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錦州銀行股份有限公司

Bank of Jinzhou Co., Ltd.*

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

(Stock code: 0416)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board of directors (the “**Board**”) of Bank of Jinzhou Co., Ltd.* (the “**Bank**”, including its subsidiaries unless the context otherwise requires) is pleased to announce the unaudited interim results (the “**Interim Results**”) of the Bank for the six months ended 30 June 2016 (the “**Reporting Period**”) prepared in accordance with the International Financial Reporting Standards promulgated by the International Accounting Standards Board. The Board and its audit committee have reviewed and confirmed this Interim Results.

1. CORPORATE INFORMATION

1.1 Corporate Basic Information

Legal Name and Abbreviation in Chinese:	錦州銀行股份有限公司 (Abbreviation: 錦州銀行)
Legal Name in English:	Bank of Jinzhou Co., Ltd.
Legal Representative:	Zhang Wei
Authorized Representatives:	Zhang Wei, Wang Jing
Listing Exchange of H Shares:	The Stock Exchange of Hong Kong Limited
Stock Name:	BANKOFJINZHOU
Stock Code:	0416

1.2 Contact Persons and Contact Details

Secretary to the Board:	Wang Jing
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Registered Address:	No. 68 Keji Road, Jinzhou City, Liaoning Province, the People's Republic of China (the "PRC")
Principal Place of Business in Hong Kong:	18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong

2. FINANCIAL HIGHLIGHTS

Between the financial statements of the Bank prepared in accordance with Accounting Standards for Business Enterprises of the PRC and those in accordance with IFRSs, there is no difference in respect of the net profit attributable to equity shareholders of the Bank for the Reporting Period and the net asset attributable to equity shareholders of the Bank as of the end of the Reporting Period.

2.1 Financial Data

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six months ended 30 June		Interim period of 2016 vs Interim Period of 2015	For the year ended
	2016	2015	Rate of change (%)	31 December 2015
Operating Results				
Interest income	13,174,523	9,683,049	36.1	21,819,437
Interest expense	(5,802,851)	(5,241,041)	10.7	(11,015,124)
Net interest income	7,371,672	4,442,008	66.0	10,804,313
Net fee and commission income	423,153	132,287	219.9	500,790
Net trading (losses)/gains	(1,207)	60,796	(102.0)	97,164
Dividend income	–	440	(100.0)	6,440
Net gains arising				
from investment securities	9,113	2,254	304.3	2,896
Net foreign exchange gain	33,720	32,243	4.6	85,895
Other net operating income	14,186	9,640	47.2	19,886
Operating income	7,850,637	4,679,668	67.8	11,517,384
Operating expenses	(1,342,665)	(1,246,461)	7.7	(2,724,872)

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six months ended 30 June		Interim period of 2016 vs Interim Period of 2015	For the year ended
	2016	2015	Rate of change (%)	31 December 2015
Operating Results				
Operating profit before impairment	6,507,972	3,433,207	89.6	8,792,512
Impairment losses on assets	(1,477,644)	(1,534,736)	(3.7)	(2,296,943)
Profit before taxation	5,030,328	1,898,471	165.0	6,495,569
Income tax	(1,232,088)	(458,543)	168.7	(1,587,513)
Profit for the period	3,798,240	1,439,928	163.8	4,908,056
Profit attributable to equity shareholders of the Bank	3,793,541	1,434,186	164.5	4,898,761
Calculated on a per share basis (RMB)				
Basic earnings per share	0.66	0.33	100.0	1.09
	30 June 2016	31 December 2015	30 June 2016 vs 31 December 2015 Rate of change (%)	30 June 2015
Major indicators of assets/liabilities				
Total assets	422,465,809	361,659,913	16.8	312,938,824
Of which: loans and advances to customers	108,868,575	97,313,206	11.9	90,569,221
Total liabilities	390,266,063	335,388,599	16.4	296,084,027
Of which: Deposits from customers	199,166,574	170,178,722	17.0	150,029,965
Share capital	5,781,616	5,781,616	—	4,402,234
Total equity attributable to equity shareholders of the Bank	28,527,591	25,598,461	11.4	16,634,381
Total equity	32,199,746	26,271,314	22.6	16,854,797

2.2 Financial Indicators

	For the six months ended 30 June		Interim period of 2016 vs Interim Period of 2015 Change	For the year ended 31 December 2015
	2016	2015		
Profitability indicators (%)				
Return on average total assets ⁽¹⁾	1.94*	1.02*	0.92	1.60
Return on average equity ⁽²⁾	28.03*	17.77*	10.26	23.75
Net interest spread ⁽³⁾	3.49*	2.94*	0.55	3.29
Net interest margin ⁽⁴⁾	3.78*	3.16*	0.62	3.51
Net fee and commission income to operating income ratio	5.39	2.83	2.56	4.35
Cost-to-income ratio ⁽⁵⁾	14.37	20.46	(6.09)	18.80
			30 June 2016 vs 31 December 2015 Change	30 June 2015
Assets quality indicators (%)				
Non-performing loan ratio ⁽⁶⁾	1.10	1.03	0.07	0.99
Allowance coverage ratio ⁽⁷⁾	382.66	369.13	13.53	379.76
Allowance to loans ratio ⁽⁸⁾	4.20	3.82	0.38	3.77
Capital adequacy indicators (%)				
Core tier 1 capital adequacy ratio ⁽⁹⁾	9.12	8.96	0.16	7.03
Tier 1 capital adequacy ratio ⁽¹⁰⁾	9.13	8.97	0.16	7.03
Capital adequacy ratio	10.75	10.50	0.25	8.92
Total equity to total assets	7.62	7.26	0.36	5.39
Other Indicators (%)				
Loan-to-deposit ratio ⁽¹¹⁾	43.92	47.44	(3.52)	50.02

Notes: * indicates annualized ratios.

- (1) Represents the net profit for the period/year as a percentage of the average balance of total assets at the beginning and the end of that period/year.
- (2) Represents the net profit attributable to the Bank's equity shareholders for the period/year as a percentage of the average balance of total equity attributable to equity shareholders at the beginning and 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, calculated based on the daily average of the interest-earning assets.
- (5) Cost-to-income ratio = operating expenses (excluding business tax and surcharges) / operating income.
- (6) Non-performing loan ratio = total non-performing loans / total loans and advances to customers.
- (7) Allowance coverage ratio = allowance for impairment losses on loans/total non-performing loans.
- (8) Allowance to loans ratio = allowance for impairment losses on loans/total loans and advances to customers.
- (9) Core tier 1 capital adequacy ratio = (core tier 1 capital — corresponding capital deductions) / risk-weighted assets.
- (10) Tier 1 capital adequacy ratio = (tier 1 capital — corresponding capital deductions) / risk-weighted assets.
- (11) Such ratios represent the ratios the Bank submitted to the China Banking Regulatory Commission (the "CBRC") and were calculated in accordance with financial data under PRC Generally Accepted Accounting Principles and the CBRC requirements.

3. MANAGEMENT DISCUSSIONS AND ANALYSIS

3.1 Business Review

During the Reporting Period, with the continuous emergence of the Internet finance industry, the implementation of deposit insurance systems and the change from business tax to value-added tax and other relevant policies, the continuous change of capital market and the intensifying competitions in interbank market, the Bank experienced rapid and healthy development in its various business and delivered sound returns to its investors and shareholders by the active implementation of the five development concepts of “Innovation, Coordination, Green, Openness and Share” of the nation and the combination with the operation principle of “Adjusting structure, Changing mode, Strengthening operation and Insisting on development” of the Bank.

The Bank recorded a net profit of RMB3,798 million in the Reporting Period, representing an increase of 163.8% as compared to the six months ended 30 June 2015 (“**Interim Period of 2015**”). The Bank’s performance not only delivered sound returns to its shareholders and investors, but also laid a solid foundation for its sustainable development.

At the end of the Reporting Period, the total assets of the Bank amounted to RMB422,466 million, representing an increase of 16.8% as compared to that as at the end of 2015; the net loans and advances to customers amounted to RMB108,869 million, representing an increase of 11.9% as compared to that as at the end of 2015; the non-performing loan ratio remained low at 1.10%; the deposits from customers balance of the Bank amounted to RMB199,167 million, representing an increase of 17.0% as compared to that as at the end of 2015; during the Reporting Period, the operating income of the Bank amounted to RMB7,851 million, representing an increase of 67.8% as compared with the Interim Period of 2015; and the net profit amounted to RMB3,798 million, representing an increase of 163.8% as compared with the Interim Period of 2015.

At the end of the Reporting Period, the Bank’s capital adequacy ratio, tier 1 capital adequacy ratio and core tier 1 capital adequacy ratio was increased to 10.75%, 9.13% and 9.12%, respectively.

3.2 Overview

3.2.1 Analysis of the Income Statement

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six months ended 30 June		Change in amount	Rate of change (%)
	2016	2015		
Interest income	13,174,523	9,683,049	3,491,474	36.1
Interest expense	(5,802,851)	(5,241,041)	(561,810)	10.7
Net interest income	7,371,672	4,442,008	2,929,664	66.0
Net fee and commission income	423,153	132,287	290,866	219.9
Net trading (losses)/gains	(1,207)	60,796	(62,003)	(102.0)
Dividend income	—	440	(440)	(100.0)
Net gains arising from investment securities	9,113	2,254	6,859	304.3
Net foreign exchange gain	33,720	32,243	1,477	4.6
Other net operating income	14,186	9,640	4,546	47.2
Operating income	7,850,637	4,679,668	3,170,969	67.8
Operating expenses	(1,342,665)	(1,246,461)	(96,204)	7.7
Impairment losses on assets	(1,477,644)	(1,534,736)	57,092	(3.7)
Profit before taxation	5,030,328	1,898,471	3,131,857	165.0
Income tax	(1,232,088)	(458,543)	(773,545)	168.7
Net profit for the year	3,798,240	1,439,928	2,358,312	163.8

During the Reporting Period, the Bank's profit before income taxation was RMB5,030 million, representing a year-on-year increase of 165.0%; net profit was RMB3,798 million, representing a year-on-year increase of 163.8%, mainly attributable to the stable growth of interest-earning assets and net interest spread resulting in increased net interest income of RMB2,930 million or 66.0% as compared to the corresponding period of the previous year.

3.2.1.1 Net interest income

Net interest income accounted for the largest portion of the Bank's operating income, representing 93.9% and 94.9% of operating income in the Reporting Period and the Interim Period of 2015, respectively. The following table sets forth, for the periods indicated, the interest income, interest expense and net interest income of the Bank:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six months ended 30 June		Change in amount	Rate of change (%)
	2016	2015		
Interest income	13,174,523	9,683,049	3,491,474	36.1
Interest expense	(5,802,851)	(5,241,041)	(561,810)	10.7
Net interest income	<u>7,371,672</u>	<u>4,442,008</u>	<u>2,929,644</u>	<u>66.0</u>

The following table sets forth, for the periods indicated, the average balance of interest-earning assets and interest-bearing liabilities, the related interest income or expense and average yield on interest-earning assets or average cost on interest-bearing liabilities of the Bank:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six months ended 30 June 2016			For the six months ended 30 June 2015		
	Average balance	Interest income/expense	Average yield/cost (%)	Average balance	Interest income/expense	Average yield/cost (%)
Interest-earning Assets						
Loans and advances to customers	110,147,158	3,818,500	6.93	94,645,152	3,484,708	7.36
Investment securities and other financial assets ⁽¹⁾	236,754,053	8,933,622	7.55	145,178,316	5,656,920	7.79
Deposits with the central bank	30,929,632	234,958	1.52	27,755,672	212,585	1.53
Deposits with banks and other financial institutions	7,514,242	150,253	4.00	12,268,608	316,668	5.16
Placements with banks and other financial institutions	1,185,766	6,032	1.02	323,120	1,101	0.68
Financial assets held under resale agreements	2,992,263	31,158	2.08	832,630	11,067	2.66
Total interest-earning assets	<u>389,523,114</u>	<u>13,174,523</u>	<u>6.76</u>	<u>281,003,498</u>	<u>9,683,049</u>	<u>6.89</u>

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six months ended 30 June 2016			For the six months ended 30 June 2015		
	Average balance	Interest income/ expense	Average yield/cost (%)	Average balance	Interest income/ expense	Average yield/cost (%)
Interest-bearing Liabilities						
Deposits from customers	186,557,027	2,196,622	2.35	139,583,801	2,012,585	2.88
Deposits from banks and other financial institutions	133,973,336	2,921,913	4.36	96,193,664	2,666,401	5.54
Placements from banks and other financial institutions	4,033,909	18,014	0.89	4,373,297	15,120	0.69
Financial assets sold under repurchase agreements	13,145,311	262,900	4.00	11,378,388	173,404	3.05
Debt securities issued	1,500,000	52,234	6.96	2,000,000	66,985	6.70
Financial liabilities at fair value through profit or loss	15,532,754	351,168	4.52	11,581,502	304,233	5.25
Other liabilities	–	–	–	146,833	2,313	3.15
Total interest-bearing liabilities	354,742,337	5,802,851	3.27	265,257,485	5,241,041	3.95
Net interest income		7,371,672			4,442,008	
Net interest spread ⁽²⁾			3.49			2.94
Net interest margin ⁽³⁾			3.78			3.16

Notes: (1) Investment securities and other financial assets consist of financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.

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

(3) Calculated by dividing net interest income by the average interest-earning assets.

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

(Expressed in thousands of

Renminbi, unless

otherwise stated)

	30 June 2016 vs 30 June 2015		
	Changes in volume⁽¹⁾	Changes in interest rate⁽²⁾	Net increase/ (decrease)⁽³⁾
Interest-earning Assets			
Loans and advances to customers	570,763	(236,971)	333,792
Investment securities and other financial assets	3,568,278	(291,576)	3,276,702
Cash and deposits with the central bank	24,310	(1,937)	22,373
Deposits with banks and other financial institutions	(122,716)	(43,699)	(166,415)
Placements with banks and other financial institutions	2,939	1,992	4,931
Financial assets held under resale agreements	28,705	(8,614)	20,091
	<u>4,072,279</u>	<u>(580,805)</u>	<u>3,491,474</u>
Changes in interest income			
Interest-bearing Liabilities			
Deposits from customers	677,282	(493,245)	184,037
Deposits from banks and other financial institutions	1,047,218	(791,706)	255,512
Placements from banks and other financial institutions	(1,173)	4,067	2,894
Financial assets sold under repurchase agreements	26,927	62,569	89,496
Debt securities issued	(16,746)	1,995	(14,751)
Financial liabilities at fair value through profit or loss	103,795	(56,860)	46,935
Other liabilities	(2,313)	—	(2,313)
	<u>1,834,990</u>	<u>(1,273,180)</u>	<u>561,810</u>
Changes in interest expense			
Changes in net interest income	<u>2,237,289</u>	<u>692,375</u>	<u>2,929,664</u>

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

3.2.1.2 Interest income

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six months ended 30 June			
	2016		2015	
	Amount	% of total	Amount	% of total
Loans and advances to customers				
Corporate loans	3,467,230	26.3	3,126,116	32.3
Retail loans	339,311	2.6	327,000	3.4
Discounted bills	11,959	0.1	31,592	0.3
Subtotal	3,818,500	29.0	3,484,708	36.0
Investment securities and other financial assets	8,933,622	67.8	5,656,920	58.4
Cash and deposits with the central bank	234,958	1.8	212,585	2.2
Deposits with banks and other financial institutions	150,253	1.1	316,668	3.3
Financial assets held under resale agreements	31,158	0.2	11,067	0.1
Placements with banks and other financial institutions	6,032	0.1	1,101	0.0
Total	13,174,523	100.0	9,683,049	100.0

The Bank's interest income increased by 36.1% to RMB13,174,523 thousand in the Reporting Period from RMB9,683,049 thousand for the Interim Period of 2015, primarily due to rapid increase in corresponding interest income resulting from the significant increase in the scale of the investment and loans business as the Bank's available funds increased and the Bank put great efforts in the investment and loans business.

(1) Interest income from loans and advances to customers

Interest income from loans and advances to customers was a large component of the Bank's interest income, representing 29.0% and 36.0% of the Bank's interest income in the Reporting Period and the Interim Period of 2015, respectively. The following table sets forth, for the periods indicated, the average balance, interest income and average yield for loans and advances to customers:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six months ended 30 June					
	2016			2015		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	100,377,926	3,467,230	6.91	85,990,075	3,126,116	7.27
Retail loans	9,636,774	339,311	7.04	8,228,677	327,000	7.95
Discounted bills	132,458	11,959	18.06	426,400	31,592	14.82
Total	110,147,158	3,818,500	6.93	94,645,152	3,484,708	7.36

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

Interest income from investment securities and other financial assets increased by 57.9% to RMB8,933,622 thousand in the Reporting Period from RMB5,656,920 thousand in the Interim Period of 2015, primarily due to the increase in the scale of investment assets resulting in the corresponding increase in interest income.

(3) Interest income from cash and deposits with the central bank

Interest income from cash and deposits with the central bank increased by 10.5% to RMB234,958 thousand in the Reporting Period from RMB212,585 thousand in the Interim Period of 2015, primarily due to the increase in the scale of the Bank's deposits resulting in the increase in the amount of the statutory deposit reserves deposited by the Bank with the central bank.

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

Interest income from deposits with banks and other financial institutions decreased by 52.6% to RMB150,253 thousand in the Reporting Period from RMB316,668 thousand in the Interim Period of 2015, primarily due to the decrease in yield of deposits with banks in the market and therefore the Bank decreased the scale of its deposits with banks.

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

Interest income from placements with banks and other financial institutions increased by 447.9% to RMB6,032 thousand in the Reporting Period from RMB1,101 thousand in the Interim Period of 2015, primarily due to an increase in the size and yield rate of placements with banks and other financial institutions resulting in an increase in corresponding interest income. The average balance of placements with banks and other financial institutions increased by 267.0% to RMB1,185,766 thousand in the Reporting Period from RMB323,120 thousand in the Interim Period of 2015, primarily due to the increased amount of placements with banks and other financial institutions by the Bank as a result of its loose liquidity in 2016. The average yield of placements with banks and other financial institutions rose to 1.02% in the Reporting Period from 0.68% for the Interim Period of 2015, primarily due to lengthened terms of placements with banks and other financial institutions.

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

Interest income from financial assets held under resale agreements increased by 181.5% to RMB31,158 thousand in the Reporting Period from RMB11,067 thousand in the Interim Period of 2015, primarily due to an increase in the average balance. The average balance of financial assets held under resale agreements increased by 259.4% to RMB2,992,263 thousand in the Reporting Period from RMB832,630 thousand for the Interim Period of 2015, primarily because the Bank invested in financial assets held under resale agreements to satisfy the needs of liquidity. The average yield of financial assets held under resale agreements decreased to 2.08% in the Reporting Period from 2.66% in the Interim Period of 2015, primarily due to the decrease in the interbank market interest rate.

3.2.1.3 Interest expense

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six months ended 30 June			
	2016		2015	
	Amount	% of total	Amount	% of total
Deposits from customers	2,196,622	37.9	2,012,585	38.4
Deposits from banks and other financial institutions	2,921,913	50.3	2,666,401	50.9
Placements from banks and other financial institutions	18,014	0.3	15,120	0.3
Financial assets sold under repurchase agreements	262,900	4.5	173,404	3.3
Debt securities issued	52,234	0.9	66,985	1.3
Borrowings from the central bank	—	—	2,313	0.0
Financial liabilities at fair value through profit or loss	351,168	6.1	304,233	5.8
Total	5,802,851	100.0	5,241,041	100.0

(1) Interest expense on deposits from customers

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six months ended 30 June					
	2016			2015		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time	97,227,111	1,112,280	2.29	67,009,641	1,153,904	3.44
Demand	24,843,368	76,482	0.62	22,076,672	63,961	0.58
Subtotal	<u>122,070,479</u>	<u>1,188,762</u>	<u>1.95</u>	<u>89,086,313</u>	<u>1,217,865</u>	<u>2.73</u>
Retail deposits						
Time	52,982,501	981,635	3.71	41,441,502	773,880	3.73
Demand	11,504,047	26,225	0.46	9,055,986	20,840	0.46
Subtotal	<u>64,486,548</u>	<u>1,007,860</u>	<u>3.13</u>	<u>50,497,488</u>	<u>794,720</u>	<u>3.15</u>
Total deposits from customers	<u>186,557,027</u>	<u>2,196,622</u>	<u>2.35</u>	<u>139,583,801</u>	<u>2,012,585</u>	<u>2.88</u>

Interest expense on deposits from customers increased by 9.1% to RMB2,196,622 thousand in the Reporting Period from RMB2,012,585 thousand in the Interim Period of 2015, primarily due to rapid increase in the scale of the Bank's deposits from customers in the Reporting Period.

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

Interest expense on deposits from banks and other financial institutions increased by 9.6% to RMB2,921,913 thousand in the Reporting Period from RMB2,666,401 thousand in the Interim Period of 2015, primarily due to more funds borrowed by the Bank from the market in view of a reduction in interest rates in the interbank market.

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

Interest expense on placements from banks and other financial institutions increased by 19.1% to RMB18,014 thousand in the Reporting Period from RMB15,120 thousand in the Interim Period of 2015, primarily due to the increase in the average cost of placements from banks and other financial institutions resulting in the increase in interest. The average balance of placements from banks and other financial institutions decreased by 7.8% to RMB4,033,909 thousand in the Reporting Period from RMB4,373,297 thousand in the Interim Period of 2015, primarily due to the Bank's loose liquidity resulting in the decreased placements from banks and other financial institutions.

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

Interest expense on financial assets sold under repurchase agreements increased by 51.6% to RMB262,900 thousand in the Reporting Period from RMB173,404 thousand in the Interim Period of 2015, primarily due to the increase in the average balance and cost. The average balance of financial assets sold under repurchase agreements increased by 15.5% to RMB13,145,311 thousand in the Reporting Period from RMB11,378,388 thousand in the Interim Period of 2015 and was mainly used for the needs of managing the Bank's liquidity. The average cost of the financial assets sold under repurchase agreements increased to 4.00% in the Reporting Period from 3.05% in the Interim Period of 2015.

(5) Interest expense on debt securities issued

In the Reporting Period, the Bank's interest expense on debt securities issued decreased by RMB14,751 thousand to RMB52,234 thousand as compared to the Interim Period of 2015, primarily because on 17 September 2015, the Bank redeemed the fixed-rate subordinated bonds issued on 17 September 2010, leading to the decrease in the average balance of debt securities issued.

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

Financial liabilities at fair value through profit or loss are funds of principal-guaranteed wealth management products managed and measured at fair value sold by the Bank. The interest expense on financial liabilities at fair value through profit or loss increased by 15.4% to RMB351,168 thousand in the Reporting Period from RMB304,233 thousand in the Interim Period of 2015, primarily because the issuance size of the Bank's wealth management products increased. The average balance of principal-guaranteed wealth management products increased by 34.1% to RMB15,532,754 thousand in the Reporting Period from RMB11,581,502 thousand in the Interim Period of 2015, which was primarily because the Bank issued more principal-protected wealth management products to meet the enlarged demand of customers for investment wealth management.

3.2.1.4 Net Interest Spread and Net Interest Margin

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

The net interest spread increased to 3.49% in the Reporting Period as compared to 2.94% in the Interim Period of 2015. The net interest margin increased to 3.78% in the Reporting Period as compared to 3.16% in the Interim Period of 2015, primarily due to the fact that the decrease in the deposit from customers, deposits with banks and other financial institutions and the interest rate of financial liabilities at fair value through profit or loss is larger than that in the yield on origination of loans and advances to customers, investment securities and other financial assets as compared with the corresponding period in 2015 as a result of interest rate liberalization.

3.2.1.5 Non-interest income

(1) Net Fee and Commission Income

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six months ended 30 June		Change in amount	Rate of change (%)
	2016	2015		
Fee and commission income				
Underwriting and advisory fees	113,632	6,610	107,022	1,619.1
Wealth management service fees	139,516	30,591	108,925	356.1
Settlement and clearing fees	106,753	67,736	39,017	57.6
Agency services fees	79,433	41,388	38,045	91.9
Bank card service fees	8,857	7,801	1,056	13.5
Others	5,258	6,796	(1,538)	(22.6)
Subtotal	<u>453,449</u>	<u>160,922</u>	<u>292,527</u>	<u>181.8</u>
Fee and commission expense				
Settlement and clearing fees	9,474	5,894	3,580	60.7
Others	20,822	22,741	(1,919)	(8.4)
Subtotal	<u>30,296</u>	<u>28,635</u>	<u>1,661</u>	<u>5.8</u>
Net fee and commission income	<u><u>423,153</u></u>	<u><u>132,287</u></u>	<u><u>290,866</u></u>	<u><u>219.9</u></u>

The Bank's fee and commission income increased significantly to RMB453,449 thousand in the Reporting Period as compared to RMB160,922 thousand in the Interim Period of 2015, primarily due to the increases in underwriting and advisory fees, wealth management service fees and settlement and clearing fees of the Bank as a result of the growth of the Bank's business volume.

Fee and commission expense consists primarily of expenses paid to third parties in connection with the Bank's settlement and clearance, trade financing, bank card, agency and consultancy businesses. The Bank's fee and commission expense increased by 5.8% to RMB30,296 thousand in the Reporting Period as compared to RMB28,635 thousand in the Interim Period of 2015, primarily due to an increase in the Bank's settlement amounts.

(2) Net Trading (Losses)/Gains

Net trading (losses)/gains primarily comprise of net gains from trading financial instruments and financial assets and liabilities designated at fair value through profit or loss. During the Reporting Period, the Bank's incurred a net trading loss of RMB1,207 thousand. In the Interim Period of 2015, the Bank's incurred a net trading gain of RMB60,796 thousand. The decrease in the Bank's net trading gains in the Reporting Period was primary due to the fluctuation of the market prices of the bonds held by the Bank.

(3) Dividend Income

Dividend income was RMB440 thousand in the Interim Period of 2015, and RMB0 in the Reporting Period.

(4) Net Gains arising from Investment Securities

The Bank incurred a net gain arising from investment securities of RMB9,113 thousand in the Reporting Period, as compared with the net gain arising from investment securities of RMB2,254 thousand in the Interim Period of 2015.

(5) Net Foreign Exchange Gain

Net foreign exchange gain increased by 4.6% to RMB33,720 thousand in the Reporting Period from RMB32,243 thousand in the Interim Period of 2015.

(6) Other Net Operating Income

Other net operating income increased by 47.2% to RMB14,186 thousand in the Reporting Period from RMB9,640 thousand in the Interim Period of 2015.

3.2.1.6 Operating Expenses

In the Reporting Period, the Bank's operating expenses was RMB1,342,665 thousand, representing an increase of RMB96,204 thousand or 7.7% as compared to the Interim Period of 2015.

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six months ended 30 June		Change in	Rate of
	2016	2015	amount	change (%)
Staff costs	603,951	536,958	66,993	12.5
General and administrative expenses	335,767	250,614	85,153	34.0
Business tax and surcharges	215,841	223,119	(7,278)	(3.3)
Depreciation and amortization	186,890	169,336	17,554	10.4
Others	216	66,434	(66,218)	(99.7)
Total operating expenses	<u>1,342,665</u>	<u>1,246,461</u>	<u>96,204</u>	<u>7.7</u>

(1) Staff Costs

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six months ended 30 June		Change in amount	Rate of change (%)
	2016	2015		
Salaries and bonuses	441,184	380,791	60,393	15.9
Staff welfares	23,789	18,274	5,515	30.2
Pension	58,466	62,211	(3,745)	(6.0)
Housing allowances	32,393	28,106	4,287	15.3
Supplementary retirement benefits	801	859	(58)	(6.8)
Other long-term staff welfares	1,313	3,230	(1,917)	(59.3)
Other short-term staff welfares	46,005	43,487	2,518	5.8
Total staff costs	<u>603,951</u>	<u>536,958</u>	<u>66,993</u>	<u>12.5</u>

In the Reporting Period, the Bank's total staff costs was RMB603,951 thousand, representing an increase of RMB66,993 thousand or 12.5% as compared with the Interim Period of 2015, primarily due to an increase in labour costs as a result of the increases in the number and remuneration of the Bank's employees due to the business development of the Bank.

(2) General and Administrative Expenses

General and administrative expenses increased by 34.0% to RMB335,767 thousand in the Reporting Period as compared to RMB250,614 thousand in the Interim Period of 2015, primarily due to (i) the increase of daily administration expenses as a result of an increase in outlets; and (ii) the increase of general and administrative expenses as a result of an increase in volume of the Bank's business.

(3) Business Tax and Surcharges

The Bank's business tax and surcharges decreased by 3.3% to RMB215,841 thousand in the Reporting Period as compared to RMB223,119 thousand in the Interim Period of 2015, primarily because the Bank has paid value added taxes instead of business taxes since 1 May 2016 pursuant to the "Circular of the Ministry of Finance and the State Administration of Taxation regarding the Pilot Program on Comprehensive Implementation of Value Added Taxes from Business Taxes Reform (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知)" (Cai Shui [2016] No. 36).

(4) Depreciation and Amortization

Depreciation and amortization increased by 10.4% to RMB186,890 thousand in the Reporting Period as compared to RMB169,336 thousand in the Interim Period of 2015, primarily due to the increases in depreciation and amortization expenses as a result of an increase in the Bank's property and equipment and an increase in the rental expenses of the Bank's operating outlets.

3.2.1.7 Impairment Losses on Assets

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six months ended 30 June		Change in amount	Rate of change (%)
	2016	2015		
Impairment losses on loans and advances to customers	1,033,133	1,299,366	(266,233)	(20.5)
Impairment losses on debt securities classified as receivables	424,315	235,370	188,945	80.3
Impairment losses on other assets	20,196	—	20,196	N/A
Total	<u>1,477,644</u>	<u>1,534,736</u>	<u>(57,092)</u>	<u>(3.7)</u>

Impairment losses on assets decreased by 3.7% to RMB1,477,644 thousand in the Reporting Period from RMB1,534,736 thousand in the Interim Period of 2015.

3.2.1.8 Income Tax

In the Reporting Period, the Bank's income tax was RMB1,232,088 thousand, representing an increase of RMB773,545 thousand or 168.7% as compared with the Interim Period of 2015. The Bank's actual tax rate was 24.49%, representing an increase of 0.34 percentage points as compared with the Interim Period of 2015.

3.2.2 Analysis of the Statement of Financial Position

3.2.2.1 Assets

As at the end of the Reporting Period and at 31 December 2015, the Bank had total assets of RMB422,465,809 thousand and RMB361,659,913 thousand, respectively. The principal components of the assets were (i) loans and advances to customers, (ii) net investment securities and other financial assets, and (iii) cash and deposits with the central bank, accounting for 25.8%, 61.4% and 8.8% respectively of the Bank's total assets as at the end of the Reporting Period. The table below sets forth balances of the principal components of the Bank's total assets as of the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	30 June 2016		31 December 2015	
	Amount	% of total	Amount	% of total
Assets				
Gross loans and advances to customers	113,641,225	26.9	101,174,410	28.0
Provision for impairment losses on loans and advances to customers	(4,772,650)	(1.1)	(3,861,204)	(1.1)
Net Loans and advances to customers	108,868,575	25.8	97,313,206	26.9
Investment securities and other financial assets, net ⁽¹⁾	259,419,032	61.4	209,031,999	57.8
Cash and deposits with the central bank	37,042,103	8.8	30,099,321	8.3
Deposits with banks and other financial institutions	2,509,324	0.6	14,954,990	4.1
Financial assets held under resale agreements	1,336,500	0.3	—	—
Placements with banks and other financial institutions	530,496	0.1	649,360	0.2
Other assets ⁽²⁾	12,759,779	3.0	9,611,037	2.7
Total assets	<u>422,465,809</u>	<u>100.0</u>	<u>361,659,913</u>	<u>100.0</u>

Notes: (1) Include held-to-maturity investments, available-for-sale financial assets, financial assets at fair value through profit or loss and debt securities classified as receivables.

(2) Include interests receivable, property and equipment, deferred tax assets and others.

The Bank's total assets increased by 16.8% from RMB361,659,913 thousand as of 31 December 2015 to RMB422,465,809 thousand as at the end of the Reporting Period. The increase in the Bank's total assets was primarily attributable to the growth in relevant assets as a result of the Bank's increased efforts on investment business and loan business.

(1) Loans and Advances to Customers

As at the end of the Reporting Period, the Bank's total loans and advances to customers was RMB113,641,225 thousand, representing an increase of 12.3% as compared to the end of last year. Loans and total advances to customers accounted for 26.9% of the Bank's total assets, representing a decrease of 1.1 percentage points as compared to the end of last year.

(Expressed in thousands

of Renminbi, unless
otherwise stated)

	30 June 2016		31 December 2015	
	Amount	% of total	Amount	% of total
Corporate loans	103,847,762	91.4	91,234,544	90.2
Retail loans	9,698,562	8.5	9,703,140	9.6
Discounted bills	94,901	0.1	236,726	0.2
Total loans and advances to customers	113,641,225	100.0	101,174,410	100.0

The Bank's total loans and advances to customers primarily comprise of corporate loans (including discounted bills) and retail loans. Corporate loans are the largest component of the Bank's loan portfolio. As at the end of the Reporting Period and as of 31 December 2015, the Bank's corporate loans amounted to RMB103,847,762 thousand and RMB91,234,544 thousand, accounting for 91.4% and 90.2% of the Bank's total loans and advances to customers, respectively.

The Bank's corporate loans increased by 13.8% from RMB91,234,544 thousand as of 31 December 2015 to RMB103,847,762 thousand as of the end of the Reporting Period, primarily due to (i) the continued growth of the market demand for corporate loans; and (ii) the establishment of new sub-branches by the Bank.

The Bank's retail loans mainly comprise of personal business loans, residential and commercial mortgage loans, personal consumption loans, credit card overdrafts and other personal loans. At the end of the Reporting Period, the balance of retail loans amounted to RMB9,698,562 thousand, representing a decrease of RMB4,578 thousand or 0.1% as compared to the end of last year, which accounted for 8.5% of the Bank's total loans and advances to customers, representing a decrease of 1.1 percentage points as compared to the end of last year.

Loans by Collateral

As at the end of the Reporting Period and as of 31 December 2015, collateralized loans, pledged loans and guaranteed loans represented, in the aggregate, 97.1% and 93.8% respectively of the Bank's total loans and advances to customers. If a loan is secured by more than one form of security interest, the entire amount of such a loan will be allocated to the category representing the primary form of security interest. The table below sets forth the distribution of the Bank's loans and advances to customers by the type of collateral as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)

	30 June 2016		31 December 2015	
	Amount	% of total	Amount	% of total
Unsecured loans	3,330,028	2.9	6,282,693	6.2
Guaranteed loans	40,829,533	35.9	30,329,039	30.0
Collateralized loans	52,548,494	46.3	49,416,132	48.8
Pledged loans	16,933,170	14.9	15,146,546	15.0
Total loans and advances to customers	113,641,225	100.0	101,174,410	100.0

The structure of collaterals of the Bank's loans is stable and the Bank's capability of mitigating risks is solid. As at the end of the Reporting Period, the balance of the Bank's loans secured by mortgages and pledges amounted to RMB69,481,664 thousand, representing an increase of RMB4,918,986 thousand or 7.6% as compared to 31 December 2015, accounting for 61.2% of the Bank's total loans which was basically at the same level as 31 December 2015. The balance of unsecured and guaranteed loans was RMB44,159,561 thousand, an increase of RMB7,547,829 thousand as compared to 31 December 2015, accounting for 38.8% of the Bank's total loans which was basically at the same level as 31 December 2015.

Movements of Provision for Impairment Losses on Loans and Advances to Customers

(Expressed in thousands of

Renminbi, unless otherwise stated)

	30 June 2016	31 December 2015
As at the beginning of the period	3,861,204	2,250,466
Charge for the period/year	1,044,779	1,968,943
Release for the period/year	(11,646)	(101,186)
Recoveries for the period/year	2,051	816
Unwinding of discount		
for the period/year	(12,288)	(21,570)
Disposal for the period/year	(111,450)	(236,265)
	<u>4,772,650</u>	<u>3,861,204</u>
As at 30 June/31 December	4,772,650	3,861,204

Provision for impairment losses on loans increased by 23.6% from RMB3,861,204 thousand as of 31 December 2015 to RMB4,772,650 thousand as at the end of the Reporting Period, primarily due to the increase of the Bank's provision for impairment losses to counter against uncertainties arising from the macroeconomic operation.

(2) Investment Securities and Other Financial Assets

Investment securities and other financial assets consist of debt investment, equity investment, investments using funds of wealth management products and debt securities classified as receivables. Investment securities and other financial assets was the largest component of the Bank's assets as at the end of the Reporting Period. As at the end of the Reporting Period and as of 31 December 2015, the Bank had net investment securities and other financial assets of RMB259,419,032 thousand and RMB209,031,999 thousand, accounting for 61.4% and 57.8% of the Bank's total assets, respectively.

(Expressed in thousands of Renminbi, unless otherwise stated)

	30 June 2016		31 December 2015	
	Amount	% of total	Amount	% of total
Debt investments	30,826,158	12.0	26,995,121	12.9
Held-to-maturity investments	7,690,465	3.1	7,711,333	3.7
Available-for-sale debt investments	20,228,487	7.8	19,219,823	9.2
Financial assets at fair value through profit or loss	2,907,206	1.1	63,965	0.0
Provision for impairment losses on debt investments	—	—	—	—
Equity investments	58,250	0.0	58,250	0.0
Available-for-sale equity investments	58,250	0.0	58,250	0.0
Provision for impairment losses on equity investments	—	—	—	—
Wealth management products investments	15,124,879	5.8	15,496,243	7.4
Debt securities classified as receivables, net	213,409,745	82.2	166,482,385	79.7
Net beneficial interest transfer plans	214,341,329	82.6	166,989,654	79.9
Provision for impairment losses on debt securities classified as receivables	(931,584)	(0.4)	(507,269)	(0.2)
Net investments	259,419,032	100.0	209,031,999	100.0

As at the end of the Reporting Period, the Bank's investment securities and other financial assets, net amounted to RMB259,419,032 thousand, representing an increase of 24.1% from RMB209,031,999 thousand as of 31 December 2015. Such increase was primarily due to the increased investment in securities and other financial assets as a result of an increase in the Bank's available funds, the diversification of the Bank's business and services and the strategy of expanding the Bank's treasury business.

3.2.2.2 Liabilities

As at the end of the Reporting Period and as of 31 December 2015, the Bank's total liabilities amounted to RMB390,266,063 thousand and RMB335,388,599 thousand, respectively. The Bank's liabilities comprise (i) deposits from customers, (ii) deposits from banks and other financial institutions and (iii) financial assets sold under repurchase agreements, accounting for 51.0%, 36.5% and 4.3% respectively of the Bank's total liabilities as at the end of the Reporting Period.

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

(Expressed in thousands of Renminbi, unless otherwise stated)

	30 June 2016		31 December 2015	
	Amount	% of total	Amount	% of total
Deposits from customers	199,166,574	51.0	170,178,722	50.7
Deposits from banks and other financial institutions	142,354,187	36.5	116,351,178	34.7
Financial assets sold under repurchase agreements	16,792,940	4.3	20,244,100	6.0
Debt securities issued	1,500,000	0.4	1,500,000	0.4
Placements from banks and other financial institutions	4,664,930	1.2	3,855,808	1.1
Financial liabilities at fair value through profit or loss	15,036,025	3.9	15,426,941	4.6
Other liabilities ⁽¹⁾	10,751,407	2.7	7,831,850	2.5
Total	390,266,063	100.0	335,388,599	100.0

Note:(1) Include accrued staff costs, taxes payable, interests payable and others.

(1) Deposits from customers

The Banks provide demand and time deposit products to corporate and retail customers. The table below sets forth deposits from customers and product type as of the dates indicated:

(Expressed in thousands

of Renminbi, unless
otherwise stated)

	30 June 2016		31 December 2015	
	Amount	% of total	Amount	% of total
Corporate deposits				
Demand deposits	37,981,379	19.1	31,712,157	18.7
Time deposits	90,765,995	45.6	78,526,650	46.1
Subtotal	<u>128,747,374</u>	<u>64.7</u>	<u>110,238,807</u>	<u>64.8</u>
Retail deposits				
Demand deposits	11,973,764	6.0	11,710,050	6.9
Time deposits	58,445,436	29.3	48,229,865	28.3
Subtotal	<u>70,419,200</u>	<u>35.3</u>	<u>59,939,915</u>	<u>35.2</u>
Total	<u><u>199,166,574</u></u>	<u><u>100.0</u></u>	<u><u>170,178,722</u></u>	<u><u>100.0</u></u>

As at the end of the Reporting Period, the Bank's total deposits from customers amounted to RMB199,166,574 thousand, representing an increase of RMB28,987,852 thousand or 17.0% as compared to the end of last year. Deposits from customers accounted for 51.0% of total liabilities, representing an increase of 0.3 percentage points as compared to the end of last year. During the Reporting Period, the increase in deposits from customers was attributed to an increase of the Bank's operating outlets and its increased efforts in the marketing of customer deposits.

(2) Debts securities issued

The Bank issued the fixed rate tier-two capital debts of RMB1,500 million with write-down clauses on 24 January 2014. The coupon rate is 7.00%. The Bank has an option to redeem the debts at the nominal amount on 28 January 2019.

3.2.2.3 Shareholders' Equity

The following table sets forth the composition of the Bank's shareholders' equity as of the dates indicated:

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

	30 June 2016		31 December 2015	
	Amount	% of total	Amount	% of total
Share capital	5,781,616	18.0	5,781,616	22.0
Capital reserve	9,069,005	28.2	9,152,898	34.8
Surplus reserve	1,292,031	4.0	1,292,031	4.9
General reserve	4,801,449	14.9	4,801,449	18.3
Retained earnings	7,583,490	23.5	4,570,467	17.4
Non-controlling interests	3,672,155	11.4	672,853	2.6
Total equity	32,199,746	100.0	26,271,314	100.0

3.2.3 Loan Quality Analysis

3.2.3.1 Breakdown of Loans by the Five-Category Classification

The following table sets forth the distribution of the Bank's loans and advances to customers by the five-category loan classification as of the dates indicated. For the Bank, the non-performing loans are classified into loans and advances to customers of substandard, doubtful and loss. As at the end of the Reporting Period, the non-performing loans recorded by the Bank amounted to RMB1,247,221 thousand and the Bank's total provision for impairment losses on loans to customers was RMB4,772,650 thousand. The following table sets forth the distribution of the Bank's loans and advances to customers by the five-category loan classification as of the dates indicated:

(Expressed in thousands of

Renminbi, unless otherwise stated)

	30 June 2016		31 December 2015	
	Amount	% of total	Amount	% of total
Pass	107,126,621	94.3	96,311,855	95.2
Special mention	5,267,383	4.6	3,816,533	3.8
Substandard	503,072	0.4	521,856	0.5
Doubtful	456,283	0.4	405,352	0.4
Loss	287,866	0.3	118,814	0.1
Total loans and advances to customers	113,641,225	100.0	101,174,410	100.0
Non-performing loan	1,247,221	1.10	1,046,022	1.03

As at the Reporting Period and as of 31 December 2015, the non-performing loan ratios of the Bank's total loan portfolio were 1.10% and 1.03%, respectively. The Bank's non-performing loan ratio is 0.07 percentage point slightly higher as compared to the end of 2015, primarily due to the following reasons: the Bank formulated guidelines for credit extension based on national policies and market conditions; continued to optimise selection requirements of industries, regions and customers and adjusted the Bank's credit asset structure; strengthened post-loan inspections and the collection of non-performing loans. Such measures have greatly prevented the occurrence of non-performing loans and promoted the collection and conversion of non-performing loans. However, due to a slowed growth of marco-economy, transformation and upgrading of industrial structure and other factors, individual customers in certain industries defaulted, resulting in a slight increase of the Bank's non-performing loan ratios.

3.2.3.2 Concentration of Loans

(1) Concentration by industry of corporate loans

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

(Expressed in thousands

of Renminbi, unless

otherwise stated)

	30 June 2016		31 December 2015	
	Amount	% of total	Amount	% of total
Wholesale and retail trade	38,202,561	36.8	30,199,593	33.1
Manufacturing	27,541,272	26.5	23,238,642	25.5
Real estate	13,928,809	13.4	11,183,248	12.3
Leasing and commercial services	7,177,016	6.9	8,633,996	9.5
Transportation, storage and postal services	3,186,287	3.1	1,790,687	2.0
Construction	2,029,207	2.0	3,197,190	3.5
Agriculture, forestry, animal husbandry and fishery	1,566,816	1.5	1,334,995	1.5
Water, environment and public utility management	1,553,360	1.5	1,470,634	1.6
Education	1,319,304	1.3	2,751,812	3.0
Public management and social organization	212,450	0.2	1,620,780	1.8
Others	7,130,680	6.8	5,812,967	6.2
Total corporate loans and advances	103,847,762	100.0	91,234,544	100.0

As at the end of the Reporting Period, loans provided to customers in the industries of (i) wholesale and retail trade, (ii) manufacturing, (iii) real estate and (iv) leasing and commercial services represented the largest components of the Bank's corporate loans. As at the end of the Reporting Period and as of 31 December 2015, the balance of loans provided to the corporate customers in these four industries were RMB86,849,658 thousand and RMB73,255,479 thousand, respectively, accounting for 83.6% and 80.4% of the total corporate loans and advances issued by the Bank, respectively. From the perspective of the structure of increased quantity, wholesale and retail trade, manufacturing and real estate experienced the largest increment. The increased quantity and increment were respectively as follows: RMB8,002,968 thousand, 26.5%; RMB4,302,630 thousand, 18.5%; and RMB2,745,561 thousand, 24.6%. Compared to 31 December 2015, the proportion of the three industries to the aggregate loan amount was relatively stable.

(2) Borrower Concentration

A. Indicators of concentration

Major regulatory indicators	Regulatory standard	30 June 2016 % of the total	31 December 2015 % of the total
Loan concentration ratio for the largest single customer	<=10%	5.50	6.29
Loan concentration ratio for the top ten customers	<=50%	38.67	33.04

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

B. Loans to the ten largest single borrowers

The table below sets forth the borrowing amounts of the ten largest single borrowers as at the end of the Reporting Period. As of the same date, all such loans were classified as pass loans.

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

		30 June 2016	
Customer	Industry involved	Amount	% of total loan
Customer A	Leasing and commercial services	1,899,000	1.7
Customer B	Wholesale and retail trade	1,672,685	1.5
Customer C	Real estate	1,626,990	1.4
Customer D	Wholesale and retail trade	1,341,244	1.2
Customer E	Transportation, storage and postal services	1,299,700	1.1
Customer F	Real estate	1,200,000	1.1
Customer G	Leasing and commercial services	1,196,500	1.0
Customer H	Transportation, storage and postal services	1,122,500	1.0
Customer I	Wholesale and retail trade	1,000,000	0.9
Customer J	Wholesale and retail trade	1,000,000	0.9
Total		<u>13,358,619</u>	<u>11.8</u>

(3) Distribution of non-performing loans by product type

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	30 June 2016			31 December 2015		
	Loan amount	Non- performing loan amount	Non- performing loan ratio (%)	Loan amount	Non- performing loan amount	Non- performing loan ratio (%)
Corporate loans						
Small Enterprises						
and Micro Enterprises	51,913,635	528,208	1.02	41,234,165	416,425	1.01
Medium Enterprises	36,590,616	335,869	0.92	33,311,707	358,835	1.08
Others	15,343,511	240,329	1.57	16,688,672	215,810	1.29
Subtotal	103,847,762	1,104,406	1.06	91,234,544	991,070	1.09
Discounted bills	94,901	–	–	236,726	–	–
Retail loans						
Personal business loans	8,593,696	140,986	1.64	8,644,513	53,836	0.62
Personal consumption loans	512,618	792	0.15	579,399	–	–
Residential and commercial						
properties mortgage loans	489,880	–	–	390,091	–	–
Credit card overdrafts	101,859	528	0.52	88,548	546	0.62
Others	509	509	100.00	589	570	96.77
Subtotal	9,698,562	142,815	1.47	9,703,140	54,952	0.57
Total	113,641,225	1,247,221	1.10	101,174,410	1,046,022	1.03

The non-performing loan ratio, defined as non-performing loans divided by the Bank's gross loans and advances to customers, was 1.10% as at the end of the Reporting Period and 1.03% as at 31 December 2015.

As at the end of the Reporting Period and as of 31 December 2015, the non-performing loan ratio of the Bank's corporate loans (including discounted bills) was 1.06% and 1.09%, respectively.

As at the end of the Reporting Period and as of 31 December 2015, the non-performing loan ratio of the Bank's retail loans was 1.47% and 0.57%, respectively.

Under the uncertainty of macro-economic operation, the non-performing loan ratio of the Bank was at a slightly higher level than that of last year.

(4) Overdue loans and advances to customers

The table below sets forth the aging analysis of the Bank's overdue loans and advances to customers as at the dates indicated.

(Expressed in thousands of Renminbi, unless otherwise stated)

	30 June 2016		31 December 2015	
	Amount	% of total	Amount	% of total
Overdue within 3 months	1,242,640	31.1	1,259,812	43.2
Overdue more than 3 months to 6 months	836,270	20.9	377,295	12.9
Overdue more than 6 months to 1 year	665,786	16.6	573,258	19.6
Overdue more than 1 year	1,254,347	31.4	710,438	24.3
Total overdue loans and advances to customers	3,999,043	100.0	2,920,803	100.0

3.2.4 Analysis on Capital Adequacy Ratio

The Bank calculated and disclosed capital adequacy ratios in accordance with the relevant provisions of the Measures for Administration on Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) (effective since 1 January 2013) promulgated by the CBRC. As at the end of the Reporting Period, the Bank's capital adequacy ratios at all tiers met the regulatory requirements under such new regulation. The Bank's core tier 1 capital adequacy ratio and tier 1 capital adequacy ratio were 9.12% and 9.13%, respectively, 0.16 and 0.16 percentage point higher than those as at 31 December 2015; the capital adequacy ratio was 10.75%, 0.25 percentage point higher than that as at 31 December 2015.

The table below sets forth the relevant information of the Bank's capital adequacy ratio as at the dates indicated.

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	30 June 2016	31 December 2015
Total core tier-one capital		
– Share capital	5,781,616	5,781,616
– Qualifying portion of capital reserve	9,069,005	9,152,898
– Surplus reserve	1,292,031	1,292,031
– General reserve	4,801,449	4,801,449
– Retained earnings	7,583,490	4,570,467
– Qualifying portions of non-controlling interests	899,699	318,993
Core tier-one capital deductions		
– Other intangible assets other than land use right	(130,308)	(134,405)
Net core tier-one capital	29,296,982	25,783,049
Other tier-one capital	21,935	6,642
Net tier-one capital	29,318,917	25,789,691
Tier-two capital		
– Instruments issued and share premium	1,500,000	1,500,000
– Surplus provision for loan impairment	3,663,722	2,890,504
– Qualifying portions of non-controlling interests	49,961	13,284
Net capital base	34,532,600	30,193,479
Total risk weighted assets	321,123,469	287,662,070
Core tier-one capital adequacy ratio	9.12%	8.96%
Tier-one capital adequacy ratio	9.13%	8.97%
Capital adequacy ratio	10.75%	10.50%

3.2.5 Segment Information

3.2.5.1 Summary of Geographical Segments

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

Jinzhou Region: the Bank's headquarters, Jinzhou branch, Jinzhou Taihe Yimin Village and Township Bank Co., Ltd.* (錦州太和益民村鎮銀行股份有限公司), Liaoning Yixian Xianghe Village and Township Bank Co., Ltd.* (遼寧義縣祥和村鎮銀行股份有限公司), Jinzhou Beizhen Yimin Village and Township Bank Co., Ltd.* (錦州北鎮益民村鎮銀行股份有限公司) and Liaoning Heishan Jinhang Village and Township Bank Co., Ltd.* (遼寧黑山錦行村鎮銀行股份有限公司).

Other Northeastern Region (excluding Jinzhou region): Shenyang branch, Dalian branch, Harbin branch, Dandong branch, Fushun branch, Anshan branch, Chaoyang branch, Fuxin branch and Liaoyang branch, Liaoning Kazuo Jinhang Rural Bank * (遼寧喀左錦行村鎮銀行股份有限公司) and Bank of Jinzhou Financial Leasing Co., Ltd.* (錦銀金融租賃有限責任公司).

Northern China Region: Beijing branch and Tianjin branch.

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	Operating Income			
	30 June 2016		30 June 2015	
	Amount	% of total	Amount	% of total
Jinzhou Region	5,527,048	70.4	2,929,402	62.6
Other Northeastern Region	816,783	10.4	666,085	14.2
Northern China Region	1,506,806	19.2	1,084,181	23.2
Total	7,850,637	100.0	4,679,668	100.0

3.2.5.2 Summary of Business Segment

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

For the six months ended 30 June				
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	2016		2015	
	Amount	% of total	Amount	% of total
Operating income				
Corporate banking	2,618,877	33.4	1,782,980	38.1
Retail banking	604,172	7.7	471,094	10.1
Treasury business	4,612,943	58.7	2,415,954	51.6
Others and unallocated items	14,645	0.2	9,640	0.2
Total	<u>7,850,637</u>	<u>100.0</u>	<u>4,679,668</u>	<u>100.0</u>

3.2.6 Analysis of Off-balance Sheet Items

The Bank's off-balance sheet items include credit commitments and other off-balance sheet items. Credit commitments mainly include acceptances, letters of credit, letters of guarantees, credit card commitments and loan commitments. Other off-balance sheet items include operating lease commitments and capital expenditure commitments. Acceptances are commitments made to the payment for a bank draft issued by the Bank's customers. The letters of guarantees and the letters of credit are issued by the Bank to guarantee the customer's contractual performance for a third party. The following table sets forth the Bank's credit commitments and other off-balance sheet items as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	30 June 2016	31 December 2015
Acceptances	67,266,980	57,702,403
Letters of credit	1,132,519	835,274
Credit card commitments	616,932	491,593
Letters of guarantees	8,176,958	6,724,348
Loan commitments	1,915,568	889,982
Subtotal	79,108,957	66,643,600
Operating lease commitments	481,760	437,313
Capital commitments	656,407	180,763
Subtotal	1,138,167	618,076
Total	80,247,124	67,261,676

3.3 Risk Management

The Bank has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk and operational risk.

The Bank's risk management policies were established to identify and analyze the risks to which the Bank is exposed, to set appropriate risk limits, and to design relevant internal control systems for monitoring risks and adhering to risk limits. Risk management policies and relevant internal control systems are reviewed regularly to adapt changes in market conditions and the Bank's activities. The internal audit department undertakes both regular and ad hoc reviews of the compliance of internal control system implementation with risk management policies.

3.3.1 Credit Risk

Credit risk refers to the risk that a customer or counterparty may be unable to or unwilling to meet its contractual obligations. The core to the Bank's credit risk management system mainly includes the formulation of credit policies, pre-credit due diligence, customer credit rating, collateral assessment, loan review and approval, loan disbursement management, post-loan management, non-performing loan management; and accountability. The Bank adopt the same credit risk management control procedures for on and off-balance credit business.

The Bank's risk and compliance department is responsible for continuous monitoring, review and evaluation of the adequacy and effectiveness of the Bank's credit risk management system, giving advice for the improvement of the Bank's credit risk management system and developing and maintaining the rating and limit tools. The Bank's credit management department is responsible for the credit system review and the determination of five-category loan assets. The Bank's credit review department is in charge of the improvement of the Bank's credit review system and operating procedures, formulation of limit management and the performance of duties as the secretary to the loan approval committee of the Bank's headquarters. All of the Bank's credit business activities must be carried out according to the guiding opinions on the credit business.

With respect to the credit risk control and management, the Bank specifies the respective duties and operating procedures of each department according to the principle of credit investigation and credit approval separation, management and review separation, and credit limit and review separation. The Bank has established the operating mechanism of the Bank's credit review committee under the collective review system, as well as a credit due diligence and accountability system.

3.3.2 Operational Risk

Operational risk refers to the risk, in the process of operation and management, resulting from imperfect governance structure for legal persons, unsound internal control system, deviation of operational procedures and standards, violation by business personnel of procedural requirements and the failure by the internal control system to effectively identify, warn and prevent non-compliance and improper. The Bank's risk and compliance department is responsible for conducting continuous monitoring, inspection and assessment of the adequacy and effectiveness of the Bank's operational risk management system, putting forward improvement proposals and carrying out risk review of various risk management and internal control systems.

3.3.3 Market Risk

Market risk refers to the risk of losses that the Bank may suffer in its on/off-balance-sheet business as a result of unfavorable changes in market prices, including interest rates, exchange rates, stock prices and commodity prices.

The Bank's exposure to the market risk arises primarily from the Bank's assets and liabilities on the balance sheet, and mainly includes interest rate risk and exchange rate risk. Interest rate risk is the risk of loss that the Bank may suffer the adverse movements in statutory interest rates or market interest rates. Exchange rate risk is the risk of loss that the Bank may suffer from the mismatches of the currency denomination of the Bank's assets and liabilities. The Bank's market risk management aims to manage and monitor market risk, control the potential losses associated with market risk within acceptable limits and maximize the Bank's risk-adjusted income. The Bank's risk and compliance department is responsible for monitoring, inspecting and assessing the adequacy and efficiency of the Bank's market risk management system. The capital transaction department, investment banking & interbank department, financial management department and international business department are responsible for the centralized management of interest rate risks and exchange rate risks.

3.3.3.1 Interest rate risks

Interest rates in China have been gradually liberalized in recent years. The interest rate risks have gradually changed from policy risks to market risks, and have become one of the major risks for bank operations. The interest rate risks are mainly reflected in the risks of uncertainty from the Bank's deposits and loans, debt investments and interest sensitivity gaps.

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

The Bank classified the transactions as the banking book transactions and trading book transactions. The identification, measurement, monitoring and controls over the relevant market risks are based on the nature and characteristics of these books. The trading book transactions consist of the Bank's investments which are acquired or incurred primarily for the purpose of selling in the near term, or for the purpose of short-term profit taking. The banking book transactions represent non-trading businesses. The Bank mainly analyses the interest rate risk of bank accounts.

The Bank has adopted, including but not limited to, re-pricing gap analysis, duration analysis, net interest income simulation and economic value simulation for the measurement of interest rate risk. The interest rate risk measurement mainly evaluates the impact of changes in interest rate on the Bank's operation in terms of both income and economic value. The income simulation mainly analyzes the net interest income, which focuses on the impact of changes in interest rate on the net interest income in the short run. The economic value simulation mainly analyzes future cash flow discounted using different yield curves in various interest rate scenarios, so as to calculate the impact of changes in interest rate on the Bank's economic value.

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	30 June 2016					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	37,042,103	2,241,041	34,801,062	—	—	—
Deposit with banks and other financial institutions	2,509,324	—	1,852,741	502,083	154,500	—
Placement with banks and other financial institutions	530,496	—	530,496	—	—	—
Financial assets held under resale agreements	1,336,500	—	1,336,500	—	—	—
Loans and advances to customers ⁽¹⁾	108,868,575	—	20,899,746	40,262,243	45,687,281	2,019,305
Investment securities and other financial assets	259,419,032	58,250	32,651,318	85,748,179	130,865,445	10,095,840
Others ⁽²⁾	12,759,779	10,739,432	8,082	12,819	1,999,446	—
Total assets	422,465,809	13,038,723	92,079,945	126,525,324	178,706,672	12,115,145
Liabilities						
Deposits from banks and other financial institutions	142,354,187	—	31,037,681	58,576,006	52,640,500	100,000
Placements from banks and other financial institutions	4,664,930	—	4,349,842	315,088	—	—
Financial assets sold under repurchase agreements	16,792,940	—	15,457,940	1,335,000	—	—
Deposit from customers	199,166,574	59,255	75,131,289	54,099,396	69,876,576	58
Debt securities issued	1,500,000	—	—	—	1,500,000	—
Others ⁽³⁾	25,787,432	10,623,167	4,519,113	10,645,152	—	—
Total liabilities	390,266,063	10,682,422	130,495,865	124,970,642	124,017,076	100,058
Asset-liability gap	32,199,746	2,356,301	(38,415,920)	1,554,682	54,689,596	12,015,087

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	31 December 2015					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	30,099,321	482,284	29,617,037	—	—	—
Deposit with banks and other financial institutions	14,954,990	—	9,122,424	4,678,066	1,154,500	—
Placement with banks and other financial institutions	649,360	—	—	649,360	—	—
Loans and advances to customers ⁽¹⁾	97,313,206	—	25,901,958	35,008,329	35,211,865	1,191,054
Investments securities and other financial assets	209,031,999	58,250	20,991,656	77,799,692	100,573,260	9,609,141
Others ⁽²⁾	9,611,037	9,600,359	10,678	—	—	—
Total assets	361,659,913	10,140,893	85,643,753	118,135,447	136,939,625	10,800,195
Liabilities						
Deposits from banks and other financial institutions	116,351,178	—	22,887,926	60,832,752	32,480,500	150,000
Placements from banks and other financial institutions	3,855,808	—	3,517,039	338,769	—	—
Financial assets sold under repurchase agreements	20,244,100	—	20,244,100	—	—	—
Deposit from customers	170,178,722	39,415	71,969,350	48,203,992	49,949,166	16,799
Debt securities issued	1,500,000	—	—	—	1,500,000	—
Others ⁽³⁾	23,258,791	7,688,655	6,255,172	9,314,964	—	—
Total liabilities	335,388,599	7,728,070	124,873,587	118,690,477	83,929,666	166,799
Asset-liability gap	26,271,314	2,412,823	(39,229,834)	(555,030)	53,009,959	10,633,396

Notes: (1) As at the end of the Reporting Period and at 31 December 2015, for loans and advances to customers, the category “Less than three months” includes overdue amounts (net of provision for impairment losses) of RMB2,951 million and RMB2,048 million, respectively.

(2) Include interests receivable, property and equipment, deferred tax assets and other assets, etc.

(3) Include financial liabilities at fair value through profit or loss, interests payable, taxes payable and other payables, etc.

The Bank uses sensitivity analysis to measure the potential impact of changes in interest rate on its net profit or loss and equity. The following table sets forth, as at the dates indicated, the results of the interest rate sensitivity analysis based on the assets and liabilities as of the same date:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	30 June		2015	
	2016	Changes in	Changes in	Changes in
	Changes in	shareholders'	net profit	shareholders'
	net profit	equity	net profit	equity
100 basis points increase	(377,984)	(810,857)	(138,161)	(550,800)
100 basis points decrease	379,316	835,064	138,216	568,583

3.3.3.2 Exchange rate risk

Due to the complicated reasons for the changes in exchange rates, banks operating the foreign exchange business will face the risk of recording a decrease in revenue or suffering a loss due to the change in exchange rate if the mismatch in the currency type and duration structure of assets and liabilities results in a foreign exchange risk exposure. Exchange rate risks faced by banks mainly include trading risk and conversion risk. Trading risk represents the possibility that banks may suffer losses as a result of a change in exchange rate when using foreign currencies to conduct pricing receipt and payment transactions. Conversion risk represents the possibility that banks may suffer paper losses as a result of a change in exchange rate when converting foreign currencies into the bookkeeping base currency. The Bank's foreign currency risk mainly arises from exchange rate fluctuation on its foreign exchange exposures. The Bank manages foreign currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies and monitoring its foreign currency exposures on daily basis. The Bank manages exchange rate risk by the following means: strict implementation of the process management of the foreign exchange business; continuous improvement in the internal control system and operational procedures; continuous improvement in the risk management capability of the foreign exchange business.

The Bank's currency exposures as at the end of the relevant periods are as follows:

	30 June 2016			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with				
the central bank	36,851,776	188,988	1,339	37,042,103
Deposits with banks and				
other financial institutions	2,275,939	143,213	90,172	2,509,324
Placements with banks and				
other financial institutions	—	530,496	—	530,496
Interests receivable	2,855,358	16,415	259	2,872,032
Loans and advances				
to customers	103,058,738	5,745,335	64,502	108,868,575
Others ⁽¹⁾	270,215,431	397,872	29,976	270,643,279
Total assets	415,257,242	7,022,319	186,248	422,465,809
Liabilities				
Deposits from banks and				
other financial institutions	141,581,436	772,751	—	142,354,187
Placements from banks and				
other financial institutions	—	4,536,466	128,464	4,664,930
Deposits from customers	196,514,492	2,640,421	11,661	199,166,574
Interests payable	5,635,417	38,203	265	5,673,885
Others ⁽²⁾	38,404,943	1,268	276	38,406,487
Total liabilities	382,136,288	7,989,109	140,666	390,266,063
Net position	33,120,954	(966,790)	45,582	32,199,746
Off-balance sheet				
credit commitments	73,811,157	5,234,165	63,635	79,108,957

	31 December 2015			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with the central bank	29,974,881	122,989	1,451	30,099,321
Deposits with banks and other financial institutions	14,123,930	111,086	719,974	14,954,990
Placements with banks and other financial institutions	—	649,360	—	649,360
Interests receivable	2,515,987	55,698	287	2,571,972
Loans and advances to customers	91,166,643	6,095,582	50,981	97,313,206
Others ⁽¹⁾	215,614,575	51,949	404,540	216,071,064
Total assets	<u>353,396,016</u>	<u>7,086,664</u>	<u>1,177,233</u>	<u>361,659,913</u>
Liabilities				
Deposits from banks and other financial institutions	115,578,427	772,751	—	116,351,178
Placements from banks and other financial institutions	—	3,812,200	43,608	3,855,808
Deposits from customers	168,339,236	1,829,056	10,430	170,178,722
Interests payable	5,322,486	23,038	242	5,345,766
Others ⁽²⁾	39,260,742	377,629	18,754	39,657,125
Total liabilities	<u>328,500,891</u>	<u>6,814,674</u>	<u>73,034</u>	<u>335,388,599</u>
Net position	<u>24,895,125</u>	<u>271,990</u>	<u>1,104,199</u>	<u>26,271,314</u>
Off-balance sheet				
credit commitments	63,828,288	2,746,991	68,321	66,643,600

Notes: (1) Include investment securities and other financial assets, property and equipment and other assets, etc.

(2) Include financial liabilities at fair value through profit or loss, financial assets sold under repurchase agreements, debt securities issued and other liabilities, etc.

3.3.4.1 Liquidity risk management

Liquidity risk represents the risk that the commercial bank is unable to raise sufficient funds at reasonable costs in a timely manner to satisfy due liabilities, to perform other payment obligations and to satisfy other funds requirements of commencing normal businesses. In extreme cases, liquidity insufficiency can lead to settlement risks for commercial banks. Significant growth in the demand for credit facilities, substantial performance of loan commitments, unexpected increase in non-performing loans, sharp decrease in deposit level and financing difficulty in the currency market may affect the Bank's liquidity. Meanwhile, adjustment in financial policies, dramatic changes in interest rates in the market, the Bank's own asset and liability structure and liquidity management capability are also important factors which affect the Bank's liquidity.

The Bank has established an effective liquidity management and decision-making system, and formulated asset and liability management strategies and liquidity management policy which are in line with the Bank's actual conditions. Being responsible for bank-wide liquidity management, the Bank's asset and liability management committee is in charge of the liquidity management portfolio plan according to the requirements and regulatory indicators for asset and liability management at the beginning of each year and monitors and adjusts this plan on a quarterly basis, with an aim to ensure the effective management of the Bank's asset and liability structure. The Bank's financial management department is responsible for the calculation, analysis and monitoring of the Bank's daily liquidity, while the financial management department, the capital transactions department and the investment banking & interbank department manage the liquidity risk.

The Bank sticks to positive and active liquidity management policies, and actively improve the Bank's active liability capability and constantly enhance the Bank's financing capability in the interbank market, so that the bond investment business can not only become an important source of profit for the Bank, but also become an important reserve for the Bank to maintain good liquidity. The Bank also effectively forewarns liquidity risks by carrying out tailored liquidity pressure tests.

3.3.4.2 Liquidity risk analysis

In response to macroeconomic situation, monetary policy and changes in regulatory requirements, the Bank adheres to a steady and prudent liquidity risk management strategy and constantly improves the level of liquidity risk management. The Bank actively adjusts the maturity structure of the Bank's assets and liabilities, diversifies and improves the Bank's risk management approaches, employs liquidity risk management indicators and daily fund position management as well as conduct monthly pressure tests on liquidity risk, in order to maintain liquidity at a sufficient level and prevent liquidity risks.

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	30 June 2016							Total
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	31,095,141	5,946,962	—	—	—	—	—	37,042,103
Deposits with banks and other financial institutions	—	922,632	793,109	137,000	502,083	154,500	—	2,509,324
Placement with banks and other financial institutions	—	—	198,936	331,560	—	—	—	530,496
Financial assets held under resale agreements	—	—	1,336,500	—	—	—	—	1,336,500
Loans and advances to customers	2,251,128	700,351	4,406,675	12,584,350	40,732,638	46,278,857	1,914,576	108,868,575
Investment securities and other financial assets	313,403	237,603	13,076,394	19,476,333	85,609,166	130,610,293	10,095,840	259,419,032
Others	7,867,400	68,234	502,110	857,070	1,704,264	1,760,701	—	12,759,779
Total assets	41,527,072	7,875,782	20,313,724	33,386,313	128,548,151	178,804,351	12,010,416	422,465,809
Liabilities								
Deposits from banks and other financial institutions	—	197,185	13,128,936	17,711,560	58,576,006	52,640,500	100,000	142,354,187
Placements from banks and other financial institutions	—	—	3,814,461	535,381	315,088	—	—	4,664,930
Financial assets sold under repurchase agreements	—	—	14,897,940	560,000	1,335,000	—	—	16,792,940
Deposits from customers	—	49,955,145	14,551,499	10,683,900	54,099,396	69,876,576	58	199,166,574
Debt securities issued	—	—	—	—	—	1,500,000	—	1,500,000
Others	—	4,854,346	2,507,987	3,563,198	12,131,462	2,666,247	64,192	25,787,432
Total liabilities	—	55,006,676	48,900,823	33,054,039	126,456,952	126,683,323	164,250	390,266,063
Net position	41,527,072	(47,130,894)	(28,587,099)	332,274	2,091,199	52,121,028	11,846,166	32,199,746

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	31 December 2015							Total
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	26,862,543	3,236,778	—	—	—	—	—	30,099,321
Deposits with banks and other financial institutions	—	1,074,184	5,728,000	2,320,240	4,678,066	1,154,500	—	14,954,990
Placement with banks and other financial institutions	—	—	—	—	649,360	—	—	649,360
Loans and advances to customers	1,394,696	653,789	5,930,019	10,557,147	40,056,859	37,465,799	1,254,897	97,313,206
Investment securities and other financial assets	58,250	—	10,256,229	10,735,427	77,799,692	100,573,260	9,609,141	209,031,999
Others	7,028,387	58,149	423,162	618,990	1,231,420	250,929	—	9,611,037
Total assets	35,343,876	5,022,900	22,337,410	24,231,804	124,415,397	139,444,488	10,864,038	361,659,913
Liabilities								
Deposits from banks and other financial institutions	—	1,147,926	12,880,000	8,860,000	60,832,752	32,480,500	150,000	116,351,178
Placements from banks and other financial institutions	—	—	1,905,093	1,611,946	338,769	—	—	3,855,808
Financial assets sold under repurchase agreements	—	—	18,244,100	2,000,000	—	—	—	20,244,100
Deposits from customers	—	43,427,010	15,882,369	12,699,386	48,203,992	49,949,166	16,799	170,178,722
Debt securities issued	—	—	—	—	—	1,500,000	—	1,500,000
Others	—	2,251,390	4,372,747	3,454,610	10,814,249	2,297,313	68,482	23,258,791
Total liabilities	—	46,826,326	53,284,309	28,625,942	120,189,762	86,226,979	235,281	335,388,599
Net position	35,343,876	(41,803,426)	(30,946,899)	(4,394,138)	4,225,635	53,217,509	10,628,757	26,271,314

3.4 Future Prospects

Since 2016, the Chinese economy encountered various impacts with downward pressure on the domestic economy intensified. Under the complex and mixed economic situation, the PRC government still put its emphasis of current macroeconomic policy on persisting with the keynote of seeking progress in stability, moderately stimulating demands, unwaveringly carrying forward the structural reform of supply front, giving guidance to favorable growth expectation, motivating the vitality of the market and promoting the steady growth of the economy. Banks, as the main fund provider for real economy, are the important link between real economy and financial sector and are facing the risk of problems transferring from real economy to the financial sector along with the great development opportunity, which is not only a challenge to the Bank, but also an important opportunity for the Bank to achieve rapid development.

2016 is the first year after the Bank's listing on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"). The Bank's guiding principle is "Adjusting structure, Changing mode. Strengthening operation and Insisting on development" to continuously enhance the Bank's position in the industry through prudent, high-quality and targeted growth. To achieve the this goal, the Bank insists on: strengthening and enhancing its regional business advantages and optimizing its operating network, grasping the growth potential of personal financial services and further developing retail banking business, further promoting the diversification of products and services and expanding intermediate business, further enhancing the Bank's competitiveness in business for small and medium enterprises and other small and micro customers, enhancing its internal control and risk management, and enhancing its human resource management and its construction of information system. The Bank will continue to grasp development opportunities. proactively carry out transformation initiatives and strive to become the most attractive commercial banks with investment value for the Bank's investors and shareholders.

4. ISSUANCE OF SECURITIES AND BONDS

4.1 Issuance and Listing of Securities Information

4.1.1 Issuance and Listing of Securities

On 7 December 2015, the Bank's H shares were listed on the Hong Kong Stock Exchange, and the Bank issued 1,200,000,000 H shares with a par value of RMB1 at the price of HK\$4.66 per share with a premium in the initial public offering of the Bank. On 23 December 2015, the Bank issued 179,381,818 H shares with a par value of RMB1 at the price of HK\$4.66 per share with a premium pursuant to the over-allotment option.

As disclosed in the prospectus of the Bank dated 24 November 2015, the Bank raised approximately HK\$6,427,919 thousand from the initial public offering, which, after deduction of the expenses relating to the offering, has been used to replenish its capital base. Immediately following the completion of the initial public offering, the share capital of the Bank was 5,781,615,684 shares, comprising 4,264,295,684 domestic shares and 1,517,320,000 H shares, and the total share capital of the Bank amounted to RMB5,781,615,684.

4.2 Issuance of Bonds

4.2.1 Issuance of Tier 2 Capital Bonds

With the approvals from the CBRC and the PBOC, in January 2014, the Bank issued tier 2 capital bonds in the aggregate principal amount of RMB1.50 billion with a term of ten years at a fixed interest rate of 7.00% per annum, payable on an annual basis. These bonds are redeemable in part or in full at the discretion of the Bank at the end of the fifth year upon approval of the relevant regulatory authorities.

5. OTHER INFORMATION

5.1 Corporate Governance Code

The Bank is dedicated to improving its transparency and accountability of corporate governance, ensuring high standard of corporate governance practices to protect the interests of shareholders and to enhance corporate value and commitment.

In order to maintain a high standard of corporate governance, the Bank established a dedicated, professional and accountable Board, board of supervisors and experienced senior management. The members of the Bank's Board and board of supervisors, except for the employee supervisors, are all elected by the Bank's shareholders at the shareholders' general meeting.

During the Reporting Period, the Bank has fully complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**"), and adopted the recommended best practices therein, where appropriate. The Bank also strictly abided by the applicable laws and regulations and the Listing Rules in respect of management of inside information.

5.2 Securities Transactions by Directors and Supervisors

The Bank has adopted, in respect of securities transactions by directors, supervisors and senior management, a code of conduct on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific enquiries to all directors and supervisors of the Bank, all directors and supervisors of the Bank have confirmed that they have complied with such code of conduct during the Reporting Period.

5.3 Profits and Dividend

The Bank's revenue for the Reporting Period and the Bank's financial position as at the same date are set out in the section headed "Financial Report" of this results announcement.

The Board did not recommend to declare any interim dividend for the interim period of 2016 (Interim Period of 2015: no dividend paid).

5.4 Purchase, Sale and Redemption of Listed Securities of the Bank

During the Reporting Period, neither the Bank nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Bank.

5.5 Review by Audit Committee

The audit committee of the Bank is currently comprised of Mr. Deng Xiaoyang, Mr. Niu Sihui and Ms. Jiang Jian, each of whom is an independent non-executive director of the Bank. The audit committee of the Bank has reviewed the unaudited consolidated financial statements of the Bank for the six months ended 30 June 2016.

5.6 Subsequent Events

No significant events occurred to the Bank after the Reporting Period.

6. FINANCIAL REPORT

Consolidated statement of profit or loss for the six months ended 30 June 2016-unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2016	2015
Interest income	13,174,523	9,683,049
Interest expense	(5,802,851)	(5,241,041)
Net interest income	7,371,672	4,442,008
Fee and commission income	453,449	160,922
Fee and commission expense	(30,296)	(28,635)
Net fee and commission income	423,153	132,287
Net trading (losses)/gains	(1,207)	60,796
Dividend income	—	440
Net gains arising from investment securities	9,113	2,254
Foreign exchange gain	33,720	32,243
Other net operating income	14,186	9,640
Operating income	7,850,637	4,679,668
Operating expenses	(1,342,665)	(1,246,461)
Operating profit before impairment	6,507,972	3,433,207
Impairment losses on assets	(1,477,644)	(1,534,736)
Profit before taxation	5,030,328	1,898,471
Income tax	(1,232,088)	(458,543)
Profit for the period	3,798,240	1,439,928
Attributable to:		
Equity shareholders of the Bank	3,793,541	1,434,186
Non-controlling interests	4,699	5,742
Profit for the period	3,798,240	1,439,928
Basic and diluted earnings per share (in RMB)	0.66	0.33

Consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2016-unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2016	2015
Profit for the period	3,798,240	1,439,028
	-----	-----
Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
– Available-for-sale financial assets:		
– Change in fair value recognized in the capital reserve	(83,693)	94,965
– Reclassified to the profit or loss upon disposal	(26,538)	134
– Related income tax effect	27,557	(23,775)
Items that will not be reclassified to profit or loss:		
– Remeasurement of defined benefit obligation	(1,219)	(1,176)
	-----	-----
Other comprehensive income for the period	(83,893)	70,148
	-----	-----
Total comprehensive income for the period	3,714,347	1,510,076
	-----	-----
Attributable to:		
Equity shareholders of the Bank	3,709,648	1,504,334
Non-controlling interests	4,699	5,742
	-----	-----
Total comprehensive income for the period	3,714,347	1,510,076
	=====	=====

Consolidated statement of financial position at 30 June 2016-unaudited*(Expressed in thousands of Renminbi, unless otherwise stated)*

	At 30 June 2016	At 31 December 2015
Assets		
Cash and deposits with the central bank	37,042,103	30,099,321
Deposits with banks and other financial institutions	2,509,324	14,954,990
Placements with banks and other financial institutions	530,496	649,360
Financial assets at fair value through profit or loss	18,032,085	15,560,208
Positive fair value of derivatives	20,901	10,678
Financial assets held under resale agreements	1,336,500	—
Interests receivable	2,872,032	2,571,972
Loans and advances to customers	108,868,575	97,313,206
Available-for-sale financial assets	20,286,737	19,278,073
Held-to-maturity investments	7,690,465	7,711,333
Debt securities classified as receivables	213,409,745	166,482,385
Property and equipment	5,924,597	5,468,880
Deferred tax assets	1,057,521	700,822
Other assets	2,884,728	858,685
Total assets	422,465,809	361,659,913
Liabilities and equity		
Liabilities		
Deposits from banks and other financial institutions	142,354,187	116,351,178
Placements from banks and other financial institutions	4,664,930	3,855,808
Financial liabilities at fair value through profit or loss	15,036,025	15,426,941
Negative fair value of derivatives	5,018	10,217
Financial assets sold under repurchase agreements	16,792,940	20,244,100
Deposits from customers	199,166,574	170,178,722
Accrued staff costs	241,430	246,861
Taxes payable	585,688	665,332
Interests payable	5,673,885	5,345,766
Debts securities issued	1,500,000	1,500,000
Other liabilities	4,245,386	1,563,674
Total liabilities	390,266,063	335,388,599

	At 30 June 2016	At 31 December 2015
Equity		
Share capital	5,781,616	5,781,616
Capital reserve	9,069,005	9,152,898
Surplus reserve	1,292,031	1,292,031
General reserve	4,801,449	4,801,449
Retained earnings	7,583,490	4,570,467
	<hr/>	<hr/>
Total equity attributable to equity shareholders of the Bank	28,527,591	25,598,461
Non-controlling interests	3,672,155	672,853
	<hr/>	<hr/>
Total equity	32,199,746	26,271,314
	<hr/> <hr/>	<hr/> <hr/>
Total liabilities and equity	422,465,809	361,659,913
	<hr/> <hr/>	<hr/> <hr/>

Consolidated statement of changes in equity for the six months ended 30 June 2016-unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Bank						Non-controlling interests	Total
	Share Capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	Sub-total		
Balance at 1 January 2016	5,781,616	9,152,898	1,292,031	4,801,449	4,570,467	25,598,461	672,853	26,271,314
Changes in equity for the period:								
Total comprehensive income	—	(83,893)	—	—	3,793,541	3,709,648	4,699	3,714,347
Changes in share capital								
– Capital contribution by non-controlling interests	—	—	—	—	—	—	3,000,000	3,000,000
Appropriation of profits								
– Appropriation to shareholders	—	—	—	—	(780,518)	(780,518)	(5,397)	(785,915)
Balance at 30 June 2016	<u>5,781,616</u>	<u>9,069,005</u>	<u>1,292,031</u>	<u>4,801,449</u>	<u>7,583,490</u>	<u>28,527,591</u>	<u>3,672,155</u>	<u>32,199,746</u>
Balance at 1 January 2015	4,402,234	4,962,627	802,364	3,159,078	2,332,012	15,658,315	218,821	15,877,136
Changes in equity for the period:								
Total comprehensive income	—	70,148	—	—	1,434,186	1,504,334	5,742	1,510,076
Appropriation of profits								
– Appropriation to shareholders	—	—	—	—	(528,268)	(528,268)	(4,147)	(532,415)
Balance at 30 June 2015	<u>4,402,234</u>	<u>5,032,775</u>	<u>802,364</u>	<u>3,159,078</u>	<u>3,237,930</u>	<u>16,634,381</u>	<u>220,416</u>	<u>16,854,797</u>
Balance at 1 July 2015	4,402,234	5,032,775	802,364	3,159,078	3,237,930	16,634,381	220,416	16,854,797
Changes in equity for the period:								
Total comprehensive income	—	363,984	—	—	3,464,575	3,828,559	3,553	3,832,112
Changes in share capital								
– Capital contributed by equity shareholders	1,379,382	3,756,139	—	—	—	5,135,521	—	5,135,521
– Capital contribution by non-controlling interests	—	—	—	—	—	—	450,100	450,100
Appropriation of profits								
– Appropriation to surplus reserve	—	—	489,667	—	(489,667)	—	—	—
– Appropriation to general reserve	—	—	—	1,642,371	(1,642,371)	—	—	—
– Appropriation to shareholders	—	—	—	—	—	—	(1,216)	(1,216)
Balance at 31 December 2015	<u>5,781,616</u>	<u>9,152,898</u>	<u>1,292,031</u>	<u>4,801,449</u>	<u>4,570,467</u>	<u>25,598,461</u>	<u>672,853</u>	<u>26,271,314</u>

Consolidated cash flow statement for the six months ended 30 June 2016-unaudited*(Expressed in thousands of Renminbi, unless otherwise stated)*

	Six months ended 30 June	
	2016	2015
Cash flows from operating activities		
Profit for the period	3,798,240	1,439,928
Adjustments for:		
Impairment losses on assets	1,477,644	1,534,736
Depreciation and amortization	186,890	169,336
Unwinding of discount	(12,288)	(1,404)
Dividend income	—	(440)
Unrealized foreign exchange (gains)/losses	(26,602)	447
Net gains on disposal of investment securities	(9,113)	(2,254)
Net losses/(gains) on disposal of trading securities	9,169	(2,743)
Revaluation gains on financial instruments at fair value through profit or loss	(7,962)	(58,053)
Interest expense on debts securities issued	52,234	66,985
Net gains on disposal of property and equipment	(15)	—
Income tax	1,232,088	458,543
	6,700,285	3,605,081
	-----	-----
Changes in operating assets		
Net decrease in deposits with the central bank, banks and other financial institutions	7,314,851	1,683,349
Net decrease/(increase) in placements with banks and other financial institutions	118,864	(794,768)
Net increase in loans and advances to customers	(12,578,284)	(5,318,196)
Net decrease/(increase) in financial assets designated at fair value through profit or loss	379,240	(4,328,550)
Net increase in other operating assets	(2,314,147)	(486,419)
	(7,079,476)	(9,244,584)
	-----	-----

	Six months ended 30 June	
	2016	2015
Changes in operating liabilities		
Net decrease in borrowing from central bank	—	(140,000)
Net increase in deposits from banks and other financial institutions	26,003,009	24,582,959
Net increase in placements from banks and other financial institutions	809,122	1,655,572
Net (decrease)/increase in financial assets sold under repurchase agreements	(3,451,160)	1,302,900
Net (decrease)/increase in financial liabilities designated at fair value through profit or loss	(379,240)	4,328,550
Net increase in deposits from customers	28,987,852	30,626,968
Income tax paid	(1,764,209)	(876,395)
Net increase/(decrease) in other operating liabilities	2,486,949	(1,494,648)
	52,692,323	59,985,906
	-----	-----
Net cash flows generated from operating activities	52,313,132	54,346,403
	-----	-----

	Six months ended 30 June	
	2016	2015
Cash flows from investing activities		
Proceeds from disposal and redemption of investments	166,693,346	356,587,809
Dividends received	—	440
Proceeds from disposal of property and equipment and other assets	50	—
Payments on acquisition of investments	(218,065,876)	(404,645,339)
Payments on acquisition of property and equipment, intangible assets and other assets	(608,174)	(265,390)
Net cash flows used in investing activities	(51,980,654)	(48,322,480)
Cash flows generated from/(used in) financing activities		
Capital contribution by non-controlling interests	3,000,000	—
Interest paid on debts securities issued	(105,000)	(105,000)
Dividends paid	(93,889)	(20,336)
Net cash flows generated from/(used in) financing activities	2,801,111	(125,336)
Effect of foreign exchange rate changes on cash and cash equivalents		
	14,879	(3,940)
Net increase in cash and cash equivalents	3,148,468	5,894,647
Cash and cash equivalents as at 1 January	4,802,961	4,485,158
Cash and cash equivalents as at 30 June	7,951,429	10,379,805
Interest received	12,881,497	9,454,174
Interest paid (excluding interest expense on debts securities issued)	(5,369,731)	(3,994,626)

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

1 Background information

The Bank of Jinzhou Co., Ltd. (the “**Bank**”), formerly known as Jinzhou City Cooperative Bank Co., Ltd., is a joint stock commercial bank established on 22 January 1997 with approval of the People’s Bank of China (the “**PBOC**”) (YinFu 1997 No.29).

On 29 September 1998, pursuant to YinFa 1998 No. 94 jointly issued by the PBOC and the State Administration for Industry and Commerce of the People’s Republic of China (the “**SAIC**”), the Bank changed its name from Jinzhou City Cooperative Bank Co., Ltd. to Jinzhou City Commercial Bank Co., Ltd.. On 14 April 2008, pursuant to YinJianFu 2008 No. 137 approved by the China Banking Regulatory Commission (the “**CBRC**”), the Bank further changed its name from Jinzhou City Commercial Bank Co., Ltd. to Bank of Jinzhou Co., Ltd. In December 2015, the Bank’s H shares were listed on the Main Board of the Hong Kong Stock Exchange.

As at 30 June 2016, the Bank has 12 branches in Jinzhou, Beijing, Tianjin, Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin and Liaoyang. 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, which, for the purpose of this report, excludes the Hong Kong Special Administration Region of the PRC (“**Hong Kong**”), the Macau Special Administration Region of the PRC (“**Macau**”) and Taiwan.

2 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the disclosure requirements of International Accounting Standard (IAS) 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board (“**IASB**”).

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

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 2015 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”).

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

3 Change in accounting policies

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

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

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

Annual Improvements to IFRSs 2012-2014 Cycle

This cycle of annual improvements contains amendments to four standards. Among them, *IAS 34, Interim Financial Reporting*, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group’s interim financial report as the Group does not present the relevant required disclosures outside the interim financial statements.

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

The amendments to IAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the group’s interim financial report.

4 Net interest income

	Six months ended 30 June	
	2016	2015
Interest income arising from		
Deposits with the central bank	234,958	212,585
Deposits with banks and other financial institutions	150,253	316,668
Placements with banks and other financial institutions	6,032	1,101
Financial assets at fair value through profit or loss	619,939	451,294
Loans and advances to customers		
– Corporate loans and advances	3,467,230	3,126,116
– Personal loans and advances	339,311	327,000
– Discounted bills	11,959	31,592
Financial assets held under resale agreements	31,158	11,067
Available-for-sale debt investments	386,305	395,686
Held-to-maturity investments	148,252	229,885
Debt securities classified as receivables	7,779,126	4,580,055
Sub-total	13,174,523	9,683,049
Interest expense arising from		
Borrowing from the central bank	—	2,313
Deposits from banks and other financial institutions	2,921,913	2,666,401
Placements from banks and other financial institutions	18,014	15,120
Financial liabilities at fair value through profit or loss	351,168	304,233
Deposits from customers		
– Corporate customers	1,188,762	1,217,865
– Individual customers	1,007,860	794,720
Financial assets sold under repurchase agreements	262,900	173,404
Debts securities issued	52,234	66,985
Sub-total	5,802,851	5,241,041
Net interest income	7,371,672	4,442,008
Of which:		
Interest income arising from impaired financial assets identified	12,288	1,404

5 Net fee and commission income

	Six months ended 30 June	
	2016	2015
Fee and commission income		
Wealth management service fees	139,516	30,591
Underwriting and advisory fees	113,632	6,610
Settlement and clearing fees	106,753	67,736
Agency services fees	79,433	41,388
Bank card service fees	8,857	7,801
Others	5,258	6,796
	<u>453,449</u>	<u>160,922</u>
Sub-total	----- 453,449	----- 160,922
Fee and commission expense		
Settlement and clearing fees	9,474	5,894
Others	20,822	22,741
	<u>30,296</u>	<u>28,635</u>
Sub-total	----- 30,296	----- 28,635
Net fee and commission income	<u>423,153</u>	<u>132,287</u>

6 Net trading (losses)/gains

	Six months ended 30 June	
	2016	2015
Trading financial instruments		
– Debt securities	(15,137)	3,142
– Derivative financial instruments	(5,622)	(255)
	<u>(20,759)</u>	<u>2,887</u>
Sub-total	----- (20,759)	----- 2,887
Financial instruments designated at fair value through profit or loss	<u>19,552</u>	<u>57,909</u>
	----- 19,552	----- 57,909
Total	<u>(1,207)</u>	<u>60,796</u>

7 Operating expenses

	Six months ended 30 June	
	2016	2015
Staff costs		
– Salaries and bonuses	441,184	380,791
– Staff welfares	23,789	18,274
– Pension	58,466	62,211
– Housing allowances	32,393	28,106
– Supplementary retirement benefits	801	859
– Other long-term staff welfares	1,313	3,230
– Other short-term staff welfares	46,005	43,487
	<hr/>	<hr/>
Sub-total	603,951	536,958
	<hr/>	<hr/>
Premises and equipment expenses		
– Depreciation of property and equipment	145,400	131,563
– Amortization of intangible assets	11,711	9,274
– Amortization of other long-term assets	29,779	28,499
– Rental and property management expenses	39,436	29,968
	<hr/>	<hr/>
Sub-total	226,326	199,304
	<hr/>	<hr/>
Business tax and surcharges	215,841	223,119
Other general and administrative expenses	296,547	287,080
	<hr/>	<hr/>
Total	1,342,665	1,246,461
	<hr/>	<hr/>

8 Impairment losses on assets

	Six months ended 30 June	
	2016	2015
Loans and advances to customers	1,033,133	1,299,366
Debt securities classified as receivables	424,315	235,370
Financial lease receivables	20,196	—
	<hr/>	<hr/>
Total	1,477,644	1,534,736
	<hr/>	<hr/>

9 Income tax

(a) Income tax:

	Six months ended 30 June	
	2016	2015
Current tax	1,561,230	749,698
Deferred tax	(329,142)	(291,155)
	<u>1,232,088</u>	<u>458,543</u>
Total	<u><u>1,232,088</u></u>	<u><u>458,543</u></u>

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

	Six months ended 30 June	
	2016	2015
Profit before tax	<u>5,030,328</u>	<u>1,898,471</u>
Statutory tax rate	25%	25%
Income tax calculated at statutory tax rate	1,257,582	474,618
Non-deductible expenses		
– Staff costs	242	2,219
– Others	1,337	2,798
	<u>1,579</u>	<u>5,017</u>
Non-taxable income		
– Interest income from the PRC government bonds	(18,498)	(19,448)
– Others	(8,575)	(1,644)
Income tax	<u><u>1,232,088</u></u>	<u><u>458,543</u></u>

10 Basic and diluted earnings per share

	Six months ended 30 June	
	2016	2015
Weighted average number of ordinary shares (in thousands)	5,781,616	4,402,234
Net profit attributable to equity shareholders of the Bank	3,793,541	1,434,186
Basic and diluted earnings per share attributable to equity shareholders of the Bank (in RMB)	0.66	0.33

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

	Six months ended 30 June	
	2016	2015
Number of ordinary shares as at 1 January (in thousands)	5,781,616	4,402,234
New added weighted average number of ordinary shares (in thousands)	—	—
Weighted average number of ordinary shares (in thousands)	<u>5,781,616</u>	<u>4,402,234</u>

11 Available-for-sale financial assets

	At 30 June 2016	At 31 December 2015
	Available-for-sale debt investments	20,228,487
Available-for-sale equity investments	<u>58,250</u>	<u>58,250</u>
Total	<u>20,286,737</u>	<u>19,278,073</u>
Unlisted	<u>20,286,737</u>	<u>19,278,073</u>
Total	<u>20,286,737</u>	<u>19,278,073</u>

(a) Available-for-sale debt investments

All available-for-sale debt investments were stated at fair value and issued by the following institutions:

	At 30 June 2016	At 31 December 2015
In mainland China		
– Government	1,014,181	2,014,765
– Banks and other financial institutions	16,260,797	13,428,811
– Corporations	2,953,509	3,776,247
Total	<u>20,228,487</u>	<u>19,219,823</u>

As at the end of each of the relevant reporting periods, part of the available-for-sale financial assets was pledged for repurchase agreements.

(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.

12 Held-to-maturity investments

Analyzed by type and location of issuers

	At 30 June 2016	At 31 December 2015
Debt securities issued by the following institutions in mainland China		
– Government	4,330,290	4,749,402
– Banks and other financial institutions	3,340,412	2,942,193
– Corporations	19,763	19,738
Total carrying value	<u>7,690,465</u>	<u>7,711,333</u>
Unlisted	<u>7,690,465</u>	<u>7,711,333</u>
Fair value	<u>7,862,490</u>	<u>7,976,975</u>

Notes:

- (a) As at the end of each of the relevant reporting periods, part of the held-to-maturity investments was pledged as security for repurchase agreements.
- (b) The Group has not disposed of any held-to-maturity debt investments prior to their maturity dates during the relevant reporting periods.

13 Debt securities classified as receivables

	At 30 June 2016	At 31 December 2015
Beneficial interest transfer plans	<u>214,341,329</u>	<u>166,989,654</u>
Less: Provision for impairment losses	<u>(931,584)</u>	<u>(507,269)</u>
Net balance	<u><u>213,409,745</u></u>	<u><u>166,482,385</u></u>

Notes:

- (a) Beneficial interest transfer plans are mainly beneficial interests issued by trust companies, security companies, insurance companies and asset management companies.
- (b) The fair values of these investments approximate to their carrying amounts.
- (c) As at the end of each of the relevant reporting periods, part of the debt securities classified as receivables was pledged for repurchase agreements.

14 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, government agencies and financial institutions. These products and services include corporate loans and advances, trade financing and 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 business

This segment covers the Group's treasury operations. The treasury business 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.

Others and unallocated items

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, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the reporting period to acquire property and equipment, intangible assets and other long-term assets.

(a) Segment results, assets and liabilities

	Six months ended 30 June 2016				
	Corporate banking	Retail banking	Treasury business	Others and unallocated items	Total
Operating income					
External net interest income/(expense)	2,197,274	(861,736)	6,036,134	—	7,371,672
Internal net interest income/(expense)	179,388	1,371,541	(1,550,929)	—	—
Net interest income	2,376,662	509,805	4,485,205	—	7,371,672
Net fee and commission income	214,022	94,328	114,803	—	423,153
Net trading losses	—	—	(1,207)	—	(1,207)
Net gains arising from investment securities	—	—	9,113	—	9,113
Foreign exchange gains	28,193	39	5,029	459	33,720
Other net operating income	—	—	—	14,186	14,186
Operating income	2,618,877	604,172	4,612,943	14,645	7,850,637
Operating expenses	(633,653)	(270,897)	(437,845)	(270)	(1,342,665)
Operating profit before impairment	1,985,224	333,275	4,175,098	14,375	6,507,972
Impairment losses on assets	(1,033,597)	(19,732)	(424,315)	—	(1,477,644)
Profit before tax	951,627	313,543	3,750,783	14,375	5,030,328
Segment assets	102,086,762	9,689,646	302,293,439	7,338,441	421,408,288
Deferred tax assets	—	—	—	1,057,521	1,057,521
Total assets	102,086,762	9,689,646	302,293,439	8,395,962	422,465,809
Segment liabilities	138,866,088	79,397,165	167,065,613	4,087,287	389,416,153
Dividend payable	—	—	—	849,910	849,910
Total liabilities	138,866,088	79,397,165	167,065,613	4,937,197	390,266,063
Other segment information					
– Depreciation and amortization	(88,186)	(37,707)	(60,960)	(37)	(186,890)
– Capital expenditure	286,974	122,706	198,372	122	608,174

	Six months ended 30 June 2015				Total
	Corporate banking	Retail banking	Treasury business	Others and unallocated items	
Operating income					
External net interest income/(expense)	1,993,500	(717,784)	3,166,292	—	4,442,008
Internal net interest (expense)/income	(331,116)	1,163,671	(832,555)	—	—
Net interest income	1,662,384	445,887	2,333,737	—	4,442,008
Net fee and commission income	107,760	25,207	(680)	—	132,287
Net trading gains	—	—	60,796	—	60,796
Dividend income	—	—	440	—	440
Net gains arising from investment securities	—	—	2,254	—	2,254
Foreign exchange gains/(losses)	12,836	—	19,407	—	32,243
Other operating income	—	—	—	9,640	9,640
Operating income	1,782,980	471,094	2,415,954	9,640	4,679,668
Operating expenses	(560,000)	(235,996)	(441,235)	(9,230)	(1,246,461)
Operating profit before impairment	1,222,980	235,098	1,974,719	410	3,433,207
Impairment losses on assets	(1,156,384)	(142,982)	(235,370)	—	(1,534,736)
Profit before tax	66,596	92,116	1,739,349	410	1,898,471

	At 31 December 2015				Total
	Corporate banking	Retail banking	Treasury business	Others and unallocated items	
Segment assets	88,500,160	9,858,784	255,773,910	6,826,237	360,959,091
Deferred tax assets	—	—	—	700,822	700,822
Total assets	88,500,160	9,858,784	255,773,910	7,527,059	361,659,913
Segment liabilities	116,881,258	72,117,521	144,026,142	2,205,794	335,230,715
Dividend payable	—	—	—	157,884	157,884
Total liabilities	116,881,258	72,117,521	144,026,142	2,363,678	335,388,599
Other segment information					
– Depreciation and amortization	(164,692)	(66,700)	(116,663)	(1,353)	(349,408)
– Capital expenditure	438,282	177,504	310,466	3,602	929,854

(b) Geographical information

The Group operates principally in Jinzhou, Northeastern China and Northern China.

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

- “Jinzhou” refers to the head quarter of the Bank, Jinzhou branch and the four subsidiaries of the Group.
- “Northeastern China” refers to the following areas serviced by branches of the Bank: Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin, Liaoyang and the two subsidiaries of the Group.
- “Northern China” refers to the following areas serviced by branches of the Bank: Beijing and Tianjin.

	Operating income	
	Six months ended 30 June	
	2016	2015
Jinzhou	5,527,048	2,929,402
Northeastern China	816,783	666,085
Northern China	1,506,806	1,084,181
Total	7,850,637	4,679,668

	Non-current assets	
	At	At
	30 June	31 December
	2016	2015
Jinzhou	2,689,589	2,238,080
Northeastern China	2,608,914	2,599,948
Northern China	735,156	749,104
Total	6,033,659	5,587,132

15 Commitments and contingent liabilities

(a) Credit commitments

The Group's credit commitments take the form of approved loans with signed contracts, credit card commitments, acceptances, letters of credit and financial guarantees.

The contractual amounts of loans and credit card commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances represent the 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 2016	At 31 December 2015
Loan commitments		
– Original contractual maturity within one year	380,233	163,070
– Original contractual maturity more than one year (inclusive)	1,535,335	726,912
Credit card commitments	<u>616,932</u>	<u>491,593</u>
Sub-total	<u>2,532,500</u>	<u>1,381,575</u>
Acceptances	67,266,980	57,702,403
Letters of guarantees	8,176,958	6,724,348
Letters of credit	<u>1,132,519</u>	<u>835,274</u>
Total	<u><u>79,108,957</u></u>	<u><u>66,643,600</u></u>

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

(b) Operating lease commitments

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

	At 30 June 2016	At 31 December 2015
Within one year (inclusive)	90,651	63,685
After one year but within two years (inclusive)	105,486	81,887
After two years but within three years (inclusive)	82,761	80,903
After three years but within five years (inclusive)	104,367	155,663
After five years	98,495	55,175
Total	<u>481,760</u>	<u>437,313</u>

(c) Capital commitments

As at the end of each of the relevant reporting periods, the Group's authorized capital commitments are as follows:

	At 30 June 2016	At 31 December 2015
Contracted but not paid for		
– Purchase of property and equipment	112,335	106,283
Authorized but not contracted		
– Purchase of property and equipment	544,072	74,480
Total	<u>656,407</u>	<u>180,763</u>

(d) Outstanding litigations and disputes

As at 30 June 2016 and 31 December 2015, the Group was the defendant in certain pending litigations and disputes with gross claims of RMB77 million and RMB68 million, respectively.

The Bank was also involved in a shareholding dispute litigation with a former shareholder since July 2012 where the former shareholder requested the court to (i) order the Bank to issue to it a 12-year term warrants that are convertible into such numbers of shares equal to 9.16% of the Bank's total share capital in August 2012, and (ii) together with 2 other defendants jointly indemnify it with an amount of RMB103.9 million plus 9.16% of the Bank's profit recorded in its respective financial statements from 2010 to the date of court judgment. If the court judgment is unfavourable to the Bank

and, in such event, shareholders' shareholdings in the Bank may be diluted, which would represent approximately 5.8% of the Bank's total share capital as of 30 June 2016 after the hypothetical issue and full exercise of the warrants, rendering the former shareholder become the Bank's single largest shareholder. The Bank's directors and its legal advisor in this litigation are of the view that, based on the evidence currently available, the likelihood of the Bank losing this shareholding dispute litigation is low.

No provisions have been made by the Group for the estimated losses of such litigations and disputes at the end of each of the relevant reporting periods after consulting the opinions of the Group's internal and external legal counsels.

7. RELEASE OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement was published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.jinzhoubank.com). The 2016 interim report prepared in accordance with the Listing Rules and the IFRSs will be released on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.jinzhoubank.com), and will be dispatched to the holders of H shares of the Bank in due course.

This results announcement was prepared in both Chinese and English versions, where there is a discrepancy between the Chinese and English versions, the Chinese version shall prevail.

By order of the Board
Bank of Jinzhou Co., Ltd.
Zhang Wei
Chairman

Jinzhou, the PRC
16 August 2016

As at the date of this announcement, the executive directors of the Bank are Mr. Zhang Wei, Ms. Chen Man, Ms. Zhao Jie, Mr. Wang Jing and Ms. Wang Xiaoyu; the non-executive directors are Mr. Li Dongjun, Mr. Zhang Caiguang, Mr. Wu Zhengkui and Ms. Gu Jie; and the independent non-executive directors are Mr. Jiang Daxing, Mr. Deng Xiaoyang, Mr. Niu Sihui, Ms. Jiang Jian and Mr. Choon Yew Khee.

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