions	3,770,520	568,579
	7,731,820	2,184,607
Analysed as:		
– Listed outside Hong Kong	7,731,820	2,184,607
Fair value	7,488,153	2,169,443

(a) All held-to-maturity investments are traded on the China Interbank Bond Market and are included in “Listed outside Hong Kong”.

(b) At 30 June 2017 and 31 December 2016, part of the held-to-maturity investments were pledged as security for repurchase agreement (Note 27(a)).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

22 DEBT SECURITIES CLASSIFIED AS RECEIVABLES

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Trust plans	10,237,053	2,650,000
Asset management plans	10,051,022	6,297,573
Wealth management products issued by other financial institutions	1,737,000	1,832,000
	22,025,075	10,779,573
Less: Provision for impairment losses	(156,300)	(11,800)
	21,868,775	10,767,773
Analysed as:		
Unlisted outside Hong Kong	21,868,775	10,767,773

The carrying values of debt securities classified as receivables were approximate to their fair values.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

22 DEBT SECURITIES CLASSIFIED AS RECEIVABLES (Continued)

Movements of allowance for impairment losses

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
At 1 January	11,800	19,339
Impairment losses recognised/(reversed)	144,500	(7,539)
At 30 June/31 December	156,300	11,800

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

23 INTERESTS IN ASSOCIATES

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Costs of investments in associates, unlisted	220,012	220,012
Share of post-acquisition profits and other comprehensive income	24,289	11,959
	244,301	231,971

As at 30 June 2017 and 31 December 2016, the Group had interests in the following associates:

Name of the bank	Country of Form of incorporation/ entity operation	Class of shares held	Proportion of ownerships interests or participating shares held by the Group		Proportion of voting power held		Principal activity
			30 June 2017	31 December 2016	30 June 2017	31 December 2016	
Dongfang Huifeng Village Bank Co., Ltd.* ("東方惠豐村鎮銀行股份 有限公司") ⁽¹⁾	Incorporated PRC	Ordinary	20%	20%	20%	20%	Corporate and retail bank
Haikou United Rural Commercial Bank Co., Ltd. ("海口聯合農村商業銀行 股份有限公司", "Haikou United Rural Commercial Bank") ⁽¹⁾	Incorporated PRC	Ordinary	20%	20%	24%	24%	Corporate and retail bank

(1) These associates are directly held by the Bank.

* The English translation is for identification only.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

23 INTERESTS IN ASSOCIATES (Continued)

The financial information and carrying amount, in aggregate, of the Group's interests in associates that are not individually material and are accounted for using the equity method are set out below:

	30 June 2017 (Unaudited) RMB'000	30 June 2016 (Audited) RMB'000
The Group's share of profit and comprehensive income for the period for all immaterial associates	12,330	3,936

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Carrying amount of the Group's interests in these associates	244,301	231,971

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

24 PROPERTY AND EQUIPMENT

	Premises RMB'000	Leasehold improvement RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost						
At 1 January 2016	1,218,027	405,799	404,564	743,941	14,807	2,787,138
Additions	17,211	84,529	146,924	952,903	425	1,201,992
Transfers in/(out) of construction in progress	657,494	5,682	37,487	(700,663)	—	—
Acquired on acquisitions of subsidiaries	—	161	139	—	437	737
Derecognised on disposals of subsidiaries	—	—	—	—	—	—
Disposals	(17,789)	(3,401)	(7,025)	—	(711)	(28,926)
At 31 December 2016 and 1 January 2017	1,874,943	492,770	582,089	996,181	14,958	3,960,941
Additions	15,275	27,393	35,427	1,044,214	218	1,122,527
Transfers in/(out) of construction in progress	21,005	9,892	8,896	(39,793)	—	—
Transfer out to land use rights	—	—	—	(21,364)	—	(21,364)
Acquired on acquisition of a subsidiary	34,940	781	1,422	—	26	37,169
Disposals	—	—	(302)	—	(168)	(470)
At 30 June 2017 (Unaudited)	1,946,163	530,836	627,532	1,979,238	15,034	5,098,803

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

24 PROPERTY AND EQUIPMENT (Continued)

	Premises RMB'000	Leasehold improvement RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Motor vehicles RMB'000	Total RMB'000
Accumulated depreciation and impairment						
At 1 January 2016	147,816	110,444	169,374	—	10,728	438,362
Provided for the year	74,367	59,831	106,777	—	2,111	243,086
Eliminated on disposals	(3,904)	—	(5,598)	—	(600)	(10,102)
At 31 December 2016 and 1 January 2017	218,279	170,275	270,553	—	12,239	671,346
Provided for the year	48,216	36,023	60,860	—	593	145,692
Eliminated on disposals	—	—	(166)	—	(152)	(318)
At 30 June 2017 (Unaudited)	266,495	206,298	331,247	—	12,680	816,720
Net book value						
At 30 June 2017 (Unaudited)	1,679,668	324,538	296,285	1,979,238	2,354	4,282,083
At 31 December 2016 (Audited)	1,656,664	322,495	311,536	996,181	2,719	3,289,595

At 30 June 2017, the net book values of premises of which title deeds were not yet finalised by the Group were approximately RMB1,061,167,000 (31 December 2016: approximately RMB1,087,355,000). Among them, the net book values of premises that the Group has obtained housing property title certificates issued by the authorities but no land use right certificates were approximately RMB297,184,000 (31 December 2016: approximately RMB286,597,000).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

24 PROPERTY AND EQUIPMENT (Continued)

At 30 June 2017 and 31 December 2016, the net book values of premises are analysed by the remaining terms of the leases as follows:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Held in Mainland China		
– Long term leases (over 50 years)	22,995	23,826
– Medium term leases (10–50 years)	1,617,686	1,601,236
– Short term leases (less than 10 years)	38,987	31,602
	1,679,668	1,656,664

25 DEFERRED TAXATION

The following is an analysis of the deferred tax balances for financial reporting purposes:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Deferred tax assets	561,644	356,816
Deferred tax liabilities	(74,579)	(71,683)
	487,065	285,133

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

25 DEFERRED TAXATION (Continued)

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current period and prior year:

	Provision for impairment losses on assets RMB'000 Notes (i)	Net losses/(gains) from fair value changes of financial instruments RMB'000 Notes (ii)	Tax losses RMB'000 Notes (iii)	Others RMB'000	Net balance of deferred tax assets RMB'000
At 1 January 2016	241,021	(60,848)	15,373	2,271	197,817
Credit/(charge) to profit or loss	69,081	(27,696)	17,243	4,932	63,560
Credit to other comprehensive income	—	22,711	—	—	22,711
Acquisition of subsidiaries	805	—	240	—	1,045
At 31 December 2016 and 1 January 2017	310,907	(65,833)	32,856	7,203	285,133
Credit/(charge) to profit or loss	106,883	(11,238)	(5,277)	11,071	101,439
Credit to other comprehensive income	—	86,032	—	—	86,032
Acquisition of a subsidiary	14,461	—	—	—	14,461
At 30 June 2017 (Unaudited)	432,251	8,961	27,579	18,274	487,065

Notes:

- (i) The Group made provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses was determined based on the expected recoverable amount of the relevant assets at the end of each of the reporting period. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of each of the reporting period, together with write-offs which fulfill specific criteria as set out in the Mainland China tax rules and are approved by the tax authorities.
- (ii) Net gains or losses on fair value changes of financial instruments are subject to tax when realised.
- (iii) At 30 June 2017, the Group has unused tax losses of approximately RMB110,316,000 (31 December 2016: approximately RMB131,425,000), available for offset against future profits. A deferred tax asset has been recognised in respect of such losses. Such tax losses can be carried forward for five years from the year in which the respective loss arose.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

26 OTHER ASSETS

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Other receivables and prepayments (Notes (i))	240,779	201,860
Deposits paid for acquisition of property and equipment	—	420,837
Repossessed assets (Notes (ii))	330,806	324,630
Long-term deferred expenses (Notes (iii))	117,502	119,935
Land use rights (Notes (iv))	71,467	51,069
Other	12,632	5,718
	773,186	1,124,049

Notes:

(i)

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Other receivables and prepayments	251,247	210,802
Less: Provision for impairment losses	(10,468)	(8,942)
	240,779	201,860

Movements of allowance for impairment losses

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
At 1 January	8,942	6,392
Impairment losses recognised	1,084	5,761
Acquisition of a subsidiary	442	—
Amounts written off as uncollectible	—	(3,211)
At 30 June/31 December	10,468	8,942

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

26 OTHER ASSETS (Continued)

Notes: (Continued)

(ii)

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Repossessed assets	436,275	426,450
Less: Provision for impairment losses	(105,469)	(101,820)
	330,806	324,630

Movements of allowance for impairment losses

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
At 1 January	101,820	97,836
Impairment losses recognised	3,649	5,501
Amounts written off as uncollectible	—	(1,517)
At 30 June/31 December	105,469	101,820

(iii) Long-term deferred expenses represent prepaid rent and prepayments for services with average contract terms ranging from one year to five years and amortise at straight line basis over the contract period. Amortisation of long-term deferred expenses for the six months ended 30 June 2017 was approximately RMB4,577,000 (30 June 2016: approximately RMB10,379,000).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

26 OTHER ASSETS (Continued)

Notes: (Continued)

(iv) Movements of land use rights

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Cost		
At the beginning of the financial period	53,393	24,927
Additions	21,364	28,466
At the end of the financial period	74,757	53,393
Accumulated amortisation		
At the beginning of the financial period	2,324	1,161
Amortised for the period	966	1,163
At the end of the financial period	3,290	2,324
Carrying amounts		
At the end of the financial period	71,467	51,069

These lands are located in PRC with medium term leases (10–50 years).

At 30 June 2017, the net book value of land use rights of which title deeds were not yet finalised by the Group were approximately RMB4,151,000 (31 December 2016: approximately RMB4,776,000).

27 PLEDGED ASSETS

(a) Assets pledged as collaterals

Financial assets pledged by the Group as collaterals for liabilities or contingent liabilities mainly include financial assets held under resale agreement and debt securities, which are for repurchase agreements. The carrying amounts of the financial assets pledged as collaterals as at 30 June 2017 is approximately RMB9,403,715,000 (31 December 2016: approximately RMB15,984,808,000).

(b) Received pledged assets

The Group conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

28 BORROWINGS FROM THE CENTRAL BANK

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Borrowings	242,430	1,822,845

29 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Deposits in Mainland China – Banks	7,380,609	7,245,735

30 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Placements in Mainland China – Banks	2,127,496	442,496

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

31 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by type and location of counterparty

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
In Mainland China		
– Banks	9,174,810	14,166,544
– Other financial institutions	79,000	428,500
	9,253,810	14,595,044

(b) Analysed by collateral

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Debt securities	9,253,810	14,595,044

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

32 DEPOSITS FROM CUSTOMERS

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Demand deposits		
– Corporate customers	25,662,000	35,848,713
– Individual customers	20,083,209	18,943,927
	45,745,209	54,792,640
Time deposits		
– Corporate customers	25,255,677	22,708,246
– Individual customers	55,705,982	46,259,838
	80,961,659	68,968,084
Pledged deposits		
– Acceptances	1,077,810	1,015,756
– Guarantees and letters of guarantees	1,420,758	1,754,868
	2,498,568	2,770,624
Others	1,297,679	877,313
	130,503,115	127,408,661

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

33 ACCRUED STAFF COSTS

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Salary and bonus payable	77,813	211,669
Social pension schemes payable	12,045	523
Other social insurances payable	2,461	550
Other staff welfare payable	1,885	5,753
	94,204	218,495

34 INTERESTS PAYABLE

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Deposits from customers	1,748,031	1,671,219
Deposits from banks and other financial institutions	80,689	42,719
Debts securities issued	63,067	43,876
Others	6,601	24,499
	1,898,388	1,782,313

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

35 DEBT SECURITIES ISSUED

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Fixed rate subordinated debts/tier-two capital bonds issued (Notes (i))	2,393,968	2,393,567
Interbank deposits (Notes (ii))	25,232,740	21,002,312
	27,626,708	23,395,879

Notes:

- (i) Fixed rate subordinated debts/tier-two capital bonds issued
- (a) Fixed rate subordinated debts at a face value of RMB700,000,000 with a term of ten years were issued on 31 December 2012. The coupon rate is 7.00%. The Group has an option to redeem the debts on 30 December 2017 at the nominal amount. The effective interest rate per annum on the Group's fixed rate subordinated debts issued is 7.06%. As at 30 June 2017, the outstanding balance of this fixed rate subordinated debts issued is RMB698,349,000 (31 December 2016: RMB698,200,000).
- (b) Fixed rate tier-two capital bonds at a face value of RMB800,000,000 with a term of ten years were issued on 13 April 2015. The coupon rate is 6.30%. The Group has an option to redeem the debts on 13 April 2020 at the nominal amount. The effective interest rate per annum on the Group's tier-two capital bonds issued is 6.34%. As at 30 June 2017, the outstanding balance of this fixed rate tier-two capital bonds issued is approximately RMB798,131,000 (31 December 2016: approximately RMB798,013,000).
- (c) Fixed rate tier-two capital bonds at a face value of RMB900,000,000 with a term of ten years were issued on 20 October 2016. The coupon rate is 4.20%. The Group has an option to redeem the debts on 20 October 2021 at the nominal amount. The effective interest rate per annum on the Group's tier-two capital bonds issued is 4.24%. As at 30 June 2017, the outstanding balance of this fixed rate tier-two capital bonds issued is approximately RMB897,488,000 (31 December 2016: approximately RMB897,354,000).
- (ii) Interbank deposits
- (a) For the year ended 31 December 2016, the Bank issued a number of zero coupon interbank deposits with total nominal amount of RMB37,140,000,000 and duration between 1 month to 1 year. As at 30 June 2017, the outstanding balance of interbank deposits issued by the Group is approximately RMB13,032,339,000 (31 December 2016: approximately RMB21,002,312,000). The ranges of effective interest rates per annum on the Group's interbank deposits issued are 2.90% to 4.10%.
- (b) For the period ended 30 June 2017, the Bank issued a number of zero coupon interbank deposits with total nominal amount of RMB12,540,000,000 and duration between 6 months to 1 year. As at 30 June 2017, the outstanding balance of interbank deposits issued by the Group is approximately RMB12,200,401,000. The ranges of effective interest rates per annum on the Group's interbank deposits issued are 4.55% to 4.65%.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

36 OTHER LIABILITIES

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Other payable and accrued expenses	336,497	377,322
Clearance of inter-bank accounts	99,419	103,889
Other taxes payables	64,388	49,065
Agency business liabilities	28,442	122,571
Dividend payable	1,142	7
Others	11,911	519
	541,799	653,373

37 SHARE CAPITAL

Share capital of the Group as at 30 June 2017 and 31 December 2016 represented share capital of the Bank, which is fully paid.

Share capital as at the end of the reporting period are as follows:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Registered, issued and fully paid ordinary shares of RMB1 each:		
– Ordinary shares	3,984,797	3,294,797
At the beginning of the year	3,294,797	3,294,797
Issuance of shares (Notes i)	690,000	–
At end of the period/year	3,984,797	3,294,797

Notes:

- (i) On January 2017, the Bank was listed on The Stock Exchange of Hong Kong Limited. A total of 690,000,000 H shares (including 600,000,000 H-Shares and over-allotment of 90,000,000 H-Shares) at par value RMB1 per share were issued at an offer price of HKD4.56 per share. Total gross proceeds from the share issuance amounted to approximately RMB2,795,445,000 (equivalent to HKD3,146,400,000) giving rise to share premium approximately RMB2,105,445,000 credit to capital reserve. Share issuance expenses approximately RMB147,749,000 was debited to capital reserve.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

37 SHARE CAPITAL (Continued)

A summary of movements of the Bank's issued shares (in thousands of shares) during the period is as follows:

	As at 1 January,	2017	
		Conversion/ Issuance Notes (ii)	As at 31 December,
Shareholders			
Domestic shareholders	3,294,797	(69,000)	3,225,797
H shareholders	—	759,000	759,000
	3,294,797	690,000	3,984,797

Notes:

- (ii) On 12 January 2017, the Bank was listed on The Stock Exchange of Hong Kong Limited. A total of 60,000,000 Domestic Shares were converted into H Shares. On 16 January 2017, a total of 9,000,000 Domestic Shares were converted into H Shares upon over-allotment of H Shares.

38 CAPITAL RESERVE

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Share premium	5,051,289	3,093,593
Changes in ownership in subsidiaries without changes in control	254,636	253,452
	5,305,925	3,347,045

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

39 SURPLUS RESERVE AND GENERAL RESERVE

(a) Surplus reserve

The surplus reserve at the end of each of the reporting period represented statutory surplus reserve fund and other surplus reserve. The statutory surplus reserve fund as at 30 June 2017 is approximately RMB493,674,000 (31 December 2016: approximately RMB493,674,000), while other surplus reserve is approximately RMB16,659,000 as at 30 June 2017 (31 December 2016: approximately RMB16,659,000). The Bank and its subsidiaries are required to appropriate 10% of its net profit, after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

(b) General reserve

With effect from 1 July 2012, pursuant to the "Administrative Measures on Accrual of Provisions by Financial Institutions" issued by the MOF in March 2012, the Group is required, in principle, to set aside a general reserve not lower than 1.5% of the balance of its gross risk-bearing assets at each year end.

40 DIVIDENDS

	30 June 2017 (Unaudited) RMB'000	30 June 2016 (Audited) RMB'000
2016 final dividend (Notes a)	1,195,440	—
2015 final dividend (Notes b)	—	883,440

Notes:

- (a) Pursuant to the resolution of the Bank's annual general meeting on 15 May 2017, the Bank distributed cash dividends of RMB0.3 per share (tax included) based on 3,984,797,692 shares (including the shares issued by initial public offering and exercise of over-allotment option) amounting to approximately RMB1,195,440,000 during the period ended 30 June 2017.
- (b) Pursuant to the resolution of the shareholders meeting of 2015 on 27 March 2016, the Bank distributed cash dividends of RMB0.3 per share (tax included) based on weighted average number of approximately 2,944,800,000 shares amounting to approximately RMB883,440,000 during the period ended 30 June 2016.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

41 STRUCTURED ENTITIES

(a) Consolidated structured entities

The consolidated structured entities of the Group mainly include principal-guaranteed wealth management products sponsored by the Bank. As at 30 June 2017 and 31 December 2016, the amount of assets held by the consolidated principal-guaranteed wealth management products sponsored by the Bank amounted to approximately RMB17,483,606,000 and approximately RMB13,509,917,000 respectively.

(b) Unconsolidated structured entities

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

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include trust fund plans, asset management plans and wealth management products issued by other financial institutions.

The following table set out an analysis of the gross carrying amounts of interests held by the Group as at 30 June 2017 and 31 December 2016:

	30 June 2017			
	Available- for-sale financial assets (Unaudited) RMB'000	Debt securities classified as receivables (Unaudited) RMB'000	Carrying amount (Unaudited) RMB'000	Maximum exposure (Unaudited) RMB'000
Trust plans	—	10,099,340	10,099,340	10,099,340
Asset management plans	3,147,321	10,032,435	13,179,756	13,179,759
Wealth management products issued by other financial institutions	—	1,737,000	1,737,000	1,737,000
	3,147,321	21,868,775	25,016,096	25,016,096

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

41 STRUCTURED ENTITIES (Continued)

(b) Unconsolidated structured entities (Continued)

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

	31 December 2016			
	Available- for-sale financial assets (Audited) RMB'000	Debt securities classified as receivables (Audited) RMB'000	Carrying amount (Audited) RMB'000	Maximum exposure (Audited) RMB'000
Trust plans	250,000	2,646,500	2,896,500	2,896,500
Asset management plans	2,958,540	6,289,273	9,247,813	9,247,813
Wealth management products issued by other financial institutions	2,863,830	1,832,000	4,695,830	4,695,830
	6,072,370	10,767,773	16,840,143	16,840,143

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

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Group includes investments in units issued by these structured entities and fees charged by providing management services. As at 30 June 2017 and 31 December 2016, the carrying amounts of the investments in the units issued by these structured entities and management fee receivables being recognised are not material in the statement of financial positions.

As at 30 June 2017, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, are approximately RMB5,596,410,000 (31 December 2016: approximately RMB10,233,220,000).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

41 STRUCTURED ENTITIES (Continued)

(b) Unconsolidated structured entities (Continued)

(iii) Unconsolidated structured entities sponsored by the Group during the period/ year which the Group does not have an interest in as at 30 June 2017 and 31 December 2016:

During the period ended 30 June 2017, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January, but matured before 30 June 2017 amounted to approximately RMB11,420,020,000.

During the year ended 31 December 2016, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January, but matured before 31 December 2016 amounted to approximately RMB8,980,660,000.

42 CAPITAL MANAGEMENT

The Group's capital management includes capital adequacy ratio management, capital financing management and economic capital management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines issued by the CBRC. The capital of the Group is divided into core tier-one capital, other core tier-one capital and tier-two capital.

Capital adequacy ratio management is the key in capital management. The capital adequacy ratio reflects the soundness of the Group's operations and risk management capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading peer banks with reference to its own business environment and conditions.

The Group considers its strategic development plans, business expansion plans and risk variables when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

42 CAPITAL MANAGEMENT (Continued)

Since 1 January 2013, the Group started computing its capital adequacy ratios in accordance with “Administrative Measures for the Capital of Commercial Banks (Provisional)” and other relevant regulations promulgated by the CBRC.

The CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with “Administrative Measures for the Capital of Commercial Banks (Provisional)”. For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collaterals or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using basic indicator approach.

The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group’s interim financial statements prepared in accordance with the generally accepted accounting principles in the PRC. During the period/year ended 30 June 2017 and 31 December 2016, the Group has complied with all its externally imposed capital requirements.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

42 CAPITAL MANAGEMENT (Continued)

The Group's capital adequacy ratios as at 30 June 2017 and 31 December 2016 calculated in accordance with "Administrative Measures for the Capital of Commercial Banks (Provisional)" and relevant requirements promulgated by the CBRC are as follows:

	At 30 June 2017 (Unaudited) RMB'000	At 31 December 2016 (Audited) RMB'000
Total core tier-one capital		
Share capital	3,984,797	3,294,797
Qualifying portion of capital reserve	5,305,925	3,347,045
Investment revaluation reserve	(215,342)	17,921
Surplus reserve	510,333	510,333
General reserve	1,353,598	1,351,936
Retained earnings	1,104,174	1,608,473
Qualifying portions of non-controlling interests	1,902,126	2,127,470
Core tier-one capital deductions (Notes)	(1,245,193)	(1,238,693)
Net core tier-one capital	12,700,418	11,019,282
Eligible portion of non-controlling interests	253,617	187,181
Net tier-one capital	12,954,035	11,206,463
Tier-two capital		
Qualifying portion of tier-two capital instruments issued	2,050,000	2,120,000
Surplus provision for loan impairment	1,076,197	936,044
Eligible portion of non-controlling interests	507,234	422,741
Net capital base	16,587,466	14,685,248
Total risk weighted assets	133,398,104	106,484,306
Core tier-one capital adequacy ratio	9.52%	10.35%
Tier-one capital adequacy ratio	9.71%	10.52%
Capital adequacy ratio	12.43%	13.79%

Notes: Core tier-one capital deductions primarily include computer software included in office equipment under property and equipment, goodwill and deferred tax assets recognised for tax losses.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

43 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following balances with an original maturity of less than three months:

	30 June 2017 (Unaudited) RMB'000	30 June 2016 (Audited) RMB'000
Cash on hand	845,646	689,932
Deposits with the central bank	11,247,093	7,926,451
Deposits with banks and other financial institutions	6,383,579	2,094,524
Placements with banks and other financial institutions	140,000	—
Financial assets held under resale agreements	334,610	7,568,474
Total	18,950,928	18,279,381

44 RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS

(a) Related parties of the Group

(i) Major shareholders

Major shareholders include shareholders of the Bank with 5% or above shareholding, or with the right to appoint a director in the Bank.

Shareholding in the Bank:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Jilin Province Trust Co., Ltd. ("吉林省信託有限責任公司")	9.61%	13.26%
Changchun Huaxing Construction Co., Ltd. ("長春華星建築有限責任公司")	8.23%	9.96%
Changchun Huamei Tourism and Culture Media Co., Ltd. ("長春市華美旅遊文化傳媒有限公司")	N/A ¹	5.37%

¹ The shareholding is less than 5%.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

44 RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

(a) Related parties of the Group (Continued)

(ii) 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 44(a)(i) or their controlling shareholders. Transactions with other related parties were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties.

(b) Transactions with related parties other than key management personnel

(i) Transactions between the Bank and subsidiaries

The subsidiaries of the Bank are its related parties. The transactions between the Bank and its subsidiaries and among the subsidiaries are eliminated on consolidation and therefore are not disclosed in this note.

(ii) Transactions between the Group and associates

	Six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Audited) RMB'000
Transactions during the period		
Interest income	7	138
Interest expense	683	131

	At 30 June	At 31 December
	2017 (Unaudited) RMB'000	2016 (Audited) RMB'000
Balances at end of the period/year		
Deposits from banks and other financial institutions	443,086	50,025
Interests payable	451	893

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

44 RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

(b) Transactions with related parties other than key management personnel (Continued)

(iii) Transactions between the Group and major shareholders

	Six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Audited) RMB'000
Transactions during the period		
Interest income	15,328	6,909
Interest expense	547	835
Rental expense	350	350

	At 30 June 2017 (Unaudited) RMB'000	At 31 December 2016 (Audited) RMB'000
	Balances at end of the period/year	
Placements with banks and other financial institutions	140,000	—
Financial assets held under resale agreements	—	293,918
Loans and advances to customers	380,000	13,000
Interests receivable	47	148
Deposits from customers	95,097	131,593

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

44 RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

(b) Transactions with related parties other than key management personnel (Continued)

(iv) Transactions between the Group and other related parties

	Six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Audited) RMB'000
Transactions during the period		
Interest income	16,289	34,218
Interest expense	295	97
Rental expense	—	102

	At 30 June 2017 (Unaudited) RMB'000	At 31 December 2016 (Audited) RMB'000
	Balances at end of the period/year	
Loans and advances to customers	292,000	705,147
Deposits from customers	16,640	52,025
Deposits from banks and other financial institutions	—	1,643

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

44 RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

(c) Key management personnel

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

(i) Transactions between the Group and key management personnel

	Six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Audited) RMB'000
Transactions during the period		
Interest income	32	111
Interest expense	90	23
Rental expense	1,118	1,118

	At 30 June 2017 (Unaudited) RMB'000	At 31 December 2016 (Audited) RMB'000
	Balances at end of the period/year	
Loans and advances to customers	8,453	11,825
Deposits from customers	6,801	10,029

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

44 RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

(c) Key management personnel (Continued)

(ii) Key management personnel compensation

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

	Six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Audited) RMB'000
Short-term staff benefits	3,508	2,443
Retirement benefits		
— Basic social pension insurance	2,038	2,217
	5,546	4,660

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

Loans and advances to directors, supervisors and officers of the Group disclosed pursuant to section 383 to the Hong Kong Companies Ordinance (Cap. 622) are as follows:

	At 30 June 2017 (Unaudited) RMB'000	At 31 December 2016 (Audited) RMB'000
	Loans and advances to directors, supervisors and officers	8,453

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

45 SEGMENT REPORTING

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

Corporate banking

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

Retail banking

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

Treasury operations

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

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

45 SEGMENT REPORTING (Continued)

Others

These represent assets, liabilities, income and expenses which cannot directly attributable or cannot be allocated to a segment on a reasonable basis.

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

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

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income and expenses are determined before 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, land use rights and other long-term assets.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

45 SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities

	Six months ended 30 June 2017				
	Corporate banking (Unaudited) RMB'000	Retail banking (Unaudited) RMB'000	Treasury operations (Unaudited) RMB'000	Others (Unaudited) RMB'000	Total (Unaudited) RMB'000
Operating income					
External net interest income/(expense)	1,123,701	(301,067)	1,365,706	—	2,188,340
Internal net interest (expense)/incomes	61,188	933,157	(994,345)	—	—
	1,184,889	632,090	371,361	—	2,188,340
Net interest income					
Net fee and commission income	63,636	13,439	257,207	—	334,282
Net trading gains	—	—	65,763	—	65,763
Dividend income	—	—	—	100,254	100,254
Net gains arising from investment securities	—	—	159,480	—	159,480
Net exchange losses	—	—	—	(11,288)	(11,288)
Other operating income	—	—	—	31,449	31,449
Operating income	1,248,525	645,529	835,811	120,415	2,868,280
Operating expenses	(651,797)	(334,179)	(168,553)	(50,316)	(1,204,845)
Impairment losses on assets	(348,121)	(59,320)	(144,500)	(4,733)	(556,674)
Operating profit	248,607	252,030	540,758	65,366	1,106,761
Share of profits of associates	—	—	—	12,330	12,330
Profit before tax	248,607	252,030	540,758	77,696	1,119,091
Segment assets	57,145,542	18,543,245	116,481,161	3,004,354	195,174,302
Deferred tax assets	—	—	—	487,065	487,065
Total assets	57,145,542	18,543,245	116,481,161	3,491,419	195,661,367
Segment liabilities	55,663,490	76,934,298	46,836,347	361,768	179,795,903
Dividend	—	—	—	1,142	1,142
Total liabilities	55,663,490	76,934,298	46,836,347	362,910	179,797,045
Other segment information					
— Depreciation and amortisation	89,052	38,955	15,933	7,293	151,233
— Capital expenditure	439,274	83,112	444,636	155,505	1,122,527

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

45 SEGMENT REPORTING (Continued)

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

	Six months ended 30 June 2016				
	Corporate banking (Audited) RMB'000	Retail banking (Audited) RMB'000	Treasury operations (Audited) RMB'000	Others (Audited) RMB'000	Total (Audited) RMB'000
Operating income					
External net interest income/(expense)	646,856	(6,687)	1,422,299	—	2,062,468
Internal net interest (expense)/income	240,622	860,178	(1,100,800)	—	—
Net interest income	887,478	853,491	321,499	—	2,062,468
Net fee and commission income	54,216	26,178	180,265	—	260,659
Net trading gain	—	—	45,314	—	45,314
Dividend income	—	—	—	106,521	106,521
Net gains arising from investment securities	—	—	166,964	—	166,964
Net exchange gains	—	—	—	3,076	3,076
Other operating income	—	—	—	5,821	5,821
Operating income	941,694	879,669	714,042	115,418	2,650,823
Operating expenses	(471,802)	(422,021)	(174,444)	(26,382)	(1,094,649)
Impairment losses on assets	(171,377)	(82,017)	8,309	(199)	(245,284)
Operating profit	298,515	375,631	547,907	88,837	1,310,890
Share of profits of associates	—	—	—	3,936	3,936
Profit before tax	298,515	375,631	547,907	92,773	1,314,826

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

45 SEGMENT REPORTING (Continued)

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

	At 31 December 2016				
	Corporate banking (Audited) RMB'000	Retail banking (Audited) RMB'000	Treasury operations (Audited) RMB'000	Others (Audited) RMB'000	Total (Audited) RMB'000
Segment assets	46,468,126	17,453,470	124,374,511	2,890,057	191,186,164
Deferred tax assets	—	—	—	285,133	285,133
Total assets	46,468,126	17,453,470	124,374,511	3,175,190	191,471,297
Segment liabilities	63,350,210	66,280,136	47,726,748	391,050	177,748,144
Dividend payable	—	—	—	7	7
Total liabilities	63,350,210	66,280,136	47,726,748	391,057	177,748,151
Other segment information					
– Depreciation and amortisation	117,352	107,121	40,130	6,050	270,653
– Capital expenditure	506,890	380,742	298,364	44,462	1,230,458

(b) Geographical information

The Group operates principally in Mainland China.

Non-current assets include property and equipments, deposits paid for acquisition of property and equipment, long-term deferred expenses and land use rights. In presenting of geographical information, non-current assets are allocated based on geographical location of the underlying assets. Operating income is allocated based on the locations of the subsidiaries which generate income. Geographical areas, as defined for management reporting purposes, are as follows:

- “Jilin Region” refers to the head quarter of the Bank and the 17 (31 December 2016: 16) subsidiaries of the Group.
- “Mainland China excluding Jilin Region” refers to the following areas serviced by the Bank and its subsidiaries: Anhui Province, Hebei Province, Hubei Province, Guangdong Province, Hainan Province, Heilongjiang Province, Shaanxi Province, Shandong Province and Tianjin City.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

45 SEGMENT REPORTING (Continued)

(b) Geographical information (Continued)

	Operating Income	
	Six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Audited) RMB'000
Jilin Region	2,630,443	2,438,057
Mainland China excluding Jilin Region	237,837	212,766
	2,868,280	2,650,823

	Non-current asset	
	At 30 June 2017 (Unaudited) RMB'000	At 31 December 2016 (Audited) RMB'000
	Jilin Region	3,994,175
Mainland China excluding Jilin Region	476,877	455,761
	4,471,052	3,881,436

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

46 FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Methods and assumptions for measurement of fair value

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

(i) Debt securities

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 policy models or discounted cash flows.

(ii) Receivables and other non-derivative financial assets

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

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

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

(b) Fair value measurement

(i) Financial assets

The Group's financial assets mainly consist of cash and deposits with the central bank, receivables with banks and other financial institutions, loans and advances to customers, and investments.

Deposits with the central bank and receivables with banks and other financial institutions are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

Loans and advances to customers are mostly priced at floating rates close to the PBOC rates. Accordingly, the carrying amounts approximate the fair values.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

46 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Fair value measurement (Continued)

(i) Financial assets (Continued)

Available-for-sale debt investments and financial assets at fair value through profit or loss are stated at fair value. The carrying amount and fair value of held-to-maturity investments and debt securities classified as receivables are disclosed in Note 21 and 22 respectively.

(ii) Financial liabilities

The Group's financial liabilities mainly include deposits from banks and other financial institutions, financial assets sold under repurchase agreements, deposits from customers and debts securities issued.

(c) Fair value hierarchy

The following table presents the carrying value of financial instruments measured at fair value in the consolidated statements of financial position across the three levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. These three types of inputs have created the following fair value hierarchy:

Level 1:	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2:	Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3:	Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

46 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

	At 30 June 2017			
	Level 1	Level 2	Level 3	Total
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Assets				
Financial assets at FVTPL				
– debt securities held for trading	—	323,709	—	323,709
– financial assets designated at FVTPL	—	17,483,606	—	17,483,606
Available-for-sale financial assets				
– debt securities	—	12,527,197	—	12,527,197
– asset management plans	—	3,147,321	—	3,147,321
	—	33,481,833	—	33,481,833

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

46 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

	At 31 December 2016			
	Level 1	Level 2	Level 3	Total
	(Audited)	(Audited)	(Audited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Financial assets at FVTPL				
— debt securities held for trading	—	287,632	—	287,632
— financial assets designated at FVTPL	—	13,509,917	—	13,509,917
Available-for-sale financial assets				
— debt securities	—	4,735,250	—	4,735,250
— trust plans	—	250,000	—	250,000
— asset management plans	—	2,958,540	—	2,958,540
— wealth management products issued by other financial institutions	—	2,863,830	—	2,863,830
	—	24,605,169	—	24,605,169

- (i) During the period ended 30 June 2017 and year ended 31 December 2016, there were no significant transfers among each level.

47 ENTRUSTED LENDING BUSINESS

The Group provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognised in the statements of financial position. Surplus funding is accounted for as deposits from customers.

	At 30 June 2017 (Unaudited) RMB'000	At 31 December 2016 (Audited) RMB'000
Entrusted loans	11,770,326	5,478,990
Entrusted funds	11,770,326	5,478,990

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

48 COMMITMENTS

(a) Credit commitments

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

The Group provides financial guarantees to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

	At 30 June 2017 (Unaudited) RMB'000	At 31 December 2016 (Audited) RMB'000
Acceptances	2,372,702	2,031,374
Letters of guarantees	1,348,999	784,994
Letters of credit	83,121	167,143
Unused credit card commitments	67,988	—
	3,872,810	2,983,511

The Group may be exposed to credit risk in all the above credit businesses. Group 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.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

48 COMMITMENTS (Continued)

(b) Operating lease commitments

At 30 June 2017 and 31 December 2016, the Group's future minimum lease payments under non-cancellable operating leases for properties are as follows:

The Group as lessee

	At 30 June 2017 (Unaudited) RMB'000	At 31 December 2016 (Audited) RMB'000
Within one year	155,414	139,212
In the second to fifth years inclusive	550,641	494,578
Over five years	291,334	236,214
	997,389	870,004

(c) Capital commitments

At 30 June 2017 and 31 December 2016, the Group's authorised capital commitments are as follows:

	At 30 June 2017 (Unaudited) RMB'000	At 31 December 2016 (Audited) RMB'000
Purchase of property and equipment — Contracted for but not provided	53,424	58,945

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

49 ACQUISITION OF SUBSIDIARIES

(i) Acquisition of Sanya Phoenix Country Bank Co., Ltd. (“三亞鳳凰村鎮銀行股份有限公司”, “Sanya Phoenix Village and Township Bank”)

On 22 June 2016, the Group acquired 20% of the issued share capital of Sanya Phoenix Village and Township Bank for consideration of RMB4,000,000. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was approximately RMB3,352,000. Sanya Phoenix Village and Township Bank is engaged in the provision of banking services. Sanya Phoenix Village and Township Bank was acquired so as to continue the expansion of the Group’s banking business.

The Group had signed contracts with four shareholders of Sanya Phoenix Village and Township Bank, which hold 33% equity interests in Sanya Phoenix Village and Township Bank. Pursuant to agreement, these four shareholders agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Sanya Phoenix Village and Township Bank and therefore, Sanya Phoenix Village and Township Bank is regarded as a non-wholly owned subsidiary of the Group.

Consideration Transferred

	RMB'000
Cash consideration	4,000

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

49 ACQUISITION OF SUBSIDIARIES (Continued)

(i) Acquisition of Sanya Phoenix Country Bank Co., Ltd. (“三亞鳳凰村鎮銀行股份有限公司”, “Sanya Phoenix Village and Township Bank”) (Continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Cash and deposits with the central bank	1,385
Deposits with banks and other financial institutions	9,723
Interest receivable	45
Loans and advances to customers	12,259
Property and equipment	737
Deferred tax assets	1,045
Other assets	828
Deposits from banks and other financial institutions	(15,024)
Accrued staff costs	(109)
Deposits from customers	(6,979)
Interests payable	(157)
Other liabilities	(510)
	3,243

The fair value of loans and advances to customers at the date of acquisition amounted to approximately RMB12,259,000. The gross contractual amounts of those loans and advances to customers acquired amounted to approximately RMB15,637,000 at the date of acquisition.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

49 ACQUISITION OF SUBSIDIARIES (Continued)

(i) Acquisition of Sanya Phoenix Country Bank Co., Ltd. (“三亞鳳凰村鎮銀行股份有限公司”, “Sanya Phoenix Village and Township Bank”) (Continued)

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	4,000
Plus: non-controlling interest (80% in Sanya Phoenix Village and Township Bank)	2,595
Less: net assets acquired	(3,243)
Goodwill arising on acquisition	3,352

The non-controlling interests (80%) in Sanya Phoenix Village and Township Bank recognised at the acquisition date was measured by reference to the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

Goodwill arose in the acquisition of Sanya Phoenix Village and Township Bank because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Sanya Phoenix Village and Township Bank. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Net cash inflow on acquisition of Sanya Phoenix Village and Township Bank

	RMB'000
Cash consideration paid	(4,000)
Less: cash and cash equivalent balances acquired	10,459
	6,459

Sanya Phoenix Village and Township Bank did not contribute operating income and profit for the period to the Group after acquisition.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

49 ACQUISITION OF SUBSIDIARIES (Continued)

(i) Acquisition of Sanya Phoenix Country Bank Co., Ltd. (“三亞鳳凰村鎮銀行股份有限公司”, “Sanya Phoenix Village and Township Bank”) (Continued)

Had the acquisition been completed on January 1, 2016, operating income of the Group for the period ended June 30, 2016 would have been approximately RMB2,651,470,000, and profit for the period would have been approximately RMB1,034,440,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2016, nor is it intended to be a projection of future results.

In determining the “pro-forma” operating income and profit of the Group had Sanya Phoenix Village and Township Bank been acquired at the beginning of the period ended June 30, 2016, the directors of the Bank have:

- calculated depreciation of property and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and
- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

(ii) Acquisition of Qingdao Jimo Huimin Village and Township Bank Co., Ltd. (“青島即墨惠民村鎮銀行股份有限公司”, “Qingdao Jimo Huimin Village and Township Bank”)

On 21 March 2017, the Group acquired 59% of the issued share capital of Qingdao Jimo Huimin Village and Township Bank for consideration of RMB135,700,000. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was approximately RMB10,771,000. Qingdao Jimo Huimin Village and Township Bank is engaged in the provision of banking services. Qingdao Jimo Huimin Village and Township Bank was acquired so as to continue the expansion of the Group’s banking business.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

49 ACQUISITION OF SUBSIDIARIES (Continued)

(ii) Acquisition of Qingdao Jimo Huimin Village and Township Bank Co., Ltd. (“青島即墨惠民村鎮銀行股份有限公司”, “Qingdao Jimo Huimin Village and Township Bank”) (Continued)

Consideration Transferred

	RMB'000
Cash consideration	135,700

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Cash and deposits with the central bank	33,507
Deposits with banks and other financial institutions	121,053
Interest receivable	250
Loans and advances to customers	285,886
Property and equipment	37,169
Deferred tax assets	14,461
Other assets	1,080
Deposits from banks and other financial institutions	(60,000)
Deposits from customers	(212,660)
Accrued staff costs	(6,920)
Interests payable	(1,898)
Other liabilities	(181)
	211,747

The fair value of loans and advances to customers at the date of acquisition amounted to approximately RMB285,886,000. The gross contractual amounts of those loans and advances to customers acquired amounted to approximately RMB329,244,000 at the date of acquisition.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

49 ACQUISITION OF SUBSIDIARIES (Continued)

(ii) Acquisition of Qingdao Jimo Huimin Village and Township Bank Co., Ltd. (“青島即墨惠民村鎮銀行股份有限公司”, “Qingdao Jimo Huimin Village and Township Bank”) (Continued)

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	135,700
Plus: non-controlling interest (41% in Qingdao Jimo Huimin Village and Township Bank)	86,818
Less: net assets acquired	(211,747)
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Goodwill arising on acquisition	10,771

The non-controlling interests (41%) in Qingdao Jimo Huimin Village and Township Bank recognised at the acquisition date was measured by reference to the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

Goodwill arose in the acquisition of Qingdao Jimo Huimin Village and Township Bank because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Qingdao Jimo Huimin Village and Township Bank. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Net cash inflow on acquisition of Qingdao Jimo Huimin Village and Township Bank

	RMB'000
Cash consideration paid	(135,700)
Less: cash and cash equivalent balances acquired	154,560
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	18,860

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2017

49 ACQUISITION OF SUBSIDIARIES (Continued)

(ii) Acquisition of Qingdao Jimo Huimin Village and Township Bank Co., Ltd. (“青島即墨惠民村鎮銀行股份有限公司”, “Qingdao Jimo Huimin Village and Township Bank”) (Continued)

Included in the profit for the period is approximately RMB2,705,000 attributable to the additional business generated by Qingdao Jimo Huimin Village and Township Bank. Operating income for the period includes approximately RMB5,735,000 generated from Qingdao Jimo Huimin Village and Township Bank.

Had the acquisition been completed on 1 January 2017, operating income of the Group for the period ended 30 June 2017 would have been approximately RMB2,873,559,000, and profit for the period would have been approximately RMB913,879,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

In determining the “pro-forma” operating income and profit of the Group had Qingdao Jimo Huimin Village and Township Bank been acquired at the beginning of the period ended 30 June 2017, the directors of the Bank have:

- calculated depreciation of property and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and
- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

50 EVENT AFTER THE REPORTING PERIOD

At 28 August 2017, the board of directors of the Bank resolved to propose the issuance of offshore preference shares. Please refer to the Bank’s announcement dated as 28 August 2017 for further details.

Chapter 10 Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

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

1. Liquidity coverage ratio and leverage ratio (%)

	At June 30, 2017	Average for the six months ended June 30, 2017
Liquidity coverage ratio (RMB and foreign currency)	132.61%	173.06%

	At December 31, 2016	Average for the year ended December 31, 2016
Liquidity coverage ratio (RMB and foreign currency)	213.50%	187.20%

Leverage Ratio

	At June 30, 2017
Leverage Ratio	6.55%

Pursuant to the Leverage Ratio Management of Commercial Banks issued by the CBRC and was effective since April 1, 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.

Chapter 10 Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

2. Currency concentrations

	At June 30, 2017		Total
	USD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	35,838	692,510	728,348
Spot liabilities	(320)	(713,164)	(713,484)
Net position	35,518	(20,654)	14,864

	At December 31, 2016		Total
	USD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	25,750	14,756	40,505
Spot liabilities	(4,810)	(12,612)	(17,422)
Net position	20,940	2,144	23,084

The above information is computed in accordance with the provisions of the CBRC. The Group has no structural position as at the end of each reporting period.

3. International claims

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

International claims include loans and advances to customers, balances with the central bank, deposit and placement with banks and other financial institutions.

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

	At June 30, 2017	At December 31, 2016
Deposit with banks Asia Pacific excluding Mainland China	960	301

Chapter 10 Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

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

	At June 30, 2017	At December 31, 2016
Jilin Region	1,655,826	1,294,586
Mainland China excluding Jilin Region	248,415	111,501
Total	1,904,241	1,406,087

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

	At June 30, 2017	At December 31, 2016
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
— Between three months and six months (inclusive)	353,677	242,261
— Between six months and one year (inclusive)	295,109	222,365
— Between one year and three years	867,890	600,334
— Over three years	387,565	341,127
Total	1,904,241	1,406,087
As a percentage of total gross loans and advances		
— Between three months and six months (inclusive)	0.47%	0.39%
— Between six months and one year (inclusive)	0.40%	0.36%
— Between one year and three years	1.17%	0.97%
— Over three years	0.52%	0.55%
Total	2.56%	2.27%

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

6. Non-bank mainland China exposure

The Bank is a commercial bank incorporated in mainland China with its banking business conducted in mainland China. At June 30, 2017 and December 31, 2016, substantial amounts of the Bank's exposures arose from business with mainland China entities or individuals.



吉林九台農村商業銀行股份有限公司
JILIN JIUTAI RURAL COMMERCIAL BANK CORPORATION LIMITED