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(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 2017

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 2017 (the “**Reporting Period**”) prepared in accordance with the International Accounting 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

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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

2.1 Financial Data

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six months ended 30 June		Interim period of 2017 vs Interim period of 2016	For the year ended 31 December 2016
	2017	2016	Rate of change (%)	
Operating Results				
Interest income	17,898,864	13,174,523	35.9	27,897,191
Interest expense	(9,512,088)	(5,802,851)	63.9	(12,448,982)
Net interest income	8,386,776	7,371,672	13.8	15,448,209
Net fee and commission income	400,567	423,153	(5.3)	809,265
Net trading (losses)/gains	(45,155)	(1,207)	3,641.1	49,948
Dividend income	–	–	–	895
Net gains arising from investment securities	17,350	9,113	90.4	10,348
Net foreign exchange (losses)/gains	(236,380)	33,720	(801.0)	53,724
Other net operating income	9,219	14,186	(35.0)	41,460
Operating income	8,532,377	7,850,637	8.7	16,413,849
Operating expenses	(1,574,069)	(1,342,665)	17.2	(2,758,039)

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six months ended 30 June		Interim period of 2017 vs Interim period of 2016	For the year ended
	2017	2016	Rate of change (%)	31 December 2016
Operating Results				
Operating profit before impairment	6,958,308	6,507,972	6.9	13,655,810
Impairment losses on assets	(1,615,348)	(1,477,644)	9.3	(2,784,895)
Profit before taxation	5,342,960	5,030,328	6.2	10,870,915
Income tax	(1,312,916)	(1,232,088)	6.6	(2,671,469)
Profit for the period	4,030,044	3,798,240	6.1	8,199,446
Profit attributable to equity shareholders of the Bank	3,990,797	3,793,541	5.2	8,129,590
Calculated on a per share basis (RMB)				
Basic and diluted earnings per share	0.59	0.66	(10.6)	1.40
	30 June 2017	31 December 2016	30 June 2017 vs 31 December 2016 Rate of change (%)	30 June 2016
Major indicators of assets/liabilities				
Total assets	644,012,574	539,059,522	19.5	422,465,809
Of which: loans and advances to customers	184,291,934	121,930,761	51.1	108,868,575
Total liabilities	598,396,207	496,165,210	20.6	390,266,063
Of which: deposits from customers	312,060,261	262,969,211	18.7	199,166,574
Share capital	6,781,616	6,781,616	—	5,781,616
Total equity attributable to equity shareholders of the Bank	41,756,015	39,035,430	7.0	28,527,591
Total equity	45,616,367	42,894,312	6.3	32,199,746

2.2 Financial Indicators

	For the six months ended 30 June		Interim period of 2017 vs Interim period of 2016 Change	For the year ended 31 December 2016
	2017	2016		
Profitability indicators (%)				
Return on average total assets ⁽¹⁾	1.36*	1.94*	(0.58)	1.82
Return on average equity ⁽²⁾	19.76*	28.03*	(8.27)	25.16
Net interest spread ⁽³⁾	2.51*	3.49*	(0.98)	3.41
Net interest margin ⁽⁴⁾	2.80*	3.78*	(0.98)	3.67
Net fee and commission income to operating income ratio	4.69	5.39	(0.70)	4.93
Cost-to-income ratio ⁽⁵⁾	15.83	14.37	1.46	14.83
			30 June 2017 vs 31 December 2016 Change	30 June 2016
	30 June 2017	31 December 2016		
Assets quality indicators (%)				
Non-performing loan ratio ⁽⁶⁾	1.06	1.14	(0.08)	1.10
Allowance coverage ratio ⁽⁷⁾	300.33	336.30	(35.97)	382.66
Allowance to loans ratio ⁽⁸⁾	3.17	3.84	(0.67)	4.20
Capital adequacy indicators (%)				
Core tier 1 capital adequacy ratio ⁽⁹⁾	9.18	9.79	(0.61)	9.12
Tier 1 capital adequacy ratio ⁽¹⁰⁾	9.19	9.80	(0.61)	9.13
Capital adequacy ratio	10.97	11.62	(0.65)	10.75
Total equity to total assets	7.08	7.96	(0.88)	7.62
Other Indicators (%)				
Loan-to-deposit ratio ⁽¹¹⁾	51.41	40.36	11.05	43.92

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 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 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 nonperforming 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 development of the Internet finance industry and 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 “Changing mode, Adjusting structure, Controlling risk and Strengthening development” of the Bank.

The Bank recorded a net profit of RMB4,030 million in the Reporting Period, representing an increase of 6.1% as compared to the six months ended 30 June 2016 (“**Interim Period of 2016**”). 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 RMB644,013 million, representing an increase of 19.5% as compared to that as at the end of 2016; the net loans and advances to customers amounted to RMB184,292 million, representing an increase of 51.1% as compared to that as at the end of 2016; the non-performing loan ratio was 1.06%, representing a decrease of 0.08 percentage point as compared to that as at the end of 2016; the deposits from customers balance of the Bank amounted to RMB312,060 million, representing an increase of 18.7% as compared to that as at the end of 2016; during the Reporting Period, the operating income of the Bank amounted to RMB8,532 million, representing an increase of 8.7% as compared with the Interim Period of 2016; and the net profit amounted to RMB4,030 million, representing an increase of 6.1% as compared with the Interim Period of 2016.

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 amounted to 10.97%, 9.19% and 9.18%, respectively.

3.2 Financial Review

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 (%)
	2017	2016		
Interest income	17,898,864	13,174,523	4,724,341	35.9
Interest expense	(9,512,088)	(5,802,851)	3,709,237	63.9
Net interest income	8,386,776	7,371,672	1,015,104	13.8
Net fee and commission income	400,567	423,153	(22,586)	(5.3)
Net trading losses	(45,155)	(1,207)	(43,948)	3,641.1
Net gains arising from investment securities	17,350	9,113	8,237	90.4
Net foreign exchange (losses)/gains	(236,380)	33,720	(270,100)	(801.0)
Other net operating income	9,219	14,186	(4,967)	(35.0)
Operating income	8,532,377	7,850,637	681,740	8.7
Operating expenses	(1,574,069)	(1,342,665)	(231,404)	17.2
Impairment losses on assets	(1,615,348)	(1,477,644)	(137,704)	9.3
Profit before taxation	5,342,960	5,030,328	312,632	6.2
Income tax	(1,312,916)	(1,232,088)	(80,828)	6.6
Net profit for the period	4,030,044	3,798,240	231,804	6.1

During the Reporting Period, the Bank's profit before taxation was RMB5,343 million, representing a year-on-year increase of 6.2%; net profit was RMB4,030 million, representing a year-on-year increase of 6.1%, mainly attributable to the stable growth of interest-earning assets resulting in increased net interest income of RMB1,015 million or 13.8% 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 98.3% and 93.9% of operating income in the Reporting Period and the Interim Period of 2016, 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 (%)
	2017	2016		
Interest income	17,898,864	13,174,523	4,724,341	35.9
Interest expense	(9,512,088)	(5,802,851)	(3,709,237)	63.9
Net interest income	<u>8,386,776</u>	<u>7,371,672</u>	<u>1,015,104</u>	<u>13.8</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 2017			For the six months ended 30 June 2016		
	Average balance	Interest income/expense	Average yield/cost (%)	Average balance	Interest income/expense	Average yield/cost (%)
Interest-earning Assets						
Loans and advances to customers	144,033,061	4,472,224	6.21	109,738,173	3,807,241	6.94
Investment securities and other financial assets ⁽¹⁾	384,451,814	12,698,732	6.61	236,754,053	8,933,622	7.55
Deposits with the central bank	44,823,113	342,444	1.53	30,929,632	234,958	1.52
Deposits with banks and other financial institutions	11,952,852	95,418	1.60	7,514,242	150,253	4.00
Placements with banks and other financial institutions	1,613,753	10,712	1.33	1,185,766	6,032	1.02
Financial assets held under resale agreements	6,611,630	94,006	2.84	2,992,263	31,158	2.08
Financial lease receivables	5,003,339	185,328	7.41	408,985	11,259	5.51
Total interest-earning assets	<u>598,489,562</u>	<u>17,898,864</u>	<u>5.98</u>	<u>389,523,114</u>	<u>13,174,523</u>	<u>6.76</u>

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six months ended 30 June 2017			For the six months ended 30 June 2016		
	Average balance	Interest income/ expense	Average yield/cost (%)	Average balance	Interest income/ expense	Average yield/cost (%)
Interest-bearing Liabilities						
Deposits from customers	302,391,237	4,397,479	2.91	186,557,027	2,196,622	2.35
Deposits from banks and other financial institutions	128,301,200	2,821,888	4.40	133,973,336	2,921,913	4.36
Placements from banks and other financial institutions	9,134,272	88,587	1.94	4,033,909	18,014	0.89
Financial assets sold under repurchase agreements	29,035,446	521,925	3.60	13,145,311	262,900	4.00
Debt securities issued	57,918,556	1,276,937	4.41	1,500,000	52,234	6.96
Financial liabilities at fair value through profit or loss	21,627,039	405,092	3.75	15,532,754	351,168	4.52
Borrowings from the central bank	17,569	180	2.05	—	—	—
Total interest-bearing liabilities	548,425,319	9,512,088	3.47	354,742,337	5,802,851	3.27
Net interest income		8,386,776			7,371,672	
Net interest spread ⁽²⁾			2.51			3.49
Net interest margin ⁽³⁾			2.80			3.78

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.

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six months ended 30 June		
	2017 vs 2016		
	Changes in volume ⁽¹⁾	Changes in interest rate ⁽²⁾	Net increase/ (decrease) ⁽³⁾
Interest-earning Assets			
Loans and advances			
to customers	1,189,822	(524,839)	664,983
Investment securities and other financial assets	5,573,193	(1,808,083)	3,765,110
Deposits with the central bank	105,542	1,944	107,486
Deposits with banks and other financial institutions	88,753	(143,588)	(54,835)
Placements with banks and other financial institutions	2,177	2,503	4,680
Financial assets held under resale agreements	37,688	25,160	62,848
Financial lease receivables	126,479	47,590	174,069
Changes in interest income	7,123,654	(2,399,313)	4,724,341
Interest-bearing Liabilities			
Deposits from customers	1,363,894	836,963	2,200,857
Deposits from banks and other financial institutions	(123,707)	23,682	(100,025)
Placements from banks and other financial institutions	22,776	47,797	70,573
Financial assets sold under repurchase agreements	317,795	(58,770)	259,025
Debt securities issued	1,964,645	(739,942)	1,224,703
Financial liabilities at fair value through profit or loss	137,781	(83,857)	53,924
Borrowings from the central bank	180	—	180
Changes in interest expense	3,683,364	25,873	3,709,237
Changes in net interest income	3,440,290	(2,425,186)	1,015,104

- 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			
	2017		2016	
	Amount	% of total	Amount	% of total
Loans and advances to customers				
Corporate loans	4,173,835	23.4	3,455,971	26.2
Retail loans	290,941	1.6	339,311	2.6
Discounted bills	7,448	0.0	11,959	0.1
Subtotal	4,472,224	25.0	3,807,241	28.9
Investment securities and other financial assets	12,698,732	71.0	8,933,622	67.8
Deposits with the central bank	342,444	1.9	234,958	1.8
Deposits with banks and other financial institutions	95,418	0.5	150,253	1.1
Financial assets held under resale agreements	94,006	0.5	31,158	0.2
Placements with banks and other financial institutions	10,712	0.1	6,032	0.1
Financial lease receivables	185,328	1.0	11,259	0.1
Total	17,898,864	100.0	13,174,523	100.0

The Bank's interest income increased by 35.9% to RMB17,898,864 thousand in the Reporting Period from RMB13,174,523 thousand for the Interim Period of 2016, primarily due to the 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 25.0% and 28.9% of the Bank's interest income in the Reporting Period and the Interim Period of 2016, 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					
	2017			2016		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	134,328,057	4,173,835	6.21	99,968,941	3,455,971	6.91
Retail loans	9,553,204	290,941	6.09	9,636,774	339,311	7.04
Discounted bills	151,800	7,448	9.81	132,458	11,959	18.06
Total	144,033,061	4,472,224	6.21	109,738,173	3,807,241	6.94

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

Interest income from investment securities and other financial assets increased by 42.1% to RMB12,698,732 thousand in the Reporting Period from RMB8,933,622 thousand in the Interim Period of 2016, primarily due to the increase in the scale of investment assets resulting in the corresponding increase in interest income.

(3) Interest income from deposits with the central bank

Interest income from deposits with the central bank increased by 45.7% to RMB342,444 thousand in the Reporting Period from RMB234,958 thousand in the Interim Period of 2016, 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 36.5% to RMB95,418 thousand in the Reporting Period from RMB150,253 thousand in the Interim Period of 2016, primarily due to the increase in the proportion of the scale of the lower yield deposits of foreign currencies 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 77.6% to RMB10,712 thousand in the Reporting Period from RMB6,032 thousand in the Interim Period of 2016, 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 36.1% to RMB1,613,753 thousand in the Reporting Period from RMB1,185,766 thousand in the Interim Period of 2016, primarily due to the increased amount of placements with banks and other financial institutions by the Bank to strengthen liquidity management in the Reporting Period. The average yield of placements with banks and other financial institutions rose to 1.33% in the Reporting Period from 1.02% for the Interim Period of 2016, primarily due to the increase in market rate.

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

Interest income from financial assets held under resale agreements increased by 201.7% to RMB94,006 thousand in the Reporting Period from RMB31,158 thousand in the Interim Period of 2016, primarily due to the increase in the average balance and average yield. The average balance of financial assets held under resale agreements increased by 121.0% to RMB6,611,630 thousand in the Reporting Period from RMB2,992,263 thousand for the Interim Period of 2016, primarily because the Bank invested in financial assets held under resale agreements to satisfy the needs of liquidity management. The average yield of financial assets held under resale agreements rose to 2.84% in the Reporting Period from 2.08% in the Interim Period of 2016, primarily due to the increase in the interbank market interest rate.

(7) Interest income from financial lease receivables

Interest income from financial lease receivables increased to RMB185,328 thousand for the Reporting Period from RMB11,259 thousand for the Interim Period of 2016, mainly attributable to the increase in the average balance and average yield of financial lease receivables.

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			
	2017		2016	
	Amount	% of total	Amount	% of total
Deposits from customers	4,397,479	46.2	2,196,622	37.9
Deposits from banks and other financial institutions	2,821,888	29.7	2,921,913	50.3
Placements from banks and other financial institutions	88,587	0.9	18,014	0.3
Financial assets sold under repurchase agreements	521,925	5.5	262,900	4.5
Debt securities issued	1,276,937	13.4	52,234	0.9
Financial liabilities at fair value through profit or loss	405,092	4.3	351,168	6.1
Borrowings from the central bank	180	0.0	—	—
Total	<u>9,512,088</u>	<u>100.0</u>	<u>5,802,851</u>	<u>100.0</u>

(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					
	Average balance	2017 Interest expense	Average cost (%)	Average balance	2016 Interest expense	Average cost (%)
Corporate deposits						
Time	139,482,486	2,188,147	3.14	97,227,111	1,112,280	2.29
Demand	48,338,352	129,537	0.54	24,843,368	76,482	0.62
Subtotal	<u>187,820,838</u>	<u>2,317,684</u>	<u>2.47</u>	<u>122,070,479</u>	<u>1,188,762</u>	<u>1.95</u>
Retail deposits						
Time	100,981,023	2,036,493	4.03	52,982,501	981,635	3.71
Demand	13,589,376	43,302	0.64	11,504,047	26,225	0.46
Subtotal	<u>114,570,399</u>	<u>2,079,795</u>	<u>3.63</u>	<u>64,486,548</u>	<u>1,007,860</u>	<u>3.13</u>
Total deposits from customers	<u>302,391,237</u>	<u>4,397,479</u>	<u>2.91</u>	<u>186,557,027</u>	<u>2,196,622</u>	<u>2.35</u>

Interest expense on deposits from customers increased by 100.2% to RMB4,397,479 thousand in the Reporting Period from RMB2,196,622 thousand in the Interim Period of 2016, primarily due to the rapid increase in the scale of the Bank's deposits from customers and the increase in the cost 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 decreased by 3.4% to RMB2,821,888 thousand in the Reporting Period from RMB2,921,913 thousand in the Interim Period of 2016, primarily due to the slight reduction in the scale of the deposits from banks and other financial institutions.

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

Interest expense on placements from banks and other financial institutions increased by 391.8% to RMB88,587 thousand in the Reporting Period from RMB18,014 thousand in the Interim Period of 2016, primarily due to the increase in the scale and average cost of placements from banks and other financial institutions. The average balance of placements from banks and other financial institutions increased by 126.4% to RMB9,134,272 thousand in the Reporting Period from RMB4,033,909 thousand in the Interim Period of 2016, primarily due to placements of foreign currencies with lower cost from banks and other financial institutions resulting from the Bank's need to decrease the funding cost.

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

Interest expense on financial assets sold under repurchase agreements increased by 98.5% to RMB521,925 thousand in the Reporting Period from RMB262,900 thousand in the Interim Period of 2016, primarily due to the increase in the average balance. The average balance of financial assets sold under repurchase agreements increased by 120.9% to RMB29,035,446 thousand in the Reporting Period from RMB13,145,311 thousand in the Interim Period of 2016 and was mainly the Bank's needs for liquidity management.

(5) Interest expense on debt securities issued

In the Reporting Period, the Bank's interest expense on debt securities issued increased by RMB1,224,703 thousand to RMB1,276,937 thousand as compared to the Interim Period of 2016, primarily due to an increase in the Bank's average balance of debt securities issued, partially offset by a decrease in the average cost. The increase in average balance of RMB 56,418,556 thousand to RMB57,918,556 thousand in the Reporting Period from RMB1,500,000 thousand in the interim Period of 2016 was mainly attributable to the Bank's issuance of interbank deposit certificates and additional issuance of tier-two capital debts; the decrease in average cost to 4.41% in the Reporting Period from 6.96% in the Interim Period of 2016 was mainly attributable to larger proportion of short-term interbank deposit certificates with lower cost.

(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 RMB405,092 thousand in the Reporting Period from RMB351,168 thousand in the Interim Period of 2016, primarily because the issuance size of the Bank's wealth management products increased. The average balance of principal-guaranteed wealth management products increased by 39.2% to RMB21,627,039 thousand in the Reporting Period from RMB15,532,754 thousand in the Interim Period of 2016, which was primarily because the Bank issued more principal-protected wealth management products to meet the enlarged demand of customers for investment wealth management.

(7) Interest expense on borrowings from the central bank

During the Reporting Period, interest expense on borrowings from the central bank of the Bank amounted to RMB180 thousand, mainly attributable to the business of the buy-back rediscount which was newly launched in the Reporting Period.

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 decreased to 2.51% in the Reporting Period as compared to 3.49% in the Interim Period of 2016 and the net interest margin decreased to 2.80% in the Reporting Period as compared to 3.78% in the Interim Period of 2016, primarily due to the impacts of interest rate liberalization, the policy on collecting value-added tax in lieu of business tax, slower growth in the macro economy of China and the adjustment in the structure of the industry.

3.2.1.5 Non-interest income

(1) Net fee and commission income

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

	For the six months ended 30 June		Change in amount	Rate of change (%)
	2017	2016		
Fee and commission income				
Agency services fees	175,057	79,433	95,624	120.4
Settlement and clearing fees	157,590	106,753	50,837	47.6
Wealth management service fees	73,696	139,516	(65,820)	(47.2)
Underwriting and advisory fees	40,286	113,632	(73,346)	(64.5)
Bank card service fees	7,555	8,857	(1,302)	(14.7)
Others	1,379	5,258	(3,879)	(73.8)
Subtotal	<u>455,563</u>	<u>453,449</u>	<u>2,114</u>	<u>0.5</u>
Fee and commission expense				
Settlement and clearing fees	30,949	9,474	21,475	226.7
Others	24,047	20,822	3,225	15.5
Subtotal	<u>54,996</u>	<u>30,296</u>	<u>24,700</u>	<u>81.5</u>
Net fee and commission income	<u><u>400,567</u></u>	<u><u>423,153</u></u>	<u><u>(22,586)</u></u>	<u><u>(5.3)</u></u>

The Bank's fee and commission income increased to RMB455,563 thousand in the Reporting Period as compared to RMB453,449 thousand in the Interim Period of 2016. During the Reporting Period, the Bank's fee and commission income remained stable as compared to that of the Interim Period of 2016.

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 81.5% to RMB54,996 thousand in the Reporting Period as compared to RMB30,296 thousand in the Interim Period of 2016, primarily due to an increase in the Bank's settlement amounts.

(2) Net trading losses

Net trading losses primarily comprises of net losses 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 RMB45,155 thousand, while for the Interim Period of 2016, the Bank's incurred a net trading loss of RMB1,207 thousand. The increase in the Bank's net trading losses in the Reporting Period was primary due to the fluctuation of the market prices of the bonds held by the Bank.

(3) Net gains arising from investment securities

The Bank incurred a net gain arising from investment securities of RMB17,350 thousand in the Reporting Period, as compared with the net gain arising from investment securities of RMB9,113 thousand in the Interim Period of 2016, mainly attributable to the increase in income from trading bonds by the Bank.

(4) Net foreign exchange (losses)/gains

Net foreign exchange (losses)/gains decreased to a net losses of RMB236,380 thousand in the Reporting Period from a net gains of RMB33,720 thousand in the Interim Period of 2016, as a result of exchange rates fluctuation.

(5) Other net operating income

Other net operating income decreased by 35.0% to RMB9,219 thousand in the Reporting Period from RMB14,186 thousand in the Interim Period of 2016.

3.2.1.6 Operating expenses

In the Reporting Period, the Bank's operating expenses was RMB1,574,069 thousand, representing an increase of RMB231,404 thousand or 17.2% as compared to the Interim Period of 2016.

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six months		Change in amount	Rate of Change (%)
	ended 30 June 2017	2016		
Staff costs	782,150	603,951	178,199	29.5
General and administrative expenses	369,040	335,767	33,273	9.9
Depreciation and amortization	198,722	186,890	11,832	6.3
Tax and surcharges	67,607	215,841	(148,234)	(68.7)
Others	156,550	216	156,334	72,376.9
Total operating expenses	<u>1,574,069</u>	<u>1,342,665</u>	<u>231,404</u>	<u>17.2</u>

(1) Staff costs

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

(Expressed in thousands

<i>of Renminbi, unless otherwise stated)</i>	For the six months ended 30 June		Change in amount	Rate of Change (%)
	2017	2016		
Salaries and bonuses	578,368	441,184	137,184	31.1
Staff welfares	30,529	23,789	6,740	28.3
Pension	77,217	58,466	18,751	32.1
Housing allowances	39,241	32,393	6,848	21.1
Supplementary retirement benefits	815	801	14	1.7
Other long-term staff welfares	(1,851)	1,313	(3,164)	(241.0)
Others	57,831	46,005	11,826	25.7
Total staff costs	<u>782,150</u>	<u>603,951</u>	<u>178,199</u>	<u>29.5</u>

In the Reporting Period, the Bank's total staff costs was RMB782,150 thousand, representing an increase of RMB178,199 thousand or 29.5% as compared with that of the Interim Period of 2016, 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 9.9% to RMB369,040 thousand in the Reporting Period as compared to RMB335,767 thousand in the Interim Period of 2016, 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) Depreciation and amortization

Depreciation and amortization increased by 6.3% to RMB198,722 thousand in the Reporting Period as compared to RMB186,890 thousand in the Interim Period of 2016, primarily due to the increase in depreciation and amortization expenses as a result of an increase in the Bank's properties and equipment and an increase in the rental expenses of the Bank's operating outlets.

(4) Tax and surcharges

The Bank's tax and surcharges decreased by 68.7% to RMB67,607 thousand in the Reporting Period as compared to RMB215,841 thousand in the Interim Period of 2016, 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).

(5) Others

Others significantly increased to RMB156,550 thousand in the Reporting Period from RMB216 thousand in the Interim Period of 2016, mainly attributable to the Bank's increase in donation to third parties in the Reporting Period for the launch of precise poverty alleviation.

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:

(Expressed in thousands of Renminbi, unless otherwise stated)

	For the six months ended 30 June		Change in amount	Rate of change (%)
	2017	2016		
Impairment losses on loans and advances to customers	1,200,828	1,033,133	167,695	16.2
Impairment losses on debt securities classified as receivables	359,807	424,315	(64,508)	(15.2)
Impairment losses on other assets	54,713	20,196	34,517	170.9
Total	<u>1,615,348</u>	<u>1,477,644</u>	<u>137,704</u>	<u>9.3</u>

Impairment losses on assets increased by 9.3% to RMB1,615,348 thousand in the Reporting Period from RMB1,477,644 thousand in the Interim Period of 2016.

3.2.1.8 Income tax

In the Reporting Period, the Bank's income tax was RMB1,312,916 thousand, representing an increase of RMB80,828 thousand or 6.6% as compared with the Interim Period of 2016. The Bank's actual tax rate was 24.57%, representing an increase of 0.08 percentage point as compared with that of the Interim Period of 2016.

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 2016, the Bank had a total assets of RMB644,012,574 thousand and RMB539,059,522 thousand, respectively. The principal components of the assets were (i) loans and advances to customers; (ii) investment securities and other financial assets; and (iii) cash and deposits with the central bank, accounting for 28.6%, 58.9% and 7.3% 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:

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

	30 June 2017		31 December 2016	
	Amount	% of total	Amount	% of total
Assets				
Gross loans and advances				
to customers	190,333,158	29.5	126,800,083	23.5
Provision for impairment				
losses on loans and advances				
to customers	(6,041,224)	(0.9)	(4,869,322)	(0.9)
Net Loans and advances				
to customers	184,291,934	28.6	121,930,761	22.6
Investment securities and other				
financial assets, net ⁽¹⁾	379,230,671	58.9	347,990,616	64.6
Cash and deposits with the				
central bank	46,824,603	7.3	43,666,527	8.1
Deposits with banks and other				
financial institutions	12,924,381	2.0	8,673,633	1.6
Financial assets held				
under resale agreements	2,067,885	0.3	—	—
Financial lease receivables	4,929,435	0.8	4,615,491	0.9
Other assets ⁽²⁾	13,743,665	2.1	12,182,494	2.2
Total assets	644,012,574	100.0	539,059,522	100.0

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 derivative financial assets, interests receivable, property and equipment, deferred tax assets and others.

The Bank's total assets increased by 19.5% from RMB539,059,522 thousand as of 31 December 2016 to RMB644,012,574 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 RMB190,333,158 thousand, representing an increase of 50.1% as compared to that at the end of last year. Total loans and total advances to customers accounted for 29.5% of the Bank's total assets, representing an increase of 6.0 percentage points as compared to that at the end of last year.

(Expressed in thousands

of Renminbi, unless otherwise stated)

	30 June 2017		31 December 2016	
	Amount	% of total	Amount	% of total
Corporate loans	179,545,041	94.3	117,553,214	92.7
Retail loans	10,022,218	5.3	9,205,425	7.3
Discounted bills	765,899	0.4	41,444	0.0
Total loans and advances to customers	190,333,158	100.0	126,800,083	100.0

The Bank's total loans and advances to customers primarily comprise of corporate loans (including discounted bills) and retail loans. Corporate loans is the largest component of the Bank's loan portfolio. As at the end of the Reporting Period and as of 31 December 2016, the Bank's corporate loans amounted to RMB179,545,041 thousand and RMB117,553,214 thousand, accounting for 94.3% and 92.7% of the Bank's total loans and advances to customers, respectively.

The Bank's corporate loans increased by 52.7% from RMB117,553,214 thousand as of 31 December 2016 to RMB179,545,041 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 outlets by the Bank.

The Bank's retail loans mainly comprises of personal business loans, residential 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 RMB10,022,218 thousand, representing an increase of RMB816,793 thousand or 8.9% as compared to that at the end of last year. The proportion of the Bank's total loans and advances to customers represented a decrease of 2 percentage points as compared to that at the end of last year.

A. Loans by collateral

As at the end of the Reporting Period and as of 31 December 2016, collateralized loans, pledged loans and guaranteed loans represented, in the aggregate, 93.3% and 96.2% 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 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 2017		31 December 2016	
	Amount	% of total	Amount	% of total
Unsecured loans	12,760,451	6.7	4,788,651	3.8
Guaranteed loans	77,370,585	40.7	45,951,515	36.2
Collateralized loans	61,122,299	32.1	56,164,010	44.3
Pledged loans	39,079,823	20.5	19,895,907	15.7
Total loans and advances to customers	190,333,158	100.0	126,800,083	100.0

As at the end of the Reporting Period, the balance of the Bank's loans secured by mortgages and pledges amounted to RMB100,202,122 thousand, representing an increase of RMB24,142,205 thousand or 31.7% as compared to that at 31 December 2016, accounting for 52.6% of the Bank's total loans and advances to customers. The balance of unsecured and guaranteed loans was RMB90,131,036 thousand, representing an increase of RMB39,390,870 thousand as compared to that at 31 December 2016, accounting for 47.4% of the Bank's total loans and advances to customers.

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

(Expressed in thousands of Renminbi, unless otherwise stated)

	30 June 2017	31 December 2016
As at the beginning of the period	4,869,322	3,861,204
Charge for the period/year	1,300,836	1,351,168
Release for the period/year	(100,008)	(197,744)
Recoveries for the period/year	1,849	2,051
Unwinding of discount		
for the period/year	(30,775)	(35,907)
Disposal for the period/year	—	(111,450)
	<hr/>	<hr/>
As at 30 June/31 December	<u>6,041,224</u>	<u>4,869,322</u>

Provision for impairment losses on loans increased by 24.1% from RMB4,869,322 thousand as at 31 December 2016 to RMB6,041,224 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 and the increase in loan size.

(2) Investment securities and other financial assets

Investment securities and other financial assets consist of debt investments, equity investments, 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 at 31 December 2016, the Bank had investment securities and other financial assets, net of RMB379,230,671 thousand and RMB347,990,616 thousand, accounting for 58.9% and 64.6% of the Bank's total assets, respectively.

(Expressed in thousands

of Renminbi, unless otherwise stated)

	30 June 2017		31 December 2016	
	Amount	% of total	Amount	% of total
Debt investments	55,481,884	14.6	45,162,404	12.9
Held-to-maturity investments	8,485,982	2.2	10,436,027	3.0
Available-for-sale debt investments	45,003,173	11.9	34,664,662	9.9
Debt securities held for trading	1,992,729	0.5	61,715	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	22,805,229	6.0	21,089,421	6.1
Debt securities classified as receivables, net	300,885,308	79.4	281,680,541	81.0
Investments in wealth management products of financial institutions	203,261	0.1	200,088	0.1
Net beneficial interest transfer plans	303,132,972	79.9	283,571,571	81.5
Provision for impairment losses on debt securities classified as receivables	(2,450,925)	(0.6)	(2,091,118)	(0.6)
Net investments	379,230,671	100.0	347,990,616	100.0

As at the end of the Reporting Period, the Bank's investment securities and other financial assets, net amounted to RMB379,230,671 thousand, representing an increase of 9.0% from RMB347,990,616 thousand as at 31 December 2016. 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 at of 31 December 2016, the Bank's total liabilities amounted to RMB598,396,207 thousand and RMB496,165,210 thousand, respectively. The Bank's liabilities mainly comprises (i) deposits from customers; (ii) deposits from banks and other financial institutions; and (iii) debt securities issued, accounting for 52.2%, 22.6% and 13.2% 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 at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)

	30 June 2017		31 December 2016	
	Amount	% of total	Amount	% of total
Deposits from customers	312,060,261	52.2	262,969,211	53.0
Deposits from banks and other financial institutions	135,240,853	22.6	131,028,453	26.4
Financial assets sold under repurchase agreements	21,659,510	3.6	35,164,192	7.1
Debt securities issued	79,074,662	13.2	30,223,286	6.1
Placements from banks and other financial institutions	12,010,948	2.0	3,866,521	0.8
Financial liabilities at fair value through profit or loss	22,714,452	3.8	20,986,772	4.2
Other liabilities ⁽¹⁾	15,635,521	2.6	11,926,775	2.4
Total	598,396,207	100.0	496,165,210	100.0

Note: (1) Include borrowings from the central bank, derivative financial liabilities, accrued staff cost, taxes payable, interests payable and others.

(1) Deposits from customers

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

(Expressed in thousands

*of Renminbi, unless
otherwise stated)*

	30 June 2017		31 December 2016	
	Amount	% of total	Amount	% of total
Corporate deposits				
Time deposits	47,033,669	15.1	52,522,396	20.0
Demand deposits	132,715,760	42.5	115,711,642	44.0
Subtotal	<u>179,749,429</u>	<u>57.6</u>	<u>168,234,038</u>	<u>64.0</u>
Retail deposits				
Time deposits	15,369,697	4.9	12,855,119	4.9
Demand deposits	116,941,135	37.5	81,880,054	31.1
Subtotal	<u>132,310,832</u>	<u>42.4</u>	<u>94,735,173</u>	<u>36.0</u>
Total	<u><u>312,060,261</u></u>	<u><u>100.0</u></u>	<u><u>262,969,211</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 RMB312,060,261 thousand, representing an increase of RMB49,091,050 thousand or 18.7% as compared to that at the end of last year. Deposits from customers accounted for 52.2% of total liabilities, representing a decrease of 0.8 percentage point as compared to that at 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

On 24 January 2014, the Bank issued the fixed rate tier-two capital debts in an aggregate principal amount of RMB1,500 million. The debts has a term of ten years and coupon rate of 7.00%. The Bank has an option to redeem the debts at the nominal amount on 28 January 2019.

On 26 December 2016, the Bank issued the fixed rate tier-two capital debts in an aggregate principal amount of RMB2,500 million. The debts has a term of ten years and coupon rate of 4.30%. The Bank has an option to redeem the debts at the nominal amount on 27 December 2021.

As at the end of the Reporting Period, the fair value of the above payable tier-two capital debts was RMB4,065 million.

As at the end of the Reporting Period, the Bank issued 162 interbank deposit certificates (issued in the market which are not matured yet) with an aggregate amount of RMB75,080 million. As at the end of the Reporting Period, the fair value of the above interbank deposit certificates was RMB75,123 million.

3.2.2.3 Shareholders' equity

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

(Expressed in thousands of Renminbi, unless otherwise stated)

	30 June 2017		31 December 2016	
	Amount	% of total	Amount	% of total
Share capital	6,781,616	14.9	6,781,616	15.8
Capital reserve	13,987,825	30.7	14,240,795	33.2
Surplus reserve	2,101,109	4.6	2,101,109	4.9
General reserve	7,225,282	15.8	7,225,282	16.8
Retained earnings	11,660,183	25.5	8,686,628	20.3
Non-controlling interests	3,860,352	8.5	3,858,882	9.0
Total equity	45,616,367	100.0	42,894,312	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 each categories 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 RMB2,011,525 thousand and the Bank's total provision for impairment losses on loans to customers was RMB6,041,224 thousand. The following table sets forth the distribution of the Bank's loans and advances to customers by the fivecategory loan classification as of the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	30 June 2017		31 December 2016	
	Amount	% of total	Amount	% of total
Pass	181,416,773	95.3	120,769,380	95.3
Special mention	6,904,860	3.6	4,582,785	3.6
Substandard	1,323,893	0.7	751,542	0.6
Doubtful	396,457	0.2	409,402	0.3
Loss	291,175	0.2	286,974	0.2
Total loans and advances to customers	<u>190,333,158</u>	<u>100.0</u>	<u>126,800,083</u>	<u>100.0</u>
Non-performing loan	2,011,525	1.06	1,447,918	1.14

As at the Reporting Period and as at 31 December 2016, the non-performing loan ratios of the Bank were 1.06% and 1.14%, respectively. The Bank's non-performing loan ratio as at the end of the Reporting Period is 0.08 percentage point slightly lower as compared to that at the end of 2016, 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 postloan inspections and the collection of non-performing loans, effectively control the occurrence of non-performing loans, and decline in non-performing rate of the Bank as a result of the expansion of the scale of loans.

3.2.3.2 Concentration of loans

(1) Concentration by industry of corporate loans

Corporate loans consists of loans to customers in various industries. The table below sets forth the breakdown of corporate loans by industry as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	30 June 2017		31 December 2016	
	Amount	% of total	Amount	% of total
Wholesale and retail trade	79,163,857	44.1	39,985,815	34.0
Manufacturing	41,481,231	23.1	37,272,136	31.7
Real estate	15,349,335	8.5	13,774,113	11.7
Leasing and commercial services	9,803,773	5.5	6,426,944	5.5
Public management and social organization	6,149,410	3.4	242,750	0.2
Transportation, storage and postal services	5,831,943	3.2	2,802,067	2.4
Education	5,124,352	2.9	3,213,742	2.7
Electricity, gas and water production and supply	2,315,102	1.3	3,822,215	3.3
Agriculture, forestry, animal husbandry and fishery	2,311,528	1.3	1,534,475	1.3
Mining	1,877,401	1.0	1,801,952	1.5
Construction	1,701,187	0.9	1,647,035	1.4
Water, environment and public utility management	1,039,170	0.6	1,352,440	1.2
Others	7,396,752	4.2	3,677,530	3.1
Total corporate loans and advances	179,545,041	100.0	117,553,214	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 at 31 December 2016, the balance of loans provided to the corporate customers in these four industries were RMB145,798,196 thousand and RMB97,459,008 thousand, respectively, accounting for 81.2% and 82.9% 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 and public and social organizations experienced the largest increment. The increased quantity and increment were respectively as follows: RMB39,178,042 thousand, 98.0% and RMB5,906,660 thousand, 2,433.2%.

(2) Borrower concentration

A. Indicators of concentration

Major regulatory indicators	Regulatory standard	30 June 2017 % of the total	31 December 2016 % of the total
Loan concentration ratio for the largest single customer	<=10%	5.68	4.23
Loan concentration ratio for the top ten customers	<=50%	45.50	39.92

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 at the same date, all such loans were classified as pass loans.

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

Customer	Industry involved	30 June 2017	
		Amount	% of total
Customer A	Scientific research and technical services	2,850,000	1.5
Customer B	Manufacturing	2,700,000	1.4
Customer C	Manufacturing	2,500,000	1.3
Customer D	Manufacturing	2,400,000	1.3
Customer E	Transportation, storage and postal services	2,393,000	1.3
Customer F	Wholesale and retail trade	2,000,000	1.1
Customer G	Real estate	2,000,000	1.1
Customer H	Wholesale and retail trade	2,000,000	1.1
Customer I	Wholesale and retail trade	2,000,000	1.1
Customer J	Wholesale and retail trade	2,000,000	1.1
Total		<u>22,843,000</u>	<u>12.3</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 2017			31 December 2016		
	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	87,219,142	797,252	0.91	61,043,560	537,109	0.88
Medium Enterprises	57,544,433	453,661	0.79	31,158,505	430,161	1.38
Others	34,781,466	403,917	1.16	25,351,149	284,477	1.12
Subtotal	179,545,041	1,654,830	0.92	117,553,214	1,251,747	1.06
Discounted bills	765,899	–	–	41,444	–	–
Retail loans						
Personal business loans	8,455,335	352,587	4.17	7,896,779	191,647	2.43
Personal consumption loans	546,872	2,482	0.45	478,483	3,213	0.67
Residential mortgage loans	905,439	291	0.03	723,439	291	0.04
Credit card overdrafts	114,049	892	0.78	106,243	539	0.51
Others	523	443	84.70	481	481	100.00
Subtotal	10,022,218	356,695	3.56	9,205,425	196,171	2.13
Total	190,333,158	2,011,525	1.06	126,800,083	1,447,918	1.14

The non-performing loan ratio, representing non-performing loans divided by the Bank's total loans and advances to customers, was 1.06% as at the end of the Reporting Period and 1.14% as at 31 December 2016.

As at the end of the Reporting Period and as at 31 December 2016, the non-performing loan ratio of the Bank's corporate loans (including discounted bills) was 0.92% and 1.06%, respectively.

As at the end of the Reporting Period and as at 31 December 2016, the non-performing loan ratio of the Bank's retail loans was 3.56% and 2.13%, respectively.

(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.

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	30 June 2017		31 December 2016	
	Amount	% of total	Amount	% of total
Overdue within 3 months	2,515,313	41.6	700,660	13.7
Overdue more than 3 months				
to 6 months	1,648,575	27.3	2,034,531	39.9
Overdue more than 6 months				
to 1 year	411,262	6.8	1,071,518	21.0
Overdue more than 1 year	1,466,650	24.3	1,297,004	25.4
Total overdue loans and advances to customers	6,041,800	100.0	5,103,713	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 9.18% and 9.19%, respectively, 0.61 percentage point lower than those as at 31 December 2016; the capital adequacy ratio was 10.97%, 0.65 percentage point lower than that as at 31 December 2016.

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 2017	31 December 2016
Total core tier-one capital		
– Share capital	6,781,616	6,781,616
– Qualifying portion of capital reserve	13,987,825	14,240,795
– Surplus reserve	2,101,109	2,101,109
– General reserve	7,225,282	7,225,282
– Retained earnings	11,660,183	8,686,628
– Qualifying portions of non-controlling interests	415,295	1,057,708
Core tier-one capital deductions		
– Other intangible assets other than land use right	(160,283)	(148,166)
Net core tier-one capital	42,011,027	39,944,972
Other tier-one capital	55,373	38,102
Net tier-one capital	42,066,400	39,983,074
Tier-two capital		
– Instruments issued and share premium	4,000,000	4,000,000
– Surplus provision for loan impairment	4,029,700	3,311,404
– Qualifying portions of non-controlling interests	110,745	86,576
Net capital base	50,206,845	47,381,054
Total risk weighted assets	457,771,084	407,922,931
Core tier-one capital adequacy ratio	9.18%	9.79%
Tier-one capital adequacy ratio	9.19%	9.80%
Capital adequacy ratio	10.97%	11.62%

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 Jinyin Village and Township Bank Co., Ltd. (錦州太和錦銀村鎮銀行股份有限公司), Liaoning Yixian Jinyin Village and Township Bank Co., Ltd. (遼寧義縣錦銀村鎮銀行股份有限公司), Liaoning Beizhen Jinyin Village and Township Bank Co., Ltd. (遼寧北鎮錦銀村鎮銀行股份有限公司), Liaoning Heishan Jinyin Village and Township Bank Co., Ltd. (遼寧黑山錦銀村鎮銀行股份有限公司) and Liaoning Linghai Jinyin Village and Township Bank Co., Ltd. (遼寧凌海錦銀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, Liaoyang branch, Huludao branch, Benxi branch, Liaoning Kazuo Jinyin Village and Township Bank Co., Ltd. (遼寧喀左錦銀村鎮銀行股份有限公司), Liaoning Huanren Jinyin Village and Township Bank (遼寧桓仁錦銀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>	For the six months ended 30 June			
	2017		2016	
	Amount	% of total	Amount	% of total
Operating Income				
Jinzhou Region	6,174,107	72.3	5,527,048	70.4
Other Northeastern Region	1,065,330	12.5	816,783	10.4
Northern China Region	1,292,940	15.2	1,506,806	19.2
Total	8,532,377	100.0	7,850,637	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 senior executive management for the purposes of resource allocation and performance assessment, the Bank defines reporting segments based on the following operating segments:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six months ended 30 June			
	2017		2016	
	Amount	% of total	Amount	% of total
Operating income				
Corporate banking	2,736,426	32.1	2,618,877	33.4
Retail banking	662,072	7.8	604,172	7.7
Treasury business	5,164,700	60.5	4,612,943	58.7
Others and unallocated items	(30,821)	(0.4)	14,645	0.2
Total	<u>8,532,377</u>	<u>100.0</u>	<u>7,850,637</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 2017	31 December 2016
Acceptances	86,110,270	78,222,618
Letters of credit	18,202,385	18,272,197
Letters of guarantees	7,832,061	9,446,624
Loan commitments	7,391,292	3,537,196
Credit card commitments	740,689	667,338
	<hr/>	<hr/>
Subtotal	120,276,697	110,145,973
	<hr/>	<hr/>
Operating lease commitments	519,738	508,552
Capital commitments	352,076	615,127
	<hr/>	<hr/>
Subtotal	871,814	1,123,679
	<hr/>	<hr/>
Total	121,148,511	111,269,652
	<hr/> <hr/>	<hr/> <hr/>

3.3 Risk Management

The Bank is at the following risks in respect of its use of financial instruments: credit risk, operational risk, market risk and liquidity 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 the risk level of the Bank. Risk management policies and relevant internal control systems are reviewed regularly to adapt to the changes in market conditions and the Bank's operational 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 of 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 adopts 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, reviewing and evaluation of the adequacy and effectiveness of the Bank's credit risk management system, giving advices for the improvement of the Bank's credit risk management system and developing and maintaining the rating and limit tools. The Bank's post-credit management department is responsible for the determination of five-category loan assets. The Bank's credit management department is in charge of the improvement of the Bank's credit review system and operating procedures. The unified credit management department is responsible for formulation of limit management as well as organizing and convening meetings of credit management committee of the Bank. 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 management 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, interbank business 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 by the Bank's exposure to overall revenue and economic value losses as a result of unfavourable changes in key elements such as interest rate and duration structure of various interest-earning assets and interest-bearing liabilities of the Bank.

The finance management department is responsible for identifying, measuring, monitoring and managing interest rate risks. The Bank regularly performs assessment on the interest sensitivity of variety rate repricing gap and the effect on the Bank's net interest income and economic value 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 risks 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 risks. The interest rate risks 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 2017					
	Total	Non-interest bearing	Less than three months	Between three	Between one	More than five years
				months and one year	year and five years	
Assets						
Cash and deposits with the central bank	46,824,603	921,591	45,903,012	–	–	–
Deposit with banks and other financial institutions	12,924,381	–	3,355,931	8,913,950	654,500	–
Financial assets held under resale agreements	2,067,885	–	2,067,885	–	–	–
Loans and advances to customers ⁽¹⁾	184,291,934	–	19,904,423	65,464,721	97,173,828	1,748,962
Investments ⁽²⁾	379,230,671	58,250	42,632,667	100,192,781	227,604,804	8,742,169
Financial lease receivables	4,929,435	–	1,478,718	698,983	2,705,682	46,052
Others ⁽³⁾	13,743,665	13,743,654	11	–	–	–
Total assets	644,012,574	14,723,495	115,342,647	175,270,435	328,138,814	10,537,183
Liabilities						
Borrowings from the central bank	178,294	–	–	178,294	–	–
Deposits from banks and other financial institutions	135,240,853	–	28,032,623	62,965,730	43,642,500	600,000
Placements from banks and other financial institutions	12,010,948	–	4,441,117	7,569,831	–	–
Financial assets sold under repurchase agreements	21,659,510	–	21,659,510	–	–	–
Deposit from customers	312,060,261	107,371	86,431,700	78,600,256	146,920,887	47
Debt securities issued	79,074,662	–	32,090,790	38,759,290	8,224,582	–
Others ⁽⁴⁾	38,171,679	15,234,590	8,152,007	14,760,710	24,372	–
Total liabilities	598,396,207	15,341,961	180,807,747	202,834,111	198,812,341	600,047
Asset-liability gap	45,616,367	(618,466)	(65,465,100)	(27,563,676)	129,326,473	9,937,136

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	31 December 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	43,666,527	573,486	43,093,041	–	–	–
Deposit with banks and other financial institutions	8,673,633	–	8,464,133	55,000	154,500	–
Loans and advances to customers ⁽¹⁾	121,930,761	–	19,162,528	37,974,369	62,522,367	2,271,497
Investments ⁽²⁾	347,990,616	58,250	40,162,403	116,457,560	187,390,603	3,921,800
Financial lease receivables	4,615,491	–	1,075,819	595,989	1,907,346	1,036,337
Others ⁽³⁾	12,182,494	12,128,636	53,858	–	–	–
Total assets	539,059,522	12,760,372	112,011,782	155,082,918	251,974,816	7,229,634
Liabilities						
Deposits from banks and other financial institutions	131,028,453	–	24,590,953	52,170,000	53,267,500	1,000,000
Placements from banks and other financial institutions	3,866,521	–	3,737,146	129,375	–	–
Financial assets sold under repurchase agreements	35,164,192	–	33,874,192	1,290,000	–	–
Deposit from customers	262,969,211	50,815	92,366,755	55,452,195	115,095,660	3,786
Debt securities issued	30,223,286	–	3,925,514	22,303,420	3,994,352	–
Others ⁽⁴⁾	32,913,547	11,793,139	7,931,952	13,188,456	–	–
Total liabilities	496,165,210	11,843,954	166,426,512	144,533,446	172,357,512	1,003,786
Asset-liability gap	42,894,312	916,418	(54,414,730)	10,549,472	79,617,304	6,225,848

Notes: (1) As at the end of the Reporting Period and as of 31 December 2016, for loans and advances to customers, the category “Less than three months” includes overdue amounts (net of provision for impairment losses) of RMB4,418 million and RMB3,871 million, respectively.

(2) Investments includes financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.

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

(4) Include financial liabilities at fair value through profit or loss, borrowings from the central bank, interests payable, taxes payable and other payable.

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 of 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			
	2017		2016	
	Changes in net profit	Changes in shareholders' equity	Changes in net profit	Changes in shareholders' equity
100 basis points increase	(723,129)	(1,535,333)	(377,984)	(810,857)
100 basis points decrease	723,128	1,571,157	379,316	835,064

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 exchange rate risk mainly includes the risks arising from the proprietary investment of fund business exchange and other foreign exchange exposure. The Bank manages foreign currency risk by spot and forward, foreign exchange swap and matching its foreign currency denominated assets with corresponding liabilities in the same currencies. 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:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	30 June 2017			
	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Assets				
Cash and deposits with the central bank	46,448,433	374,132	2,038	46,824,603
Deposit with banks and other financial institutions	11,063,122	1,339,578	521,681	12,924,381
Interests receivable	4,263,816	24,247	1,357	4,289,420
Loans and advances to customers	179,597,124	4,418,934	275,876	184,291,934
Others ⁽¹⁾	395,675,231	—	7,005	395,682,236
Total assets	637,047,726	6,156,891	807,957	644,012,574
Liabilities				
Deposits from banks and other financial institutions	135,240,853	—	—	135,240,853
Placements from banks and other financial institutions	2,012,000	9,623,779	375,169	12,010,948
Deposits from customers	304,406,437	7,632,406	21,418	312,060,261
Interests payable	9,348,377	117,117	367	9,465,861
Others ⁽²⁾	129,610,802	7,053	429	129,618,284
Total liabilities	580,618,469	17,380,355	397,383	598,396,207
Net position	56,429,257	(11,223,464)	410,574	45,616,367
Off-balance sheet				
credit commitments	112,645,124	6,608,088	1,023,485	120,276,697

	RMB	31 December 2016		
		USD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>				
Assets				
Cash and deposits with the central bank	43,464,090	200,936	1,501	43,666,527
Deposit with banks and other financial institutions	1,727,832	240,989	6,704,812	8,673,633
Interests receivable	3,535,402	18,003	2,043	3,555,448
Loans and advances to customers	116,033,807	5,655,893	241,061	121,930,761
Others ⁽¹⁾	361,226,149	—	7,004	361,233,153
Total assets	525,987,280	6,115,821	6,956,421	539,059,522
Liabilities				
Deposits from banks and other financial institutions	131,028,453	—	—	131,028,453
Placements from banks and other financial institutions	—	3,604,396	262,125	3,866,521
Deposits from customers	259,810,536	3,139,135	19,540	262,969,211
Interests payable	7,213,804	27,417	195	7,241,416
Others ⁽²⁾	90,996,959	60,269	2,381	91,059,609
Total liabilities	489,049,752	6,831,217	284,241	496,165,210
Net position	36,937,528	(715,396)	6,672,180	42,894,312
Off-balance sheet				
credit commitments	101,775,465	7,244,064	1,126,444	110,145,973

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, borrowings from the central bank, financial assets sold under repurchase agreements, debt securities issued and other liabilities, etc.

3.3.4. Liquidity risk

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.

3.3.4.1 Liquidity risk management

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 transaction department and the interbank business department manage the liquidity risk on a daily basis.

The Bank sticks to positive and active liquidity management policies, actively improves the Bank's active liability capability and constantly enhances 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 conducts 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:

		30 June 2017						Total
		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	
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>								
Assets								
Cash and deposits with the central bank	43,339,127	3,485,476	–	–	–	–	–	46,824,603
Deposits with banks and other financial institutions	–	2,500,446	426,485	429,000	8,913,950	654,500	–	12,924,381
Financial assets held under resale agreements	–	–	2,067,885	–	–	–	–	2,067,885
Loans and advances to customers	4,156,968	375,355	3,767,273	10,680,840	65,218,457	97,856,176	2,236,865	184,291,934
Investments	2,253,907	–	20,522,039	19,776,591	97,401,656	230,514,453	8,762,025	379,230,671
Financial lease receivables	–	–	75,951	347,800	1,061,751	3,397,881	46,052	4,929,435
Others	9,547,319	26	663,332	1,103,262	1,993,886	435,810	30	13,743,665
Total assets	59,297,321	6,361,303	27,522,965	32,337,493	174,589,700	332,858,820	11,044,972	644,012,574
Liabilities								
Borrowings from the central bank	–	–	–	–	178,294	–	–	178,294
Deposits from banks and other financial institutions	–	292,623	12,750,000	14,990,000	62,965,730	43,642,500	600,000	135,240,853
Placements from banks and other financial institutions	–	–	2,298,852	2,142,265	7,569,831	–	–	12,010,948
Financial assets sold under repurchase agreements	–	–	21,659,510	–	–	–	–	21,659,510
Deposits from customers	–	62,403,365	13,375,436	10,760,270	78,600,256	146,920,887	47	312,060,261
Debt securities issued	–	–	11,816,730	20,274,060	38,759,290	8,224,582	–	79,074,662
Others	–	5,531,857	4,977,724	5,675,194	17,455,814	4,433,093	97,997	38,171,679
Total liabilities	–	68,227,845	66,878,252	53,841,789	205,529,215	203,221,062	698,044	598,396,207
Net position	59,297,321	(61,866,542)	(39,355,287)	(21,504,296)	(30,939,515)	129,637,758	10,346,928	45,616,367

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	31 December 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	39,349,394	4,317,133	—	—	—	—	—	43,666,527
Deposits with banks and other financial institutions	—	866,800	723,596	6,873,737	55,000	154,500	—	8,673,633
Loans and advances to customers	3,693,801	176,869	3,808,079	11,054,126	38,289,124	62,740,046	2,168,716	121,930,761
Investments	58,250	1,926,545	5,506,587	26,540,708	87,264,452	216,482,034	10,212,040	347,990,616
Financial lease receivables	—	—	13,696	292,213	839,935	3,377,459	92,188	4,615,491
Others	8,658,006	134	538,873	854,750	1,752,228	378,492	11	12,182,494
Total assets	<u>51,759,451</u>	<u>7,287,481</u>	<u>10,590,831</u>	<u>45,615,534</u>	<u>128,200,739</u>	<u>283,132,531</u>	<u>12,472,955</u>	<u>539,059,522</u>
Liabilities								
Deposits from banks and other financial institutions	—	220,953	5,730,000	18,640,000	52,170,000	53,267,500	1,000,000	131,028,453
Placements from banks and other financial institutions	—	—	1,726,994	2,010,152	129,375	—	—	3,866,521
Financial assets sold under repurchase agreements	—	—	31,932,192	1,942,000	1,290,000	—	—	35,164,192
Deposits from customers	—	65,377,256	11,151,995	15,888,319	55,452,195	115,095,660	3,786	262,969,211
Debt securities issued	—	—	—	3,925,514	22,303,420	3,994,352	—	30,223,286
Others	—	4,427,104	4,357,670	5,644,031	15,144,415	3,280,226	60,101	32,913,547
Total liabilities	<u>—</u>	<u>70,025,313</u>	<u>54,898,851</u>	<u>48,050,016</u>	<u>146,489,405</u>	<u>175,637,738</u>	<u>1,063,887</u>	<u>496,165,210</u>
Net position	<u>51,759,451</u>	<u>(62,737,832)</u>	<u>(44,308,020)</u>	<u>(2,434,482)</u>	<u>(18,288,666)</u>	<u>107,494,793</u>	<u>11,409,068</u>	<u>42,894,312</u>

3.4 Future Prospects

In the second half of 2017, the Bank will actively adapt to the new normal conditions of the economy, proactively implement the national strategic plans to seize the opportunities arising from deepening financial reforms, with the vision to become a professional financial services provider with core competitive advantages. The Bank will adhere to the basic concept of “compliance with the laws and regulations is the footstone of the Bank’s operations”, based on the theme of reform and development, the main line of transformation and reconstruction, the driver of innovation and technology, the guarantee of standard and steadiness and the target of benefit and quality, focus on “Three Basis & Three Smalls (三基三小)” business and serve the physical economy, in order to establish a diversified and characteristic business pattern with low capital consumption, achieve innovation in respect of concepts, patterns and mechanisms, as well as comprehensively enhance the Bank’s management efficiency of refining, professionalization and synergies, striving to build the Bank into a “standardized, professional, digitized, networkized and channelized” leading city commercial bank.

4. ISSUANCE OF SECURITIES AND BONDS

4.1 Issuance of Tier 2 Capital Bonds

With the approvals from the CBRC and the People’s Bank of China (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.

With the approvals from the CBRC and the PBOC, in December 2016, the Bank issued tier 2 capital bonds in the aggregate principal amount of RMB2.50 billion with a term of ten years at a fixed interest rate of 4.30% 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.

4.2 Issuance of Interbank Deposit Certificates

As at the end of the Reporting Period, the Bank issued 162 interbank deposit certificates (issued in the market which are not matured yet) in total with an aggregate amount of RMB75,080 million.

5. OTHER INFORMATION

5.1 Corporate Governance Code

The Bank is dedicated to improving its transparency and accountability of corporate governance and ensuring high standard of corporate governance practices to protect the interests of its 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 Board and the 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 (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"), 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 2017 (Interim Period of 2016: 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 Sihu 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 2017.

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 2017 - unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2017	2016
Interest income	17,898,864	13,174,523
Interest expense	(9,512,088)	(5,802,851)
Net interest income	8,386,776	7,371,672
Fee and commission income	455,563	453,449
Fee and commission expense	(54,996)	(30,296)
Net fee and commission income	400,567	423,153
Net trading losses	(45,155)	(1,207)
Net gains arising from investment securities	17,350	9,113
Foreign exchange (losses)/gains	(236,380)	33,720
Other net operating income	9,219	14,186
Operating income	8,532,377	7,850,637
Operating expenses	(1,574,069)	(1,342,665)
Operating profit before impairment	6,958,308	6,507,972
Impairment losses on assets	(1,615,348)	(1,477,644)
Profit before taxation	5,342,960	5,030,328
Income tax	(1,312,916)	(1,232,088)
Profit for the period	4,030,044	3,798,240
Attributable to:		
Equity shareholders of the Bank	3,990,797	3,793,541
Non-controlling interests	39,247	4,699
Profit for the period	4,030,044	3,798,240
Basic and diluted earnings per share (in RMB)	0.59	0.66

Consolidated statement of profit or loss and other comprehensive income*for the six months ended 30 June 2017 - unaudited**(Expressed in thousands of Renminbi, unless otherwise stated)*

	Six months ended 30 June	
	2017	2016
Profit for the period	4,030,044	3,798,240
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	(274,104)	(83,693)
– Reclassified to the profit or loss upon disposal	(64,695)	(26,538)
– Related income tax effect	84,700	27,557
Items that will not be reclassified to profit or loss:		
– Remeasurement of defined benefit obligation	1,129	(1,219)
Other comprehensive income for the period	(252,970)	(83,893)
Total comprehensive income for the period	3,777,074	3,714,347
Attributable to:		
Equity shareholders of the Bank	3,737,827	3,709,648
Non-controlling interests	39,247	4,699
Total comprehensive income for the period	3,777,074	3,714,347

Consolidated statement of financial position

at 30 June 2017 - unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	At 30 June 2017	At 31 December 2016
Assets		
Cash and deposits with the central bank	46,824,603	43,666,527
Deposits with banks and other financial institutions	12,924,381	8,673,633
Financial assets at fair value through profit or loss	24,797,958	21,151,136
Positive fair value of derivatives	11	53,858
Financial assets held under resale agreements	2,067,885	—
Interests receivable	4,289,420	3,555,448
Loans and advances to customers	184,291,934	121,930,761
Available-for-sale financial assets	45,061,423	34,722,912
Held-to-maturity investments	8,485,982	10,436,027
Debt securities classified as receivables	300,885,308	281,680,541
Financial lease receivables	4,929,435	4,615,491
Property and equipment	6,278,547	6,142,076
Deferred tax assets	1,812,361	1,476,339
Other assets	1,363,326	954,773
Total assets	644,012,574	539,059,522
Liabilities and equity		
Liabilities		
Borrowings from the central bank	178,294	—
Deposits from banks and other financial institutions	135,240,853	131,028,453
Placements from banks and other financial institutions	12,010,948	3,866,521
Financial liabilities at fair value through profit or loss	22,714,452	20,986,772
Negative fair value of derivatives	222,637	7,938
Financial assets sold under repurchase agreements	21,659,510	35,164,192
Deposits from customers	312,060,261	262,969,211
Accrued staff costs	243,630	253,268
Taxes payable	337,864	770,886
Interests payable	9,465,861	7,241,416
Debts securities issued	79,074,662	30,223,286
Other liabilities	5,187,235	3,653,267
Total liabilities	598,396,207	496,165,210

	At 30 June 2017	At 31 December 2016
Equity		
Share capital	6,781,616	6,781,616
Capital reserve	13,987,825	14,240,795
Surplus reserve	2,101,109	2,101,109
General reserve	7,225,282	7,225,282
Retained earnings	11,660,183	8,686,628
	<hr/>	<hr/>
Total equity attributable to equity shareholders of the Bank	41,756,015	39,035,430
Non-controlling interests	3,860,352	3,858,882
	<hr/>	<hr/>
Total equity	45,616,367	42,894,312
	<hr/>	<hr/>
Total liabilities and equity	644,012,574	539,059,522
	<hr/>	<hr/>

Consolidated statement of changes in equity
for the six months ended 30 June 2017 - 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 2017	6,781,616	14,240,795	2,101,109	7,225,282	8,686,628	39,035,430	3,858,882	42,894,312
Changes in equity for the period:								
Total comprehensive income	—	(252,970)	—	—	3,990,797	3,737,827	39,247	3,777,074
Appropriation of profits								
– Appropriation to shareholders	—	—	—	—	(1,017,242)	(1,017,242)	(37,777)	(1,055,019)
Balance at 30 June 2017	<u>6,781,616</u>	<u>13,987,825</u>	<u>2,101,109</u>	<u>7,225,282</u>	<u>11,660,183</u>	<u>41,756,015</u>	<u>3,860,352</u>	<u>45,616,367</u>
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 contributed 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 July 2016	5,781,616	9,069,005	1,292,031	4,801,449	7,583,490	28,527,591	3,672,155	32,199,746
Changes in equity for the period:								
Total comprehensive income	—	(465,969)	—	—	4,336,049	3,870,080	65,157	3,935,237
Changes in share capital								
– Capital contributed by equity shareholders	1,000,000	5,637,759	—	—	—	6,637,759	—	6,637,759
– Capital contribution by non-controlling interests	—	—	—	—	—	—	121,570	121,570
Appropriation of profits								
– Appropriation to surplus reserve	—	—	809,078	—	(809,078)	—	—	—
– Appropriation to general reserve	—	—	—	2,423,833	(2,423,833)	—	—	—
Balance at 31 December 2016	<u>6,781,616</u>	<u>14,240,795</u>	<u>2,101,109</u>	<u>7,225,282</u>	<u>8,686,628</u>	<u>39,035,430</u>	<u>3,858,882</u>	<u>42,894,312</u>

Consolidated cash flow statement

for the six months ended 30 June 2017 - unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2017	2016
Cash flows from operating activities		
Net profit	4,030,044	3,798,240
<i>Adjustments for:</i>		
Impairment losses on assets	1,615,348	1,477,644
Depreciation and amortization	198,722	186,890
Unwinding of discount	(30,775)	(12,288)
Unrealized foreign exchange losses/(gains)	108,467	(26,602)
Net gains on disposal of investment securities	(17,350)	(9,113)
Net (gains)/losses on derivative financial instruments	(11,587)	650
Net losses on disposal of trading securities	2,171	8,519
Revaluation losses/(gains) on financial instruments at fair value through profit or loss	54,569	(7,962)
Interest expense on debts securities issued	1,276,937	52,234
Net gains on disposal of property and equipment	—	(15)
Income tax	1,312,916	1,232,088
	<u>8,539,462</u>	<u>6,700,285</u>
<i>Changes in operating assets</i>		
Net (increase)/decrease in deposits with the central bank, banks and other financial institutions	(12,896,777)	7,314,851
Net decrease in placements with banks and other financial institutions	—	118,864
Net increase in loans and advances to customers	(63,531,192)	(12,578,284)
Net (increase)/decrease in financial assets designated at fair value through profit or loss	(1,726,660)	379,240
Net increase in financial lease receivables	(368,657)	(2,019,642)
Net increase in other operating assets	(1,179,680)	(294,505)
	<u>(79,702,966)</u>	<u>(7,079,476)</u>

	Six months ended 30 June	
	2017	2016
<i>Changes in operating liabilities</i>		
Net increase in borrowing from central bank	178,294	—
Net increase in deposits from banks and other financial institutions	4,212,400	26,003,009
Net increase in placements from banks and other financial institutions	8,144,427	809,122
Net decrease in financial assets sold under repurchase agreements	(13,504,682)	(3,451,160)
Net increase/(decrease) in financial liabilities designated at fair value through profit or loss	1,726,660	(379,240)
Net increase in other operating liabilities	2,725,094	2,486,949
Net increase in deposits from customers	49,091,050	28,987,852
Income tax paid	(2,004,445)	(1,764,209)
	50,568,798	52,692,323
	<u>-----</u>	<u>-----</u>
Net cash flows(used in)/generated from operating activities	(20,594,706)	52,313,132
	<u>-----</u>	<u>-----</u>

	Six months ended 30 June	
	2017	2016
Cash flows from investing activities		
Proceeds from disposal and redemption of investments	204,433,879	166,693,346
Proceeds from disposal of property and equipment and other assets	—	50
Payments on acquisition of investments	(234,372,408)	(218,065,876)
Payments on acquisition of property and equipment, intangible assets and other assets	(321,736)	(608,174)
	<u>(30,260,265)</u>	<u>(51,980,654)</u>
Net cash flows used in investing activities		
Cash flows from financing activities		
Capital contribution by non-controlling interests	—	3,000,000
Proceeds from issue of new debt securities	47,688,874	—
Interest paid on debts securities issued	(105,000)	(105,000)
Dividends paid	(34,804)	(93,889)
	<u>47,549,070</u>	<u>2,801,111</u>
Net cash flows generated from financing activities		
Effect of foreign exchange rate changes on cash and cash equivalents	(114,167)	14,879
	<u>(114,167)</u>	<u>14,879</u>
Net (decrease)/increase in cash and cash equivalents	(3,420,068)	3,148,468
Cash and cash equivalents as at 1 January	12,229,671	4,802,961
	<u>12,229,671</u>	<u>4,802,961</u>
Cash and cash equivalents as at 30 June	8,809,603	7,951,429
	<u>8,809,603</u>	<u>7,951,429</u>
Interest received	17,143,494	12,881,497
	<u>17,143,494</u>	<u>12,881,497</u>
Interest paid (excluding interest expense on debts securities issued)	(6,020,141)	(5,369,731)
	<u>(6,020,141)</u>	<u>(5,369,731)</u>

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

1 Background information

The Bank was established on 22 January 1997 with approval of the People's Bank of China (the "PBOC") (YinFu 1997 No.29).

The Bank obtained its finance permit No. B0127H221070001 from the China Banking Regulatory Commission (the "CBRC"). The Bank obtained its business license No. 912107002426682145 from the State Administration for Industry and Commerce of the People's Republic of China (the "SAIC"). The legal representative is Zhang Wei and the address of the registered office is No. 68 Keji Road, Jinzhou City, Liaoning Province, the PRC.

In December 2015, the Bank's H-shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 0416). As at 30 June 2017, the share capital of the Bank is RMB6,781.62 million.

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. As at 30 June 2017, the Bank has 14 branches in Jinzhou, Beijing, Tianjin, Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin, Liaoyang, Hu Ludao and Benxi.

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, including compliance with 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 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 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 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The financial information relating to the financial year ended 31 December 2016 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 several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 Net interest income

	Six months ended 30 June	
	2017	2016
Interest income arising from		
Deposits with the central bank	342,444	234,958
Deposits with banks and other financial institutions	95,418	150,253
Placements with banks and other financial institutions	10,712	6,032
Financial assets at fair value through profit or loss	565,029	619,939
Loans and advances to customers		
– Corporate loans and advances	4,173,835	3,455,971
– Personal loans and advances	290,941	339,311
– Discounted bills	7,448	11,959
Financial assets held under resale agreements	94,006	31,158
Available-for-sale debt investments	660,069	386,305
Held-to-maturity investments	178,214	148,252
Debt securities classified as receivables	11,295,420	7,779,126
Financial lease receivables	185,328	11,259
	<hr/>	<hr/>
Sub-total	17,898,864	13,174,523
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	Six months ended 30 June	
	2017	2016
Interest expense arising from		
Borrowing from the central bank	180	—
Deposits from banks and other financial institutions	2,821,888	2,921,913
Placements from banks and other financial institutions	88,587	18,014
Financial liabilities at fair value through profit or loss	405,092	351,168
Deposits from customers		
– Corporate customers	2,317,684	1,188,762
– Individual customers	2,079,795	1,007,860
Financial assets sold under repurchase agreements	521,925	262,900
Debts securities issued	1,276,937	52,234
	<u>9,512,088</u>	<u>5,802,851</u>
Net interest income	<u>8,386,776</u>	<u>7,371,672</u>
Of which:		
Interest income arising from impaired financial assets identified	<u>30,775</u>	<u>12,288</u>

5 Net fee and commission income

	Six months ended 30 June	
	2017	2016
Fee and commission income		
Agency services fees	175,057	79,433
Settlement and clearing fees	157,590	106,753
Wealth management service fees	73,696	139,516
Underwriting and advisory fees	40,286	113,632
Bank card service fees	7,555	8,857
Others	1,379	5,258
	<u>455,563</u>	<u>453,449</u>
Fee and commission expense		
Settlement and clearing fees	30,949	9,474
Others	24,047	20,822
	<u>54,996</u>	<u>30,296</u>
Net fee and commission income	<u>400,567</u>	<u>423,153</u>

6 Net trading losses

	Six months ended 30 June	
	2017	2016
Trading financial instruments		
– Debt securities	975	(15,137)
– Derivative financial instruments	<u>(34,259)</u>	<u>(5,622)</u>
Sub-total	<u>(33,284)</u>	<u>(20,759)</u>
Financial instruments designated at fair value through profit or loss	<u>(11,871)</u>	<u>19,552</u>
Total	<u>(45,155)</u>	<u>(1,207)</u>

7 Operating expenses

	Six months ended 30 June	
	2017	2016
Staff costs		
– Salaries and bonuses	578,368	441,184
– Staff welfares	30,529	23,789
– Pension	77,217	58,466
– Housing allowances	39,241	32,393
– Supplementary retirement benefits	815	801
– Other long-term staff welfares	(1,851)	1,313
– Other	<u>57,831</u>	<u>46,005</u>
Sub-total	<u>782,150</u>	<u>603,951</u>
Premises and equipment expenses		
– Depreciation of property and equipment	154,491	145,400
– Amortization of intangible assets	14,569	11,711
– Amortization of other long-term assets	29,662	29,779
– Rental and property management expenses	<u>44,019</u>	<u>39,436</u>
Sub-total	<u>242,741</u>	<u>226,326</u>
Tax and surcharges	67,607	215,841
Other general and administrative expenses	<u>481,571</u>	<u>296,547</u>
Total	<u>1,574,069</u>	<u>1,342,665</u>

8 Impairment losses on assets

	Six months ended 30 June	
	2017	2016
Loans and advances to customers	1,200,828	1,033,133
Debt securities classified as receivables	359,807	424,315
Financial lease receivables	54,713	20,196
	<u>1,615,348</u>	<u>1,477,644</u>
Total	<u>1,615,348</u>	<u>1,477,644</u>

9 Income tax

(a) Income tax:

	Six months ended 30 June	
	2017	2016
Current tax	1,564,238	1,561,230
Deferred tax	(251,322)	(329,142)
	<u>1,312,916</u>	<u>1,232,088</u>
Total	<u>1,312,916</u>	<u>1,232,088</u>

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

	Six months ended 30 June	
	2017	2016
Profit before tax	<u>5,342,960</u>	<u>5,030,328</u>
Statutory tax rate	25%	25%
Income tax calculated at statutory tax rate	<u>1,335,740</u>	<u>1,257,582</u>
Non-deductible expenses		
– Staff costs	85	242
– Others	2,120	1,337
	<u>2,205</u>	<u>1,579</u>
Non-taxable income		
– Interest income from the PRC government bonds	(18,379)	(18,498)
– Others	(6,650)	(8,575)
	<u>(25,029)</u>	<u>(27,073)</u>
Income tax	<u>1,312,916</u>	<u>1,232,088</u>

10 Basic and diluted earnings per share

	Six months ended 30 June	
	2017	2016
Weighted average number of ordinary shares (in thousands)	6,781,616	5,781,616
Net profit attributable to equity shareholders of the Bank	3,990,797	3,793,541
Basic and diluted earnings per share attributable to equity shareholders of the Bank (in RMB)	0.59	0.66

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

11 Available-for-sale financial assets

	At	At
	30 June 2017	31 December 2016
Available-for-sale debt investments	45,003,173	34,664,662
Available-for-sale equity investments	58,250	58,250
Total	<u>45,061,423</u>	<u>34,722,912</u>
Listed	40,927,687	32,783,584
Unlisted	4,133,736	1,939,328
Total	<u>45,061,423</u>	<u>34,722,912</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	At
	30 June 2017	31 December 2016
In Mainland China		
– Government	2,345,684	998,188
– Banks and other financial institutions	41,935,197	30,749,630
– Corporations	722,292	2,916,844
Total	<u>45,003,173</u>	<u>34,664,662</u>

As at the end of each of the reporting period, 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 2017	At 31 December 2016
Debt securities issued by the following institutions in Mainland China		
– Government	4,331,819	4,331,042
– Banks and other financial institutions	4,134,350	6,085,197
– Corporations	19,813	19,788
Total carrying value	<u>8,485,982</u>	<u>10,436,027</u>
Listed	<u>8,485,982</u>	<u>10,436,027</u>
Fair value	<u>8,419,250</u>	<u>10,189,621</u>

Notes:

- (a) As at the end of each of the reporting period, 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 reporting period.

13 Debt securities classified as receivables

	At 30 June 2017	At 31 December 2016
Wealth management products issued by financial institutions	203,261	200,088
Beneficial interest transfer plans	303,132,972	283,571,571
	-----	-----
Less: Provision for impairment losses	(2,450,925)	(2,091,118)
	-----	-----
Net balance	<u>300,885,308</u>	<u>281,680,541</u>

Notes:

- (a) Wealth management products issued by financial institutions are fixed-term products.
- (b) Beneficial interest transfer plans are mainly beneficial interests issued by trust companies, security companies, insurance companies and asset management companies.
- (c) The fair values of these investments approximate to their carrying amounts.
- (d) As at the end of each of the reporting period, 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 2017				
	Corporate banking	Retail banking	Treasury business	Others and unallocated items	Total
Operating income					
External net interest income/ (expense)	1,883,242	(1,855,417)	8,358,951	—	8,386,776
Internal net interest income/ (expense)	566,113	2,467,741	(3,033,854)	—	—
Net interest income	2,449,355	612,324	5,325,097	—	8,386,776
Net fee and commission income	310,728	49,909	39,930	—	400,567
Net trading losses	—	—	(45,155)	—	(45,155)
Net gains arising from investment securities	—	—	17,350	—	17,350
Foreign exchange losses	(23,657)	(161)	(172,522)	(40,040)	(236,380)
Other net operating income	—	—	—	9,219	9,219
Operating income	2,736,426	662,072	5,164,700	(30,821)	8,532,377
Operating expenses	(721,833)	(364,448)	(331,223)	(156,565)	(1,574,069)
Operating profit before impairment	2,014,593	297,624	4,833,477	(187,386)	6,958,308
Impairment losses on assets	(1,232,093)	(23,448)	(359,807)	—	(1,615,348)
Profit before tax	782,500	274,176	4,473,670	(187,386)	5,342,960
Segment assets	180,602,429	10,403,551	443,056,215	8,138,018	642,200,213
Deferred tax assets	—	—	—	1,812,361	1,812,361
Total assets	180,602,429	10,403,551	443,056,215	9,950,379	644,012,574
Segment liabilities	192,522,297	142,896,124	257,354,276	4,486,463	597,259,160
Dividend payable	—	—	—	1,137,047	1,137,047
Total liabilities	192,522,297	142,896,124	257,354,276	5,623,510	598,396,207
Other segment information					
– Depreciation and amortization	(91,129)	(46,011)	(41,816)	(19,766)	(198,722)
– Capital expenditure	147,541	74,492	67,701	32,002	321,736

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	<u>951,627</u>	<u>313,543</u>	<u>3,750,783</u>	<u>14,375</u>	<u>5,030,328</u>

At 31 December 2016

	Corporate banking	Retail banking	Treasury business	Others and unallocated items	Total
Segment assets	119,894,847	9,325,590	400,735,204	7,627,542	537,583,183
Deferred tax assets	—	—	—	1,476,339	1,476,339
Total assets	<u>119,894,847</u>	<u>9,325,590</u>	<u>400,735,204</u>	<u>9,103,881</u>	<u>539,059,522</u>
Segment liabilities	190,106,923	100,056,009	201,562,894	4,322,552	496,048,378
Dividend payable	—	—	—	116,832	116,832
Total liabilities	<u>190,106,923</u>	<u>100,056,009</u>	<u>201,562,894</u>	<u>4,439,384</u>	<u>496,165,210</u>
Other segment information					
– Depreciation and amortization	<u>(190,417)</u>	<u>(83,720)</u>	<u>(107,056)</u>	<u>(65)</u>	<u>(381,258)</u>
– Capital expenditure	<u>509,454</u>	<u>223,989</u>	<u>286,423</u>	<u>174</u>	<u>1,020,040</u>

(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 five 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, Hu Ludao, Benxi, Liaoyang and the three 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	
	2017	2016
Jinzhou	6,174,107	5,527,048
Northeastern China	1,065,330	816,783
Northern China	1,292,940	1,506,806
	<hr/>	<hr/>
Total	8,532,377	7,850,637
	<hr/> <hr/>	<hr/> <hr/>

	Non-current assets	
	At	At
	30 June	31 December
	2017	2016
Jinzhou	2,816,071	2,703,152
Northeastern China	2,899,203	2,845,677
Northern China	708,982	724,056
	<hr/>	<hr/>
Total	6,424,256	6,272,885
	<hr/> <hr/>	<hr/> <hr/>

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 comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

	At 30 June 2017	At 31 December 2016
Loan commitments		
– Original contractual maturity within one year	369,381	506,456
– Original contractual maturity more than one year (inclusive)	7,021,911	3,030,740
Credit card commitments	<u>740,689</u>	<u>667,338</u>
Sub-total	<u>8,131,981</u>	4,204,534
Acceptances	86,110,270	78,222,618
Letters of credit	18,202,385	18,272,197
Letters of guarantees	<u>7,832,061</u>	<u>9,446,624</u>
Total	<u><u>120,276,697</u></u>	<u><u>110,145,973</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 reporting period, the Group's future minimum lease payments under non-cancellable operating leases for properties are as follows:

	At 30 June 2017	At 31 December 2016
Within one year (inclusive)	122,571	71,125
After one year but within two years (inclusive)	118,335	94,521
After two years but within three years (inclusive)	94,297	93,888
After three years but within five years (inclusive)	124,344	144,832
After five years	60,191	104,186
Total	<u>519,738</u>	<u>508,552</u>

(c) Capital commitments

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

	At 30 June 2017	At 31 December 2016
Contracted but not paid for		
– Purchase of property and equipment	152,076	167,127
Authorized but not contracted		
– Purchase of property and equipment	200,000	448,000
Total	<u>352,076</u>	<u>615,127</u>

(d) Outstanding litigations and disputes

As at 30 June 2017, the Group was the defendant in certain pending litigations and disputes with gross claims of RMB95.97 million (31 December 2016: RMB95.07 million).

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 5.0% of the Bank's total share capital as of 30 June 2017 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 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 HKEx News of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.jinzhoubank.com). The 2017 interim report prepared in accordance with the Listing Rules and the International Accounting Standards will be released on the website of HKEx News 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
21 August 2017

As at the date of this announcement, the executive directors of the Bank are Mr. Zhang Wei, Mr. Huo Lingbo, Ms. Chen Man, 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, Mr. Choon Yew Khee and Mr. Lin Yanjun.

* *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.*

+ *For identification purpose only.*