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

(Stock code: 0416)

(Preferred stock code: 4615)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board (the “**Board**”) of directors (the “**Directors**”) 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-month period ended 30 June 2018 (the “**Reporting Period**”) prepared in accordance with the International Financial Reporting Standards (the “**IFRSs**”) 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	Mr. Zhang Wei
Authorized Representatives:	Mr. Zhang Wei, Mr. Wang Jing
Listing Exchange of H Shares:	The Stock Exchange of Hong Kong Limited (“ Hong Kong Stock Exchange ”)
Stock Name of H Shares:	BANKOFJINZHOU
Stock Code of H Shares:	0416
Listing Exchange of Offshore	Hong Kong Stock Exchange
Preference Shares:	
Stock Name of Offshore	BOJZ 17USDPREF
Preference Shares:	
Stock Name of Offshore	4615
Preference Shares:	

1.2 Contact Persons and Contact Details

Secretary to the Board:	Mr. Sun Jing
Joint Company Secretaries:	Mr. Wang Jing and Ms. Leung Wing Han Sharon
Company Website:	www.jinzhoubank.com
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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:	40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong

2. FINANCIAL HIGHLIGHTS

Pursuant to the financial statements of the Bank prepared in accordance with the PRC Accounting Standards for Business Enterprises and International Financial Reporting Standards, there is no difference in the net profit attributable to shareholders for the Reporting Period ended 30 June 2018 and the net assets attributable to shareholders at the end of the Reporting Period.

2.1 Financial Data

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six-month period ended 30 June		Interim period of 2018 vs Interim period of 2017	For the year ended 31 December 2017
	2018	2017		
Operating Results			Rate of change (%)	
Interest income	22,029,076	17,898,864	23.1	39,943,533
Interest expense	(13,150,564)	(9,512,088)	38.3	(21,410,609)
Net interest income	8,878,512	8,386,776	5.9	18,532,924
Net fee and commission income	365,020	400,567	(8.9)	736,674
Net trading income/(loss)	1,587,877	(45,155)	(3,616.5)	(278,264)
Dividend income	—	—	—	640
Net gains arising from investment securities	24,296	17,350	40.0	30,796
Net foreign exchange losses	(1,191,352)	(236,380)	404.0	(239,637)
Other net operating income	8,033	9,219	(12.9)	22,859
Operating income	9,672,386	8,532,377	13.4	18,805,992
Operating expenses	(1,571,707)	(1,574,069)	(0.2)	(3,308,138)

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six-month period ended 30 June		Interim period of 2018 vs Interim period of 2017	For the year ended 31 December 2017
	2018	2017		
Operating Results			Rate of change (%)	
Operating profit before impairment	8,100,679	6,958,308	16.4	15,497,854
Impairment losses on assets	(2,348,651)	(1,615,348)	45.4	(3,444,523)
Profit before tax	5,752,028	5,342,960	7.7	12,053,331
Income tax expense	(1,412,287)	(1,312,916)	7.6	(2,963,273)
Profit for the period	4,339,741	4,030,044	7.7	9,090,058
Profit for the period attributable to equity shareholders of the Bank	4,229,574	3,990,797	6.0	8,976,990
Calculated on a per share basis (RMB)			Change	
Basic and diluted earnings per share (in RMB)	0.62	0.59	0.03	1.32
	As at 30 June 2018	As at 31 December 2017	30 June 2018 vs 31 December 2017	As at 30 June 2017
Major indicators of assets/liabilities			Rate of change (%)	
Total assets	748,392,211	723,417,650	3.5	664,012,574
Of which: loans and advances to customers	240,609,152	209,084,947	15.1	184,291,934
Total liabilities	685,660,325	663,252,922	3.4	598,396,207
Of which: deposits from customers	351,626,638	342,264,228	2.7	312,060,261
Share capital	6,781,616	6,781,616	0.0	6,781,616
Total equity attributable to equity shareholders of the Bank	58,687,546	56,230,555	4.4	41,756,015
Total equity	62,731,886	60,164,728	4.3	45,616,367

2.2 Financial Indicator

	For the six-month period ended 30 June		Interim period of 2018 vs Interim period of 2017	For the year ended 31 December 2017
	2018	2017	Change	
Profitability indicators (%)				
Return on average total assets ⁽¹⁾	1.18*	1.36*	(0.18)	1.44
Return on average equity ⁽²⁾	17.79*	19.76*	(1.97)	21.03
Net interest spread ⁽³⁾	2.16*	2.51*	(0.35)	2.58
Net interest margin ⁽⁴⁾	2.51*	2.80*	(0.29)	2.88
Net fee and commission income to operating income ratio	3.77	4.69	(0.92)	3.92
Cost-to-income ratio ⁽⁵⁾	14.70	15.83	(1.13)	15.71
	As at 30 June 2018	As at 31 December 2017	30 June 2018 vs 31 December 2017	As at 30 June 2017
Assets quality indicators (%)				
Non-performing loan ratio ⁽⁶⁾	1.26	1.04	0.22	1.06
Allowance coverage ratio ⁽⁷⁾	242.10	268.64	(26.54)	300.33
Allowance to loans ratio ⁽⁸⁾	3.06	2.81	0.25	3.17
Capital adequacy indicators (%)				
Core tier 1 capital adequacy ratio ⁽⁹⁾	7.95	8.44	(0.49)	9.18
Tier 1 capital adequacy ratio ⁽¹⁰⁾	9.57	10.24	(0.67)	9.19
Capital adequacy ratio	11.61	11.67	(0.06)	10.97
Total equity to total assets	8.38	8.32	0.06	7.08
Other Indicators (%)				
Loan-to-deposit ratio ⁽¹¹⁾	57.99	53.68	4.31	51.41

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 and Insurance Regulatory Commission (the “**CBIRC**”, which was formed after duty restructuring of China Banking Regulatory Commission (the “**CBRC**”) and China Insurance Regulator Commission), which were calculated in accordance with financial data under PRC Generally Accepted Accounting Principles and the CBIRC requirements.

3. MANAGEMENT DISCUSSIONS AND ANALYSIS

3.1 Business and Financial Review

During the Reporting Period, with the change in economic situation of the PRC from rapid growth to high quality development, facing the regulatory deployment and requirement of “de-leverage, chaotic phenomena tackling, risk prevention”, the Bank fiduciously implemented the spirits of 19th National Congress of the Communist Party of China, the requirements of the Central Economic Work Conference and the spirit of National Financial Work Conference. By adhering to the operation principle of “mode transformation, structural adjustment, risks control and stable development”, the Bank implemented the principle of the government towards financial works and the requirements of the regulatory authorities, and thus experienced steady and healthy development in its various business and delivered sound returns to the investors of the Bank and shareholders of the Bank (the “Shareholders”).

The Bank recorded a net profit of RMB4,340 million in the Reporting Period, representing an increase of 7.7% as compared to the six months ended 30 June 2017 (“**Interim Period of 2017**”). The Bank’s performance not only delivered sound returns to the 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 RMB748,392 million, representing an increase of 3.5% compared to that as at the end of 2017; the net loans and advances to customers amounted to RMB240,609 million, representing an increase of 15.1% as compared to that as at the end of 2017; the non-performing loan ratio was 1.26%, representing an increase of 0.22 percentage point as compared to that as at the end of 2017; the deposits from customers balance of the Bank amounted to RMB351,627 million, representing an increase of 2.7% as compared to that as at the end of 2017. During the Reporting Period, the operating income of the Bank amounted to RMB9,672 million, representing an increase of 13.4% as compared with the Interim Period of 2017; and the net profit amounted to RMB4,340 million, representing an increase of 7.7% as compared with the Interim Period of 2017.

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 11.61%, 9.57% and 7.95%, respectively.

During the Reporting Period, we had invested in 7 village and township banks (5 in Jinzhou City, Liaoning Province, the PRC, 1 in Chaoyang City and 1 in Benxi City), with 24 operation management department and sub-branches.

During the Reporting Period, the Bank of Jinzhou Financial Leasing Co., Ltd., a subsidiary of the Bank, had always adhered to the regional development strategy of “setting a foothold in Liaoning and expanding across the country” to ensure stable and coordinated

development. By focusing on basic finance lease business, the Bank actively explored and made innovation in new models of lease business. The leasing investment customers are mainly spread over aviation, health care, equipment manufacturing, automobile manufacturing, infrastructure construction, etc.

3.2 Analysis of the Financial Statements

3.2.1 Analysis of the Income Statement

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six-month period ended 30 June			Rate of Change (%)
	2018	2017	Change in amount	
Interest income	22,029,076	17,898,864	4,130,212	23.1
Interest expense	(13,150,564)	(9,512,088)	(3,638,476)	38.3
Net interest income	8,878,512	8,386,776	491,736	5.9
Net fee and commission income	365,020	400,567	(35,547)	(8.9)
Net trading income/(loss)	1,587,877	(45,155)	1,633,032	(3,616.5)
Net gains arising from investment securities	24,296	17,350	6,946	40.0
Net foreign exchange losses	(1,191,352)	(236,380)	(954,972)	404.0
Other net operating income	8,033	9,219	(1,186)	(12.9)
Operating income	9,672,386	8,532,377	1,140,009	13.4
Operating expenses	(1,571,707)	(1,574,069)	2,362	(0.2)
Impairment losses on assets	(2,348,651)	(1,615,348)	(733,303)	45.4
Profit before tax	5,752,028	5,342,960	409,068	7.7
Income tax expense	(1,412,287)	(1,312,916)	(99,371)	7.6
Profit for the period	4,339,741	4,030,044	309,697	7.7

During the Reporting Period, the Bank's profit before tax was RMB5,752 million, representing a year-on-year increase of 7.7%; the net profit was RMB4,340 million, representing a year-on-year increase of 7.7%; which was mainly attributable to the increase in net interest income of RMB492 million or 5.9% as compared to the Interim Period of 2017 as a result of the stable growth of interest earning assets of the Bank. In addition, the Bank initially applied International Financial Reporting Standard 9 – Financial Instruments (the “IFRS 9”) on 1 January 2018. According to the requirements of the standard, the Bank will account for the net interest income from financial assets and liabilities at fair value through the profit or loss under the item of net trading income, and financial assets at fair value through the profit or loss were no longer interest-earning assets and financial liabilities at fair value through profit or loss were no longer interest-bearing liabilities, which affected the net interest income, net trading income, net interest spread and net interest margin.

3.2.1.1 Net interest income

Net interest income accounted for the largest portion of the Bank's operating income, representing 91.8% and 98.3% of operating income in the Reporting Period and the Interim Period of 2017, 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-month period ended 30 June			Rate of Change (%)
	2018	2017	Change in amount	
Interest income	22,029,076	17,898,864	4,130,212	23.1
Interest expense	(13,150,564)	(9,512,088)	(3,638,476)	38.3
Net interest income	<u>8,878,512</u>	<u>8,386,776</u>	<u>491,736</u>	5.9

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-month period ended 30 June 2018			For the six-month period ended 30 June 2017		
	Average	Interest	Average	Average	Interest	Average
	balance	income/ expense	yield/cost (%)	balance	income/ expense	yield/cost (%)
Interest-earning Assets						
Loans and advances to customers	235,608,813	7,599,213	6.45	144,033,061	4,472,224	6.21
Investment securities and other financial assets	392,082,947	13,478,494	6.88	384,451,814	12,698,732	6.61
Balances with the central bank	58,422,453	448,787	1.54	44,823,113	342,444	1.53
Deposits with banks and other financial institutions	7,752,772	127,021	3.28	11,952,852	95,418	1.60
Placements with banks and other financial institutions	3,612,277	56,890	3.15	1,613,753	10,712	1.33
Financial assets held under resale agreements	3,108,358	45,294	2.91	6,611,630	94,006	2.84
Finance lease receivables	7,252,906	273,377	7.54	5,003,339	185,328	7.41
Total interest-earning assets	707,840,526	22,029,076	6.22	598,489,562	17,898,864	5.98

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six-month period ended 30 June 2018			For the six-month period ended 30 June 2017		
	Average balance	Interest income/ expense	Average yield/cost (%)	Average balance	Interest income/ expense	Average yield/cost (%)
Interest-bearing Liabilities						
Deposits from customers	355,717,320	6,349,451	3.57	302,391,237	4,397,479	2.91
Deposits from banks and other financial institutions	141,880,415	3,596,341	5.07	128,301,200	2,821,888	4.40
Placements from banks and other financial institutions	19,592,595	263,510	2.69	9,134,272	88,587	1.94
Financial assets sold under repurchase agreements	46,617,617	916,110	3.93	29,035,446	521,925	3.60
Debt securities issued	83,729,671	2,022,615	4.83	57,918,556	1,276,937	4.41
Financial liabilities at fair value through profit or loss	–	–	–	21,627,039	405,092	3.75
Borrowing from the central bank	232,772	2,537	2.18	17,569	180	2.05
Total interest-bearing liabilities	647,770,390	13,150,564	4.06	548,425,319	9,512,088	3.47
Net interest income		8,878,512			8,386,776	
Net interest spread ⁽¹⁾			2.16			2.51
Net interest margin ⁽²⁾			2.51			2.80

Notes: (1) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.

(2) Calculated by dividing net interest income by the average interest-earning assets (based on the daily average of the 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-month period ended 30 June		
	2018 vs 2017		
	Changes in volume ⁽¹⁾	Changes in interest rate ⁽²⁾	Net increase/ (decrease) ⁽³⁾
Interest-earning Assets			
Loans and advances to customers	2,843,425	283,564	3,126,989
Investment securities and other financial assets	252,062	527,700	779,762
Balances with the central bank	103,898	2,445	106,343
Deposits with banks and other financial institutions	(33,529)	65,132	31,603
Placements with banks and other financial institutions	13,266	32,912	46,178
Financial assets held under resale agreements	(49,810)	1,098	(48,712)
Finance lease receivables	83,326	4,723	88,049
Changes in interest income	3,212,638	917,574	4,130,212
Interest-bearing Liabilities			
Deposits from customers	775,487	1,176,485	1,951,972
Deposits from banks and other financial institutions	298,665	475,788	774,453
Placements from banks and other financial institutions	101,428	73,495	174,923
Financial assets sold under repurchase agreements	316,047	78,138	394,185
Debt securities issued	569,061	176,617	745,678
Financial liabilities at fair value through profit or loss	(405,092)	—	(405,092)
Borrowing from the central bank	2,205	152	2,357
Changes in interest expense	1,657,801	1,980,675	3,638,476
Changes in net interest income	1,554,837	(1,063,101)	491,736

- 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-month period ended 30 June			
	2018		2017	
	Amount	% of total	Amount	% of total
Loans and advances to customers				
Corporate loans and advances	7,079,048	32.1	4,173,835	23.4
Personal loans and advances	310,129	1.4	290,941	1.6
Discounted bills	210,036	1.0	7,448	0.0
Subtotal	7,599,213	34.5	4,472,224	25.0
Investment securities and other financial assets	13,478,494	61.2	12,698,732	71.0
Balances with the central bank	448,787	2.0	342,444	1.9
Deposits with banks and other financial institutions	127,021	0.6	95,418	0.5
Financial assets held under resale agreements	45,294	0.2	94,006	0.5
Placements with banks and other financial institutions	56,890	0.3	10,712	0.1
Finance lease receivables	273,377	1.2	185,328	1.0
Total	22,029,076	100.0	17,898,864	100.0

The Bank's interest income increased by 23.1% to RMB22,029,076 thousand in the Reporting Period from RMB17,898,864 thousand for the Interim Period of 2017, primarily due to the increase in the investment and loan business of the Bank which resulted in the corresponding increase in interest income.

(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 34.5% and 25.0% of the Bank's interest income in the Reporting Period and the Interim Period of 2017, 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-month period ended 30 June					
	2018			2017		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans and advances	219,708,191	7,079,048	6.44	134,328,057	4,173,835	6.21
Personal loans and advances	7,986,894	310,129	7.77	9,553,204	290,941	6.09
Discounted bills	7,913,728	210,036	5.31	151,800	7,448	9.81
Total	235,608,813	7,599,213	6.45	144,033,061	4,472,224	6.21

Interest income from loans and advances to customers increased by 69.9% from RMB4,472,224 thousand for the Interim Period of 2017 to RMB7,599,213 thousand for the Reporting Period, primarily due to the increase in average balance and average yield of loans and advances to customers.

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

Interest income from investment securities and other financial assets increased by 6.1% to RMB13,478,494 thousand in the Reporting Period from RMB12,698,732 thousand in the Interim Period of 2017, primarily due to the increase in the scale of investment assets and the surge in yield rate of investment resulting in the corresponding increase in interest income.

(3) Interest income from balances with the central bank

Interest income from balances with the central bank increased by 31.1% to RMB448,787 thousand in the Reporting Period from RMB342,444 thousand in the Interim Period of 2017, 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 increased by 33.1% to RMB127,021 thousand in the Reporting Period from RMB95,418 thousand in the Interim Period of 2017, primarily due to the average rate of return of the deposits with the Bank increased from 1.60% in the Interim Period of 2017 to 3.28% in the Reporting Period as a result of the increase in the interbank market interest rate.

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

Interest income from placements with banks and other financial institutions increased by 431.1% to RMB56,890 thousand in the Reporting Period from RMB10,712 thousand in the Interim Period of 2017, primarily due to an increase in the size and average yield rate of placements with banks and other financial institutions. The average balance of placements with banks and other financial institutions increased by 123.8% to RMB3,612,277 thousand in the Reporting Period from RMB1,613,753 thousand in the Interim Period of 2017. The average yield of placements with banks and other financial institutions rose to 3.15% in the Reporting Period from 1.33% for the Interim Period of 2017, primarily due to the surge of capital market rate and the increase in transaction frequency and volume of foreign placements with banks and other financial institutions by the Bank.

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

Interest income from financial assets held under resale agreements decreased by 51.8% to RMB45,294 thousand in the Reporting Period from RMB94,006 thousand in the Interim Period of 2017, primarily due to the decrease in the average balance. The average balance of financial assets held under resale agreements decreased by 53.0% to RMB3,108,358 thousand in the Reporting Period from RMB6,611,630 thousand for the Interim Period of 2017, primarily due to the Bank's reduction in scale of investment in financial assets held under resale agreements for balanced management of liquidity and revenue.

(7) Interest income from finance lease receivables

Interest income from finance lease receivables increased by 47.5% to RMB273,377 thousand for the Reporting Period from RMB185,328 thousand for the Interim Period of 2017, 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-month period ended 30 June			
	2018		2017	
	Amount	% of total	Amount	% of total
Deposits from customers	6,349,451	48.3	4,397,479	46.2
Deposits from banks and other financial institutions	3,596,341	27.3	2,821,888	29.7
Placements from banks and other financial institutions	263,510	2.0	88,587	0.9
Financial assets sold under repurchase agreements	916,110	7.0	521,925	5.5
Debt securities issued	2,022,615	15.4	1,276,937	13.4
Financial liabilities at fair value through profit or loss	—	—	405,092	4.3
Borrowing from the central bank	2,537	0.0	180	0.0
Total	<u>13,150,564</u>	<u>100.0</u>	<u>9,512,088</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-month period ended 30 June					
	Average balance	2018 Interest expense	Average cost (%)	Average balance	2017 Interest expense	Average cost (%)
Corporate deposits						
Time	143,138,027	2,478,643	3.46	139,482,486	2,188,147	3.14
Demand	54,841,068	428,230	1.56	48,338,352	129,537	0.54
Subtotal	<u>197,979,095</u>	<u>2,906,873</u>	2.94	<u>187,820,838</u>	<u>2,317,684</u>	2.47
Personal deposits						
Time	142,221,072	3,361,301	4.73	100,981,023	2,036,493	4.03
Demand	15,517,153	81,277	1.05	13,589,376	43,302	0.64
Subtotal	<u>157,738,225</u>	<u>3,442,578</u>	4.36	<u>114,570,399</u>	<u>2,079,795</u>	3.63
Total deposits from customers	<u><u>355,717,320</u></u>	<u><u>6,349,451</u></u>	3.57	<u><u>302,391,237</u></u>	<u><u>4,397,479</u></u>	2.91

Interest expense on deposits from customers increased by 44.4% to RMB6,349,451 thousand in the Reporting Period from RMB4,397,479 thousand in the Interim Period of 2017, primarily due to the rapid increase in the scale of the Bank's deposits from customers and the increase in the cost.

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

Interest expense on deposits from banks and other financial institutions increased by 27.4% to RMB3,596,341 thousand in the Reporting Period from RMB2,821,888 thousand in the Interim Period of 2017, primarily due to the increase in the scale of the deposits from banks and other financial institutions and the increase in the cost.

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

Interest expense on placements from banks and other financial institutions increased by 197.5% to RMB263,510 thousand in the Reporting Period from RMB88,587 thousand in the Interim Period of 2017, 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 114.5% to RMB19,592,595 thousand in the Reporting Period from RMB9,134,272 thousand in the Interim Period of 2017, primarily because the Bank raised the transaction volume of placements from banks and other financial institution. The average cost of placements from banks and other financial institutions increased from 1.94% in the Interim Period of 2017 to 2.69% in the Reporting Period, which was mainly attributable to the increase in the offered rate of the US dollars in the monetary market in the Reporting Period.

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

Interest expense on financial assets sold under repurchase agreements increased by 75.5% to RMB916,110 thousand in the Reporting Period from RMB521,925 thousand in the Interim Period of 2017, primarily due to the increase in the average balance. The average balance of financial assets sold under repurchase agreements increased by 60.6% to RMB46,617,617 thousand in the Reporting Period from RMB29,035,446 thousand in the Interim Period of 2017, mainly due to the Bank's needs for balanced management of liquidity and revenue moderately increased the scale of financial assets sold under repurchase agreements. The average cost of financial assets sold under repurchase agreements increased from 3.60% in the interim period of 2017 to 3.93% in the Reporting Period, primarily due to the increase in the average interest rate in the capital market in the Reporting Period.

(5) Interest expense on debt securities issued

During the Reporting Period, the Bank's interest expense on debt securities issued increased by RMB745,678 thousand to RMB2,022,615 thousand as compared to the Interim Period of 2017, primarily due to an increase in the Bank's average balance of debt securities issued and the increase in the average cost. The average balance of debt securities issued increased by 44.6% to RMB83,729,671 thousand in the Reporting Period from RMB57,918,556 thousand in the Interim Period of 2017, which was mainly attributable to the Bank's issuance of interbank deposit certificates and additional issuance of tier-two capital debts; the average cost increased to 4.83% in the Reporting Period from 4.41% in the Interim Period of 2017.

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

Financial liabilities at fair value through profit or loss are the funds of the Bank's wealth management product that are managed and measured at fair value. As the Bank implements IFRS 9, the interest expense of financial liabilities at fair value through profit or loss in the Reporting Period was adjusted to net trading income, therefore, there is no interest expense of financial liabilities at fair value through profit or loss in the Reporting Period.

(7) Interest expense on borrowing from the central bank

During the Reporting Period, interest expense on borrowing from the central bank of the Bank increased from RMB180,000 in the Interim Period of 2017 to RMB2,537 thousand in the Reporting Period, mainly attributable to the increase in the average balance of borrowing from the central bank of the Bank.

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 interest-earning assets.

The net interest spread decreased to 2.16% in the Reporting Period as compared to 2.51% in the Interim Period of 2017 and the net interest margin decreased to 2.51% in the Reporting Period as compared to 2.80% in the Interim Period of 2017, primarily due to the impacts of interest rate liberalization and change of interest rate in capital market.

3.2.1.5 Non-interest income

(1) Net fee and commission income

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six-month period ended 30 June			
	2018	2017	Change in amount	Rate of change (%)
Fee and commission income				
Agency services fees	127,666	175,057	(47,391)	(27.1)
Settlement and clearing fees	119,131	157,590	(38,459)	(24.4)
Wealth management service fees	96,948	73,696	23,252	31.6
Underwriting and advisory fees	28,813	40,286	(11,473)	(28.5)
Bank card service fees	6,672	7,555	(883)	(11.7)
Others	19,115	1,379	17,736	1,286.1
Subtotal	398,345	455,563	(57,218)	(12.6)
Fee and commission expense				
Settlement and clearing fees	15,080	30,949	(15,869)	(51.3)
Others	18,245	24,047	(5,802)	(24.1)
Subtotal	33,325	54,996	(21,671)	(39.4)
Net fee and commission income	365,020	400,567	(35,547)	(8.9)

The Bank's fee and commission income decreased by 12.6% to RMB398,345 thousand in the Reporting Period as compared to RMB455,563 thousand in the Interim Period of 2017, mainly attributable to decrease in agency services fees and settlement and clearing fees of the Bank. Agency services fees decreased by 27.1% to RMB127,666 thousand in the Reporting Period from RMB175,057 thousand in the Interim Period of 2017, mainly because banks focused on their core function under the influence of the macro-economic policies, resulting in the Bank shrinking the scale of entrusted loan business. Settlement and clearing fees decreased by 24.4% to RMB119,131 thousand in the Reporting Period from RMB157,590 thousand in the Interim Period of 2017, mainly attributable to the decrease in service fee of corporate settlement business as a result of the decrease in issued foreign exchange letters of credit and letters of guarantees affected by the structural adjustment of foreign exchange business of the Bank.

Fee and commission expense consist 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 decreased by 39.4% to RMB33,325 thousand in the Reporting Period as compared to RMB54,996 thousand in the Interim Period of 2017, primarily because the adjustment of the Bank's foreign exchange business reduced the business of other banks in issuing letters of credit and guarantees, thereby reducing the fee of other banks accordingly.

(2) Net trading income/(loss)

Net trading income/(loss) primarily comprises of net income/(loss) from financial assets and liabilities at fair value through profit or loss. During the Reporting Period, the Bank incurred a net trading gain of RMB1,587,877 thousand, while for the Interim Period of 2017, the Bank incurred a net trading loss of RMB45,155 thousand, primarily due to (i) after implementation of IFRS 9, the net interest income of financial assets and liabilities measured at fair value has been re-classified to net trading gains; (ii) the decrease in the yield of debt securities and increase in valuation of debt securities in the Reporting Period; and (iii) the increase in revenue as a result of the significant increase in fair value of the forward US dollar buy-in foreign exchange derivatives of the Bank affected by the appreciation of US dollar.

(3) Net gains arising from investment securities

The Bank incurred a net gain arising from investment securities of RMB24,296 thousand in the Reporting Period, as compared with the net gain arising from investment securities of RMB17,350 thousand in the Interim Period of 2017, mainly attributable to the increase in income from disposing of investment securities by the Bank.

(4) Net foreign exchange losses

Net foreign exchange losses increased to a net loss of RMB1,191,352 thousand in the Reporting Period from a net gain of RMB236,380 thousand in the Interim Period of 2017, which was mainly due to the increase in loss from current portion of foreign exchange derivatives affected by the appreciation of US dollar.

(5) Other net operating income

Other net operating income decreased by 12.9% to RM8,033 thousand in the Reporting Period from RMB9,219 thousand in the Interim Period of 2017.

3.2.1.6 Operating expenses

During the Reporting Period, the Bank's operating expenses was RMB1,571,707 thousand, representing a decrease of RMB2,362 thousand on a year-on-year basis.

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six-month period ended 30 June			
	2018	2017	Change in amount	Rate of change (%)
Staff costs	830,797	782,150	48,647	6.2
General and administrative expenses	381,093	369,040	12,053	3.3
Depreciation and amortization	210,236	198,722	11,514	5.8
Tax and surcharges	85,381	67,607	17,774	26.3
Others	64,200	156,550	(92,350)	(59.0)
Total operating expenses	1,571,707	1,574,069	(2,362)	(0.2)

(1) Staff costs

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six-month period ended 30 June			
	2018	2017	Change in amount	Rate of Change (%)
Salaries and bonuses	602,676	578,368	24,308	4.2
Staff welfares	26,818	30,529	(3,711)	(12.2)
Social insurance	128,045	111,904	16,141	14.4
Housing allowances	46,239	39,241	6,998	17.8
Supplementary retirement benefits	980	815	165	(20.2)
Other long-term staff welfares	2,036	(1,851)	3,887	(210.0)
Union funds and education funds	24,003	23,144	859	3.7
Total staff costs	830,797	782,150	48,647	6.2

During the Reporting Period, the Bank's total staff costs was RMB830,797 thousand, representing an increase of RMB48,647 thousand or 6.2% as compared with that of the Interim Period of 2017, primarily due to an increase in labour costs as a result of the increases in remuneration of the Bank's employees.

(2) General and administrative expenses

General and administrative expenses increased by 3.3% to RMB381,093 thousand in the Reporting Period as compared to RMB369,040 thousand in the Interim Period of 2017, primarily due to (i) the increase of daily administration expenses as a result of the increase in outlets; and (ii) the increase of general and administrative expenses as a result of the increase in volume of the Bank's business.

(3) Depreciation and amortization

Depreciation and amortization increased by 5.8% to RMB210,236 thousand in the Reporting Period as compared to RMB198,722 thousand in the Interim Period of 2017, primarily due to the increase in depreciation and amortization expenses as a result of an increase in the Bank's software and an increase in the rental expenses of the Bank's operating outlets.

(4) Tax and surcharges

The Bank's tax and surcharges increased by 26.3% to RMB85,381 thousand in the Reporting Period as compared to RMB67,607 thousand in the Interim Period of 2017, primarily attributable to the increase in value-added tax due to the business development of the Bank.

(5) Others

Other operating expense significantly decreased to RMB64,200 thousand in the Reporting Period from RMB156,550 thousand in the Interim Period of 2017. These expenses were mainly used for the Bank's targeted poverty alleviation. The Bank has been carrying out targeted poverty alleviation since 2017, and the donation for poverty alleviation is made based on the progress of relevant targeted poverty alleviation projects. Due to the smaller capital demand for targeted poverty alleviation projects during the Reporting Period as compared with the Interim Period of 2017, the donation made during the Reporting Period decreased as compared with that in the Interim Period of 2017.

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:

	For the six months ended 30 June 2018
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	
Loans and advances to customers	
– Stage I (12-month expected credit loss)	457,308
– Stage II (lifetime expected credit loss)	1,024,282
– Stage III (lifetime expected credit loss - impaired)	134,880
Subtotal	1,616,470
Financial assets at amortised cost	450,000
Finance lease receivables	17,052
Loan commitments and finance guarantees	265,129
Total	2,348,651
	For the six months ended 30 June 2017
Loans and advances to customers	
– Individually assessed	215,409
– Collectively assessed	985,419
Subtotal	1,200,828
Debt instruments classified as receivables	359,807
Finance lease receivables	54,713
Total	1,615,348

Impairment losses on assets increased by 45.4% to RMB2,348,651 thousand in the Reporting Period from RMB1,615,348 thousand in the Interim Period of 2017, mainly due to (i) the increase in the impairment allowance of the loans and advances to customers affected by the increase of the balance of loans and advances to customers, resulting in the increase in impairment losses on loans and advances to customers; and (ii) the slight increase in allowance for impairment of credit commitment as a result of the increase in allowance for impairment loss of off-balance-sheet credit commitment after the adoption of IFRS 9 and expected loss model by the Bank.

3.2.1.8 Income tax expense

During the Reporting Period, the Bank's income tax was RMB1,412,287 thousand, representing an increase of RMB99,371 thousand or 7.6% as compared with the Interim Period of 2017, which was mainly due to the increase in income tax expense as a result of the increase in profit before tax of the Bank. The Bank's actual tax rate was 24.55%, representing a decrease of 0.02 percentage point as compared with that of the Interim Period of 2017.

3.2.2 Analysis of the Statement of Financial Position

3.2.2.1 Assets

The principal components of the Bank's assets were (i) loans and advances to customers; (ii) investment securities and other financial assets; and (iii) cash and balances with the central bank, accounting for 32.2%, 56.1% and 7.6%, respectively, of the Bank's total assets as at the end of the Reporting Period. The table below sets forth balances of the principal components of the Bank's total assets as of the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2018		As at 31 December 2017	
	Amount	% of total	Amount	% of total
Assets				
Total loans and advances to customers	248,193,384	33.2	215,121,174	29.7
Allowance for impairment losses on loans and advances to customers	(7,584,232)	(1.0)	(6,036,227)	(0.8)
Net Loans and advances to customers	240,609,152	32.2	209,084,947	28.9
Investment securities and other financial assets, net ⁽¹⁾	419,863,687	56.1	425,372,238	58.8
Balances with the central bank	56,871,761	7.6	52,117,510	7.2
Deposits with banks and other financial institutions	7,339,138	1.0	9,617,694	1.3
Financial assets held under resale agreements	296,753	0.0	3,572,794	0.5
Placements with banks and other financial institutions	198,498	0.0	2,500,000	0.3
Finance lease receivables	7,665,471	1.0	6,840,341	0.9
Other assets ⁽²⁾	15,547,751	2.1	14,312,126	2.1
Total assets	<u>748,392,211</u>	<u>100.0</u>	<u>723,417,650</u>	<u>100.0</u>

Notes: (1) Investments in 2018 include the financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortized cost.

Investments in 2017 include held-to-maturity investments, available-for-sale financial assets, financial assets at fair value through profit or loss and debt instruments classified as receivables.

(2) Include interest receivables, property and equipment, deferred income tax assets, and positive fair value of derivatives and others.

The Bank's total assets increased by 3.5% from RMB723,417,650 thousand as of 31 December 2017 to RMB748,392,211 thousand as at the end of the Reporting Period. The increase in the Bank's total assets was primarily because the Bank made appropriate expansion of investment and loan size based on the needs of real economy development and the Bank's business development plan, which resulted in the increase in relevant asset size.

(1) Loans and advances to customers

As at the end of the Reporting Period, the Bank's total loans and advances to customers was RMB248,193,384 thousand, representing an increase of 15.4% as compared to that at the end of 2017. Total loans and total advances to customers accounted for 33.2% of the Bank's total assets, representing an increase of 3.5 percentage points as compared to that at the end of 2017.

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2018		As at 31 December 2017	
	Amount	% of total	Amount	% of total
Corporate loans and advances	230,550,092	92.9	202,487,355	94.2
Personal loans and advances	10,859,208	4.4	10,161,100	4.7
Discounted bills	6,784,084	2.7	2,472,719	1.1
Total loans and advances to customers	248,193,384	100.0	215,121,174	100.0

The Bank's total loans and advances to customers primarily comprise of corporate loans and advances, personal loans and advances and discounted bills. Corporate loans and advances is the largest component of the Bank's loan portfolio. As at the end of the Reporting Period and as of 31 December 2017, the Bank's corporate loans and advances amounted to RMB230,550,092 thousand and RMB202,487,355 thousand, respectively, accounting for 92.9% and 94.2% of the Bank's total loans and advances to customers, respectively.

The Bank's corporate loans and advances increased by 13.9% from RMB202,487,355 thousand as of 31 December 2017 to RMB230,550,092 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 appropriate increase of loans granted to new high-quality customers by the Bank.

The Bank's personal loans and advances 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 personal loans and advances amounted to RMB10,859,208 thousand, representing an increase of RMB698,108 thousand or 6.9% as compared to that at the end of 2017, accounting for 4.4% of the Bank's total loans and advances to customers.

A. Loans by collateral

As at the end of the Reporting Period and as of 31 December 2017, collateralized loans, pledged loans or guaranteed loans represented, in the aggregate, 93.8% and 92.0%, 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)

	As at 30 June 2018		As at 31 December 2017	
	Amount	% of total	Amount	% of total
Unsecured loans	15,339,305	6.2	17,226,342	8.0
Guaranteed loans	92,485,550	37.3	76,539,268	35.6
Collateralized loans	74,534,182	30.0	55,872,860	26.0
Pledged loans	65,834,347	26.5	65,482,704	30.4
Total loans and advances to customers	248,193,384	100.0	215,121,174	100.0

As at the end of the Reporting Period, the balance of the Bank's loans secured by mortgages and pledges amounted to RMB140,368,529 thousand, representing an increase of RMB19,012,965 thousand or 15.7% as compared to that at the end of 2017, accounting for 56.5% of the Bank's total loans and advances to customers. The balance of unsecured and guaranteed loans was RMB107,824,855 thousand, representing an increase of RMB14,059,245 thousand as compared to that at the end of 2017, accounting for 43.5% of the Bank's total loans and advances to customers.

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	Stage I (12-month ECL ⁽¹⁾)	Stage II (Lifetime ECL)	Stage III (Life-time ECL- impaired)	Total
Balance as at 31 December 2017	–	–	–	6,036,227
Impact of adopting IFRS 9	–	–	–	(31,555)
Balance as at 1 January 2018	<u>3,587,382</u>	<u>1,114,478</u>	<u>1,302,812</u>	<u>6,004,672</u>
Charge for the period	457,308	1,024,282	215,793	1,697,383
Release for the period	–	–	(80,913)	(80,913)
Subtotal	<u>457,308</u>	<u>1,024,282</u>	<u>134,880</u>	<u>1,616,470</u>
Stage conversion	<u>(195,767)</u>	<u>(151,540)</u>	<u>347,307</u>	<u>–</u>
Convert to Stage I	23,593	(13,720)	(9,873)	–
Convert to Stage II	(137,546)	164,274	(26,728)	–
Convert to Stage III	(81,814)	(302,094)	383,908	–
Unwinding of discount	<u>–</u>	<u>–</u>	<u>(36,910)</u>	<u>(36,910)</u>
Balance as at 30 June 2018	<u><u>3,848,923</u></u>	<u><u>1,987,220</u></u>	<u><u>1,748,089</u></u>	<u><u>7,584,232</u></u>

Note: Represents expected credit loss (“ECL”).

	For which allowance is collectively assessed	For which allowance is individually assessed	Total
Balance as at			
31 December 2016	<u>3,903,641</u>	<u>965,681</u>	<u>4,869,322</u>
Charge for the year	865,897	900,830	1,766,727
Release for the year	–	(143,519)	(143,519)
Unwinding of discount	–	(67,635)	(67,635)
Disposal	<u>–</u>	<u>(388,668)</u>	<u>(388,668)</u>
Balance as at			
31 December 2017	<u><u>4,769,538</u></u>	<u><u>1,266,689</u></u>	<u><u>6,036,227</u></u>

Allowance for impairment losses on loans increased by 25.6% from RMB7,584,232 thousand as at 31 December 2017 to RMB6,036,227 thousand as at the end of the Reporting Period, primarily due to the increase of the Bank's allowance for impairment losses to counter against uncertainties arising from the macro-economic 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, precious metals held for trading, financial assets measured at amortised cost and debt instruments classified as receivables. As at the end of the Reporting Period and 31 December 2017, the Bank had net investment securities and other financial assets of RMB419,863,687 thousand and RMB425,372,238 thousand, accounting for 56.1% and 58.8% of the Bank's total assets, respectively.

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	30 June 2018		31 December 2017	
	Amount	% of total	Amount	% of total
Debt investments	63,113,267	15.0	59,423,064	14.0
Financial assets at fair value				
through profit or loss	19,165,526	4.6	1,005,451	0.2
Financial assets at fair value				
through other				
comprehensive income	38,394,620	9.1	N/A	N/A
Financial assets at				
amortized cost	5,553,200	1.3	N/A	N/A
Held-to-maturity investments	N/A	N/A	7,778,664	1.9
Available-for-sale debt investments	N/A	N/A	50,638,949	11.9
Allowance for impairment				
losses on debt investments	(79)	0.0	—	—
Equity investments	105,830	0.0	58,250	0.0
Financial assets at fair value through				
other comprehensive income	105,830	0.0	N/A	N/A
Available-for-sale equity investments	N/A	N/A	58,250	0.0
Wealth management				
products investments	26,767,793	6.4	22,507,706	5.3
Precious metals held for trading	—	—	13,651	0.0
Financial assets at				
amortized cost (other				
than debt investments)	329,876,797	78.6	N/A	N/A
Beneficial interest transfer plans	334,584,202	79.7	N/A	N/A
Investments in wealth				
management products of				
financial institutions	203,261	0.0	N/A	N/A
Allowance for impairment				
losses on financial assets				
at amortized cost (other				
than debt investments)	(4,910,666)	(1.1)	N/A	N/A
Debt instruments classified as				
receivables	N/A	N/A	343,369,567	80.7
Investments in wealth				
management products of				
financial institutions	N/A	N/A	200,088	0.0
Beneficial interest transfer plans	N/A	N/A	346,673,345	81.5
Allowance for impairment				
losses on debt securities				
classified as receivables	N/A	N/A	(3,503,866)	(0.8)
Net investments	419,863,687	100.0	425,372,238	100.0

As at the end of the Reporting Period, the Bank's investment securities and other financial assets, net amounted to RMB419,863,687 thousand, representing a decrease of 1.3% from RMB425,372,238 thousand as at the end of 2017, mainly attributable to the decrease in the scale of beneficial interest transfer plans stated at amortized cost.

3.2.2.2 Liabilities

As at the end of the Reporting Period and at of 31 December 2017, the Bank's total liabilities amounted to RMB685,660,325 thousand and RMB663,252,922 thousand, respectively. The Bank's liabilities mainly comprise (i) deposits from customers; (ii) deposits from banks and other financial institutions; and (iii) debt securities issued, accounting for 51.3%, 21.8% and 12.2%, 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:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2018		As at 31 December 2017	
	Amount	% of total	Amount	% of total
Deposits from customers	351,626,638	51.3	342,264,228	51.6
Deposits from banks and other financial institutions	149,800,363	21.8	134,537,429	20.3
Financial assets sold under repurchase agreements	38,735,359	5.6	39,064,430	5.9
Debt securities issued	83,731,348	12.2	89,564,751	13.5
Placements from banks and other financial institutions	16,314,145	2.4	13,466,127	2.0
Financial liabilities at fair value through profit or loss	26,485,025	3.9	22,439,776	3.4
Other liabilities ⁽¹⁾	18,967,447	2.8	21,916,181	3.3
Total	<u>685,660,325</u>	<u>100.0</u>	<u>663,252,922</u>	<u>100.0</u>

Note: (1) Include borrowing from the central bank, negative fair value of derivatives, accrued staff costs, taxes payable, interests payable and others.

(1) Deposits from customers

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2018		As at 31 December 2017	
	Amount	% of total	Amount	% of total
Corporate deposits				
Time deposits	42,328,483	12.0	52,192,358	15.2
Demand deposits	131,772,499	37.5	138,545,258	40.5
Subtotal	<u>174,100,982</u>	<u>49.5</u>	<u>190,737,616</u>	<u>55.7</u>
Personal deposits				
Time deposits	18,720,804	5.3	14,276,240	4.2
Demand deposits	158,804,852	45.2	137,250,372	40.1
Subtotal	<u>177,525,656</u>	<u>50.5</u>	<u>151,526,612</u>	<u>44.3</u>
Total	<u>351,626,638</u>	<u>100.0</u>	<u>342,264,228</u>	<u>100.0</u>

As at the end of the Reporting Period, the Bank's total deposits from customers amounted to RMB351,626,638 thousand, representing an increase of RMB9,362,410 thousand or 2.7% as compared to that at the end of 2017. The increase in deposits from customers was because the Bank optimized the service channel and outlet construction while increasing its efforts in marketing of customer deposits.

(2) Deposits from banks and other financial institutions

The counterparties of the Bank's deposits from the banks and other financial institutions mainly included domestic banks and other financial institutions. The following table sets out the composition of the counterparties of the Bank's deposits from the banks and other financial institutions as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2018		As at 31 December 2017	
	Amount	% of total	Amount	% of total
Banks	70,203,218	46.9	78,318,057	58.2
Other financial institutions	79,597,145	53.1	56,219,372	41.8
Total	149,800,363	100.0	134,537,429	100.0

As at the end of the Reporting Period, the Bank's total deposits from the banks and other financial institutions amounted to RMB149,800,363 thousand, increased by RMB15,262,934 or 11.3% from the end of 2017, which was mainly due to the increase in scale of deposits from the banks and other financial institutions as a result of the Bank's strengthened effort in business cooperation with other banks.

(3) Debts securities issued

On 24 January 2014, the Bank issued the tier-two capital debts with write-down terms in an aggregate principal amount of RMB1,500 million. The debts have a term of ten years and fixed coupon rate of 7.00% per annum. 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 tier-two capital debts with write-down terms in an aggregate principal amount of RMB2,500 million. The debts have a term of ten years and fixed coupon rate of 4.30% per annum. The Bank has an option to redeem the debts at the nominal amount on 27 December 2021.

On 26 March 2018, the Bank issued the tier-two capital debts with write-down terms in an aggregate principal amount of RMB4,000 million. The debts have a term of ten years and fixed coupon rate of 4.90% per annum. The Bank has an option to redeem the debts at the nominal amount on 27 March 2023.

As at the end of the Reporting Period and as of 31 December 2017, the Bank issued 215 and 238 tranches of RMB interbank certificates of deposit which were not matured, the balance of which were RMB75,739 million and RMB85,569 million, respectively, with a term ranging from one month to one year.

3.2.2.3 Shareholders' equity

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2018		As at 31 December 2017	
	Amount	% of total	Amount	% of total
Share capital	6,781,616	10.8	6,781,616	11.3
Preference shares	9,897,363	15.8	9,897,363	16.5
Capital reserve	14,184,913	22.6	13,578,809	22.6
Surplus reserve	2,994,679	4.8	2,994,679	5.0
General reserve	9,818,070	15.7	9,818,070	16.3
Retained earnings	15,010,905	23.9	13,160,018	21.9
Non-controlling interests	4,044,340	6.4	3,934,173	6.4
Total equity	62,731,886	100.0	60,164,728	100.0

On 27 October 2017, the Bank issued 74,800,000 non-cumulative perpetual offshore preference shares (“**Offshore Preference Shares**”) with a par value of RMB100 at an offering price of USD20 per share. The total proceeds from the issuance of Offshore Preference Shares amounted to RMB9,944 million and has been used to replenish the Bank's additional tier-one capital after deducting the commissions and expenses relating to the issuance.

3.2.3 Loan Quality Analysis

3.2.3.1 Breakdown of loans by the five-category classification

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 RMB3,132,681 thousand. The Bank's total allowance for impairment losses on loans to customers was RMB7,584,232 thousand. The following table sets forth the distribution of the Bank's loans and advances to customers by the five-category loan classification as of the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2018		As at 31 December 2017	
	Amount	% of total	Amount	% of total
Pass	236,769,559	95.4	207,906,403	96.7
Special mention	8,291,144	3.3	4,967,838	2.3
Substandard	2,215,224	0.9	1,470,816	0.7
Doubtful	888,911	0.4	475,259	0.2
Loss	28,546	0.0	300,858	0.1
Total loans and advances to customers	248,193,384	100.0	215,121,174	100.0
Non-performing loan	3,132,681	1.26	2,246,933	1.04

As at the Reporting Period and as at 31 December 2017, the non-performing loan ratios of the Bank were 1.26% and 1.04%, respectively. The Bank's non-performing loan ratio as at the end of the Reporting Period is 0.22 percentage point higher as compared to that at the end of 2017, primarily due to the fact that affected by the uncertainty in the national macroeconomy, customers in certain industries experienced difficulties in their operation which led to an increase in the non-performing rate of the Bank.

3.2.3.2 Concentration of loans

(1) Concentration by industry of corporate loans

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2018		As at 31 December 2017	
	Amount	% of total	Amount	% of total
Wholesale and retail trade	112,979,073	49.0	107,983,226	53.3
Manufacturing	40,766,314	17.7	34,526,186	17.1
Real estate	21,051,916	9.1	14,611,490	7.2
Leasing and commercial services	14,594,982	6.3	11,297,965	5.6
Public management and social organization	8,053,819	3.5	8,160,339	4.0
Education	5,556,280	2.4	5,573,015	2.8
Transportation, storage and postal services	4,833,631	2.1	1,704,719	0.8
Construction	3,365,994	1.5	2,088,328	1.0
Electricity, gas and water production and supply	3,221,370	1.4	2,524,672	1.2
Mining	2,446,496	1.1	2,312,522	1.1
Water, environment and public utility management	1,338,700	0.6	1,326,750	0.7
Agriculture, forestry, animal husbandry and fishery	1,173,441	0.5	1,540,602	0.8
Others	11,168,076	4.8	8,837,541	4.4
Total corporate loans and advances	230,550,092	100.0	202,487,355	100.0

As at the end of the Reporting Period, corporate loans and advances 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 and advances. As at the end of the Reporting Period and as at 31 December 2017, the balance of loans and advances provided to the corporate customers in the aforesaid four industries were RMB189,392,285 thousand and RMB168,418,867 thousand, respectively, accounting for 82.1% and 83.2% of the total corporate loans and advances issued by the Bank, respectively.

(2) Borrower concentration

A. Indicators of concentration

Major regulatory indicators	Regulatory standard	As at 30 June 2018	As at 31 December 2017
Loan concentration ratio for the largest single borrower	≤10%	4.88%	4.41%
Loan concentration ratio for the top ten single borrowers	≤50%	32.44%	32.29%

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

B. Loans to the ten largest single borrowers

The table below sets forth the borrowing amounts of the top ten 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	As at 30 June 2018	
		Amount	% of total
Customer A	Real estate	3,500,000	1.4
Customer B	Scientific research and technical services	2,865,116	1.2
Customer C	Manufacturing	2,848,000	1.1
Customer D	Wholesale and retail trade	2,090,000	0.8
Customer E	Transportation, storage and postal services	2,000,000	0.8
Customer F	Leasing and business services	2,000,000	0.8
Customer G	Wholesale and retail trade	1,999,000	0.8
Customer H	Wholesale and retail trade	1,998,660	0.8
Customer I	Wholesale and retail trade	1,995,000	0.8
Customer J	Wholesale and retail trade	1,990,000	0.8
Total		<u>23,285,776</u>	<u>9.3</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>	As at 30 June 2018			As at 31 December 2017		
	Loan amount	Non- performing loan amount	Non- performing loan ratio (%)	Loan amount	Non- performing loan amount	Non- performing loan ratio (%)
Corporate loans and advances						
Small Enterprises and						
Micro Enterprises	113,560,218	1,310,642	1.15	101,147,853	1,076,518	1.06
Medium Enterprises	74,841,492	631,633	0.84	65,919,809	457,046	0.69
Others	42,148,382	731,845	1.74	35,419,693	303,989	0.86
Subtotal	230,550,092	2,674,120	1.16	202,487,355	1,837,553	0.91
Discounted bills	6,784,084	–	–	2,472,719	–	–
Personal loans and advances						
Personal business loans	8,811,358	421,342	4.78	8,641,737	399,090	4.62
Personal consumption loans	445,879	19,330	4.34	645,395	7,868	1.22
Residential mortgage loans	1,351,517	2,443	0.18	747,574	1,002	0.13
Credit card overdrafts	147,565	1,436	0.97	125,988	1,014	0.80
Others	102,889	14,010	13.62	406	406	100.00
Subtotal	10,859,208	458,561	4.22	10,161,100	409,380	4.03
Total	248,193,384	3,132,681	1.26	215,121,174	2,246,933	1.04

The non-performing loan ratio, representing non-performing loans divided by the Bank's total loans and advances to customers, was 1.26% as at the end of the Reporting Period, representing an increase of 0.22 percentage point as compared to 1.04% as at 31 December 2017.

As at the end of the Reporting Period and as at 31 December 2017, the non-performing loan ratios of the Bank's corporate loans and advances were 1.16% and 0.91%, respectively.

As at the end of the Reporting Period and as at 31 December 2017, the non-performing loan ratios of the Bank's personal loans and advances were 4.22% and 4.03%, 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>	As at 30 June 2018		As at 31 December 2017	
	Amount	% of total	Amount	% of total
Overdue within 3 months (inclusive)	3,166,824	49.6	873,455	28.2
Overdue more than 3 months to 6 months (inclusive)	653,281	10.2	213,726	6.9
Overdue more than 6 months to 1 year (inclusive)	689,351	10.8	354,620	11.5
Overdue more than 1 year	1,879,323	29.4	1,653,749	53.4
Total overdue loans and advances to customers	6,388,779	100.0	3,095,550	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 2015) 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 was 7.95%, representing a decrease of 0.49 percentage point as compared to that as at the end of 2017; the tier 1 capital adequacy ratio was 9.57%, representing a decrease of 0.67 percentage point as compared to that as at the end of 2017; the capital adequacy ratio was 11.61%, representing a decrease of 0.06 percentage point as compared to that as at the end of 2017. The decrease in capital adequacy ratios during the Reporting Period was mainly due to the decrease in undistributed profit as a result of the increase in provision for impairment by the Bank in accordance with the requirement of IFRS 9.

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>	As at 30 June 2018	As at 31 December 2017
Core tier-one capital		
– Share capital	6,781,616	6,781,616
– Qualifying portion of capital reserve	14,184,913	13,578,809
– Surplus reserve	2,994,679	2,994,679
– General reserve	9,818,070	9,818,070
– Retained earnings	15,010,905	13,160,018
– Qualifying portions of non-controlling interests	588,484	532,382
Core tier-one capital deductions		
– Other intangible assets other than land use right	(187,933)	(182,643)
Net core tier-one capital	49,190,734	46,682,931
Other tier-one capital	9,977,931	9,968,347
Net tier-one capital	59,168,665	56,651,278
Tier-two capital		
– Instruments issued and share premium	8,000,000	4,000,000
– Surplus provision for loan impairment	4,451,551	3,969,198
– Qualifying portions of non-controlling interests	156,929	141,968
– Tier-two capital deductions	–	(200,000)
Net capital base	71,777,145	64,562,444
Total risk weighted assets	618,369,171	553,087,541
Core tier-one capital adequacy ratio	7.95%	8.44%
Tier-one capital adequacy ratio	9.57%	10.24%
Capital adequacy ratio	11.61%	11.67%

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 classifies 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, Yingkou 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 Co., Ltd. (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-month period ended 30 June			
	2018		2017	
	Amount	% of total	Amount	% of total
Operating Income				
Jinzhou Region	7,172,849	74.2	6,174,107	72.3
Other Northeastern Region	1,143,779	11.8	1,065,330	12.5
Northern China Region	1,355,758	14.0	1,292,940	15.2
Total	<u>9,672,386</u>	<u>100.0</u>	<u>8,532,377</u>	<u>100.0</u>

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-month period ended 30 June			
	2018		2017	
	Amount	% of total	Amount	% of total
Operating income				
Corporate banking	3,385,826	35.0	2,736,426	32.1
Retail banking	872,514	9.0	662,072	7.8
Treasury business	5,406,370	55.9	5,164,700	60.5
Others	7,676	0.1	(30,821)	(0.4)
Total	<u>9,672,386</u>	<u>100.0</u>	<u>8,532,377</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>	As at 30 June 2018	As at 31 December 2017
Acceptances	143,605,439	105,422,308
Letters of credit	16,679,114	21,070,234
Letters of guarantees	2,318,947	3,284,999
Loan commitments	4,403,567	3,870,216
Credit card commitments	1,098,984	929,182
Subtotal	168,106,051	134,576,939
Operating lease commitments	452,020	439,920
Capital commitments	459,856	1,022,570
Subtotal	911,876	1,462,490
Total	169,017,927	136,039,429

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 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 credit management department is in charge of the improvement of the Bank's credit review system and operating procedures. The Bank's post-credit management department is responsible for the determination of five-category loan assets. 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 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 also improves the credit approval procedures of its branches. 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 from 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 the operation of banks. 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 profit taking from actual or expected price fluctuations of short-term. The banking book transactions represent non-trading businesses. The Bank mainly analyzes the interest rate risks of banking book transactions.

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 financial assets and financial 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>	As at 30 June 2018					
	Total	Overdue/ Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Financial Assets						
Cash and balances with the central bank	56,871,761	910,279	55,961,482	—	—	—
Deposits with banks and other financial institutions	7,339,138	—	3,415,761	3,923,377	—	—
Placements with banks and other financial institutions	198,498	—	198,498	—	—	—
Financial assets at fair value through profit or loss	45,933,319	1,353,391	11,449,326	19,112,301	14,018,301	—
Positive fair value of derivatives	487,522	487,522	—	—	—	—
Financial assets held under resale agreements	296,753	—	296,753	—	—	—
Loans and advances to customers	240,609,152	4,255,225	22,387,978	66,004,029	144,845,478	3,116,442
Financial assets at fair value through other comprehensive income	38,394,620	—	200,382	10,021,982	25,201,888	2,970,368
Financial assets at amortized cost	335,429,918	549,838	11,457,002	56,857,695	262,066,304	4,499,079
Finance lease receivables	7,665,471	43,000	812,033	1,911,630	4,898,808	—
Other financial assets	4,298,366	4,298,366	—	—	—	—
Total assets	737,524,518	11,897,621	106,179,215	157,831,014	451,030,779	10,585,889
Financial Liabilities						
Borrowing from the central bank	82,101	—	6,680	75,421	—	—
Deposits from banks and other financial institutions	149,800,363	—	30,241,643	57,227,820	45,590,900	16,740,000
Placements from banks and other financial institutions	16,314,145	—	10,204,489	6,109,656	—	—
Financial liabilities at fair value through profit or loss	26,485,025	—	11,424,654	14,997,932	62,439	—
Negative fair value of derivatives	172,679	172,679	—	—	—	—
Financial assets sold under repurchase agreements	38,735,359	—	38,735,359	—	—	—
Deposits from customers	351,626,638	262,802	100,292,620	97,427,757	151,980,456	1,663,003
Debt securities issued	83,731,348	—	30,627,734	41,661,399	11,442,215	—
Other financial liabilities	16,802,409	16,802,409	—	—	—	—
Total liabilities	683,750,067	17,237,890	221,533,179	217,499,985	209,076,010	18,403,003
Net position	53,774,451	(5,340,269)	(115,353,964)	(59,668,971)	241,954,769	(7,817,114)

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2017					
	Total	Overdue/ Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Financial Assets						
Cash and balances with the central bank	52,117,510	747,977	51,369,533	—	—	—
Deposits with banks and other financial institutions	9,617,694	—	6,365,194	2,598,000	654,500	—
Placements with banks and other financial institutions	2,500,000	—	2,500,000	—	—	—
Financial assets at fair value through profit or loss	23,526,808	—	11,274,671	11,386,175	626,507	239,455
Positive fair value of derivatives	1,409	1,409	—	—	—	—
Financial assets held under resale agreements	3,572,794	—	3,572,794	—	—	—
Loans and advances to customers	209,084,947	1,753,684	21,470,776	72,016,790	111,635,692	2,208,005
Available-for-sale financial assets	50,638,949	300,187	289,702	1,582,689	45,668,060	2,798,311
Held-to-maturity investment	7,778,664	—	—	697,589	4,752,553	2,328,522
Debt instruments classified as receivables	343,369,567	556,597	29,532,795	81,329,828	227,931,207	4,019,140
Finance lease receivables	6,840,341	—	2,977,922	1,676,518	2,185,901	—
Other financial assets	4,319,866	4,319,866	—	—	—	—
Total assets	713,368,549	7,679,720	129,353,387	171,287,589	393,454,420	11,593,433
Financial Liabilities						
Borrowing from the central bank	307,848	—	—	307,848	—	—
Deposits from banks and other financial institutions	134,537,429	—	30,869,509	54,184,550	46,270,870	3,212,500
Placements from banks and other financial institutions	13,466,127	—	3,546,559	9,919,568	—	—
Financial liabilities at fair value through profit or loss	22,439,776	—	11,265,000	11,135,626	39,150	—
Negative fair value of derivatives	722,982	722,982	—	—	—	—
Financial assets sold under repurchase agreements	39,064,430	—	39,064,430	—	—	—
Deposits from customers	342,264,228	111,982	102,330,196	91,867,159	147,919,590	35,301
Debt securities issued	89,564,751	—	31,994,793	47,594,477	9,975,481	—
Other financial liabilities	15,703,600	15,703,600	—	—	—	—
Total liabilities	658,071,171	16,538,564	219,070,487	215,009,228	204,205,091	3,247,801
Net position	55,297,378	(8,858,844)	(89,717,100)	(43,721,639)	189,249,329	8,345,632

The Bank uses sensitivity analysis to measure the potential impact of changes in interest rate on its net profit or loss and shareholders' 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>	For the six-month period ended 30 June			
	2018		2017	
	Changes in net profit	Changes in shareholders' equity	Changes in net profit	Changes in shareholders' equity
100 basis points increase	(93,912)	(728,169)	(723,129)	(1,535,333)
100 basis points decrease	98,072	762,034	723,128	1,571,157

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 through the following measures: 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>	As at 30 June 2018			
	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Financial Assets				
Cash and balances with the central bank	56,627,248	242,395	2,118	56,871,761
Deposits with banks and other financial institutions	6,300,352	935,464	103,322	7,339,138
Placements with banks and other financial institutions	—	198,498	—	198,498
Financial assets at fair value through profit or loss	45,732,935	200,384	—	45,933,319
Positive fair value of derivatives	—	472,977	14,545	487,522
Financial assets held under resale agreements	296,753	—	—	296,753
Loans and advances to customers	237,893,783	2,627,486	87,883	240,609,152
Financial assets at fair value through other comprehensive income	38,394,620	—	—	38,394,620
Financial assets at amortized cost	335,429,918	—	—	335,429,918
Finance lease receivables	7,665,471	—	—	7,665,471
Other financial assets	4,260,083	37,223	1,050	4,298,366
Total assets	732,601,163	4,714,437	208,918	737,524,518

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2018			
	RMB	USD <i>(RMB equivalent)</i>	Others <i>(RMB equivalent)</i>	Total <i>(RMB equivalent)</i>
Liabilities				
Borrowing from				
the central bank	82,101	—	—	82,101
Deposits from banks and				
other financial institutions	149,800,363	—	—	149,800,363
Placements from banks and				
other financial institutions	1,300,930	14,744,556	268,659	16,314,145
Financial liabilities at fair value				
through profit or loss	26,485,025	—	—	26,485,025
Negative fair value of				
derivatives	—	128,384	44,295	172,679
Financial assets sold under				
repurchase agreements	38,735,359	—	—	38,735,359
Deposits from customers	347,313,772	3,560,650	752,216	351,626,638
Debt securities issued	83,731,348	—	—	83,731,348
Other financial liabilities	16,193,658	198,760	409,991	16,802,409
Total liabilities	663,642,556	18,632,350	1,475,161	683,750,067
Net position	68,958,607	(13,917,913)	(1,266,243)	53,774,451
Credit commitments	164,978,228	2,150,300	977,523	168,106,051

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2017			
	RMB	USD <i>(RMB equivalent)</i>	Others <i>(RMB equivalent)</i>	Total <i>(RMB equivalent)</i>
Assets				
Cash and balances with the central bank	51,694,247	421,551	1,712	52,117,510
Deposit with banks and other financial institutions	7,812,720	1,688,247	116,727	9,617,694
Placements with banks and other financial institutions	2,500,000	—	—	2,500,000
Financial assets at fair value through profit or loss	23,526,808	—	—	23,526,808
Positive fair value of derivatives	—	1,207	202	1,409
Financial assets held under resale agreements	3,572,794	—	—	3,572,794
Loans and advances to customers	205,758,970	3,240,758	85,219	209,084,947
Available-for-sale financial assets	50,441,061	197,888	—	50,638,949
Held-to-maturity investment	7,778,664	—	—	7,778,664
Debt instruments classified as receivables	343,369,567	—	—	343,369,567
Financial lease receivables	6,840,341	—	—	6,840,341
Other financial assets	4,285,446	33,597	823	4,319,866
Total assets	707,580,618	5,583,248	204,683	713,368,549

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2017			
	RMB	USD <i>(RMB equivalent)</i>	Others <i>(RMB equivalent)</i>	Total <i>(RMB equivalent)</i>
Liabilities				
Borrowing from				
the central bank	307,848	—	—	307,848
Deposits from banks and				
other financial institutions	134,537,429	—	—	134,537,429
Placements from banks and				
other financial institutions	2,012,000	11,040,562	413,565	13,466,127
Financial liabilities at fair value				
through profit or loss	22,439,776	—	—	22,439,776
Negative fair value of				
derivatives	—	574,099	148,883	722,982
Financial assets sold under				
repurchase agreements	39,064,430	—	—	39,064,430
Deposits from customers	333,934,816	7,843,255	486,157	342,264,228
Debt securities issued	89,564,751	—	—	89,564,751
Other financial liabilities	15,136,736	285,007	281,857	15,703,600
Total liabilities	636,997,786	19,742,923	1,330,462	658,071,171
Net position	70,582,832	(14,159,675)	(1,125,779)	55,297,378
Credit commitments	130,544,733	3,033,937	998,269	134,576,939

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 tables below summarize the maturity profile of the Bank's financial instruments based on the contractual undiscounted cash flows. The balances of some items in the tables below are different from the balances on the statement of financial position as the tables incorporate all cash flows relating to both principal and interest. The Bank's expected cash flows on these instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2018							Total
	Overdue/ 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	
Non-derivative financial assets								
Cash and balances with the central bank	53,335,275	3,560,225	—	—	—	—	—	56,895,500
Deposits with banks and other financial institutions	—	1,603,560	1,451,949	436,434	4,092,998	—	—	7,584,941
Placements with banks and other financial institutions	—	—	198,709	—	—	—	—	198,709
Financial assets at fair value through profit or loss	—	1,353,391	4,508,206	7,092,551	19,868,663	14,659,351	—	47,482,162
Financial assets held under resale agreements	—	—	296,993	—	—	—	—	296,993
Loans and advances to customers	3,404,449	1,190,169	8,869,314	17,305,189	76,578,563	161,997,387	3,899,604	273,244,675
Financial assets at fair value through other comprehensive income	—	—	117,325	437,987	11,049,335	27,374,777	3,396,588	42,376,012
Financial assets at amortized cost	569,220	—	5,755,360	11,991,191	74,358,828	290,410,688	4,506,603	387,591,890
Finance lease receivables	—	71,360	124,328	894,030	2,281,883	5,260,078	—	8,631,679
Other financial assets	—	—	196,315	—	4,092	795	—	201,202
Total assets	57,308,944	7,778,705	21,518,499	38,157,382	188,234,362	499,703,076	11,802,795	824,503,763
Non-derivative financial liabilities								
Borrowing from the central bank	—	—	1,853	5,263	77,255	—	—	84,371
Deposits from banks and other financial institutions	—	48,980	8,462,300	23,872,681	60,201,203	60,047,901	16,763,442	169,396,507
Placements from banks and other financial institutions	—	—	8,630,020	2,669,302	6,156,176	—	—	17,455,498
Financial liabilities at fair value through profit or loss	—	842,848	3,065,748	7,758,833	15,245,033	64,616	305,884	27,282,962
Financial assets sold under repurchase agreements	—	—	38,817,036	—	—	—	—	38,817,036
Deposits from customers	—	60,895,357	15,344,106	27,235,033	102,693,999	160,959,219	1,663,047	368,790,761
Debt securities issued	—	—	6,706,384	24,631,983	43,114,098	12,695,195	—	87,147,660
Other financial liabilities	—	632,496	1,870,205	598	50,553	233,133	—	2,786,985
Total liabilities	—	62,419,681	82,897,652	86,173,693	227,538,317	234,000,064	18,732,373	711,761,780
Net position	57,308,944	(54,640,976)	(61,379,153)	(48,016,311)	(39,303,955)	265,703,012	(6,929,578)	112,741,983
Loan commitments and credit card commitments	—	5,029,422	50	309,946	118,783	44,350	—	5,502,551

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2017							Total
	Overdue/ 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	
Non-derivative financial assets								
Cash and balances with the central bank	48,228,548	3,890,603	—	—	—	—	—	52,119,151
Deposits with banks and other financial institutions	—	2,063,194	512,879	3,840,415	2,667,278	691,676	—	9,775,442
Placements with banks and other financial institutions	—	—	2,503,646	—	—	—	—	2,503,646
Financial assets at fair value through profit or loss	—	225,380	4,507,401	6,791,481	11,430,989	692,597	239,455	23,887,303
Financial assets held under resale agreements	—	—	3,581,726	—	—	—	—	3,581,726
Loans and advances to customers	1,638,398	124,536	4,405,584	17,268,592	75,435,787	139,901,849	2,790,366	241,565,112
Available-for-sale financial assets	—	300,187	319,279	835,262	4,090,824	46,440,394	4,536,062	56,522,008
Held-to-maturity investments	—	—	44,727	89,455	1,064,035	5,395,225	3,774,534	10,367,976
Debt instruments classified as receivables	563,091	—	11,200,076	23,854,249	93,336,273	229,056,567	4,218,059	362,228,315
Finance lease receivables	—	—	177,549	639,182	2,372,934	4,783,221	—	7,972,886
Other financial assets	—	—	88,703	—	1,878	365	—	90,946
Total assets	50,430,037	6,603,900	27,341,570	53,318,636	190,399,998	426,961,894	15,558,476	770,614,511
Non-derivative financial liabilities								
Borrowing from the central bank	—	—	567	1,134	312,951	—	—	314,652
Deposits from banks and other financial institutions	—	289,509	6,342,130	25,728,689	57,718,069	50,611,078	—	140,689,475
Placements from banks and other financial institutions	—	—	1,446,698	2,171,844	10,090,681	—	—	13,709,223
Financial liabilities at fair value through profit or loss	—	211,730	4,406,673	6,676,516	11,136,221	39,150	11,730	22,482,020
Financial assets sold under repurchase agreements	—	—	33,878,068	5,320,900	—	—	—	39,198,968
Deposits from customers	—	66,468,598	13,882,311	24,133,622	97,370,265	156,972,269	35,301	358,862,366
Debt securities issued	—	—	9,045,899	23,159,186	49,232,917	11,806,979	—	93,244,981
Other financial liabilities	—	412,305	2,643,579	390	32,954	151,972	—	3,241,200
Total liabilities	—	67,382,142	71,645,925	87,192,281	225,894,058	219,581,448	47,031	671,742,885
Net position	50,430,037	(60,778,242)	(44,304,355)	(33,873,645)	(35,494,060)	207,380,446	15,511,445	98,871,626
Loan commitments and credit card commitments	—	4,255,368	254,500	57,890	207,210	24,430	—	4,799,398

3.4 Future Prospects

In the second half of 2018, the Bank will continue to thoroughly implement the spirit of the 19th National Congress of the Communist Party of China, the requirements of the National Financial Work Conference and the spirit of the Central Economic Work Conference, to adhere to the operating policies of “Changing mode, Adjusting structure, Controlling risk and Strengthening development”, actively responding to the national strategies and plans, capturing the opportunities of deepening financial reform, strengthening the risk prevention and guarding the risk bottom line and keeping the basis of serving the real economy in mind. With the theme of reform and development, the mainstream of transformation and renovation, the driver of innovation and technology, the protection of compliance and stability and the objective of efficiency and quality, the Bank will consolidate its strategic position of “Three Basis & Three Small (三基三小)”, comprehensively develop financial technology, increase the efforts in facilitating inclusive finance, establish a diversified and characteristic business pattern with low capital consumption, enhance the efficiency of refined, professional and collaborative management, thereby continuously facilitating and forming a new pattern of high-quality development of the Bank.

4. ISSUANCE OF SECURITIES AND BONDS

4.1 Issuance of Tier-two Capital Bonds

Upon the approval of CBRC and People’s Bank of China (the “PBOC”), the Bank issued tier-two capital bonds with written off provisions on 24 January 2014. The total issue amount was RMB1.5 billion. The maturity was 10 years with a fixed coupon rate of 7.00% per annum. The bonds could be redeemed partially or wholly discretionary by the Bank at the nominal amount at the end of the fifth year upon the approval of relevant regulatory authorities.

Upon the approval of CBRC and PBOC, the Bank issued tier-two capital bonds with written off provisions on 26 December 2016. The total issue amount was RMB2.5 billion. The maturity was 10 years with a fixed coupon rate of 4.30% per annum. The bonds could be redeemed partially or wholly discretionary by the Bank at the nominal amount at the end of the fifth year upon the approval of relevant regulatory authorities.

Upon the approval of CBRC and PBOC, the Bank issued tier-two capital bonds with written off provisions on 26 March 2018. The total issue amount was RMB4.0 billion. The maturity was 10 years with a fixed coupon rate of 4.90% per annum. The bonds could be redeemed partially or wholly discretionary by the Bank at the nominal amount at the end of the fifth year upon the approval of relevant regulatory authorities.

4.2 Issuance of Interbank Deposit Certificates

As at the end of the Reporting Period, the Bank issued 215 interbank deposit certificates (issued in the market which are not matured yet) in total with an aggregate amount of RMB75,739 million.

4.3 Issuance of Offshore Preference Shares

On 27 October 2017, the Bank issued 74,800,000 Offshore Preference Shares with the par value of RMB100 each at USD20 per share. The total proceeds from the issuance of Offshore Preference Shares was approximately RMB 9.944 billion, after deducting the related commissions and expenses, all were used to replenish additional tier-one capital of the Bank.

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 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 at the Shareholders' general meetings.

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 Hong Kong Stock Exchange, and adopted the recommended best practices therein (where appropriate).

5.2 Securities Transactions by Directors and Supervisors

The Bank has adopted, in respect of securities transactions by directors and supervisors, 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 announcement.

The Board did not recommend to declare any interim dividend for the interim period of 2018 (Interim Period of 2017: nil).

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 Ms. Peng Taoying, Ms. Tan Ying (both are independent non-executive Director) and Ms. Meng Xiao (non-executive Director), and Ms. Peng Taoying serves as the chairlady. The audit committee of the Bank has reviewed the unaudited consolidated financial statements of the Bank For the six-month period ended 30 June 2018.

5.6 Subsequent Events

No significant events occurred to the Bank after the Reporting Period to the date of this announcement.

6. FINANCIAL REPORT

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE PERIOD ENDED 30 JUNE 2018

(Amount in thousands of RMB, unless otherwise stated)

	For the six month period ended 30 June	
	2018 Unaudited	2017 Unaudited
Interest income	22,029,076	17,898,864
Interest expense	(13,150,564)	(9,512,088)
NET INTEREST INCOME	8,878,512	8,386,776
Fee and commission income	398,345	455,563
Fee and commission expense	(33,325)	(54,996)
NET FEE AND COMMISSION INCOME	365,020	400,567
Net trading income/(loss)	1,587,877	(45,155)
Net gains arising from investment securities	24,296	17,350
Net foreign exchange losses	(1,191,352)	(236,380)
Other net operating income	8,033	9,219
OPERATING INCOME	9,672,386	8,532,377
OPERATING EXPENSES	(1,571,707)	(1,574,069)
OPERATING PROFIT BEFORE IMPAIRMENT	8,100,679	6,958,308
Impairment losses on assets	(2,348,651)	(1,615,348)
PROFIT BEFORE TAX	5,752,028	5,342,960
Income tax expense	(1,412,287)	(1,312,916)
PROFIT FOR THE PERIOD	4,339,741	4,030,044
Attributable to:		
Equity shareholders of the Bank	4,229,574	3,990,797
Non-controlling interests	110,167	39,247
PROFIT FOR THE PERIOD	4,339,741	4,030,044
Basic and diluted earnings per share (in RMB)	0.62	0.59

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*FOR THE PERIOD ENDED 30 JUNE 2018**(Amount in thousands of RMB, unless otherwise stated)*

	For the six month period ended 30 June	
	2018	2017
	Unaudited	Unaudited
Profit for the period	4,339,741	4,030,044
Other comprehensive income (after tax, net):		
Items that will be reclassified subsequently to the statement of income		
– Net gains on investments in debt instruments measured at fair value through other comprehensive income	530,013	–
– Net losses on available-for-sale financial assets	–	(254,099)
Items that will not be reclassified to the statement of income		
– Net gains on investments in equity instruments designated at fair value through other comprehensive income	9,768	–
– Remeasurement of defined benefit liabilities	(1,354)	1,129
Other comprehensive income for the period	538,427	(252,970)
Total comprehensive income for the period	4,878,168	3,777,074
Total comprehensive income attributable to:		
Equity shareholders of the Bank	4,768,001	3,737,827
Non-controlling interests	110,167	39,247
Total comprehensive income for the period	4,878,168	3,777,074

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 30 June 2018

(Amount in thousands of RMB, unless otherwise stated)

	<u>30 June</u>	<u>31 December</u>
	2018	2017
	Unaudited	Audited
ASSETS		
Cash and balances with the central bank	56,871,761	52,117,510
Deposits with banks and other financial institutions	7,339,138	9,617,694
Placements with banks and other financial institutions	198,498	2,500,000
Financial assets at fair value through profit or loss	45,933,319	23,526,808
Positive fair value of derivatives	487,522	1,409
Financial assets held under resale agreements	296,753	3,572,794
Interests receivable	4,097,164	4,228,920
Loans and advances to customers	240,609,152	209,084,947
Financial assets at fair value through other comprehensive income	38,500,450	—
Financial assets at amortised cost	335,429,918	—
Available-for-sale financial assets	—	50,697,199
Held-to-maturity investments	—	7,778,664
Debt instruments classified as receivables	—	343,369,567
Finance lease receivables	7,665,471	6,840,341
Property and equipment	6,526,766	6,452,324
Deferred tax assets	2,805,671	2,379,845
Other assets	1,630,628	1,249,628
TOTAL ASSETS	<u>748,392,211</u>	<u>723,417,650</u>
LIABILITIES		
Borrowing from the central bank	82,101	307,848
Deposits from banks and other financial institutions	149,800,363	134,537,429
Placements from banks and other financial institutions	16,314,145	13,466,127
Financial liabilities at fair value through profit or loss	26,485,025	22,439,776
Negative fair value of derivatives	172,679	722,982
Financial assets sold under repurchase agreements	38,735,359	39,064,430
Deposits from customers	351,626,638	342,264,228
Accrued staff costs	253,289	259,517
Taxes payable	709,256	1,148,908
Interests payable	14,015,424	12,462,400
Debt securities issued	83,731,348	89,564,751
Other liabilities	3,734,698	7,014,526
TOTAL LIABILITIES	<u>685,660,325</u>	<u>663,252,922</u>

	<u>30 June</u>	31 December
	2018	2017
	Unaudited	Audited
EQUITY		
Share capital	6,781,616	6,781,616
Preference shares	9,897,363	9,897,363
Capital reserve	14,184,913	13,578,809
Surplus reserve	2,994,679	2,994,679
General reserve	9,818,070	9,818,070
Retained earnings	15,010,905	13,160,018
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE BANK	58,687,546	56,230,555
NON-CONTROLLING INTERESTS	4,044,340	3,934,173
TOTAL EQUITY	62,731,886	60,164,728
TOTAL LIABILITIES AND EQUITY	748,392,211	723,417,650

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2018

(Amount in thousands of RMB, unless otherwise stated)

	Unaudited									
	Total equity attributable to equity shareholders of the Bank								Non- controlling interests	Total equity
	Share capital	Preference Shares	Capital reserve	Surplus reserve	General reserve	Retained earnings	Subtotal			
I. Balance at 31 December 2017	6,781,616	9,897,363	13,578,809	2,994,679	9,818,070	13,160,018	56,230,555	3,934,173	60,164,728	
II. Changes in accounting policies										
- Impact of adopting IFRS 9	-	-	67,677	-	-	(1,293,628)	(1,225,951)	-	(1,225,951)	
III. Balance at 1 January 2018	6,781,616	9,897,363	13,646,486	2,994,679	9,818,070	11,866,390	55,004,604	3,934,173	58,938,777	
IV. Changes in equity for the period:										
(I) Total comprehensive income	-	-	538,427	-	-	4,229,574	4,768,001	110,167	4,878,168	
(II) Appropriation of profits										
- Appropriation to shareholders	-	-	-	-	-	(1,085,059)	(1,085,059)	-	(1,085,059)	
V. Balance at 30 June 2018	<u>6,781,616</u>	<u>9,897,363</u>	<u>14,184,913</u>	<u>2,994,679</u>	<u>9,818,070</u>	<u>15,010,905</u>	<u>58,687,546</u>	<u>4,044,340</u>	<u>62,731,886</u>	

	Unaudited								
	Total equity attributable to equity shareholders of the Bank							Non- controlling interests	Total equity
	Share capital	Capital reserve	Surplu reserve	General reserve	Retained earnings	Subtotal			
I. 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	
II. Changes in equity for the period:									
(I) Total comprehensive income	-	(252,970)	-	-	3,990,797	3,737,827	39,247	3,777,074	
(II) Appropriation of profits									
- Appropriation to shareholders	-	-	-	-	(1,017,242)	(1,017,242)	(37,777)	(1,055,019)	
III. 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>	

Unaudited

	Total equity attributable to equity shareholders of the Bank								Total equity
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Retained earnings	Sub-total	Non-controlling interests	
I. Balance at 30 June 2017	<u>6,781,616</u>	<u>—</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>
II. Changes in equity for the period:									
(I) Total comprehensive income	—	—	(409,016)	—	—	4,986,193	4,577,177	73,821	4,650,998
(II) Capital injection by other equity holders	—	9,897,363	—	—	—	—	9,897,363	—	9,897,363
(III) Appropriation of profits									
– Appropriation to surplus reserve	—	—	—	893,570	—	(893,570)	—	—	—
– Appropriation to general reserve	—	—	—	—	2,592,788	(2,592,788)	—	—	—
III. Balance at 31 December 2017	<u>6,781,616</u>	<u>9,897,363</u>	<u>13,578,809</u>	<u>2,994,679</u>	<u>9,818,070</u>	<u>13,160,018</u>	<u>56,230,555</u>	<u>3,934,173</u>	<u>60,164,728</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30 JUNE 2018

(Amount in thousands of RMB, unless otherwise stated)

	For the six month period ended 30 June	
	2018	2017
	Unaudited	Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	4,339,741	4,030,044
Adjustments for:		
Impairment losses on assets	2,348,651	1,615,348
Depreciation and amortisation	210,236	198,722
Interest income from impaired loans	(36,910)	(30,775)
Net foreign exchange loss	1,200,529	108,467
Dividend income	(880)	—
Net gains on disposal of investment securities	(23,416)	(17,350)
Net trading (income)/loss	(1,587,877)	45,155
Interest expense on debts securities issued	2,022,615	1,276,937
Net gains on disposal of property, equipment and other long term assets	153	—
Income tax expense	1,412,287	1,312,916
Subtotal	9,885,129	8,539,464
Movement in operating assets:		
Net increase in balances with the central bank, and deposits with banks and other financial institutions	(2,798,335)	(12,896,777)
Net increase in loans and advances to customers	(33,133,507)	(63,531,192)
Net increase in finance lease receivables	(842,182)	(368,657)
Net increase in other operating assets	(4,541,991)	(1,179,682)
Subtotal	(41,316,015)	(77,976,308)
Movement in operating liabilities:		
Net (decrease)/increase in borrowing from the central bank	(225,747)	178,294
Net increase in deposits from banks and other financial institutions	15,262,934	4,212,400
Net decrease in financial assets sold under repurchase agreements	(329,071)	(13,504,682)
Net increase in placements from banks and other financial institutions	2,848,018	8,144,427
Net increase in other operating liabilities	1,238,081	2,725,094
Net increase in deposits from customers	9,362,410	49,091,050
Income tax paid	(2,062,081)	(2,004,445)
Subtotal	26,094,544	48,842,138
Net cash flows used in operating activities	(5,336,342)	(20,594,706)

	For the six month period ended 30 June	
	2018	2017
	Unaudited	Unaudited
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal and redemption of investments	219,308,924	204,433,879
Proceeds from dividend income	880	—
Proceeds from disposal of property, equipment and other assets	23,897	—
Payments on acquisition of investments	(211,500,578)	(234,372,408)
Payments on acquisition of property and equipment, intangible assets and other assets	(569,071)	(321,736)
Net cash flows generated from/(used in) investing activities	7,264,052	(30,260,265)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of debt securities	59,840,040	47,688,874
Repayment of debts securities issued	(65,673,443)	—
Interests paid on debts securities issued	(1,974,888)	(105,000)
Dividends paid	(266)	(34,804)
Net cash flows (used in)/generated from financing activities	(7,808,557)	47,549,070
Effect of foreign exchange rate changes on cash and cash equivalents	(16,203)	(114,167)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,897,050)	(3,420,068)
CASH AND CASH EQUIVALENTS		
AT THE BEGINNING OF THE PERIOD	12,469,950	12,229,671
CASH AND CASH EQUIVALENTS		
AT THE END OF THE PERIOD	6,572,900	8,809,603

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Amount in thousands of RMB, unless otherwise stated)

1. CORPORATE INFORMATION AND GROUP STRUCTURE

Bank of Jinzhou Co., Ltd. (the “**Bank**”) was established on 22 January 1997 with approval of the People’s Bank of China (the “**PBOC**”) (Yin Fu 1997 No.29).

The Bank obtained its finance permit No. B0127H221070001 from the China Banking Regulatory Commission (the “**former CBRC**”, which was renamed as China Banking Insurance Regulatory Commission on 8 April 2018). The Bank obtained its business licence 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 of 30 June 2018, 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 former 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 2018, the Bank has 15 branches in Jinzhou, Beijing, Tianjin, Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin, Liaoyang, Hu Ludao, Benxi and Yingkou.

2. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information for the six month period ended 30 June 2018 has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“**IAS 34**”) and should be read in conjunction with the annual financial statements for the year ended 31 December 2017.

Except as described below, the principal accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial information are consistent with those used in the Group’s annual financial statements for the year ended 31 December 2017.

2.1 Standards, amendments and interpretations effective in 2018

On 1 January 2018, the Group adopted the following new standards, amendments and interpretations.

IAS 40 Amendments	<i>Transfers of Investment Property</i>
IFRS 2 Amendments	<i>Classification and Measurement of Share-based Payment Transactions</i>
IFRS 4 Amendments	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>
IFRS 9	<i>Financial Instruments</i>
IFRS 15 and Amendments	<i>Revenue from Contracts with Customers</i>
IFRIC Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Annual Improvements to IFRSs 2014-2016 Cycle (issued in December 2016): IAS 28	<i>Investments in Associates and Joint Ventures</i>

The adoption of amendments, new standards and interpretations above (except for the International Financial Reporting Standard 9 - Financial instruments (“**IFRS 9**”)) will not have material and adverse impact on the Group’s operating results, financial position and comprehensive income during the period.

2.1.1 IFRS 9 - Financial instruments

In July 2014, the IASB issued the IFRS 9, bringing together all phases of the financial instruments project to replace the International Accounting Standard 39 – Financial Instruments (“**IAS 39**”). The standard introduces new requirements for classification and measurement, impairment and hedge accounting.

According to the transitional requirement of IFRS 9, the Group will make adjustment to the shareholders’ equity as at 1 January 2018 to reflect the effect of adoption of IFRS 9 on the consolidated financial statements, but will not restate the comparative periods.

2.2 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2018

		Effective for annual periods beginning on or after
IAS 19 (2011) Amendments	<i>Employee Benefits</i>	1 January 2019
IAS 28 (2011) Amendments	<i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
IFRS 9 Amendments	<i>Prepayment Features with Negative Compensation</i>	1 January 2019
IFRS 10 and IAS 28 Amendments	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Effective date has been deferred indefinitely
IFRS 16	<i>Leases</i>	1 January 2019
IFRS 17	<i>Insurance Contracts</i>	1 January 2021
IFRIC Interpretation 23	<i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Annual Improvements to IFRSs 2015-2017 Cycle		1 January 2019

The Group is considering the impact of these standards, amendments and interpretations on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The implementation of IFRS 9 has resulted in a change to the assessment of the critical accounting estimates and judgements related to impairment of financial instruments. Except for this, the nature and assumptions related to the Group's accounting estimates are consistent with those adopted in the Group's financial statements for the year ended 31 December 2017.

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns PDs to the individual grades
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, EADs and LGDs

The Group will regularly review the expected credit loss model in the context of actual loss experience and adjust when necessary.

4. NET INTEREST INCOME

	For the six month period ended 30 June	
	2018	2017
Interest income arising from		
Balances with the central bank	448,787	342,444
Deposits with banks and other financial institutions	127,021	95,418
Placements with banks and other financial institutions	56,890	10,712
Loans and advances to customers		
– Corporate loans and advances	7,079,048	4,173,835
– Personal loans and advances	310,129	290,941
– Discounted bills	210,036	7,448
Financial assets held under resale agreements	45,294	94,006
Available-for-sale financial assets	–	660,069
Held-to-maturity financial investments	–	178,214
Debt instruments classified as receivables	–	11,295,420
Financial assets at fair value through other comprehensive income	745,250	–
Financial assets at amortised cost	12,698,340	–
Finance lease receivables	273,377	185,328
Subtotal	21,994,172	17,333,835
Financial assets at fair value through profit or loss	34,904	565,029
Total	22,029,076	17,898,864

	For the six month period ended 30 June	
	2018	2017
Interest expense arising from		
Borrowing from the central bank	2,537	180
Deposits from banks and other financial institutions	3,596,341	2,821,888
Placements from banks and other financial institutions	263,510	88,587
Deposits from customers		
– Corporate customers	2,906,873	2,317,684
– Personal customers	3,442,578	2,079,795
Financial assets sold under repurchase agreements	916,110	521,925
Debts securities issued	2,022,615	1,276,937
Subtotal	13,150,564	9,106,996
Financial liabilities at fair value through profit or loss	–	405,092
Total	13,150,564	9,512,088
Net interest income	8,878,512	8,386,776
Including: Interest income on impaired loans	36,910	30,775

5. NET FEE AND COMMISSION INCOME

	For the six month period ended 30 June	
	2018	2017
Fee and commission income		
Agency services fees	127,666	175,057
Settlement and clearing fees	119,131	157,590
Wealth management service fees	96,948	73,696
Underwriting and advisory fees	28,813	40,286
Bank card service fees	6,672	7,555
Others	19,115	1,379
Subtotal	398,345	455,563
Fee and commission expense		
Settlement and clearing fees	15,080	30,949
Others	18,245	24,047
Subtotal	33,325	54,996
Net fee and commission income	365,020	400,567

6. NET TRADING INCOME/(LOSS)

	For the six month period ended 30 June	
	2018	2017
Debt instruments	471,602	975
Derivative financial instruments	1,036,416	(34,259)
Financial instruments designated at fair value through profit or loss	79,859	(11,871)
Total	<u>1,587,877</u>	<u>(45,155)</u>

The above amounts mainly include gains and losses arising from the purchase and sale of, interest income and changes in the fair value of financial assets and liabilities at fair value through profit or loss and derivative financial instruments.

7. OPERATING EXPENSES

	For the six month period ended 30 June	
	2018	2017
Staff costs:		
– Salaries and bonuses	602,676	578,368
– Social Insurance	128,045	111,904
– Housing allowances	46,239	39,241
– Staff welfares	26,818	30,529
– Union funds and education funds	24,003	23,144
– Supplementary retirement benefits	980	815
– Other long-term staff welfares	2,036	(1,851)
Subtotal	<u>830,797</u>	<u>782,150</u>
Depreciation and amortization	210,236	198,722
Tax and surcharges	85,381	67,607
Rental and property management expenses	46,102	44,019
Other general and administrative expenses	399,191	481,571
Total	<u>1,571,707</u>	<u>1,574,069</u>

8. IMPAIRMENT LOSSES ON ASSETS

	For the six month period ended 30 June	
	2018	
Loans and advances to customers		
– Stage I (12-month expected credit loss)		457,308
– Stage II (lifetime expected credit loss)		1,024,282
– Stage III (lifetime expected credit loss - impaired)		134,880
		<hr/>
Subtotal		1,616,470
Financial assets at amortised cost		450,000
Finance lease receivable		17,052
Credit commitments		265,129
		<hr/>
Total		2,348,651
		<hr/> <hr/>
	For the six month period ended 30 June	
	2017	
Loans and advances to customers		
– Individually assessed		215,409
– Collectively assessed		985,419
		<hr/>
Subtotal		1,200,828
Debt instruments classified as receivables		359,807
Finance lease receivable		54,713
		<hr/>
Total		1,615,348
		<hr/> <hr/>

9. INCOME TAX EXPENSE

(a) *Income tax*

	For the six month period ended 30 June	
	2018	2017
Current income tax expenses	1,609,390	1,564,238
Deferred income tax expenses	(197,103)	(251,322)
	<hr/>	<hr/>
Total	1,412,287	1,312,916
	<hr/> <hr/>	<hr/> <hr/>

(b) Reconciliation between income tax and accounting profit

The income tax of the Group's institutions has been provided at the statutory rate of 25%. A reconciliation of the income tax expense applicable to profit before tax at the PRC statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows:

	For the six month period ended 30 June	
	2018	2017
Profit before tax	5,752,028	5,342,960
Statutory tax rate	25%	25%
Income tax calculated at statutory tax rate	1,438,007	1,335,740
Non-deductible expenses ⁽ⁱ⁾		
– Staff costs	325	85
– Others	539	2,120
Subtotal	864	2,205
Non-taxable income ⁽ⁱⁱ⁾		
– Interest income from the PRC government bonds	(17,053)	(18,379)
– Others	(9,531)	(6,650)
Subtotal	(26,584)	(25,029)
Income tax expense	<u>1,412,287</u>	<u>1,312,916</u>

Notes: (i) The non-deductible items mainly represent non-deductible expenses.

(ii) The non-taxable income mainly represents interest income arising from the PRC government bond which is exempted from income tax under Chinese tax regulations.

10. DIVIDENDS

	For the six month period ended 30 June	
	2018	2017
Declared final dividends–RMB0.16 (2017: RMB0.15) per ordinary share:	<u>1,085,059</u>	<u>1,017,242</u>

An ordinary share dividend of RMB0.16 per share in respect of the profit for the year ended 31 December 2017 was approved by the equity holders of the Group at the Annual General Meeting held in May 2018.

An ordinary share dividend of RMB0.15 per share in respect of the profit for the year ended 31 December 2016 was approved by the equity holders of the Group at the Annual General Meeting held in May 2017.

11. Basic and diluted earnings per share (in RMB)

The calculation of basic earnings per share is based on the following:

	For the six month period ended 30 June	
	2018	2017
Earnings:		
Net profit attributable to ordinary shareholders of the Bank	<u>4,229,574</u>	<u>3,990,797</u>
Shares:		
Weighted average number of ordinary shares (in thousands)	<u>6,781,616</u>	<u>6,781,616</u>
Basic and diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB)	<u><u>0.62</u></u>	<u><u>0.59</u></u>

The basic earnings per share amount was computed by dividing the profit attributable to ordinary shareholders of the bank by the weighted average number of ordinary shares in issue during the period.

The Group had no potentially dilutive ordinary shares for the six month period ended 30 June 2018 (For the six month period ended 30 June 2017: Nil).

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Trading financial assets and other financial assets at fair value through profit or loss as below:

	30 June	31 December
	2018	2017
Debt instruments held for trading (a)	3,213,250	1,005,451
Precious metals	—	13,651
Certificates of deposit	1,534,031	—
Beneficial interest transfer plans (b)	13,679,415	—
Debt funds	503,600	—
Wealth management products	235,230	—
Subtotal	<u>19,165,526</u>	<u>1,019,102</u>
Financial assets designated at fair value through profit or loss (c)	<u>26,767,793</u>	<u>22,507,706</u>
Total	<u><u>45,933,319</u></u>	<u><u>23,526,808</u></u>

(a) Debt instruments held for trading

	<u>30 June</u>	<u>31 December</u>
	2018	2017
Issued by institutions in Mainland China		
–Government	–	28,900
–Banks and other financial institutions	<u>3,012,866</u>	<u>976,551</u>
Issued by institutions outside Mainland China		
–Banks and other financial institutions	<u>200,384</u>	–
Total	<u><u>3,213,250</u></u>	<u><u>1,005,451</u></u>
Listed	3,012,866	1,005,451
Non-listed	<u>200,384</u>	–
Total	<u><u>3,213,250</u></u>	<u><u>1,005,451</u></u>

As at the balance sheet date, part of the debt instruments held for trading was pledged for repurchase agreements.

(b) Beneficial interest transfer plans

Beneficial interest transfer plans are mainly beneficial interests issued by trust companies, security companies, insurance companies and asset management companies.

(c) Financial assets and liabilities designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss represented investments in debt securities with proceeds raised from principal-guaranteed wealth management products issued by the Group. The Group accounts for the corresponding investment funds under financial liabilities designated at fair value through profit or loss.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>30 June</u>	<u>31 December</u>
	2018	2017
Debt instruments issued in Mainland China		
– Government	2,656,269	—
– Financial institutions	34,726,195	—
– Corporate	1,012,156	—
Subtotal	<u>38,394,620</u>	—
Equity securities	<u>105,830</u>	—
Total financial assets at fair value through other comprehensive income	<u><u>38,500,450</u></u>	<u>—</u>

As at 30 June 2018, the Group's accumulated impairment change on the financial assets at fair value through other comprehensive income amounted to RMB753 thousand.

As at 30 June 2018, part of the financial assets at fair value through other comprehensive income was pledged for repurchase agreements.

14. FINANCIAL ASSETS AT AMORTISED COST

	<u>30 June</u>	<u>31 December</u>
	2018	2017
Debt instruments issued in Mainland China		
– Government	3,833,333	—
– Financial institutions	1,699,999	—
– Corporate	19,868	—
Subtotal	<u>5,553,200</u>	—
Wealth management product	203,261	—
Beneficial interest transfer plans	<u>334,584,202</u>	—
Total financial assets at amortised cost	<u>340,340,663</u>	—
Allowance for impairment losses	<u>(4,910,745)</u>	—
Carrying value of financial assets at amortised cost	<u><u>335,429,918</u></u>	<u>—</u>

As at 30 June 2018, part of the financial assets at amortised cost was pledged for repurchase agreements.

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets comprise the following:

	<u>30 June</u>	<u>31 December</u>
	2018	2017
Debt instruments (a)	–	50,638,949
Equity instruments (b)	–	58,250
	<hr/>	<hr/>
Total	–	50,697,199
	<hr/> <hr/>	<hr/> <hr/>
Listed	–	41,009,388
Unlisted	–	9,687,811
	<hr/>	<hr/>
Total	–	50,697,199
	<hr/> <hr/>	<hr/> <hr/>

(a) Debt investment

	<u>30 June</u>	<u>31 December</u>
	2018	2017
In Mainland China		
– Government	–	2,324,942
– Banks and other financial institutions	–	47,215,613
– Corporations	–	900,506
	<hr/>	<hr/>
Subtotal	–	50,441,061
	<hr/>	<hr/>
Outside Mainland China		
– Banks and other financial institutions	–	197,888
	<hr/>	<hr/>
Subtotal	–	197,888
	<hr/>	<hr/>
Total	–	50,638,949
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2017, part of the available-for-sale financial assets was pledged for repurchase agreements.

(b) Equity securities

Certain available-for-sale unlisted equity instruments which do not have any quoted market prices and whose fair values cannot be measured reliably are stated at cost less any impairment losses. There is no active market for these investments and it is the Group's intention to dispose of them as opportunities arise.

16. HELD-TO-MATURITY INVESTMENTS

	<u>30 June</u>	<u>31 December</u>
	2018	2017
Debt instruments issued by the following institutions in Mainland China		
– Government	–	3,832,750
– Banks and other financial institutions	–	3,926,073
– Corporations	–	19,841
	<u>–</u>	<u>7,778,664</u>
Total carrying value (a)	<u>–</u>	<u>7,778,664</u>
Listed in Mainland China	<u>–</u>	<u>7,778,664</u>

(a) As at 31 December 2017, part of the held-to-maturity investments was pledged as security for repurchase agreements.

17. DEBT INSTRUMENTS CLASSIFIED AS RECEIVABLES

The debt instruments classified as receivables are unlisted and stated at amortised cost and comprise the following:

	<u>30 June</u>	<u>31 December</u>
	2018	2017
Wealth management products (a)	–	200,088
Beneficial interests transfer plan (b)	–	346,673,345
	<u>–</u>	<u>346,873,433</u>
Total debt instruments classified as receivables	<u>–</u>	<u>346,873,433</u>
Less: Allowance for impairment losses	–	(3,503,866)
	<u>–</u>	<u>(3,503,866)</u>
Carrying value of debt instruments classified as receivables	<u>–</u>	<u>343,369,567</u>

- (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.

18. SEGMENT INFORMATION

(a) Operating segments

For management purposes, the Group is organised into four different operating segments as follows:

Corporate banking business

Corporate banking business covers the provision of financial products and services to corporate customers. The products and services include deposits, loans, settlement and clearing and other products and services relating to the trading business.

Retail banking business

Retail banking business covers the provision of financial products and services to retail customers. The products and services include deposits, bank cards and credit cards, personal loans and collateral loans, and personal wealth management services.

Treasury business

Treasury financial business covers money market placements, investments and repurchasing, foreign exchange transactions, for the Group's own accounts or on behalf of customers.

Other business

This represents business other than corporate banking business, retail banking business and treasury business, whose assets, liabilities, income and expenses are not directly attributable or cannot be allocated to a segment on a reasonable basis.

The transfer prices among segments are determined by the capital sources and due time which should match with the level of lending and deposit rates and interbank market rates announced by the People's Bank of China. Expenses are distributed among different segments according to their benefits.

	For the six-month period ended 30 June 2018				
	Corporate banking business	Retail banking business	Treasury business	Other business	Total
Operating income					
External net interest income/(expense)	4,382,212	(3,132,449)	7,628,749	—	8,878,512
Internal net interest income/(expense)	(855,035)	3,928,285	(3,073,250)	—	—
Net interest income	3,527,177	795,836	4,555,499	—	8,878,512
Net fee and commission income	242,026	97,408	25,586	—	365,020
Net trading income	—	—	1,587,877	—	1,587,877
Net gains arising from investment securities	—	—	24,296	—	24,296
Foreign exchange losses	(383,377)	(20,730)	(786,888)	(357)	(1,191,352)
Other net operating income	—	—	—	8,033	8,033
Total Operating income	3,385,826	872,514	5,406,370	7,676	9,672,386
Operating expenses	(470,944)	(26,231)	(1,009,880)	(64,652)	(1,571,707)
Operating profit/(losses) before impairment	2,914,882	846,283	4,396,490	(56,976)	8,100,679
Impairment losses on assets	(1,642,466)	(256,185)	(450,000)	—	(2,348,651)
Profit/(losses) before tax	<u>1,272,416</u>	<u>590,098</u>	<u>3,946,490</u>	<u>(56,976)</u>	<u>5,752,028</u>
	As at 30 June 2018				
	Corporate banking business	Retail banking business	Treasury business	Other business	Total
Segment assets	236,111,741	11,005,496	491,374,361	7,094,942	745,586,540
Deferred tax assets	—	—	—	2,805,671	2,805,671
Total assets	<u>236,111,741</u>	<u>11,005,496</u>	<u>491,374,361</u>	<u>9,900,613</u>	<u>748,392,211</u>
Segment liabilities	185,244,660	204,133,961	292,147,549	2,770,357	684,296,527
Dividend payable	—	—	—	1,363,798	1,363,798
Total liabilities	<u>185,244,660</u>	<u>204,133,961</u>	<u>292,147,549</u>	<u>4,134,155</u>	<u>685,660,325</u>
Other segment information					
– Depreciation and amortization	<u>(138,718)</u>	<u>(35,747)</u>	<u>(221,501)</u>	<u>(314)</u>	<u>(396,280)</u>
– Capital expenditure	<u>199,204</u>	<u>51,334</u>	<u>318,082</u>	<u>451</u>	<u>569,071</u>

For the six-month period ended 30 June 2017

	Corporate banking business	Retail banking business	Treasury business	Other business	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
Total 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/(loss) 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/(loss) before tax	<u>782,500</u>	<u>274,176</u>	<u>4,473,670</u>	<u>(187,386)</u>	<u>5,342,960</u>

As at 31 December 2017

	Corporate banking business	Retail banking business	Treasury business	Other business	Total
Segment assets	207,210,217	10,676,142	494,839,182	8,312,264	721,037,805
Deferred tax assets	–	–	–	2,379,845	2,379,845
Total assets	<u>207,210,217</u>	<u>10,676,142</u>	<u>494,839,182</u>	<u>10,692,109</u>	<u>723,417,650</u>
Segment liabilities	198,695,911	170,395,089	285,754,251	8,128,666	662,973,917
Dividend payable	–	–	–	279,005	279,005
Total liabilities	<u>198,695,911</u>	<u>170,395,089</u>	<u>285,754,251</u>	<u>8,407,671</u>	<u>663,252,922</u>
Other segment information					
– Depreciation and amortization	<u>(91,129)</u>	<u>(46,011)</u>	<u>(41,816)</u>	<u>(19,766)</u>	<u>(198,722)</u>
– Capital expenditure	<u>147,541</u>	<u>74,492</u>	<u>67,701</u>	<u>32,002</u>	<u>321,736</u>

(b) Geographical information

The Group operates principally in Mainland China.

The distribution of the geographical areas is as follows:

Jinzhou region: Including head quarter of the Bank, Jinzhou branch and the five subsidiaries of the Group.

Other northeastern China: Including the following areas serviced by branches of the Bank: Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin, Liaoyang, Hu Ludao, Benxi, Yingkou and the three subsidiaries of the Group.

Northern China: Including the following areas serviced by branches of the Bank: Beijing and Tianjin.

	Operating Income	
	For the six months ended	
	30 June	
	2018	2017
Jinzhou	7,172,849	6,174,107
Other northeastern China	1,143,779	1,065,330
Northern China	1,355,758	1,292,940
Total	<u>9,672,386</u>	<u>8,532,377</u>

	Non-current assets	
	30 June	31 December
	2018	2017
Jinzhou	2,712,402	2,730,457
Other northeastern China	3,222,826	3,195,954
Northern China	772,552	695,987
Total	<u>6,707,780</u>	<u>6,622,398</u>

19. COMMITMENTS AND CONTINGENT LIABILITIES

(a) *Capital commitments*

The Group had capital commitments as follows:

	<u>30 June</u>	<u>31 December</u>
	2018	2017
Purchase of property and equipment:		
Contracted but not paid for	375,606	901,773
Authorised but not contracted	84,250	120,797
Total	<u>459,856</u>	<u>1,022,570</u>

(b) *Operating lease commitments*

Operating lease commitments - Lessee

Under irrevocable operating lease contracts, the minimum lease payments that should be paid by the Group in the future are summarised as follows:

	<u>30 June</u>	<u>31 December</u>
	2018	2017
Within one year	125,403	106,568
After one year but not more than five years	258,227	264,693
After five years	68,390	68,659
Total	<u>452,020</u>	<u>439,920</u>

(c) *Credit commitments*

At any given time, the Group has outstanding commitments to extend credit. These commitments are in the form of approved loans and undrawn credit card limits. The Group provides letters of credit and financial guarantees to guarantee the performance of customers to third parties. Bank acceptances comprise 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.

The contractual amounts of credit commitments by category are set out below. The amounts disclosed in respect of undrawn credit card limit are under the assumption that the amounts will be fully advanced. The amounts for bank bill acceptances, letters of credit and guarantees represent the maximum potential losses that would be recognised at the end of the reporting period had the counterparties failed to perform as contracted.

	<u>30 June</u>	<u>31 December</u>
	2018	2017
Credit commitments	4,403,567	3,870,216
Bank bill acceptance	143,605,439	105,422,308
Letters of guarantee issued	2,318,947	3,284,999
Letters of credit	16,679,114	21,070,234
Undrawn credit card limits	1,098,984	929,182
	<u>168,106,051</u>	<u>134,576,939</u>

(d) Outstanding litigations and disputes

As at 30 June 2018, the Group was still the defendant of unresolved litigations and disputes, the claims of which amount to RMB 138 million (31 December 2017: RMB 104 million). The Bank was involved in an equity dispute lawsuit with a former shareholder beginning in July 2012, which the Bank won the first instance on 4 June 2018 and the court rebutted the plaintiff's case. The plaintiff appealed on 8 June 2018. As of 24 July 2018, the case has entered the second instance and was still in process. The latest demands of the said former shareholder on 8 June 2018 are that the court (1) rule that he has the right to purchase 9.16% of the Bank's 4,402,233,866 domestic shares under the conditions of RMB 1 per share, 12 year term; (2) until the other defendant returns to him the shareholder equity, rule that the Bank and the other defendant should be jointly liable for RMB 121 million. If the court's ruling are disadvantageous to the Bank, the shareholder's shareholdings in the Bank may be diluted. The relevant shares will amount to roughly 5.61% of the outstanding shares as of 30 June 2018, which will cause said former shareholder to become our biggest individual shareholder. The Bank's directors and legal advisors of this case believe that based on existing evidence, the probability of the Bank losing the equity dispute is remote. After consulting the Group's internal and external legal counsel, the Group did not accrue provisions for the related unresolved litigations and disputes in this period.

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 2018 interim report prepared in accordance with the Listing Rules and the International Financial Reporting 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
28 August 2018

As at the date of this announcement, the executive Directors of the Bank are Mr. Zhang Wei, Mr. Huo Lingbo, Ms. Liu Hong, Mr. Wang Jing, Mr. Sun Jing and Ms. Wang Xiaoyu; the non-executive Directors are Ms. Gu Jie and Ms. Meng Xiao; and the independent non-executive Directors are Mr. Choon Yew Khee, Mr. Lin Yanjun, Mr. Chang Peng'ao, Ms. Peng Taoying and Ms. Tan Ying.

* *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.*